

CADES

N° 16 - JUNE 2006

News

ca des 5,125 % octobre 2008
 cades 5,25 % octobre 2012
 cades 3,15 % juillet 2013
 cades 3,8 % juillet 2006
 cades 3,4 % juillet 2011

EDITORIAL



Patrice RACT MADOUX
 Président de la CADES

In the space of a decade, CADES has successfully consolidated its position as an issuer of the first rank and demonstrated the efficiency of the system put in place to pay down the social security debt assumed by the agency.

With each extension of its mission, and in particular when it assumed an additional 50 billion euros in debt on August 13, 2004, CADES has proven that it is adaptive and responsive. In doing so, it has also demonstrated that its economic model is robust.

CADES was established to amortize a total of 110.4 billion euros in debt. It had already assumed 102 billion euros of this amount on December 31, 2005. Since 1996, our agency has redeemed 29.2 billion euros in principal and 15.14 billion euros in interest. That leaves 72.7 billion euros to amortize, which

means that CADES will be present in the bond market for several years to come.

After reaching 5.18 billion euros in 2005, revenue from the CRDS is expected to amount to 5.3 billion euros in 2006. In light of CRDS revenues, the redemption of bonds that have reached maturity (28.2 billion euros), interest payments (2.6 billion euros), the payment to social security funding organizations (6.61 billion euros), and the last of the scheduled payments to the French government (3 billion euros), the CADES issue program for 2005 totaled 35.3 billion euros and its result at year end was -367 million euros. Benchmark euro bonds for a total amount of 14 billion euros, maturing in 2010, 2013, 2015 and 2020, were the predominant type of issue. In addition, CADES issued two bonds pegged to French inflation for a total amount of 900 million euros, with maturities in 2013 and 2019; four USD issues for a total of 3.5 billion euros; and several private placements in other currencies (AUD, GBP, USD, JPY, NZD, TRY, etc.).

CADES intends to be just as active this year, and has planned to issue debt of 26.8 billion euros. Since the year began, two CADESi bonds due in 2019 and 2013 have been tapped up by 200 million euros each. To date in 2006, CADES has also launched a 3 billion euro benchmark bond maturing in 2016, a 1 billion euro bond maturing in 2013, and a 1 billion euro private placement due in three years. EMTN issues total 300 million euros.

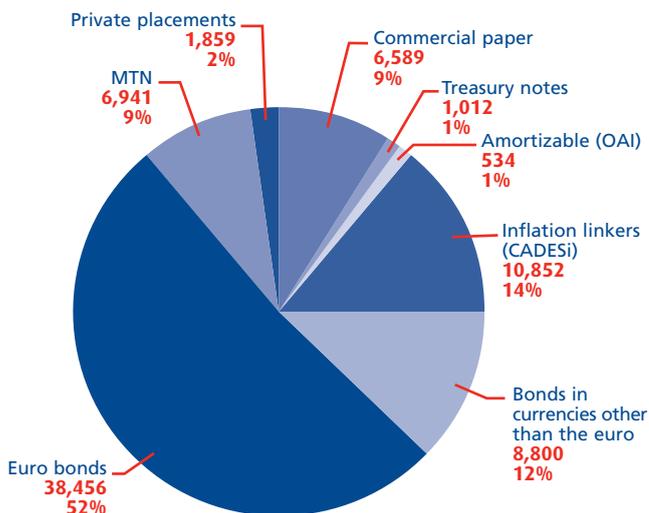
With the last payment to the French government having been made in 2005, the result for 2006 will once again be in positive territory.

To ensure that its program is successfully executed and that it meets the needs of investors over the entire yield curve, CADES plans to meet with the investment community on a regular basis.

P Ract Madoux

Analysis of debt by instrument

in billions of euros



A sought-after, liquid, flexible issuer

At December 31, 2005, total voted debt was €110.4 billion.

Total debt: €110.4 billion

Focus

At December 31, 2005, indexed bonds issued by CADES totaled €10.45 billion.

Indexed €10.45 billion

An issuer of quality

CADES enjoys a triple-A rating and a 0% Basel ratio weighting.

AAA/A1+
 Aaa/P1
 AAA/F1+
 0%

ca des 3,8 % juillet 2006
 octobre 2012
 % juillet 2011



Appointment:

Anthony Requin, chief of staff at the Treasury Department, has been appointed to serve as an alternate on the Board of Directors.

Condensed balance sheet for the year ended December 31, 2005

in millions of euros

Losses carried forward at 01/01/05	- 65,917
Deficit assumed in 2005	- 6,610
Result for the year ended 12/31/05	- 367
Property endowment	+ 181
Remaining debt to be redeemed	- 72,713

Key figures at year-end 2005

in millions of euros

Net CRDS revenues	5,181
Interest expense	- 2,546
Payment to the government	- 3,000
Payment provided for under Social Security Financing Act	
Result	- 367

2005: a year marked by a broad diversity of issues

CADES redeemed 20 EMTN (medium long term debt) for a total of 722 million euros, as well as a 2.3 billion euro bond.

CADES launched euro benchmark bonds totaling 14 billion euros via 4 issues maturing in 5, 8, 10 and 15 years, and tapped up two bonds pegged to French inflation (CADESi) by 900 million euros.

CADES also launched 6.2 billion euros of EMTN, mostly placed in currencies other than the euro.

CADES capitalized on positive market conditions to expand and diversify its financial tools as well as its investor base.

Finally, CADES issued 9.4 billion euros in negotiable debt instruments and, in so doing, confirmed its status as a benchmark issuer in the market for short-term paper.

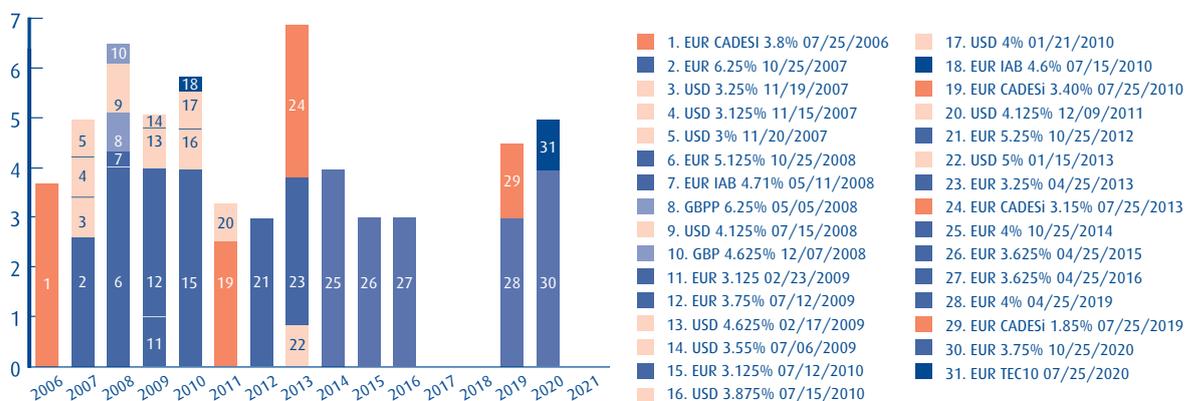
Since it was established by the government order of January 24, 1996, CADES has managed to amortize 29 billion euros in debt (including 2.6 billion euros in 2005) out of the 110.4 billion euros that was entrusted to it by law.

The results posted in 2005 reflect the expanded role of CADES:

Following the assumption in late 2004 of 35 billion euros of additional debt, which was included in the Act dated August 13, 2004, and of 6.61 billion euros on October 7, 2005 (out of a possible 15 billion euros in 2005 and 2006), the net interest paid by CADES went from 1,554 million euros to 2,546 million euros. CRDS revenues rose by 5.8%, reaching 5.2 billion euros. In 2005, CADES made its final 3 billion euro payment to the French government, as provided for in the Social Security Financing Act of 2002. Consequently, the net result for the year ended December 31, 2005 was -367 million euros. CADES expects a positive result once again as of 2006.

Bond maturities

in billions of euros



Sunding program for 2006

Taking into account CRDS revenue projections for the year (5.3 billion euros), the redemption of debt totaling 22 billion euros (including medium - term debt of 4.8 billion euros), and interest payable (estimated to be 3 billion euros), the 2006 program calls for the issuance of 27 billion euros, of which 15 billion euros in medium - to long - term debt. As of May 25, 2006, a total of 5.6 billion euros of debt had been issued in these market segments.

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