

# FONDS DE RÉSERVE POUR LES RETRAITES

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The Executive Board

Paris, May 31, 2005

## PRESS RELEASE

1/ After implementing its organization and defining the strategic orientations governing the investment of its reserves in 2003, the FRR (*Fonds de Réserve pour les Retraites*) focused in 2004 on operational start-up after completing the process of selecting asset managers for its funds. As of year-end 2004, the FRR had invested **€6.371 billion** in the financial markets. As of this same date, the FRR's portfolio was allocated as follows: 25,6% in equities, 7,8% in bonds and 66,6% in cash and money market instruments.

2/ After soliciting the opinion of its Accounting Committee, which is chaired by Jean-Louis Beffa, and after having read the independent auditor's report, the FRR Supervisory Board approved the financial statements for 2004 at its meeting on April 27, 2005. Financial statement highlights are indicated below:

a) Equity capital rose by **€2.8 billion**, bringing the Fund's total reserves as of December 31, 2004 to **€19.256 billion** (versus €16.445 billion at year-end 2003). This increase is attributable to additional funds paid in (**€2.157.9 million**) in 2004, annual investment results (**€342.2 million**) and unrealized capital gains recorded on securities and currency (**€310.5 million**).

b) For 2004, income on the FRR's invested assets totaled **€69.9 million** (€63.3 million from the management of activated mandates, including unrealized capital gains and losses, and €306.6 million in interest on cash deposits for funds not yet invested in mandates). In 2004, the FRR's net assets returned **3,98%**.<sup>1</sup> The return on assets under mandated management was **9,46%**, reflecting positive capital market trends in the second half of 2004. The equity markets, which were the Executive Board's preferred focus of activation as the portfolio was being invested, were particularly well oriented.

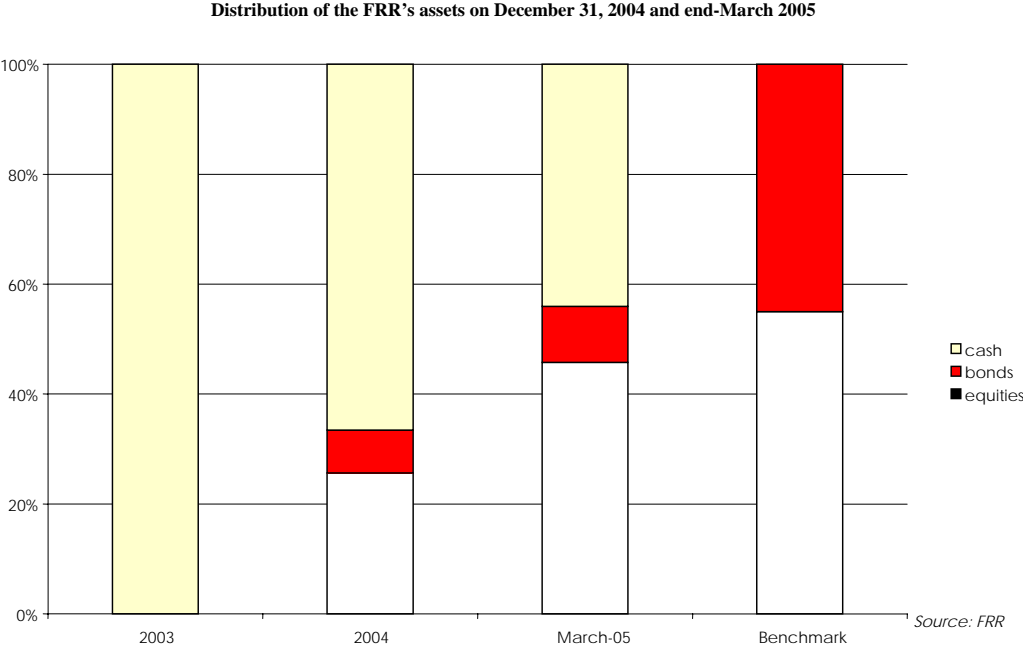
3/ The Executive Board is pursuing its strategy of activating portfolios that remain to be invested in alignment with financial market conditions and trends. At the end of April 2005, the FRR's equity capital totaled **€19.645 billion**. An additional cash payment of €3.06 billion owed by the gas and electrical industries to the CNAV (*Caisse Nationale d'Assurance Vieillesse*), which the FRR has been entrusted to manage, will be made by June 30, 2005, increasing the Fund's assets.

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<sup>1</sup> This return, gross of management fees and net of transaction fees, is calculated on the basis of average invested assets. This average return was not adjusted to reflect the fact that investments were concentrated in the second half of 2004, after the manager selection process was completed. The average cash balance for the year was €14.9 billion, and generated a return close to the money market rate, i.e. around 2%.

At the end of March 2005, the FRR had Net Assets of €19.655 million, including €1.001 billion in respect of its mandates and €8.654 billion in respect of cash and near-cash assets not yet mandated.

An analysis of the FRR's asset allocation shows the following breakdown: equities (46%), bonds under mandate (10%) and non-mandated cash assets (44%).



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