

FONDS DE RÉSERVE POUR LES RETRAITES

Executive Board

December 16, 2005

RELEASE

1/ The FRR Executive Board is launching today a process to select managers for a private equity program, which has been agreed to in principle by the Fund's Supervisory Board. This first private equity program to be initiated by the FRR has two primary objectives:

- On a financial level, increase the global return of the Fund, which has a long-term performance horizon and, through the diversification this will introduce, reduce the global risk.
- contribute positively to the development and transformation of the productive sector. Private equity helps private companies of all sizes operating in varied industries realise their growth potential. Private companies represent the principal component of developed economies. In the last ten years, they have also made the largest contribution to economic growth, job creation and productive investment.

FRR intends to gain exposure to all of the segments for primary investment, thereby:

- * Contributing to the development of innovative new technology businesses by financing their development. For this reason, the FRR has decided to allocate a significant portion of its first program to the venture capital segment.
- * Financing the equity capital needs of small- to mid-sized businesses (SMEs) by providing the financial resources needed to fund organic as well as external development.
- * Enabling the transfer of ownership of these businesses to new generations of entrepreneurs, succession matters being key to the future of these companies.
- * Facilitating the consolidation of SMEs in certain industries so that businesses may achieve critical mass in their markets.

2/ Consistent with these observations and analyses, FRR's Supervisory and Executive Boards adopted a pragmatic approach structured around four major principles for this first private equity programme.

An ambitious initial investment program

For this first program, FRR wishes to commit approximately €1.5 billion to private equity funds, which represents just under 6 percent of its current total invested assets. The investment horizon of the program has been set at 3 to 5 years, with a commitment phase to new private equity vehicles spread over the period from 2006 to 2010, in order to diversify fund vintages. With this program, the FRR will rank among the top tier of French institutional investors in private equity.

An allocation deliberately tilted towards European markets

Today, the private equity market is still tilted towards North America, which represents two-thirds of all investments in terms of volumes invested. However, the growing maturity of the European market, particularly the French market, both in respect of depth and professional calibre and experience level of private equity investment professionals, gives European institutions the opportunity to build portfolios where their local region is given overweight allocation. FRR has opted for a strong tilt towards Europe, around two-thirds of its program to investments in this region. The North American component of the programme should represent about 30 percent, leaving the remaining 5 percent free for allocation outside these two primary reasons as opportunities arise.

Investment via fund of funds managers

FRR has decided to delegate the management outside of FRR, to fund-of-funds managers, and to break the allocation down into several discretionary management mandates (one or two maximum per lot).

Broad diversification of portfolios

Given the duration of this program and the risk attached to this type of investment, the diversification of the portfolio allocation during the fund selection phase appears to be a critical success factor, and will help to avoid risk concentration. FRR has therefore designed its initial portfolio so as to provide sufficient diversification around four separate lots, primarily broken down by broad geographic regions and around one or two dominant strategies.

- Lot 1 – European diversified portfolio

This lot primarily covers Europe, by which is meant the European Union, Switzerland and Norway. The minimum size of lot 1 will be 450 million euros, with a focus on development and succession/buy-out equity. It targets funds of all sizes, having European strategies and searching for mid to large cap transactions. It will also include a predominately technological venture capital allocation.

- Lot 2 – European small and mid cap

This lot covers Europe exclusively, defined as the European Union, Switzerland and Norway, for a total volume of 250 million euros. It will maintain a clear focus on development and succession/buy-out equity, primarily oriented toward one or more local markets, and searching for transactions involving small and mid caps.

- Lot 3 – North American diversified

This lot primarily covers North America, and will total a minimum of 450 million euros. Once again, the predominant themes will be development and succession/buy-out equity, as well as venture capital with a technological focus.

- Lot 4 – International diversified portfolio of secondary positions

This lot of at least 150 million euros covers both Europe and North America. It will give the FRR potential liquidity that will step up the pace of investment for this first private equity program, through secondary positions in private equity funds, diversified in terms of strategy and sector, while reducing the global risk level.

3/ The manager selection process that begins today is being carried out in accordance with the Public Procurement Code, and more specifically its competitive dialogue procedure, which is a three-step process: a pre-screening phase; a dialogue phase involving the public buyer and the short list of applicants, during which technical and legal aspects of the program will be discussed; and the final selection of proposals submitted for consideration. As a reminder, the FRR is required by regulations and legislation in force to entrust its financial management to investment firms whose primary business is third-party asset management and which hold a business license granted by the regulators of an EU member state or a member state of the EEA (European Economic Area). More detailed information on these subjects can be found on the FRR's web site www.fondsdereserve.fr

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