

# SNI GROUP

## Consolidated financial statements for the year ended 31 December 2017

*This is a free translation into English of the consolidated financial statements of SNI Group prepared in the French language and is provided solely for the convenience of English-speaking readers.*

*The translation reflects the most recent developments in IFRSs.*

*These consolidated financial statements and the notes thereto should be read in conjunction with, and construed in accordance with French law and professional accounting standards applicable in France.*

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A French *Société Anonyme d'Economie Mixte à Directoire* (semi-public limited company with a Management Board) with share capital of €893,449,600  
Registered in the Paris Trade and Companies Register (RCS) under no. 470 801  
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## CONSOLIDATED INCOME STATEMENT

CONSOLIDATED INCOME STATEMENT	Notes	2017	2016
Gross rental income		521.9	523.4
Income from recoverable rental charges		74.5	75.0
Recoverable rental charges		-82.0	-82.5
<b>Net rental income</b>		<b>514.4</b>	<b>515.9</b>
Income from property development		13.2	18.9
Cost of inventory		-12.1	-14.8
<b>Property development margin</b>		<b>1.2</b>	<b>4.1</b>
Income from other activities		18.7	14.1
Purchases consumed		-2.0	-2.0
Maintenance		-52.7	-53.9
External services		-53.3	-55.6
Taxes other than income taxes		-44.6	-46.0
Personnel expenses, discretionary and non-discretionary profit-sharing		-78.6	-76.7
Other operating income	6.20	12.4	19.9
Other operating expense	6.21	-19.5	-19.9
<b>RECURRING OPERATING INCOME</b>		<b>296.0</b>	<b>299.9</b>
Disposal gains on investment property		106.9	116.7
<b>GROSS OPERATING INCOME</b>		<b>402.9</b>	<b>416.7</b>
Depreciation and amortisation net of government grants and subsidies		-161.6	-154.6
Net (additions to) reversals of provisions		0.0	0.4
Net disposal gains (losses)		0.0	0.0
<b>OPERATING INCOME</b>		<b>241.3</b>	<b>262.4</b>
Share in net income of associates	6.25	13.4	16.3
<b>OPERATING INCOME AFTER SHARE IN NET INCOME OF ASSOCIATES</b>		<b>254.7</b>	<b>278.7</b>
Cost of gross debt	6.22	-126.3	-132.0
Income from cash and cash equivalents	6.23	17.3	19.2
Change in fair value of derivatives		5.9	2.4
<b>Cost of net debt</b>		<b>-103.1</b>	<b>-110.4</b>
<b>PROFIT BEFORE TAX</b>		<b>151.5</b>	<b>168.3</b>
Income tax expense	6.24	-32.9	-50.0
<b>NET PROFIT</b>		<b>118.7</b>	<b>118.3</b>
Non-controlling interests			
<b>NET PROFIT ATTRIBUTABLE TO OWNERS</b>		<b>118.7</b>	<b>118.3</b>
Earnings per share (€)		€13.28	€23.97
Diluted earnings per share (€)		€13.28	€23.97
<i>Statement of comprehensive income</i>	<b>Notes</b>	<b>2017</b>	<b>2016</b>
<b>Net income reported in the income statement</b>		<b>118.7</b>	<b>118.3</b>
<i>Items that may be recycled subsequently to profit or loss</i>			
Available-for-sale financial assets		0.0	0.0
Cash flow hedges		71.6	-19.0
<i>Fair value adjustments recognised directly in equity</i>		74.0	-19.0
<i>Instruments not qualifying for hedge accounting recycled to profit or loss</i>		-2.4	0.0
Tax on items that may be recycled to profit or loss		-44.9	5.9
<i>Items that will not be recycled subsequently to profit or loss</i>			
Actuarial gains and losses on employee benefits		-0.6	-1.3
Tax on items that will not be recycled to profit or loss		0.2	0.5
<b>Total comprehensive income (loss) recognised in equity</b>		<b>26.2</b>	<b>-13.9</b>
o/w recycled to profit or loss		2.4	0.0
<b>Total comprehensive income (loss) for the period</b>		<b>144.9</b>	<b>104.4</b>
Attributable to non-controlling interests		0.0	0.0
Attributable to owners		144.9	104.4

## CONSOLIDATED BALANCE SHEET

<b>ASSETS</b>	<b>Notes</b>	<b>2017</b>	<b>2016</b>
Intangible assets	6.1	5.4	5.7
Owner-occupied property and equipment	6.1	12.3	12.3
Investment property	6.1	4,864.7	4,763.9
Available-for-sale financial assets	6.2	149.4	78.5
Investments in associates	6.3	389.3	374.5
Other non-current financial assets and derivatives	6.4	544.0	647.3
Deferred tax assets	6.5	13.0	39.7
<b>NON-CURRENT ASSETS</b>		<b>5,978.0</b>	<b>5,921.9</b>
Inventories and work in progress	6.6	22.3	33.2
Trade receivables	6.7	169.3	178.6
Current tax assets	6.8	4.5	1.1
Sundry receivables	6.9	343.4	46.7
Other current financial assets and derivatives	6.10	106.6	29.4
Cash and cash equivalents	6.11	734.8	775.2
<b>CURRENT ASSETS</b>		<b>1,380.8</b>	<b>1,064.2</b>
Assets held for sale	6.12	2.7	1.7
<b>TOTAL ASSETS</b>		<b>7,361.5</b>	<b>6,987.8</b>

<b>EQUITY AND LIABILITIES</b>	<b>Notes</b>	<b>2017</b>	<b>2016</b>
Share capital		893.4	493.4
Additional paid-in capital		52.1	52.1
Consolidated reserves		1,325.1	1,207.4
Revaluation reserve		-196.5	-223.2
Attributable net profit		118.7	118.3
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT</b>	<b>6.13</b>	<b>2,192.8</b>	<b>1,648.0</b>
Non-controlling interests			
<b>TOTAL EQUITY</b>	<b>6.13</b>	<b>2,192.8</b>	<b>1,648.0</b>
Non-current provisions	6.14	29.8	29.6
Non-current borrowings	6.15	3,484.1	3,381.6
Other non-current financial liabilities and derivatives	6.16	993.6	1,165.1
Deferred tax liabilities	6.5	0.0	0.0
<b>NON-CURRENT LIABILITIES</b>		<b>4,507.6</b>	<b>4,576.3</b>
Current provisions	6.14	19.4	18.7
Current borrowings	6.15	430.8	518.7
Trade accounts payable	6.17	41.4	43.1
Current tax liabilities	6.18	0.0	11.9
Other payables	6.19	167.2	170.6
Other current financial liabilities and derivatives	6.16		
<b>CURRENT LIABILITIES</b>		<b>658.7</b>	<b>763.0</b>
Liabilities related to assets held for sale	6.12	2.4	0.5
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>7,361.5</b>	<b>6,987.8</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

	2017	2016
<b>NET PROFIT FOR THE PERIOD</b>	<b>118.7</b>	<b>118.3</b>
Net depreciation, amortisation and impairment expense	162.8	155.6
Impact of fair value adjustments	1.3	6.0
Other non-cash income and expenses	-4.1	-2.9
Disposal gains or losses	-111.6	-122.2
Interest income or expense on sales of consolidated investments		
Share in net income of associates (see 6.25)	-13.4	-16.3
Dividends received	-1.4	-1.2
Receivables written off and bad debts	2.9	2.4
<b>Gross cash flow from operating activities after cost of debt and tax</b>	<b>155.3</b>	<b>139.7</b>
Cost of net debt	109.0	112.1
Current and deferred tax expense (see 6.24)	32.9	50.0
<b>Gross cash flow from operating activities before cost of debt and tax</b>	<b>297.2</b>	<b>301.8</b>
Cost of debt net of interest income and expense	-3.1	-5.9
Net change in trade accounts receivable and payable	-7.9	-3.9
Employee benefit obligation	0.1	7.8
Tax expense (1)	-66.8	-34.1
<b>NET CASH FLOW GENERATED FROM OPERATING ACTIVITIES (a)</b>	<b>219.5</b>	<b>265.7</b>
Expenditure on acquisitions of investment property	-313.8	-347.2
Proceeds from disposals of investment property	181.6	198.9
Expenditure on acquisitions of equity investments	-76.5	-14.3
Proceeds from disposals of equity investments	0.0	0.0
Impact of changes in scope of consolidation - Acquisitions	0.0	0.0
Impact of changes in scope of consolidation - Disposals	0.0	0.0
Proceeds and expenses related to disposals	0.0	0.0
Dividends received	1.8	1.5
Interest income received	13.5	17.1
Expenditure on/proceeds from other securities held for long-term investment	-93.8	2.3
Cash in or out for financial claims	20.1	19.8
<b>NET CASH FLOW USED IN INVESTING ACTIVITIES (b)</b>	<b>-267.2</b>	<b>-121.9</b>
Share capital subscriptions received from shareholders	100.0	0.0
o/w paid up by the parent	100.0	0.0
o/w paid up by non-controlling interests		
New borrowings and debt	284.3	206.3
Repayment of borrowings and debt	-249.3	-202.5
Change in other financial liabilities	-0.6	-0.4
Gross interest paid	-113.0	-118.6
Change in sundry receivables and payables	0.3	3.7
Dividends paid (2)		
<b>NET CASH FLOW GENERATED FROM (USED IN) FINANCING ACTIVITIES (c)</b>	<b>21.7</b>	<b>-111.5</b>
Impact of changes in scope of consolidation - first-time consolidation of ADESTIA (d)	0.0	2.5
Reclassification of accrued interest on term deposits in cash and cash equivalents (e)	17.4	
<b>Change in cash and cash equivalents (I) = (a) + (b) + (c) + (d) + (e)</b>	<b>-8.7</b>	<b>34.8</b>
Net cash and cash equivalents at start of year (A)	551.4	516.5
Net cash and cash equivalents at end of year (B)	542.7	551.4
<b>Change in cash and cash equivalents (3) (II) = (B) - (A)</b>	<b>-8.7</b>	<b>34.9</b>
(1) o/w cancellation of tax charge	0.0	0.0
(2) o/w dividends paid to the parent	0.0	0.0
(3) cash and cash equivalents are stated net of short-term bank loans and overdrafts (note 6.11)		

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Number of shares	Share capital	Consolidated reserves	Equity attributable to owners	Non-controlling interests	Total equity
<b>At 31 December 2015</b>	<b>4,934,494</b>	<b>493.4</b>	<b>1,051.3</b>	<b>1,544.7</b>	<b>0.0</b>	<b>1,544.7</b>
Fair value adjustments to derivatives (1)			-13.1	-13.1		-13.1
Actuarial gains and losses on post-employment benefits			-0.8	-0.8		-0.8
Fair value adjustments to available-for-sale financial assets						0.0
Total amount of adjustments recognised directly in reserves			-13.9	-13.9		-13.9
Net profit for the year ended 31 December 2016			118.3	118.3		118.3
Total comprehensive income for the year ended 31 December 2016			104.4	104.4		104.4
Dividends paid						0.0
Changes in scope of consolidation			0.2	0.2		0.2
Other movements (2)			-1.3	-1.3		-1.3
<b>At 31 December 2016</b>	<b>4,934,494</b>	<b>493.4</b>	<b>1,154.6</b>	<b>1,648.0</b>	<b>0.0</b>	<b>1,648.0</b>
Capital increase (3)	4,000,000	400.0		400.0		400.0
Fair value adjustments to derivatives (1)			28.3	28.3		28.3
Restructured derivatives recycled to profit or loss			-1.6	-1.6		-1.6
Actuarial gains and losses on post-employment benefits			-0.6	-0.6		-0.6
Fair value adjustments to available-for-sale financial assets						0.0
Total amount of adjustments recognised directly in reserves			26.1	26.1		26.1
Net profit for the year ended 31 December 2017			118.7	118.7		118.7
Total comprehensive income for the year ended 31 December 2017			144.8	144.8		144.8
Dividends paid						0.0
<b>At 31 December 2017</b>	<b>8,934,494</b>	<b>893.4</b>	<b>1,299.4</b>	<b>2,192.8</b>	<b>0.0</b>	<b>2,192.8</b>

(1) Recognition in equity of the effective portion of fair value adjustments to derivatives

(2) Impact of Regulation No. 2015-04 issued by France's accounting standards setter (*Autorité des Normes Comptables*) applicable to social housing bodies

(3) Capital increase fully subscribed by Caisse des Dépôts et Consignations, €100 million of which has been paid up

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SNI SA is a French *société anonyme d'économie mixte* (semi-public limited company) with a Supervisory Board and a Management Board. It is 99.99% owned by Caisse des Dépôts et Consignations (CDC). SNI SA is registered in the Paris Trade and Companies Register (RCS) under no. 470 801 168 and its head office is located at 100-104 avenue de France-75646 Paris Cedex 13 – France.

The SNI Group is France's biggest landlord and manages a portfolio of more than 425,000 units of housing. This includes over 86,000 units managed by its consolidated entities specialised principally in intermediate housing, over 191,000 units of social housing owned through a majority holding in the Group's non-consolidated *ESHs* (social housing companies), almost 77,000 units of emergency accommodation operated by its subsidiary ADOMA, and just short of 71,000 units managed by six real estate companies in French Overseas Departments (*Sociétés Immobilières d'Outre-Mer*) in which SNI acquired a stake in late 2017.

The consolidated financial statements cover the period from 1 January 2017 to 31 December 2017.

## 1. Basis of preparation of the consolidated financial statements

Unless indicated otherwise, all amounts are presented in millions of euros and rounded out to one decimal place. The Group does not carry out any transactions denominated in a foreign currency.

### 1.1 Presentation of the balance sheet

Items are broken out into their current and non-current portions.

Non-current assets have maturities of greater than 12 months and mainly comprise intangible assets, investment property, available-for-sale financial assets, investments accounted for by the equity method, other non-current financial assets and deferred tax assets.

Current assets comprise assets held for sale or for consumption in the course of the Group's business cycle such as inventories and work in progress, trade accounts receivable and cash and cash equivalents.

Non-current liabilities include the portion of bank debt and other borrowings with maturities of greater than one year and deferred tax liabilities.

Current liabilities consist of all operating liabilities and the portion of debt that falls due within 12 months of the reporting date. Current liabilities also include bank overdrafts.

### 1.2 Presentation of the income statement

The income statement is presented by type of income or expense and broken down as follows:

#### *Recurring operating income and Gross operating income*

Recurring operating income comprises all income and expenses generated by the Group's main cash-generating units (CGUs) and all of its other businesses before:

- net disposal gains or losses on investment property (\*), and
- net depreciation and amortisation expense and government grants related to investment property.

(\*) amount net of the related marketing fees and work required.

The Group uses this indicator to calculate financial ratios and to analyse financial data (Recurring operating income/Revenue).



Gross operating income is equal to Recurring operating income plus net disposal gains or losses on investment property.

#### *Operating income*

Operating income comprises all income and expenses generated by the Group's main cash-generating units (CGUs) and all of its other businesses that are not related to investing or financing activities.

#### *Operating income after share in net income from associates*

In accordance with Recommendation 2013-01 issued by France's accounting standards setter (*Autorité des Normes Comptables*) on 4 April 2013, "Share in net income of associates" is now presented as part of "Operating income".

#### *Cost of net debt*

Cost of net debt comprises the sum of the following items for the reporting period:

Cost of gross debt, consisting of:

- all bank borrowings carried in liabilities (both the current and non-current portion, including short-term bank loans and overdrafts);
- all other borrowings (current and non-current portion).

Income from cash and cash equivalents comprises interest income net of interest expense on investments in money market funds, dividends received, share in net income of associates, and net financial income (expense) from the Group's cash pooling agreement.

Cost of net debt is the sum of cost of gross debt, change in fair value of derivatives and income from cash and cash equivalents.

## 2. Significant events of the year

### *Intermediate housing*

There was a big ramp-up in intermediate housing operations in 2017. Under the Finance Law of 2014, this type of housing is eligible for special tax treatment and will be a key focus of SNI's development over the next five years.

Two investment vehicles are involved in the intermediate housing stimulus plan being spearheaded by SNI:

- Fonds de Logement Intermédiaire (FLI), a private investor fund that is 19.14%-owned by SNI (directly and indirectly), with an investment capacity of €1.7 billion, corresponding to nearly 10,000 new units of housing. FLI was launched in 2014. It is managed by Ampère Gestion – a wholly-owned subsidiary of SNI - which contracts asset and property management activities out to SNI.
- Société de Logement Intermédiaire (SLI), a real estate investment fund (*OPCI*), managed on behalf of the French State with an investment capacity of €2.3 billion, i.e., approximately 13,000 units of housing. This fund was launched in 2015 and Ampère Gestion and SNI successfully tendered for the related fund and asset management activities. SNI was also retained to provide property management services following a competitive bidding process. In late 2017, SNI successfully bid for 14 out of 23 tenders to provide rental and technical management services (representing 395 housing units).
- SNI also intends to oversee the construction of 12,000 units of intermediate housing directly, representing a total investment €2.25 billion.

At end-2017, over 20,000 units of intermediate housing had been ordered by the three investment vehicles and 9,844 Service Orders had been issued (including 4,668 in 2017: 1,445 by SNI and 3,223 by the investment funds).

### *Acquisition of a stake in SEM d'Outre-Mer (SIDOM)*

SNI acquired 34% of the capital of six real estate companies in French Overseas Departments (*SIDOM*) for an amount of €64.6 million together with a call option on an additional 22% and an earn-out clause to be exercised within five years.

The related accounting treatment under IFRS is described in Note 4.10 Available-for-sale financial assets.

### *Property portfolio divestment programme*

SNI and Sainte-Barbe continued to implement their asset disposal programmes and the volume of sales was similar to last year.

### *Property development*

In total, more than 1,300 units of housing were capitalised by the Consolidated division directly and over 1,400 units as part of the Group's management activities (for third parties).

### *Human Resources*

An employee-related agreement was signed dealing with the creation of a trade union space and an amendment was signed bringing the health care plan into line with French regulations concerning medical expenses and covering UES, SNI, GIE and CAM. Group-wide agreements concerning employee savings schemes and individual mobility now also cover UES, SNI, GIE and CAM.

### *Energy transition plan*

In 2016, SNI signed a fourth partnership agreement with EDF to develop energy savings initiatives in its property portfolio through the use of Energy Saving Certificates. This extends the previous agreement whose target SNI reached in 2016 (set at the equivalent of 6 TWhc in energy savings since the 2014 agreement came into force) and the new agreement allows Energy Saving Certificates to be used for retrofits eligible under the national program that are completed before 31 December 2018. The Group is aiming to use this partnership to generate another 6 TWhc worth of Energy Saving Certificates, including at least 4.8 TWhc in "*Socially distressed*" Energy Saving Certificates.

A fifth agreement is currently being prepared to cover 2019-2021.

At the same time, SNI continued to systematically use two applications to analyse all of its projects: (i) *SNI Environnement* which assesses environmental impacts throughout the project life cycle based on three criteria (water savings, energy performance and health and safety) and; (ii) *Etalement Urbain* (i.e., urban sprawl) an application that can be used to limit the spatial encroachment of new Group developments or acquisitions.

In 2016, SNI signed a four-year project management consultancy agreement with *CDC Biodiversité* that focuses on moving towards pro-biodiversity, adapted management techniques for maintaining green spaces on its properties and encouraging programme developers to try to obtain eco-certification and labels. The Group also signed up to *Nature 2015*, a long-term initiative that encourages willing economic stakeholders to support projects that aim to preserve or reconstitute natural areas, ecological networks, forests and farmland.

### *Financing*

The Consolidated division raised an additional €284 million of debt over the period, including €150 million in market debt (bonds) with an average maturity of 15 years.

The average cash balance held by the Consolidated division during the period was €763 million and the average yield on cash balances came out at 1.95%. This performance was largely due to significant balances held in long-term deposits.

SNI's rating was reviewed by Fitch in July and confirmed at AA-, i.e., one notch below our shareholder and sponsor (CDC). This rating is a reflection of the increased control exercised by CDC as well as the financial strength of SNI.

### 3. Accounting policies

#### 3.1 Accounting standards

In accordance with European directive 1606/2002/EC of 19 July 2002, the consolidated financial statements of SNI and its subsidiaries ("the Group") for 2017 have been prepared in accordance with the International Financial Reporting Standards adopted by the European Union before 31 December 2017.

The standards adopted by the European Commission may be consulted on the IASB's website at (<http://www.ifrs.org/issued-standards/list-of-standards/>).

International Accounting Standards include IFRSs (International Financial Reporting Standards) and IASs (International Accounting Standards) as well as the related interpretations (SICs and IFRICs).

The standards, amendments and interpretations applicable for the first time at 31 December 2017 are:

- Amendments to IAS 12 – Income Taxes: Recognition of deferred tax assets for unrealised losses
- Amendments to IAS 7 - Disclosure Initiative

Amendments adopted in 2017 did not have a material impact on the consolidated financial statements. Pursuant to the afore-mentioned amendment to IAS 7, a debt reconciliation schedule has been included in Note 6.15.3. This schedule reconciles:

- (i) borrowings carried in liabilities (consolidated balance sheet)
- (ii) with movements in borrowings recorded in cash flow used in financing activities (consolidated statement of cash flows)

The following standards, amendments and interpretations adopted but mandatory for subsequent periods, or awaiting adoption by the European Union, were not early adopted due to the non-material impact they are expected to have on the consolidated financial statements:

- IFRS 9 – Financial Instruments (applicable for reporting periods beginning on or after 1 January 2018): This standard covers (i) classification and measurement of financial instruments, (ii) an impairment model for financial assets, and (iii) general hedge accounting principles.
  - (i) Given the nature of the Group's financial instruments, with the exception of non-consolidated equity investments, the manner in which financial assets and liabilities may be classified *vis-à-vis* IAS 39 does not have any impact on their measurement. Although the fair value measurement model is still used, differences will no longer be recognised in equity under items that may be reclassified to profit or loss, but in equity or profit or loss under items that may not be reclassified to profit or loss, depending on the option chosen. This point was non-material for the Group at end-2017.
  - (ii) Concerning the new IFRS 9 impairment model based on expected losses and not certain losses as was the case under IAS 39, a simplified approach is permitted for rent and trade receivables that involves calculating impairment from historic customer default rates observed over time, adjusted for forecast estimates. Because the Group's impairment provisions are already calculated using historical operating data, the Group Finance department does not anticipate any major changes in the impairment measurement basis.

- (iii) Lastly, in view of the Group's current hedging positions, IFRS 9 should not lead to reclassification of any hedging instruments to/from those used for speculative purposes.
- Consequently, the main change expected to result from the adoption of IFRS 9 relates to extra disclosures concerning the Group's risk management strategy.

- IFRS 15 - Revenue from Contracts with Customers (applicable for reporting periods beginning on or after 1 January 2018):  
As a landlord, most of the Group's revenue comprises rental income recognised in accordance with IAS 17. This accounting treatment is not challenged by IFRS 15 which will replace IAS 18 – Revenue, and IAS 11 – Construction Contracts, as well as the related interpretations.  
Consequently, only the Group's more marginal property development business currently accounted for under IAS 11 is concerned by IFRS 15, which recommends recognising revenue from off-plan sales on a percentage-of-completion basis (i.e. percentage of costs incurred, including the cost of land). Because the method currently applied is identical (see Note 4.20), no material changes are expected to arise from the application of IFRS 15 from 1 January 2018.
- IFRS 16 – Leases (applicable for reporting periods beginning on or after 1 January 2019): Because the two definitions of leases under IAS 17 and IFRS 16 are very close, the number of agreements classified as leases in the Group's accounts under IFRS should not change significantly. The Group Finance department has conducted an initial analysis of the standard to draw up a plan of action through 1 January 2019 when the standard becomes applicable.

The actual quantitative impacts of this new standard will be disclosed in the consolidated accounts at 31 December 2018.

These consolidated financial statements were approved by the Management Board on 7 March 2018.

### 3.2 Consolidation methods

All entities, over which the Group exercises exclusive control, either directly or indirectly, are fully consolidated. Entities over which the Group exercises significant influence and jointly-controlled companies are accounted for by the equity method.

### 3.3 Scope of consolidation

The Group's scope of consolidation at 31 December 2017 comprises the following six entities:

Entity	Legal form	2017		2016
		Consolidation method	% control	% control
Société Nationale Immobilière (SNI)	parent	FULL	-	-
Sainte Barbe SAS	subsidiary	FULL	100%	100%
ADOMA SAEM	subsidiary	EQUITY	56.44%	56.41%
FLI	subsidiary	EQUITY	19.14%	19.14%
Ampere Gestion	subsidiary	FULL	100%	100%
Adestia	subsidiary	FULL	100%	100%

*FULL: fully consolidated / EQUITY: equity method / NC: Not consolidated*

#### *Consolidation method used for ADOMA*

Despite SNI's majority stake in this entity, it is not deemed to exercise control within the meaning of IFRS 10. Instead, ADOMA is treated as a joint-venture within the meaning of Revised IAS 28.

#### *Companies excluded from the scope of consolidation*

- ESH social housing companies (*Entreprise Sociale pour l'Habitat*) are excluded from the scope of consolidation. Although Adestia is the strategic shareholder of these entities from a legal standpoint, its exposure to the earnings of the ESHs is severely constrained by the French building and housing code (*Code de la construction et de l'habitation*) (i.e., annual dividend entitlement is capped at the nominal amount of shares multiplied by the interest rate payable on Livret A passbook accounts plus a fixed margin; limit on the disposal price of shares; weak share capital base of these entities in terms of their total assets, etc.). Consequently, Adestia has a very limited ability to influence the earnings of these ESHs and its relative exposure in terms of their total earnings is non-material. Therefore, SNI does not control the ESHs and it recognises the related investments in "Available-for-sale financial assets".
- In view of their similarities with ESH social housing companies in terms of the cap on distributable profits, the *SIDOM* entities (*Société Immobilière d'Outre-Mer* – French Overseas Department real estate companies) are not included in the scope of consolidation. These investments are also recognised in "Available-for-sale financial assets".

### **3.4 Consolidation adjustments and intercompany transactions**

Accounting policies are applied throughout the Group in a consistent manner and all entities have a 31 December year-end.

Inter-company transactions and any disposal gains or losses between Group entities are eliminated in consolidation.

### **3.5 Business combinations (Revised IFRS 3)**

The cost of the business combination corresponds to the fair value of the assets and liabilities contributed or equity instruments given in exchange for the acquiree. Goodwill is recognised in assets for the excess of the cost of the acquisition over the Group's share in the net fair value of the acquiree's identifiable assets after adjusting for the impact of deferred taxation. Any negative goodwill is recognised directly in profit or loss. IFRS 3 does not apply to the acquisition of an asset or a group of assets that does not constitute a business. The cost of such a transaction will be allocated to individual identifiable assets and liabilities based on their fair values and will not give rise to the recognition of any goodwill.

### **3.6 Segment reporting (IFRS 8)**

The Group only reports one operating segment for the following reasons:

- the vast majority of its activities are concentrated in a single business segment, i.e., the management of property consisting primarily of housing used for rental purposes held in freehold or on a non-freehold basis, and a much smaller commercial property activity;
- the Group's entire property portfolio is located in France.

This business segment is used for management reporting purposes and the chief operating decision maker is the Management Board.

### **3.7 Fair Value Measurement (IFRS 13)**

The Group began applying IFRS 13 on 1 January 2013. This standard provides a single framework for measuring fair value based on the notion of disposal price. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

It sets out the following three-level measurement hierarchy:

- Level 1 inputs (unadjusted quoted prices) are quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 inputs are unobservable inputs for the asset or liability.

The fair value measurement hierarchy ranks measurement inputs in order of importance, it does not rank the measurement techniques actually used. In the event that inputs from different levels are used, the resulting fair value is classified at the same level as the lowest-ranked input used.

#### *Investment property*

Measurement at fair value must reflect the asset's highest and best use.

SNI has not identified any alternative use (in the event of reconversion of the asset, for example), that would result in a fair value that is greater than that measured according to the asset's current use.

Measuring buildings at their fair value requires the use of different measurement techniques (see section 4.4 Asset measurement) that use observable and unobservable inputs that have been subject to certain adjustments.

Consequently, the Group's property portfolio is deemed to be measured based on Level 3-type inputs.

#### *Financial instruments*

IFRS 13 requires that counterparty credit risk and SNI's own credit risk is factored into the measurement of financial assets and liabilities at fair value. Credit risk is based on Moody's historical default rates applied to bad debt recovery rates.

In the measurement of derivative instruments, credit risk is deemed to be a component of the ineffective portion of effectiveness testing. The impact of recommended adjustments under IFRS 13 on the consolidated financial statements at 31 December was not material.

The measurement of derivatives based on the measurement hierarchy is disclosed in Note 6.16.7.

## 4. Accounting policies - measurement

### 4.1 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance, controlled by an entity as a result of past events from which future economic benefits are expected to flow to the entity. An intangible asset is identifiable when it is separable or arises from contractual or other legal rights.

Intangible assets with determinable useful lives are amortised using the straight-line method over the asset's expected useful life.

These intangible assets, comprising leases on managed property, are amortised over the lease term.

### 4.2 Owner-occupied property and equipment

Owner-occupied property and equipment consists mainly of office improvements and furniture. They are measured at historical cost and depreciated over periods of between five and ten years using the straight-line method.



### 4.3 Investment property

Property held on a long-term basis and leased to third parties under operating leases and/or held for capital appreciation purposes is deemed to be investment property.

The Group has elected to measure investment properties using the cost model.

Investment property is property (land or buildings) held to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes, or for sale in the ordinary course of business.

This category includes buildings under construction or buildings being refitted for subsequent use as investment property as well as advances paid on such property.

In accordance with IAS 40, investment property is measured using the cost model, i.e., cost less accumulated depreciation and any accumulated impairment losses.

The cost of investment property includes:

- the purchase price as per the sale agreement or cost of construction, including non-refundable taxes, less any trade or cash discounts;
- the cost of renovation work;
- any directly attributable expenditure required to prepare the property for rental in line with the use intended by management. Directly attributable expenditure includes, for example, professional fees for legal services, property transfer taxes and other transaction costs;
- the cost involved in bringing the property into line with safety and environmental regulations;
- capitalised borrowing costs (see Note 4.8).

The gross carrying amount is broken out into separate components, each with its own useful life.

Each investment property is depreciated over its expected useful life using the straight-line method, with the exception of land which is not depreciated. These periods are as follows:

- new buildings and recent acquisitions: 40 years for the shell and between 15 and 25 years for the other components;
- acquisitions of old property: 30 years for the shell and between 12 and 20 years for the other components;
- renovation work: 15, 25 or 40 years, depending on the component.

In accordance with IAS 36, investment property is tested for impairment when recent events or changes in the market or internal sources of information indicate that the asset may be impaired.

### 4.4 Asset measurement and impairment testing

IAS 36 requires entities to test goodwill and finite-lived intangible assets for impairment at least once a year and to test other non-financial, non-current assets such as investment property if there is an indication that the assets may be impaired.

An indication of impairment may take the form of a significant decline in the assets' market value and/or a significant change in the technological, economic or legal environment.

An impairment loss provision is recognised when the recoverable amount of an asset is less than its carrying amount.

### *Basis for determining impairment of intangible assets and other property and equipment*

These assets are tested individually or with other groups of assets when they do not generate cash flows that are independent of the cash inflows of other assets or groups of assets.

If an indication of impairment no longer exists or diminishes and an asset's recoverable amount once again exceeds its carrying amount, impairment previously recognised on property and equipment and intangible assets may be reversed.

### *Basis for determining impairment of investment property*

The recoverable amount of investment property is the higher of its fair value less costs to sell and its value in use. Fair value is the net market value determined by expert valuations. Value in use is equal to the value of future income expected from these assets discounted to present value.

If an indication of impairment exists and the estimated recoverable amount is less than the carrying amount, an impairment loss is recognised for the difference. This will alter the asset's depreciable basis and may change its depreciation schedule.

If an indication of impairment no longer exists or diminishes and an investment property's recoverable amount once again exceeds its carrying amount, impairment previously recognised may be reversed. The carrying amount after the impairment reversal is capped at the amount net of accumulated depreciation that would have been determined had the impairment not been recognised previously.

### *Measurement of housing portfolio*

Every year, the Group's investment property portfolio is subject to an external or in-house expert appraisal of its value:

#### Use of an external expert appraiser

- buildings with an estimated market value greater than €10 million, or buildings earmarked for a block sale in 2018 are subject to an on-site appraisal;
- for buildings with a market value of between €5 million and €10 million, an expert value opinion is issued every two years. In the year in which an expert opinion is not issued, the previous year's valuation is used.

#### Internal evaluation

The rest of the portfolio is valued based on a methodology developed in-house:

- an in-house expert appraisal is performed on buildings with a market value of less than €5 million by taking the median value generated by capitalising rents, market comparisons and discounting future cash flows to present value;
- buildings that have been capitalised for less than three years are valued at their carrying amount less any grants and subsidies received.

### *Basis for determining the fair value of buildings*

Three methods are commonly used to appraise the fair value of property:

- comparisons based on data collected internally or by the French *Chambre des notaires* (or Callon);
- capitalisation of gross rents (or yield methods);
- discounting future cash flows from the property concerned to present value.



The fair value is also a function of the probable method of disposal and a block sale is used as the default assumption when appraising market values. For split sales, the comparison method is used after adjusting for financing arrangements and the discount applied to block sales. The other two methods listed above would appear most appropriate for block sales.

These methods are applied both for external appraisals and in-house valuations performed by the Group where the estimated market value is equal to the median value for the three methods. External appraisals are entrusted to the firm of Cushman&Wakefield which has signed up to the real estate appraisal charter drafted under the auspices of *Institut Français de l'Expertise Immobilières* (French institute of property appraisers). The estimated market value is generally equal to the average value under the three methods.

## 4.5 Leases

The Group uses leased assets and it leases out assets in the course of its business activities. These leases are analysed based on the situations and disclosures listed in IAS 17 to determine whether they are finance or operating leases.

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. An operating lease is a lease other than a finance lease. The distinction is made at the inception of the lease.

### *As lessee – Finance leases*

The asset is recognised in property and equipment with a matching entry in financial liabilities. It is measured at the lower of the fair value of the leased asset or the value of minimum lease payments discounted to present value. At inception of the lease, these agreements generally provide for balancing cash payments representing the fair value of the leased asset which extinguishes the related liability.

### *As lessee – Operating leases*

Lease payments are expensed to profit or loss on a straight-line basis over the term of the lease.

### *As lessor – Finance leases*

The assets are recognised under “Other non-current financial assets” for the amount of the net investment in the lease. Financial income is based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the finance lease.

Lease payments received for the period are allocated to gross investment in the lease, net of costs for services.

### *As lessor – Operating leases*

The assets are carried in the lessor's balance sheet according to the nature of the asset.

Rental income is recognised on a straight-line basis over the fixed term of the lease along with any specific provisions or advantages (rent-free periods, step rents, lease rights, etc.).

## 4.6 Administrative long leases

The Group has acquired a property portfolio from the French State, public bodies and local and regional authorities on long leases with a maximum 99-year term. At inception of the lease, these agreements generally provide for balancing cash payments.

These operations and the balancing payments are analysed lease by lease in order to determine the most appropriate treatment under IFRS.

#### **4.7 Treatment of government grants and subsidies**

The Group accounts for subsidies and government grants received in the course of its business as follows:

- investment subsidies are deducted from the value of the related assets and taken to profit or loss based on the depreciation schedule;
- subsidies received from institutions entitled to a reserved portion of an estate are recognised in rental income and amortised over the term of the reservation agreement.

#### **4.8 Borrowing costs**

Borrowings costs directly attributable to the construction or production of a qualifying asset are included in the cost of that asset through completion of the work.

The amount of borrowing costs included in the value of an asset is determined as follows:

- when funds are borrowed to build a specific qualifying asset, the borrowing costs eligible for capitalisation are the actual borrowing costs incurred during the period less any investment income on the temporary investment of those borrowings;
- when funds are borrowed to build a number of qualifying assets, borrowing costs eligible for capitalisation are determined by applying a capitalisation rate to the expenditures on said assets. This capitalisation rate shall be the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining the qualifying assets. The amount of borrowing costs capitalised during a period shall not exceed the amount of borrowing costs incurred during that period net of any investment income.

#### **4.9 Assets held for sale (IFRS 5)**

An asset (or disposal group) is classified in assets held for sale if:

- the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups); and
- its sale is highly probable within one year.

In the Group's case, block sales of property subject to a sale agreement at the reporting date are classified as assets held for sale.

The accounting treatment is as follows:

- the asset (or disposal group) available for sale is measured at the lower of its carrying amount and fair value less costs to sell;
- the asset is no longer depreciated once it has been reclassified;
- liabilities related to the asset (or disposal group) classified as held for sale, are presented separately in the balance sheet.

#### **4.10 Available-for-sale financial assets**

Available-for-sale financial assets are recognised at their fair value at the reporting date.

Unrealised gains and losses are recognised in revaluation reserve in Other Comprehensive Income until the assets are sold. However, if impairment testing indicates the existence of prolonged impairment and unrealised losses, the resulting impairment loss is recognised in profit or loss. Impairment losses on available-for-sale financial assets may only be reversed at the disposal date.

When there is objective evidence of impairment due to the occurrence of one or several events since the securities were acquired, available-for-sale financial assets are impaired on an individual basis.

In the case of the Group's non-consolidated ESHs (social housing companies) owned by Adestia (see Note 3.3 Scope of consolidation), the investments are measured at fair value which is the best estimate of their nominal value in light of regulations stipulating the measurement of the disposal value in accordance with Article 423-4 of the French building and housing code (*Code de la construction et de l'habitation*) independently of the actual economic value of these entities.

Shares in the *SIDOM* entities were recognised at their acquisition cost which corresponds to their fair value in view of their acquisition date (i.e., December 2017). The purchase agreement includes a call option on an additional 22% of the entities' shares linked to an embedded derivative that must be recognised separately under IAS 39. This option has been measured at fair value through profit or loss and did not have any impact in the accounts in view of the acquisition date.

#### **4.11 Other financial assets**

Other financial assets mainly comprise:

- mutual funds not classified as cash and cash equivalents and recognised at fair value;
- loans and advances to non-consolidated companies, loans, security deposits and guarantees, term deposits, recognised at amortised cost;
- cash flow hedges recognised at fair value (see Note 6.4).

An impairment loss provision is recognised under unrealised losses if there is objective and measurable evidence of impairment related to an event that occurred after the loan was set up or the asset acquired.

#### **4.12 Inventories, building contracts and off-plan sales**

Buildings that are related to commercial property development or acquired with a view to being resold in the near term are recognised in inventories at cost. A provision for impairment loss is recognised if their expert appraisal value is less than their carrying amount.

The cost of building contracts and off-plan sales is equal to costs directly attributable to the contract plus borrowing costs through to completion of the work. Marketing fees are expensed directly. If it becomes probable that total project costs will exceed total revenue, the Group recognises a provision for loss on completion in profit or loss for the period.

Partial payments received for these contracts before completion of the corresponding work are recorded as prepayments in liabilities.

#### **4.13 Trade accounts receivable**

Trade receivables are recognised for the initial amount of the invoice less any provisions for bad debts. Rent receivables for which receipts have been issued are systematically written down based on how long they are overdue and the situation of the tenants in question. Debtors are classified (i.e., current or former tenants/ordinary tenants/tenants in dispute) and assessed based on the related risk and provisions for doubtful receivables are adjusted on a case-by-case basis.

#### 4.14 Cash and cash equivalents

Cash consists of cash at bank and demand deposits. Cash equivalents comprise money market funds and investments with maturities of less than three months, readily convertible into known amounts of cash and subject to an insignificant risk of changes in value, held to meet the Group's short-term liquidity requirements. Cash and money market funds are disclosed at fair value.

Receivables from non-consolidated subsidiaries arising from the Group's cash pooling agreement are disclosed at amortised cost.

#### 4.15 Provisions

A provision is recognised when the Group has a present obligation to a third party arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits and whose amount may be measured with sufficient reliability. In the case of obligations with maturities of over one year, the provision is discounted to present value and the related impacts are recognised in financial income (expense).

All types of risks – especially operating and financial risks – are tracked on a regular basis to determine the amounts of the appropriate provisions.

#### 4.16 Employee benefits

##### *Pensions and length-of-service awards*

Pensions and other post-employment benefits consist of retirement benefits and jubilees provided for in the French National Collective Bargaining Agreement for Real Estate companies and in Group-wide agreements.

Pension plans and other post-employment benefits treated as defined benefit plans (i.e., the Group guarantees to pay a defined amount or level of benefit) are recognised in liabilities based on an actuarial analysis of the Group's benefit obligation at the reporting date, less the fair value of the related plan assets. Payments made under defined contribution plans (i.e., the Group's obligation is limited to the amount of the contributions paid) are recognised as an expense in the current period.

The provision set aside in the consolidated accounts is calculated using the projected unit credit method and includes the related social charges. The benefit obligation is calculated based on the cost of service at the measurement date assuming unenforced retirement at between 63 and 65, depending on socio-professional category.

Actuarial gains and losses reflect distortions between assumptions used and actual experience or changes in the assumptions used to calculate the benefit obligation and related plan assets, i.e.:

- employee turnover,
- rate of salary increase,
- discount rate,
- mortality tables,
- return on plan assets.

All actuarial gains and losses are recognised in equity in accordance with Revised IAS 19.

A provision is accrued for length-of-service awards over a given employee's period of employment. It is determined for each employee grade based on the probability of employees actually reaching the required length of service and the provision is discounted to present value at the reporting date.

#### *Profit sharing*

The employee profit-sharing provision is calculated based on the Group's branch agreement currently in force.

### **4.17 Financial liabilities**

After initial recognition, interest-bearing borrowings and other financial liabilities are remeasured at amortised cost using the effective interest rate of the loan. Arrangement fees and issuance costs impact the initial carrying amount and these are deferred over the loan term using the effective interest rate.

Interest-free long-term advances received from institutions entitled to a reserved portion of an estate and repayable over variable terms of up to 50 years have been remeasured at fair value using the average effective interest rate on borrowings.

Security deposits are considered current liabilities and are not discounted to present value.

Income from reservation agreements in consideration for fixed-term housing reservation rights granted to third parties is deferred over the term of the agreement and treated as either other non-current financial liabilities (non-current portion - maturing in over one year) or sundry payables (current portion – maturing in under one year).

### **4.18 Derivative instruments and hedge accounting**

The Group uses derivative instruments to hedge its exposure to fluctuations in interest rates. The Group's financial risk management policies together with the methods used to determine the fair values of derivative instruments are disclosed in Note 5 "Management of financial risk".

Derivatives are recognised at their fair value and used to hedge variable-rate borrowings against interest rate risk (hedging of future cash flows). The Group uses hedge accounting when the contract complies with the requisite conditions in terms of documentation and hedge effectiveness (before the fact and retrospectively).

If derivatives qualify for hedge accounting, changes in the fair value of the effective portion of the hedge are recognised directly in equity net of tax. The ineffective portion is recognised in profit or loss immediately during the period. Gains or losses accumulated in equity are recycled to the income statement (in the same heading as the hedged item) over the periods in which the hedged cash flows impact earnings.

If derivatives do not qualify for hedge accounting, changes in fair value are recognised directly in profit or loss for the period.

## 4.19 Related party transactions (Revised IAS 24)

As a 99.99%-owned subsidiary of Caisse des Dépôts et Consignations, the Group avails of the exemption from disclosure requirements in relation to transactions and related outstanding balances with government-related entities.

Transactions with related parties are disclosed in Note 7.6.

## 4.20 Revenue and operating income

### *Gross rental income (including financial rents)*

Rental income generated by operating leases mainly comprises housing rental income as well as some office rental income. This revenue is recognised on a straight-line basis over the fixed term of the leases along with any specific provisions or advantages (rent-free periods, step rents, lease rights, etc.) without adjusting for inflation. The benchmark period is the first fixed lease term.

The framework management agreements signed with public or private third parties are analysed as follows on a case-by-case basis to ascertain whether they qualify as operating or finance leases under IAS 17:

- Operating lease revenue is recognised as described above.
- Finance lease revenue (SNI as lessor) is broken out into:
  - the portion corresponding to the rendering of services (rental management, major upkeep and repairs, day-to-day operation, etc.), which is recognised under income from other activities in accordance with IAS 18; and
  - the portion corresponding to repayment of the investment, which is broken down into repayment of principal and offset against the corresponding payable, and repayment of interest which is recognised in income from other activities.

### *Property development (building contracts and off-plan sales)*

Income from property development is recognised on a percentage-of-completion basis. The portion recognised during the period corresponds to estimated final forecast revenue multiplied by the cumulative percentage of completion at the reporting date, less revenue recognised in prior periods for the operations already in construction at the beginning of the period. Only revenue for plots sold is recognised on a percentage-of-completion basis and the recognition period begins on the date on which the notarial act is signed.

### *Income from other activities*

Income from other activities essentially comprises the following:

- services rendered and resources provided to non-consolidated subsidiaries;
- services rendered under framework management agreements (see Note 4.20.1);
- the portion corresponding to repayment of a receivable under finance leases (see Note 4.20.1).

## 4.21 Income taxes

Income tax expense is recognised in profit or loss, except for tax on items recognised directly in equity.

The Group has not elected to file a consolidated tax return under French group relief rules.

### *Standard tax treatment*

Current tax is determined based on tax rates applicable to Group entities and to operations not covered by the special tax treatment available to semi-public companies (*SEMs*).

### *Special tax treatment available to French semi-public companies (SEMs)*

Pursuant to Article 207-1-4° of the French Tax Code, amended by Article 44-II and III of the Amending Finance Law of 2005, semi-public companies (*Sociétés d'Economie Mixte*) covered by Article L.481-1-1 of the French building and housing code (*Code de la construction et de l'habitation*) are exempted from income tax on the portion of their income generated on social housing. This tax treatment applies only to SNI and ADOMA.

### *Deferred taxes*

Deferred taxes are recognised using the liability method for temporary differences between the carrying amount of assets and liabilities and their tax base. Under this method, deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.

Deferred taxes are calculated at the level of each tax entity and deferred tax assets and liabilities for the same entity may be offset. Deferred tax assets are recognised only when it is probable that sufficient taxable profits will be available to permit their recovery.

## **4.22 Measurement basis – Assessment and use of estimates**

The preparation of the Group's consolidated financial statements involves making certain estimates and assumptions that are revised regularly and based on both historical data and other factors, including reasonable forecasts of future events in light of present circumstances. The estimates that could significantly affect the carrying value of assets and liabilities during the following reporting period are analysed below.

The fair value of financial instruments that are not traded on an organised market (e.g., derivatives traded over the counter) is determined using valuation techniques. The Group applies the methods and assumptions that it deems to be most appropriate, based mainly on market conditions at the reporting date. The actual disposal value of these instruments may be very different to the reported amount.

The fair value of the property portfolio (whether held for short- or long-term investment purposes) is determined essentially based on independent expert appraisals as described in Note 4.4.

The value in use and fair value of equity investments in *ESHs* (social housing companies) as described in Note 4.10 is measured in accordance with Article 423-4 of the French building and housing code (*Code de la construction et de l'habitation*). It is capped at their nominal value, plus interest for each year preceding their disposal (not exceeding 20 years) calculated at the interest rate paid to first-time holders of passbook savings accounts at 31 December of the year in question plus 1.5 points, less any dividends paid over the same period.

In view of the acquisition date of the SIDOM entities, acquisition cost is deemed to be the fair value.

Measurement of provisions for employee benefits is described in Notes 4.15 and 4.16. The

basis for determining fair value in accordance with IFRS 13 is described in Note 3.7.



## 5. Financial and operational risk management

### 5.1 Interest rate risk

Interest rates and financing levels are an essential component in the Group's property operations and particular attention is paid to this risk and the impact of changes in interest rates on earnings.

Variable-rates (at Euribor and the interest rate payable on Livret A passbook accounts) are combined with an interest rate hedging policy that must be validated by the Management Board.

Borrowings indexed to Euribor are hedged for 100% of their outstanding amount using long-term swaps and options. Livret A outstandings are hedged for a maximum of 50% of their value. Deferred hedges may be set up for medium-term loans if necessary.

SNI began using the financial markets in 2012 to meet its financing needs, mostly using fixed-rate debt. When coupons are linked to interest rates, the Group uses interest rate hedges to manage the related risk. In certain cases, notably when rent indexation is determined at the inception of an operation, SNI may pre-finance investment projects that have been validated by senior management.

The coupons are hedged using interest rate hedges and the related derivatives qualify for hedge accounting.

The Group operates a centralised hedging policy run from a single department.

### 5.2 Liquidity risk

As most of SNI's debt consists of amortisable loans, there are no breaks in its debt maturity profile in the immediate future.

Due to the growth in bullet loans, SNI carefully defines the size and maturities of its annual financing programme in order to maintain maturities equivalent to those under amortisable financing.

SNI has negotiated short-term credit facilities with a banking consortium to provide financing for property development projects and asset acquisitions. These short-term drawdown facilities have also been designed with regard to any possible changes in outstanding deposit balances centralised by the Group under cash pooling arrangements.

The Group's treasury management function is run from a single platform and this makes it easier to coordinate and manage.

### 5.3 Counterparty risk

The Group monitors its investments very carefully. It is especially attentive to the quality of the banks in which it holds deposits and tracks their credit ratings closely.

All such counterparty risks are detailed in the Liquidity charter approved by the Group's governance structures and SNI submits a half-yearly risk report to the CDC's Risk Management and Internal Control department (*DRCI*). All of these financial indicators are also provided to the Group's sole shareholder on a quarterly basis as part of the Caisse des Dépôts Group's capital adequacy reporting framework.



## 5.4 Operational risk

SNI is currently exposed to the following major operating risks:

- in its rental management business: unoccupied housing in outlying regions may result in significant amounts of lost revenue. Guidelines for monitoring all sensitive properties are included in the annual property arbitration and review process which may result in either disposals or lowering of rents to bring them into line with the local rental market.
- in the current difficult economic conditions, the Group also tracks any increases in overdue balances very closely and devises solutions to prevent such situations from arising. A major drive to recover overdue receivables was launched throughout the Group in Autumn 2013, particularly in the Social housing division.
- in relation to the sale of housing: the risk of a slowdown in split sales due to a wait-and-see attitude and greater selectivity by banks when handing out loans. SNI has developed a repurchase and rehousing guarantee programme to enhance buyer solvency that is similar to existing social home ownership guarantees. Block sales could also be adversely affected by buyers encountering difficulties in obtaining long-term financing or guarantees from local authorities in the case of acquisitions by social landlords. The Group systematically analyses a potential buyer's financial strength and sources of financing for each property sale transaction.
- in tax matters: continued deterioration in the tax environment (VAT, income tax, social contributions, etc.). Although they are staggered over time, the impacts of an increasing tax burden are apparent in current financing operations (higher rates of VAT and average income tax), higher overheads due to increased social contributions, and exceptional measures (e.g., capping the deductibility of financial charges on loans to finance non-social housing). To counteract these trends, the Group anticipates developments and keeps tabs on potential changes while seeking to foster intelligent dialogue either directly or through professional bodies.
- increasingly stringent technical regulations in the housing sector (compliance standards for lifts, thermal installations, treatment of asbestos, etc.) force the Group to keep close tabs on changing regulations and various related funding requirements (selling Energy Saving Certificates, for example).

Fraud prevention forms part of SNI Group's internal control arsenal and it is organised around three core processes:

- the internal and external fraud prevention framework which has been incorporated into the operational risk mapping process and the Group's procedural guidelines and rules on ethics; ongoing awareness-raising initiatives for employees and tenants concerning the risks of fraud and the Group's IT security plan;
- first-, second- and third-tier controls, concerning, respectively, self-monitoring and line supervision of operational staff, internal control assignments performed by business line management and support, and internal audits;
- insurance policies taken out to cover specific risks of internal and external fraud.

## 6. Notes to the consolidated financial statements

### 6.1 Property and equipment and intangible assets

GROSS VALUE	2017	Additions	Disposals	Changes in Govt. grants	Transfers between accounts	2016
	Investment property	6,490.4	326.1	-91.5	-1.2	1.7
Intangible assets	6.6	0.2			-0.2	6.6
Owner-occupied property and equipment	43.5	0.6	-2.9		1.4	44.4
Assets held for sale (IFRS 5)	6.9				2.4	4.5
<b>TOTAL GROSS VALUE</b>	<b>6,547.4</b>	<b>326.9</b>	<b>-94.4</b>	<b>-1.2</b>	<b>5.3</b>	<b>6,310.9</b>

DEPRECIATION, AMORTISATION AND IMPAIRMENT	2017	Additions	Reversals	Release of Govt. grants	Transfers between accounts	2016
	Investment property	-1,612.6	-169.3	26.0	12.0	-3.0
Intangible assets	-1.2	-0.3				-0.9
Owner-occupied property and equipment	-31.1	-1.6	2.6		0.0	-32.1
Assets held for sale (IFRS 5)	-4.3				-1.5	-2.8
<b>TOTAL DEPRECIATION AND AMORTISATION</b>	<b>-1,649.2</b>	<b>-171.2</b>	<b>28.5</b>	<b>12.0</b>	<b>-4.5</b>	<b>-1,514.1</b>
<b>TOTAL IMPAIRMENT</b>	<b>-13.1</b>		<b>0.1</b>			<b>-13.2</b>

NET BOOK VALUE	2017	Additions	Disposals	Release of govt. grants	Transfers between accounts	2016
	Investment property	4,864.7	156.8	-65.5	10.8	-1.4
Intangible assets	5.4	-0.1			-0.2	5.7
Owner-occupied property and equipment	12.3	-1.0			1.4	12.3
Assets held for sale (IFRS 5)	2.7				1.0	1.7
<b>NET BOOK VALUE</b>	<b>4,885.1</b>	<b>155.7</b>	<b>-65.5</b>	<b>10.8</b>	<b>0.8</b>	<b>4,783.6</b>

#### FAIR VALUE OF INVESTMENT PROPERTY

	2017	2016
Net book value (1)	4,867.4	4,765.6
Fair value (1)	7,337.4	7,207.3
<b>Unrealised gain</b>	<b>2,470.0</b>	<b>2,441.7</b>

(1) Net book value and fair value include property held for sale (IFRS 5)

#### FAIR VALUE HIERARCHY

Residential property	"Block" value per m <sup>2</sup>		Discount rate (DCF)		Rate of return	
	Min	Max	Min	Max	Min	Max
Paris / Greater Paris region	€788	€7,412	4.00%	6.00%	3.91%	14.74%
Rest of France	€288	€3,584	4.50%	9.75%	4.96%	10.00%

In accordance with IFRS 13, the above table discloses the ranges of the main unobservable inputs (Level 3 inputs) used by real estate appraisers.

## 6.2 Available-for-sale financial assets

<b>GROSS VALUE</b>	2017	Changes in scope of consolidation	Disposals	Acquisitions	2016
Non-consolidated equity investments (1)	149.6	-0.3		70.8	79.0
Fair value adjustments	0.0				0.0
<b>TOTAL GROSS VALUE</b>	<b>149.6</b>	<b>-0.3</b>	<b>0.0</b>	<b>70.8</b>	<b>79.0</b>

(1) o/w €64.6 million in SIDOM shares acquired by SNI, and €5.8 million in Adestia (including €5.0 million related to capital increases carried out in *ESHs* (social housing companies)).

<b>IMPAIRMENT</b>	2017	Changes in scope of consolidation	Reversals	Additions	2016
Provision for impairment	-0.2	0.3			-0.5
<b>TOTAL IMPAIRMENT</b>	<b>-0.2</b>	<b>0.3</b>	<b>0.0</b>	<b>0.0</b>	<b>-0.5</b>

<b>NET BOOK VALUE</b>	<b>149.4</b>	<b>0.1</b>	<b>0.0</b>	<b>70.8</b>	<b>78.5</b>
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## 6.3 Investments in associates

The following data is presented on a 100% ownership basis in the reporting format (IFRS) used by ADOMA and FLI, the only entities accounted for using the equity method at the present time.

	ADOMA		FLI	
<i>Summary balance sheet</i>	2017	2016	2017	2016
Property portfolio	982.1	907.0	504.2	252.1
Other assets	320.0	252.6	785.6	929.3
<b>Total assets</b>	<b>1,302.2</b>	<b>1,159.6</b>	<b>1,289.8</b>	<b>1,181.4</b>
Equity	339.3	313.6	1,033.0	1,032.2
Borrowings	736.6	632.0	68.2	0.2
Other liabilities	226.2	214.0	188.6	149.0
<b>Total liabilities and equity</b>	<b>1,302.2</b>	<b>1,159.6</b>	<b>1,289.8</b>	<b>1,181.4</b>
Net profit	23.5	28.8	0.5	0.2
% control	56.41%	56.31%	19.14%	19.14%
<b>Share in income of associates</b>	<b>13.3</b>	<b>16.2</b>	<b>0.1</b>	<b>0.0</b>
Equity	339.3	313.6	1,033.0	1,032.2
% control	56.44%	56.41%	19.14%	19.14%
<b>INVESTMENTS IN ASSOCIATES</b>	<b>191.5</b>	<b>176.9</b>	<b>197.8</b>	<b>197.6</b>
	2017	2016		
<b>TOTAL SHARE IN NET INCOME OF ASSOCIATES</b>	<b>13.4</b>	<b>16.3</b>		
<b>TOTAL INVESTMENTS IN ASSOCIATES</b>	<b>389.3</b>	<b>374.5</b>		

## 6.4 Other non-current financial assets and derivatives

	2017	2016
Loans and advances to non-consolidated companies	38.0	38.0
Medium- and long-term loans	7.6	7.4
Other long-term receivables	36.8	57.0
Cash flow hedges	6.16.2	461.6
<b>TOTAL</b>	<b>544.0</b>	<b>647.3</b>

## 6.5 Deferred tax assets

	<u>2017</u>	<u>2016</u>
DT / Timing differences	9.7	1.8
DT / Cash flow hedges	75.4	122.5
DT/ Valuation variances	-24.3	-43.2
DT / Capitalisation of acquisition and borrowing costs	-24.8	-23.4
DT/ FV of debt	-15.5	-24.3
DT / Other IFRS adjustments	-7.6	6.3
<b>Net deferred tax asset (liability)</b>	<b>13.0</b>	<b>39.7</b>

## 6.6 Inventories and work in progress

	Gross 2017	Impairment 2017 (1)	Net 2017	Net 2016
Property in production (in progress)	22.7	-0.3	22.3	33.2
Property	0.0	0	0.0	0.0
<b>TOTAL</b>	<b>22.7</b>	<b>-0.3</b>	<b>22.3</b>	<b>33.2</b>
(1) o/w charge for the period of		-0.2		
(1) o/w reversal for the period of		0.1		

## 6.7 Trade accounts receivable

	Gross 2017	Impairment 2017 (1)	Net 2017	Net 2016
Prepayments	4.7		4.7	13.4
Receivables from tenants	55.2	-15.2	40.0	43.9
Receivables from property development transactions	124.6		124.6	121.3
<b>TOTAL</b>	<b>184.5</b>	<b>-15.2</b>	<b>169.3</b>	<b>178.6</b>
(1) o/w charge for the period of		-4.0		
(1) o/w reversal for the period of		3.9		

## 6.8 Current tax assets

	2017	2016
Current tax assets	4.5	1.1
<b>TOTAL</b>	<b>4.5</b>	<b>1.1</b>

## 6.9 Sundry receivables

	Gross 2017	Impairment 2017 (1)	Net 2017	Net 2016
Unpaid portion of capital increase	300.0		300.0	0.0
Sundry and unbilled receivables	7.1	-1.0	6.1	8.8
Accrued government grants and subsidies	4.9		4.9	7.7
Tax receivables	4.0		4.0	5.0
Receivables on disposals of property	2.7		2.7	6.5
Miscellaneous receivables	19.2	-2.5	16.7	8.8
Prepaid expenses	8.9		8.9	9.9
<b>TOTAL</b>	<b>346.9</b>	<b>-3.6</b>	<b>343.4</b>	<b>46.7</b>
(1) o/w charge for the period of		-0.8		
(1) o/w reversal for the period of		0.3		

## 6.10 Other current financial assets and derivatives

	2017	2016
Short-term loans	0.2	0.2
Negotiable debt instruments	106.0	11.0
Mutual funds > 3 months	0	0.5
Accrued interest	0.3	17.7
<b>TOTAL</b>	<b>106.6</b>	<b>29.4</b>

## 6.11 Cash and cash equivalents

	2017	2016
Group cash pooling agreement – debit position	9.9	3.5
Mutual funds and other short-term investments (<3 months)	72.1	0.0
Cash and cash equivalents	652.8	771.7
<b>TOTAL cash and cash equivalents (in ASSETS)</b>	<b>734.8</b>	<b>775.2</b>
Group cash pooling agreement – credit position	159.2	167.6
Bank overdrafts	32.9	56.3
<b>TOTAL cash (in LIABILITIES)</b>	<b>192.1</b>	<b>223.9</b>
<b>NET CASH AND CASH EQUIVALENTS</b>	<b>542.7</b>	<b>551.3</b>

## 6.12 Assets held for sale and liabilities related to assets held for sale

	2017	2016
Investment property held for sale	7.0	4.5
Government grants and subsidies	0.0	0.0
Cumulative amortisation and depreciation charges	-4.3	-2.8
Provisions	0.0	0.0
<b>TOTAL Assets held for sale</b>	<b>2.7</b>	<b>1.7</b>
Borrowings / assets held for sale	2.4	0.5
<b>TOTAL Liabilities related to assets held for sale</b>	<b>2.4</b>	<b>0.0</b>

## 6.13 Equity

Information regarding equity is disclosed in “CONSOLIDATED STATEMENT OF CHANGES IN EQUITY”.

## 6.14 Non-current and current provisions

### NON-CURRENT PROVISIONS

	2017	Additions	Reversals	Transfers between accounts	2016
Retirement benefits	23.3	2.6	-1.2		21.9
Jubilees and other long-service benefits	2.6	0.1			2.4
Other employee benefit expense	1.8	1.5	-0.4		0.8
Non-current risks	2.0	0.6	-3.0		4.4
<b>TOTAL NON-CURRENT PROVISIONS</b>	<b>29.8</b>	<b>4.8</b>	<b>-4.6</b>	<b>0.0</b>	<b>29.6</b>

### CURRENT PROVISIONS

	2017	Additions	Reversals	Transfers between accounts	2016
Risks related to investment property	6.8	2.7	-2.4		6.6
Current risks	12.6	1.3	-0.9		12.1
<b>TOTAL CURRENT PROVISIONS</b>	<b>19.4</b>	<b>4.0</b>	<b>-3.3</b>	<b>0.0</b>	<b>18.7</b>

## 6.15 Non-current and current borrowings

### 6.15.1 Net debt

	Contractual amount	FV adjustment	2017	2016
Non-current borrowings	3,569.3	-85.2	3,484.1	3,381.6
Current borrowings	432.1	-1.3	430.8	518.7
<b>Gross debt</b>	<b>4,001.4</b>	<b>-86.5</b>	<b>3,914.9</b>	<b>3,900.3</b>
Other current financial assets	106.6		106.6	29.4
Cash and cash equivalents	734.8		734.8	775.2
<b>Net debt</b>	<b>3,160.0</b>	<b>-86.5</b>	<b>3,073.5</b>	<b>3,095.7</b>

## 6.15.2 Debt profile by maturity

	< 1 year	1 to 5 years	> 5 years	2017	2016
Borrowings from credit institutions		551.8	2,712.8	3,264.6	3,082.5
Other borrowings and debt		37.9	181.6	219.6	299.1
<b>Non-current borrowings</b>	<b>0.0</b>	<b>589.7</b>	<b>2,894.4</b>	<b>3,484.1</b>	<b>3,381.6</b>
Borrowings from credit institutions (1)	224.4			224.4	284.0
Other borrowings and debt	14.2			14.2	10.9
Group cash pooling agreement – credit position	159.2			159.2	167.5
Bank overdrafts	32.9			32.9	56.3
<b>Current borrowings</b>	<b>430.8</b>	<b>0.0</b>	<b>0.0</b>	<b>430.8</b>	<b>518.7</b>
<b>TOTAL GROSS DEBT</b>	<b>430.8</b>	<b>589.7</b>	<b>2,894.4</b>	<b>3,914.9</b>	<b>3,900.3</b>
(1) o/w accrued interest				57.8	51.3

## 6.15.3 Impact of changes in borrowings on statement of cash flows

	2017	Cash flows	Non-cash movements			2016
			Transfer	Capitalised borrowing costs	Fair value	
Non-current borrowings	3,484.1	117.6	-21.8	-0.5	7.2	3,381.6
Current borrowings (1)	238.7	-76.1	19.9			294.9
Liabilities related to assets held for sale	2.4		1.9			0.5
<b>TOTAL GROSS DEBT</b>	<b>3,725.2</b>	<b>41.5</b>	<b>0.0</b>	<b>-0.5</b>	<b>7.2</b>	<b>3,677.0</b>

(1) excluding current accounts of €159.2 million and bank overdrafts of €32.9 million in 2017 (€167.5 million and €56.3 million, respectively, for 2016)

Share capital subscriptions received from shareholders	100.0
Changes in security deposits and guarantees received	-0.6
Changes in miscellaneous receivables and payables	0.3
Gross interest paid (excl. accrued interest)	-119.4
<b>TOTAL CASH FLOW GENERATED FROM FINANCING ACTIVITIES</b>	<b>21.7</b>

## 6.16 Other non-current financial liabilities and derivatives

### 6.16.1 Maturities of other financial liabilities (excluding derivatives)

	< 1 year	1 to 5 years	> 5 years	2017	2016
Security deposits and guarantees received		29.8		29.8	30.5
Uncalled, unpaid capital	nc (1)	nc (1)	nc (1)	171.4	177.1
Other liabilities and deferred income		27.0	13.5	40.6	46.4
Derivative instruments	nc (1)	nc (1)	nc (1)	751.7	911.1
<b>Other non-current financial liabilities</b>	<b>0</b>	<b>56.9</b>	<b>13.5</b>	<b>993.6</b>	<b>1,165.1</b>
<b>Other current financial liabilities</b>	-	-	-	-	-

(1) nc "not communicated"

## 6.16.2 Presentation of derivative instruments in the balance sheet

	Note	2017	2016
<b>Consolidated division, excluding ESHs – net position</b>		<b>-290.1</b>	<b>-366.2</b>
Other derivative instruments in assets		9.4	10.8
Other derivative instruments in liabilities		299.5	377.0
<b>ESH division – net trading position on hedging operations carried on behalf of Group entities</b>		<b>0.0</b>	<b>0.0</b>
Other derivative instruments in assets		452.3	534.1
Other derivative instruments in liabilities		452.3	534.1
<b>Consolidated Group position - net</b>		<b>-290.1</b>	<b>-366.2</b>
Other derivative instruments in assets	6.4	461.6	544.9
Other derivative instruments in liabilities	6.16.1	751.7	911.1

## 6.16.3 Fair value adjustments to derivatives

<i>(in millions of euros)</i>	FV adj. for 2017 in equity	FV adj. for 2017 in profit or loss	2017	2016
Interest rate swaps qualifying as hedging instruments (1)	72.7		72.7	-17.1
Interest rate swaps not qualifying as hedging instruments		3.4	3.4	2.4
<b>Total financial instruments</b>	<b>72.7</b>	<b>3.4</b>	<b>76.1</b>	<b>-14.7</b>

(1) Excluding swaps contracted for Adoma and FLI which are accounted for using the equity method, net of deferred taxation and restructured derivatives recycled to profit or loss

## 6.16.4 Notional current amount by maturity of derivative instrument

	Due within 1 year	Due in 1 to 5 years	Due in over 5 years	2017	2016
<b>Derivative portfolio at 31 December</b>					
Fixed-rate payer swaps	112.3	365.8	1,272.2	1,750.3	1,694.2
Interest-rate options	3.5	16.6	3.6	23.7	27.2
Variable rate against variable rate swaps		330.0	193.0	523.0	523.0
<b>Total</b>	<b>115.8</b>	<b>712.4</b>	<b>1,468.8</b>	<b>2,297.0</b>	<b>2,244.4</b>
<b>Derivative portfolio with deferred impact</b>					
Fixed-rate payer swaps				0.0	0.0
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>TOTAL</b>	<b>115.8</b>	<b>712.4</b>	<b>1,468.8</b>	<b>2,297.0</b>	<b>2,244.4</b>



### 6.16.5 Analysis of debt after hedging

	Classification of debt		2017
	Fixed rate	Variable rate	
Borrowings	1,364.6	2,045.6	3,410.2
Interest-free debt	233.8		233.8
Leases	21.0		21.0
Accrued interest on borrowings		57.8	57.8
Group cash pooling agreement – credit position		159.2	159.2
Bank overdrafts		32.9	32.9
<b>GROSS DEBT BEFORE HEDGING</b>	<b>1,619.4</b>	<b>2,295.5</b>	<b>3,914.9</b>
Hedging of variable-rate debt at fixed rates (borrowings)	1,592.2	-1,592.2	0.0
Hedging of <i>Livret A</i> debt at fixed rates (borrowings)	268.0	-268.0	0.0
<b>GROSS DEBT AFTER HEDGING</b>	<b>3,479.6</b>	<b>435.3</b>	<b>3,914.9</b>
Term deposits and other investments	596.2	72.1	668.3
Group cash pooling agreement – debit position		9.9	9.9
Accrued interest receivable	20.7		20.7
Interest-bearing bank accounts		142.5	142.5
Bank current account			0.0
<b>TOTAL CURRENT FINANCIAL ASSETS AND CASH</b>	<b>616.9</b>	<b>224.5</b>	<b>841.4</b>
<b>GROSS DEBT AFTER HEDGING</b>	<b>2,862.7</b>	<b>210.8</b>	<b>3,073.5</b>

### 6.16.6 Recognition of financial assets and liabilities

	Note	Classification	NBV 2017	Fair value
Available-for-sale financial assets	6.2	Available-for-sale financial assets	149.4	149.4
Other non-current financial assets	6.4	Loans and receivables	82.4	82.4
Group non-current derivative instruments (1)	6.16.2	Cash flow hedges/ assets held for trading	9.4	9.4
Other receivables	6.7 to 6.9	Loans and receivables	517.2	517.2
Other current financial assets and derivatives	6.10	Financial assets at fair value through profit or loss	106.6	106.6
Cash and cash equivalents	6.11	Financial assets at fair value through profit or loss	734.8	734.8
<b>TOTAL FINANCIAL ASSETS</b>			<b>1,599.7</b>	<b>1,599.7</b>
Non-current borrowings	6.15.2	Financial liabilities at amortised cost	3,484.1	3,484.1
Other non-current financial liabilities	6.16.1	Financial liabilities at amortised cost	241.8	241.8
Group non-current derivative instruments (1)	6.16.2	Cash flow hedges/ liabilities held for trading	299.5	299.5
Current borrowings	6.15.2	Financial liabilities at amortised cost	430.8	430.8
Other liabilities	6.17 to 6.19	Financial liabilities at amortised cost	208.6	208.6
<b>TOTAL FINANCIAL LIABILITIES</b>			<b>4,664.8</b>	<b>4,664.8</b>

(1) net of hedging carried out on behalf of the ESH division

### 6.16.7 Fair value hierarchy for measuring financial instruments

The criteria used for measuring the fair value of financial instruments are disclosed in Note 3.7. The hierarchy may be summarised as follows:

- Level 1 Quoted on an active market
- Level 2 Measured using observable inputs
- Level 3 Measured using non-observable inputs

	2017			2016		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
<b>Assets</b>						
Available-for-sale financial assets			149.4			78.5
Derivative instruments		461.6			544.9	
Other current financial assets	106.3			11.5		
Cash and cash equivalents	72.1					
<b>Liabilities</b>						
Derivative instruments		751.7			911.1	

### 6.17 Trade accounts payable

	2017	2016
Trade accounts payable	5.9	6.5
Unbilled trade payables	25.7	25.8
Prepaid trade receivables	9.8	10.8
<b>TOTAL TRADE PAYABLES</b>	<b>41.4</b>	<b>43.1</b>

### 6.18 Current tax liabilities

	2017	2016
Current tax liabilities	0	11.9
<b>TOTAL</b>	<b>0.0</b>	<b>11.9</b>

### 6.19 Sundry payables

	2017	2016
Tax and social security liabilities	63.3	74.0
Amounts owed to property developers	62.0	57.2
Miscellaneous payables	22.7	13.8
Deferred income	19.2	25.6
<b>TOTAL</b>	<b>167.2</b>	<b>170.6</b>

## 6.20 Other operating income

	2017	2016
Other operating income	6.1	9.7
Reversal of provisions taken on trade receivables	4.1	6.8
Reversal of provisions taken on other operating income and expenses	2.3	3.4
<b>TOTAL</b>	<b>12.4</b>	<b>19.9</b>

## 6.21 Other operating expense

	2017	2016
Royalties and patent fees	-1.9	-1.4
Net book value of property and equipment and intangible assets		
Other operating expense	-10.8	-13.4
Additions to provisions taken on trade receivables	-4.8	-5.1
Additions to provisions taken on other operating income and expenses	-2.1	
<b>TOTAL</b>	<b>-19.5</b>	<b>-19.9</b>

## 6.22 Cost of gross debt

	2017	2016
Interest on borrowings from credit institutions	-119.1	-123.6
Fair value adjustments to debt at preferential rates	-7.2	-8.4
<b>TOTAL</b>	<b>-126.3</b>	<b>-132.0</b>

## 6.23 Income from cash and cash equivalents

	2017	2016
Income from marketable securities with maturities of less than three months	13.5	17.1
Income on disposal of marketable securities	0.7	0.0
Financial charges on cash pooling agreement	-1.0	-1.5
Financial income from cash pooling agreement	2.3	2.4
Dividends received and share in income of associates	1.8	1.4
Additions to provisions taken on available-for-sale financial assets	0.0	-0.2
Share in losses of associates		
<b>TOTAL</b>	<b>17.3</b>	<b>19.2</b>

## 6.24 Income tax expense

	2017	2016
Income tax expense	-51.4	-54.9
Deferred income tax benefit (expense)	18.5	4.9
<b>TOTAL</b>	<b>-32.9</b>	<b>-50.0</b>

### *Tax proof*

	2017	2016
Net profit	118.6	118.3
Current tax	-51.4	-54.9
Deferred tax benefit (expense)	18.5	4.9
Profit before tax	151.5	168.3
Share in net income of associates	13.4	16.3
Profit before tax and share in net income of associates	138.1	152.0
<b>Theoretical tax expense (1)</b>	<b>-47.6</b>	<b>-52.3</b>
Permanent differences	-0.4	-0.6
Change in tax rate (liability method)	12.0	
Difference in tax rates		
Deferred tax assets not recognised on losses for the period		
Other	3.0	2.9
<b>Actual tax expense</b>	<b>-32.9</b>	<b>-50.0</b>

## 6.25 Share in net income of associates

	2017	2016
Share in net income of associates	13.4	16.3
Reversal of negative goodwill on investments in associates		
<b>TOTAL</b>	<b>13.4</b>	<b>16.3</b>

## 7. Other disclosures

### 7.1 Off-balance sheet commitments

	2017	2016
<b>Commitments given</b>	<b>1,320.1</b>	<b>1,166.5</b>
Endorsements and sureties given	434.5	246.6
Pledges given on securities	0.0	0.5
Commitments relating to off-plan sales	359.6	348.7
Secured debt and mortgages registered as collateral	416.7	456.2
Other commitments given	109.3	114.5
<b>Commitments received</b>	<b>852.3</b>	<b>744.7</b>
Endorsements and sureties received	226.1	241.1
Financing commitments received	620.0	500.0
Bank guarantees for building contracts	6.2	3.6

## 7.2 Disclosures concerning leases

### 7.2.1 Finance and operating leases (as lessor)

#### Lease type

<i>Category of tenants</i>	<i>Conditions of renewal or purchase</i>	<i>Indexation clauses</i>	<i>Lease term</i>
Dwellings	Tacit renewal or renewal proposition	Rent review index ( <i>IRL</i> )	3 to 6 years
<i>Gendarmerie</i> -type lease (leased by the Group)	Lease renewal	Construction cost index	6 to 9 years
EDF lease	Renewable once by tacit renewal	Construction cost index	12 years, renewable after 6 years
Ecole Polytechnique lease (leased by the Group)	Non-renewable	Rent review index ( <i>IRL</i> )	29 years
Public property-type lease	Non-renewable	Varies from lease to lease	variable depending on lease (between 25 and 35 years)

#### Minimum rents (1)

	2017	2016
Received during the period	121.6	79.3
Receivable in under 1 year	110.4	68.0
Receivable in 1 to 5 years	362.1	178.6
Receivable in over 5 years	234.0	99.3
<b>TOTAL</b>	<b>828.1</b>	<b>425.2</b>

(1) Excluding dwellings

### 7.2.2 Finance and operating leases (as lessee)

#### Lease type

<i>Category of tenants</i>	<i>Conditions of renewal or purchase</i>	<i>Indexation clauses</i>	<i>Lease term</i>
<i>Gendarmerie</i> -type lease (premises put at the Group's disposal by local authorities)	Non-renewable	Not applicable	variable (maximum 99 years)
Ecole Polytechnique lease (premises put at the Group's disposal by the State)	Non-renewable	Not applicable	29 years
Public property-type lease	Non-renewable	Varies from lease to lease	variable depending on lease (between 25 and 35 years)

#### Net book value of property

	2017	2016
<i>Gendarmerie</i> -type leases	621.2	624.9
Ecole Polytechnique lease	29.9	31.9
Public property-type leases	59.9	51.9
<b>Total</b>	<b>711.0</b>	<b>708.7</b>

## 7.3 Employee benefit obligations

### 7.3.1 In relation to retirement benefits

	2017	2016
<b>Projected benefit obligation at start of year</b>	<b>21.9</b>	<b>20.0</b>
Current service cost	1.6	1.4
Interest cost for the period	0.3	0.4
Benefits paid	-1.2	-1.2
Actuarial gains and losses for the period	0.6	1.3
Effect of changes in scope of consolidation & other	0.0	0.0
<b>Projected benefit obligation at end of year</b>	<b>23.3</b>	<b>21.9</b>

<b>Employee benefit plan expense recognised in the income statement</b> <i>(in millions of euros)</i>	2017	2016
Current service cost	1.6	1.4
Interest cost for the period	0.3	0.4
<b>TOTAL</b>	<b>1.9</b>	<b>1.8</b>

The projected benefit obligation is discounted at a rate based on the yield on blue chip corporate bonds with similar maturities to iBoXX€ Corporate AA 10+ bonds at the reporting date, i.e., 1.8% at 31 December 2017. The estimated sensitivity of the benefit obligation to changes in the discount rate is shown in the following table:

Parameters	+/- 0.5% change	Retirement benefit oblig.	variance (€M)	variance (%)
Discount rate	-0.5	24.9	-1.6	-6.4%
Discount rate	0.5	21.9	1.4	6.4%
Staff turnover rate	-0.5	24.6	-1.2	-4.9%
Staff turnover rate	0.5	21.9	1.3	5.9%
Revaluation rate	-0.5	22.0	1.3	5.9%
Revaluation rate	0.5	24.8	-1.4	-5.7%

### 7.3.2 In relation to length-of-service awards

The Group measures and recognises its long-term commitments in relation to length-of-service awards using similar assumptions to those used for other post-employment benefits.

	2017	2016
Length-of-service awards	2.6	2.5
<b>TOTAL</b>	<b>2.6</b>	<b>2.5</b>

## 7.4 Headcount

	2017	2016
Management grade	697	614
Non-management grade	936	903
<b>TOTAL</b>	<b>1,633</b>	<b>1,517</b>

## 7.5 Statutory Auditors' fees

	2017	2016
Mazars	0.3	0.3
PricewaterhouseCoopers Audit	0.2	0.2
Other audit firms		
<b>Total - statutory audit engagements</b>	<b>0.5</b>	<b>0.5</b>
Mazars		0.2
PricewaterHouseCoopers Audit		
Other audit firms		
<b>Services other than statutory audit engagements</b>	<b>0.0</b>	<b>0.2</b>
<b>TOTAL</b>	<b>0.5</b>	<b>0.7</b>

## 7.6 Related party-transactions and senior executive compensation

The Group's parent, CDC, complies with the notion of a "government-related entity" under Revised IAS 24 and SNI avails of the reporting exemption available under paragraph 25 of the standard.

### 7.6.1 Relations with the parent company

Relations with the parent mainly concern bank loans granted under arm's length conditions and guarantees provided to either SNI or one of its subsidiaries.

	2017	2016
Borrowings - Caisse des dépôts et consignations	25.2	29.0
Operating profit/(loss)	0.9	0.9
Financial income (expense)	0.0	0.0
Pledges and guarantees given	59.5	65.8
Pledges and guarantees received	113.9	121.0
<b>RELATIONS WITH CDC – BALANCE SHEET (1)</b>	<b>25.2</b>	<b>29.0</b>
<b>RELATIONS WITH CDC – INCOME STATEMENT (2)</b>	<b>0.9</b>	<b>0.9</b>
<b>RELATIONS WITH CDC –OFF BALANCE SHEET (3)</b>	<b>54.4</b>	<b>55.2</b>

(1) "+asset / - liability", (2) "+ income / - expense", (3) "+ received / - given"

### 7.6.2 Relations with consolidated entities

These mainly concern the Group cash pooling agreement, secondment of personnel and provision of premises and on-site facilities, and guarantees provided to subsidiaries.

	2017	2016
Loans and advances to consolidated companies	4.8	5.2
Group cash pooling agreement – in B/S assets	0.0	2.0
Group cash pooling agreement – in B/S liabilities	77.4	29.5
Sundry receivables	6.6	1.8
Other non-current financial liabilities	2.3	0.0
Other payables	1.6	0.0
Operating profit/(loss)	-5.8	3.2
Net financial income (expense) from cash management facilities	-0.3	0.1
<b>RELATIONS WITH CONSOLIDATED ENTITIES – BALANCE SHEET (1)</b>	<b>-69.9</b>	<b>-20.5</b>
<b>RELATIONS WITH CONSOLIDATED ENTITIES – INCOME STATEMENT (2)</b>	<b>-6.1</b>	<b>3.3</b>

(1) "+asset / - liability", (2) "+ income / - expense "

### 7.6.3 Relations with ESHs

These mainly concern the Group cash pooling agreement and the provision of debt hedging services.

	2017	2016
Group cash pooling agreement – in B/S assets	3.4	0.0
Group cash pooling agreement – in B/S liabilities	57.5	149.2
Net financial income (expense) from cash management facilities	-0.2	-1.3
Derivative instruments - Assets	452.3	534.1
Derivative instruments - Liabilities	452.3	534.1
<b>RELATIONS WITH ESHs – BALANCE SHEET (1)</b>	<b>-54.2</b>	<b>-149.2</b>
<b>RELATIONS WITH ESHs – INCOME STATEMENT (2)</b>	<b>-0.2</b>	<b>-1.3</b>

(1) "+asset / - liability", (2) "+ income / - expense";

### 7.6.4 Senior executive compensation

Members of the Management Board and Supervisory Board are deemed to be senior executives.

	2017	2016
<b>COMPENSATION PAID TO MANAGEMENT BODIES (TOTAL)</b>	<b>1.3</b>	<b>1.4</b>
Short-term benefits	1.3	1.4
Post-employment benefits		
Other long-term benefits		
Termination indemnities		
<b>COMPENSATION PAID TO MEMBERS OF THE SUPERVISORY BOARD (TOTAL)</b>	<b>0.1</b>	<b>0.1</b>
Attendance fees	0.1	0.1

## 7.7 Subsequent events

No material changes occurred in the SNI Group's financial or commercial position between the end of the year and the date on which the financial statements were prepared.