cdc habitat

FINANCIAL REPORT 2018

- Group overview
- Consolidated Division
- CDC Habitat social
- SIDOM
- Maisons & Cités
- Adoma

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BANQUE des TERRITOIRES

Caisse des Dépôts GROUPE

GROUP OVERVIEW

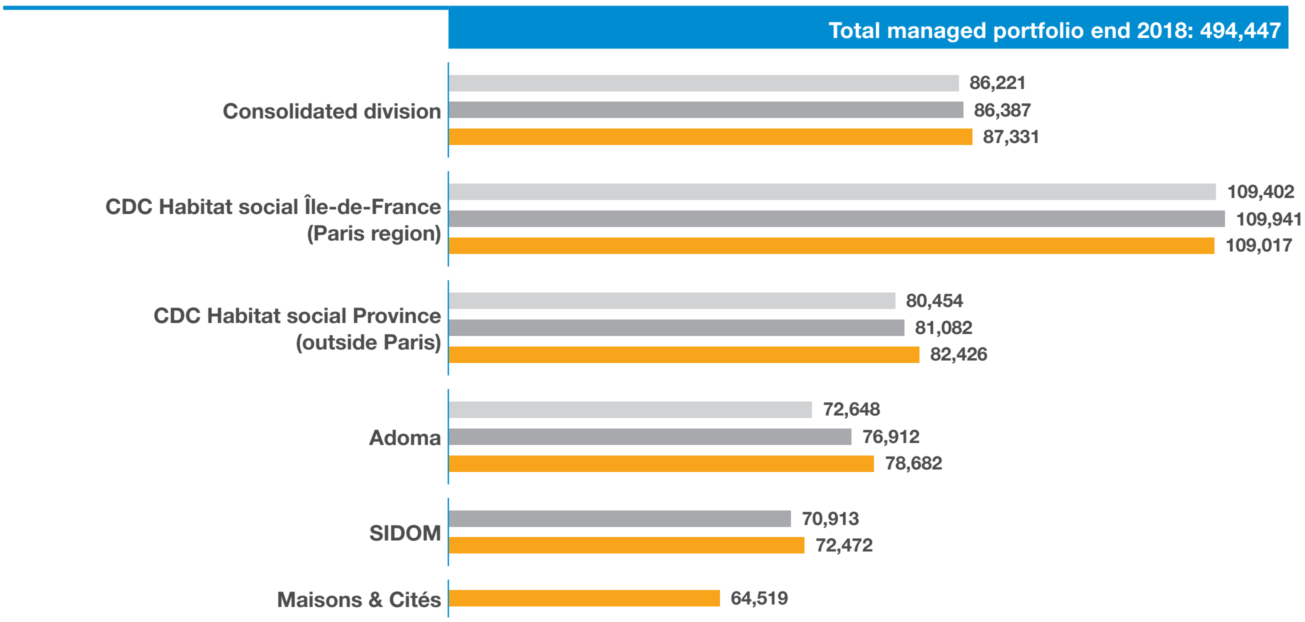
GROWTH IN PORTFOLIO

In 2018, CDC Habitat Group's owned and managed portfolio grew by over 16% to 495,000 units of housing thanks to the consolidation of Maisons & Cités' portfolio comprising 64,519 units.

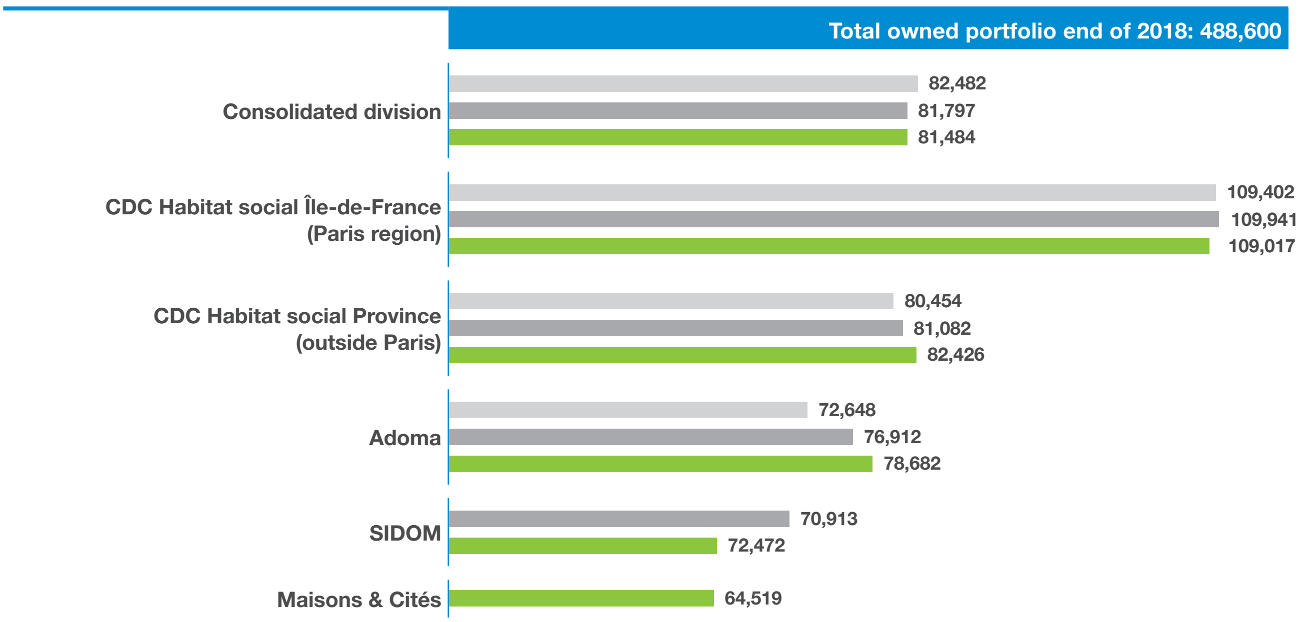
At constant Group structure, the owned and managed portfolios grew by 0.8% and 1.1% respectively during the year (i.e., +4,693 units) due to the combined impacts of the following:

- a 1,770-unit increase in Adoma's housing portfolio;
- delivery of 8,497* new units, including acquisitions and housing for first-time buyers;
- disposal of 4,470 units, including programmes for first-time buyers;
- demolition of 455 units;
- loss of management of 136 units,
- downgrading of 179 units of state-owned housing;
- miscellaneous portfolio adjustments: - 334, including the end of leases on student residences.

Changes in managed portfolio (in number of units)



Changes in owned portfolio (in number of units)

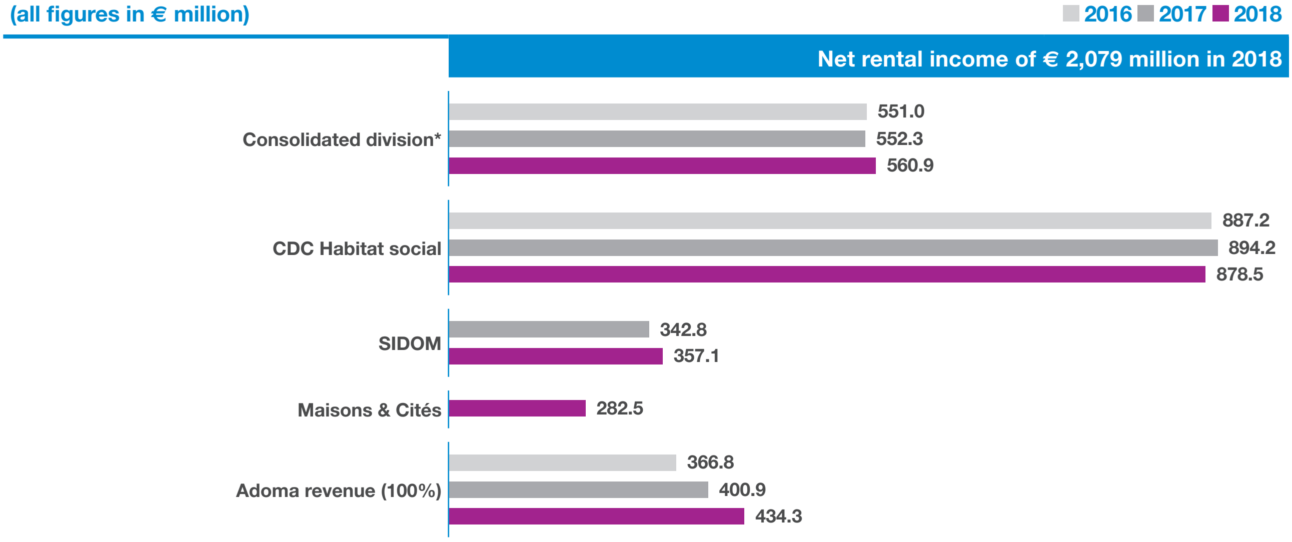


*excluding Maisons & Cités and SOLINTER housing which are managed by an external property manager.

NET RENTAL INCOME

Excluding Maisons & cités and Adoma, net rental income grew by 0.4% to €1,797 million for the year.
Maisons & Cités generated net rental income of €282.5 million.
Adoma's revenue grew by 8.3% year on year to €434 million.

Net rental income (excluding consolidation adjustments) and Adoma revenue (all figures in € million)



* Statutory net rental income (excluding consolidation adjustments and management fees from third parties).

INVESTMENTS REMAIN AT HIGH LEVELS

The Group Investment contribution ratio (INCR) is equal to:

- gross cash flow divided by;
- investment for the period, net of subsidies received (at delivery).

For information, gross cash flow is calculated as:

Gross cash flow from operating activities - repayment of related principal and interest + cash proceeds on disposals.

Portfolio development and investment work delivered for the year net of subsidies totalled €1.8 billion, including an amount of €0.4 billion for Maisons & Cités. It amounted to €1.3 billion in 2017, a 35% increase (up 2% excluding the impact of Maisons et Cités).

Gross cash-flow also increased by 46% to €431 million (including €55 million for Maisons et Cités) thanks to cash proceeds on disposals. This explains the increase in the Group's consolidated investment contribution ratio for the year which came in at 24.6% (up 27.5% excluding the impact of Maisons et Cités).

Investments net of subsidies are still nearly four times greater than gross cash flow.

Investment Contribution Ratio (in €M)

	2017	2018	Cumulative 2017/2018
CONSOLIDATED DIVISION			
Investments net of subsidies	232.3	254.4	486.7
Gross cash flow	43.9	69.1	113.0
INCR	**18.9%**	**27.2%**	**23.2%**
CDC HABITAT SOCIAL			
Investments net of subsidies	670.5	657.5	1,328.0
Gross cash flow	186.1	203.6	389.7
INCR	**27.8%**	**31.0%**	**29.3%**
ADOMA			
Investments net of subsidies	130.6	146.2	276.8
Gross cash flow	44.5	53.8	98.3
INCR	**34.1%**	**36.8%**	**35.5%**
SIDOM			
Investments net of subsidies	263.6	256.4	520.0
Gross cash flow	19.9	48.9	68.7
INCR	**7.5%**	**19.1%**	**13.2%**
MAISONS & CITÉS			
Investments net of subsidies	-	437.7	437.7
Gross cash flow	-	55.3	55.3
INCR	**-**	**12.6%**	**12.6%**
GROUP			
Investments net of subsidies	1,297.0	1,752.2	3,049.2
Gross cash flow	294.4	430.7	725.1
INCR	**22.7%**	**24.6%**	**23.8%**

VERY EFFECTIVE MANAGEMENT

The overview of the Group's operating and financial ratios highlights the following developments:

- the rate of vacancies available for rent for the SIDOM entities has improved markedly. It declined slightly for CDC Habitat social and Adoma and improved for the Consolidated division but generally remained at a very low level throughout the Group;
- thanks to monitoring and support initiatives deployed at Group level, the proportion of bad debts in the Consolidated division, CDC Habitat social and Adoma has been kept at a satisfactory level. In particular, the SIDOM entities are monitored very closely;
- the ratio of management costs in euros per equivalent housing unit increased by €104/unit for the consolidated division due mainly to the development of intermediate housing and asset management activities (for third parties). It increased by €56/unit in CDC Habitat social due to higher payments into the social rental housing guarantee fund (CGLLS) and increases in management fees. The ratio for the emergency accommodation division improved over the period (down by €30/unit).
- recurring maintenance expenditure throughout the Group averaged €565/unit in 2018. Maintenance expenditure represented 11.5% of the Group's consolidated net rental income. The highest level of 17.1% was reported by Adoma which has more housing units in distressed areas with more maintenance and upkeep requirements and lower rents;
- the recurring operating income margin for 2018 came out at 50.3%, down slightly year on year but still comfortable overall. The lower figure is mainly attributable to the 3-point decline for CDC Habitat social due the reduction in rent supplements charged to better-off tenants (RLS);
- the net debt/net rental income ratio improved for CDC Habitat and CDC Habitat social and declined for the SIDOM entities. It remained low for Adoma.

Operating data

	GROUP	Consolidated division	CDC Habitat social	Adoma	SIDOM	Maisons & Cités
RENTAL MANAGEMENT						
Average vacancy rate on available units (end of period)	1.68%	2.53%	1,22%	1.26%	2.34%	nd
For info. 2017	1.57%	2.67%	1.19%	0.97%	3.80%	-
Average vacancy rate on available units (> 1 month)	0.75%	1.74%	0.69%	nd	nd	0.68%
For info. 2017	0.97%	1.87%	0.66%	nd	nd	-
Bad debts	2.1%	0.7%	1.1%	1.2%	4.2%	1.7%
For info. 2017	0.8%	0.5%	0.9%	nd	nd	-
Management costs (€/per equivalent housing unit)	€1,200	€1,804	€1,125	€960	€1,301	€1,083
For info. 2017	€1,196	€1,700	€1,069	€990	€1,395	-
DEVELOPMENT/DISPOSALS						
New SOs/acquisition ratio	3.5%	5.4%	2.3%	5.1%	3.5%	0.5%
Disposal ratio	1.1%	1.7%	1.7%	0.3%	0.3%	0.4%
PROPERTY MANAGEMENT						
Maintenance/in € per equiv. housing unit	€565	€610	€565	€473	€582	€605
Maintenance/as % of net rental income	11.5%	8.7%	11.0%	17.1%	11.8%	13.8%
Ratio of Renovation work/Work to enhance neighbourhood quality	3.4%	2.6%	5.7%	0.0%	1.3%	4.6%

Financial data

	GROUP	Consolidated division	CDC Habitat social	Adoma	SIDOM	Maisons & Cités
INCOME STATEMENT						
Statutory net income or revenue (Adoma)	2,513	561	879	434	357	282
For info. 2017	2,190	552	894	401	343	-
Recurring operating income or EBITDA/Net rental income*	50.3%	53.0%	51.4%	37.1%	51.4%	50.9%
For info. 2017	52.2%	55.3%	54.4%	37.8%	51.1%	-
Gains on disposals/Profit before tax**	72.6%	64.6%	86.1%	21.3%	43.1%	127.0%
For info. 2017	65.9%	73.4%	63.1%	5.4%	182.0%	-
GROSS CASH FLOW/INV (INCR)	**24.6%**	**27.2%**	**31.0%**	**36.8%**	**19.1%**	**12.6%**
For info. 2017	22.7%	18.9%	27.8%	34.1%	7.5%	-
NET DEBT/NET RENTAL INCOME	**6.6**	**6.0**	**7.7**	**2.7**	**8.6**	**4.6**
For info. 2017	6.5	5.6	7.0	2.6	9.0	-
GEARING (NET DEBT/EQUITY)	**-**	**1.3**	**1.7**	**0.7**	**1.7**	**1.2**
For info. 2017	-	1.3	1.7	0.7	1.8	-
LTV (LOAN TO VALUE)	**-**	**44.6%**	**43.3%**	**nd**	**nd**	**nd**
For info. 2017	-	43.8%	40.5%	nd	nd	-
ANNUITIES/NET INCOME	**47.2%**	**53.4%**	**53.5%**	**17.8%**	**nd**	**38.6%**
For info. 2017	55.0%	73.9%	52.9%	16.7%	nd	-

* For the Consolidated Division: recurring operating income excluding property development/(net rents + income from other activities);
CDC Habitat social: EBITDA/Net income.

** For the Consolidated Division: gains on disposals/Profit before tax (adjusted for provisions booked for Swaps).

CONSOLIDATED
DIVISION

INCOME STATEMENT

CREDIT RATING

Fitch uses its public sector entities methodology and applies a top-down approach when rating CDC Habitat, i.e., its rating is based around that of its shareholder, Caisse des Dépôts et Consignations, whose rating is in turn dependent on that of the French State. CDC Habitat's rating factors in its financial and strategic integration within Caisse des Dépôts as well as its key role in providing social housing at national level. Differences between CDC Habitat's and Caisse des Dépôts's ratings reflect the fact that intermediate housing does not benefit from the same institutional support as social housing (via CDC Habitat social).

On 26 July 2018, as part of Fitch's annual ratings review, CDC Habitat's medium- and long-term rating was maintained at AA- with a stable outlook, i.e., one notch below Caisse des Dépôts's rating.

Highlights in 2018 included:

- promulgation of the 2018 Finance Bill resulting in:
  - €1.2 million in lost rents as a result of the reduction in rent supplements charged to better-off tenants (RLS),
  - an increase in contribution rates for the social rental housing guarantee fund (CGLLS) from 1.58% to 2.20%.
- application of IFRS 15 – Revenue from Contracts with Customers and IFRS 9 – Financial instruments, from 1st January 2018:
  - the adoption of IFRS 15 had no impact on the Group's consolidated 2018 financial statements insofar as it does not change the revenue recognition pattern of the consolidated subsidiaries given the nature of their business,
  - the main impacts of the adoption of IFRS 9 by the Group were as follows:
    - reclassification of non-consolidated equity investments;
    - prioritising the principle of fair value measurement over net book value. This resulted in the recognition of income for an amount of €9.5 million (€6.5 million net of income tax).
- continued sustained development of intermediate housing: at end-2018, the CDC Habitat/FLI/SOLINTER/ÉRAFP pipeline comprised nearly 29,000 units of housing, of which more than 20,000 had been validated by the Group Commitments Committee. Over 17,000 units of intermediate housing had been contractualised by end-2018 (signed preliminary reservation agreements and off-plan sales and deliveries);
- acquisition of a 34% stake in Maisons & Cités for an amount of €150 million in July 2018 and acquisition of 20% of the units of Juno, a real estate investment fund (REIF), for an amount of €87 million;
- creation of a single social housing subsidiary, CDC Habitat social, out of the merger of the Group's 13 social housing subsidiaries. CDC Habitat social became France's No.1 social housing provider with just short of 191,500 units of social housing under management;
- in December 2018, AMPERE Gestion raised over €900 million from 15 institutional investors to finance its new intermediate housing investment fund, FLI 2. This first closing will be followed by a second closing scheduled for 2019, enabling FLI 2 to finance production of over 11,000 units of housing (80% intermediate housing and 20% student and senior residences);
- launch of commercial paper and medium-term note programmes (NEU CP-NEU MTN) for maximum amounts of €300 million and €200 million, respectively. Both programmes are designed to provide CDC Habitat with greater financial flexibility;
- payment of €100 million by Caisse des Dépôts in December 2018 as part of the €400 million capital increase carried out in July 2017 (the residual unpaid balance is €200 million).

CDC Habitat's scope of consolidation now includes the following entities:

- CDC Habitat, Sainte-Barbe, AMPERE and Adestia, all of which are fully consolidated;
- Adoma (56.44% stake) and FLI, (19.14% stake), consolidated using the equity method.

This scope of consolidation is itself consolidated in the books of Caisse des Dépôts. CDC Habitat's Fitch rating applies to this same group of consolidated entities.

STABLE EARNINGS EXCLUDING THE IMPACT OF DISPOSALS

Consolidated profit for 2018 came in at €90.2 million, compared to €118.7 million for 2017.

Net income excluding property development (i.e., rental income + income from other activities) grew by €7.7 million to €540.7 million on the back of higher gross rental income (up €3.7 million) and income from other activities (up €3.4 million). **Operating expenses** grew by €15.8 million to €254 million for the year.

Maintenance expenses represented 8.7% of net rental income and reflect the big overall commitment to maintenance.

The property development margin came in at €0.9 million, which was down on last year.

Recurring operating income declined by €8.3 million year on year to €287.6 million. Excluding the property development margin, recurring operating income was 53.0% of net income versus 55.3% in 2017.

Disposal gains accounted for 65% of pre-tax profit (€78.0 million).

Depreciation and amortisation net of government grants and subsidies increased by €3.1 million year on year to €164.7 million due to new buildings placed in service.

Net reversals of provisions on property totalled €6.3 million (€0 in 2017), reflecting the reversal of a provision no longer required on a building for which a sale agreement had been signed at end-2018.

Adoma's contribution to consolidated profit was stable year on year at €12.6 million.

FLI's contribution was virtually zero (i.e., net income of €0.2 million) and income from the first properties delivered still only has a marginal impact on fund earnings.

EBIT after share in net income of associates came in at €220 million, €34.5 million less than in 2017.

Cost of net debt increased by €4.5 million to €107.6 million in 2018 (up from €103.1 million in 2017) as a result of fair value adjustments to derivatives (excluding Adoma). The drop in income from cash and cash equivalents was offset by lower finance costs.

We should note that, while changes in the fair value of derivatives do not automatically push up/decrease finance costs, they need to be analysed in terms of an opportunity cost/gain due to lower forecast interest rates.

The Group's interest rate hedging policy is to use interest rate swaps to insure the finance costs of Group entities over the very long term and is not intended to be used for speculative purposes.

Fair value adjustments to investments increased by €9.7 million: first-time adoption of IFRS 9 in 2018 resulted in the recognition of income of €9.5 million on the remeasurement of investments and €0.2 million for the reversal of impairment provisions previously recognised on investments.

Profit before tax was €122.2 million versus €151.5 million in 2017, a year on year decline of €29.3 million.

Tax expense was stable year-on-year at €32.0 million, despite the drop in profit before tax and a higher proportion of subsidised housing sold in 2018. This stability was attributable to a non-recurring amount of €12.0 million recognised in 2017 under the liability method.

Consequently, although Return On Equity (ROE) fell back to 4.1%, it remains above the target fixed for 2018 (i.e., 2.8%).

Consolidated Income Statement-Prepared under IFRS (in €M)

	2017	2018	YoY change 2018/2017	YoY change 2018/2017 (%)
Gross rental income	521.9	525.6	3.7	0.7%
Loss on recoverable rental charges	-7.5	-6.9	0.6	-8.1%
Net rental income	514.4	518.7	4.3	0.8%
Income from other activities	18.7	22.1	3.4	18.2%
NET INCOME	**533.0**	**540.7**	**7.7**	**1.4%**
Income from property development	13.2	4.9	-8.4	-63.1%
Cost of inventory	-12.1	-4.0	8.1	-67.0%
Property development margin	1.2	0.9	-0.3	-22.3%
Purchases consumed & external services	-55.3	-59.2	-3.9	7.0%
Maintenance	-52.7	-54.0	-1.3	2.5%
Taxes other than income taxes	-44.6	-49.6	-5.0	11.2%
Personnel expenses, discretionary and non-discretionary profit-sharing	-78.6	-86.8	-8.2	10.5%
Other operating income (expense)	-7.1	-4.4	2.6	-37.0%
Total recurring expenses	-238.2	-254.0	-15.8	6.6%
RECURRING OPERATING INCOME	**296.0**	**287.6**	**-8.3**	**-2.8%**
Disposal gains on investment property	106.9	78.0	-28.9	-27.0%
EBITDA	**402.9**	**365.7**	**-37.2**	**-9.2%**
Depreciation and amortisation net of government grants and subsidies	-161.6	-164.7	-3.1	1.9%
Net (additions to) reversals of provisions	0.0	6.3	6.4	-
EBIT BEFORE SHARE IN NET INCOME OF ASSOCIATES	**241.3**	**207.3**	**-33.9**	**-14.1%**
Share in net income of associates	13.4	12.8	-0.5	-4.1%
EBIT AFTER SHARE IN NET INCOME OF ASSOCIATES	**254.7**	**220.2**	**-34.5**	**-13.5%**
Cost of net debt	-103.1	-107.6	-4.5	4.4%
Fair value adjustments to investments	-	9.7	9.7	-
PROFIT BEFORE TAX	**151.5**	**122.2**	**-29.3**	**-19.3%**
Income tax expense	-32.9	-32.0	0.8	-2.5%
NET PROFIT	**118.7**	**90.2**	**-28.5**	**-24.0%**
Non-controlling interests	0.0	0.0	0.0	-
NET PROFIT ATTRIBUTABLE TO OWNERS	**118.7**	**90.2**	**-28.5**	**-24.0%**

	2017	2018
Recurring operating income (excluding property development margin)/net income (net rents + income from other activities)	55.3%	53.0%
Gains on disposals/Profit before tax (excluding impact of swaps)	73.4%	64.6%
Gains on disposals/EBITDA	26.5%	21.3%
Gains on disposals/Recurring operating income	36.1%	27.1%
Interest Coverage Ratio (ICR)	1.25	1.19
ROE	5.7%	4.1%

CONSOLIDATED ASSETS GREW BY MORE THAN €160 MILLION

OVERVIEW OF THE GROUP'S BORROWINGS

In December 2017, the Supervisory Board authorised the Group to raise €289 million in new borrowings for 2018 by means of placements on the open market. Ultimately, €190 million was raised:

- **€40 million in the form of NSV-type bonds maturing in 20 years;**
- **€80 million in the form of two commercial paper and medium-term note programmes (NEU CP-NEU MTN) (€20 million over 9 years and €60 million over 13 years);**
- **€70 million in bank borrowings maturing in 15 years.**

The weighted average interest rate on these borrowings is 1.61% at an average maturity of 15 years.

As regards Sainte Barbe, two loans were contracted for a total amount of €11 million to finance renovation work (€10 million at 1.24% over 15 years) and new developments at Freyming-Merlebach (a special €1 million home-ownership loan at 1.86% over 30 years).

Because no profits were distributed, the *gearing* ratio remained stable at 1.4. Once adjusted for fair value adjustments to derivatives it comes out at 1.3.

Because net debt grew faster than net asset value, the *Loan to Value* (LTV) ratio increased to 44.6%.

IN ASSETS

Non-current assets grew by €362 million (+6.1%) mainly reflecting the combined effects of:

- an €86 million increase in **investment property**. The value of new buildings placed in service exceeded disposals and depreciation expense for the period;
- a €274 million increase in **available-for-sale financial assets: €264 million of this amount corresponded to acquisitions of equity interests** over the period (including €150 million for shares in Maisons & Cités, €87 million for shares in Juno, €16.5 million for an additional stake in SIMKO and a €5 million increase in the capital of CDC Habitat social realized by Adestia). The remaining €9.5 million corresponded to fair value adjustments to investments under IFRS 9;
- **the €101 million increase in investments in associates**, reflecting the increased share in the net assets of Adoma;
- the €15 million decrease in other non-current financial assets, corresponding mainly to €20 million in depreciation expense taken over the period on government property-type leases;
- a deferred tax asset has been recognised for an amount of €8 million (€5 million less than in 2017);

Current assets decreased by €228 million in the year to 31st December 2018, reflecting the combined effects of:

- accounts receivable which declined by €91 million, largely attributable to €100 million in capital paid up by Caisse des Dépôts;
- the €135 million decrease in other current financial assets and cash balances. This was attributable to cash used in investing activities in 2018, heavily impacted by acquisitions of equity interests (i.e., acquisition of Maisons & Cités and Juno for a total amount of €237 million), which increased by more than cash flows generated from operating and financing activities.

Assets held for sale increased by €28 million. The balance was €31 million at the end of 2018 and €30 million of this amount concerned « Les Ellipses » office premises. Assets held for sale at the end of 2017 were duly sold during the period.

IN LIABILITIES AND EQUITY

Equity grew by 4.4% or €97 million, thanks mainly to the allocation of 100% of profit for 2017 (no amounts were distributed).

Non-current liabilities were down by €15 million, reflecting the combined impacts of the €43 million decrease in other non-current financial liabilities and the €28 million increase in current borrowings (capital paid up on investments and fair value adjustments to derivatives).

Current liabilities were €71 million or **11% higher** year on year:

- **Other current liabilities** grew by €11 million, mainly driven by the €8 million increase in accounts payable;
- Current borrowings grew by €61 million to €492 million and included a €98 million increase in bank borrowings.

Liabilities related to assets held for sale were €10 million higher, corresponding to borrowings allocated to block sales of property for which a sale agreement had been signed. €11 million of the €13 million balance at 31st December 2018 concerns borrowings allocated to « Les Ellipses » office premises which should be repaid once the sale goes through.

CONSOLIDATED DIVISION

Balance Sheet (in €M)

	2017	2018	YoY change 2018/2017
ASSETS			
Intangible assets	5.4	5.6	0.2
Investment property	4,864.7	4,950.7	86.0
Other non-current assets	12.3	24.3	11.9
Rental property	**4,882.4**	**4,980.5**	**98.1**
Available-for-sale financial assets	149.4	422.8	273.5
Investments in associates	389.2	399.9	10.6
Other financial assets	544.0	528.8	- 15.2
Deferred tax assets	13.0	8.2	- 4.8
Non-current financial assets	**1,095.6**	**1,359.7**	**264.1**
NON-CURRENT ASSETS	**5,978.0**	**6,340.2**	**362.2**
Cash and cash equivalents	841.3	706.4	- 135.0
Inventories	22.3	19.6	- 2.7
Trade receivables	517.2	426.7	- 90.5
CURRENT ASSETS	**1,380.9**	**1,152.7**	**- 228.2**
Assets held for sale	2.7	30.9	28.2
TOTAL ASSETS	**7,361.5**	**7,523.8**	**162.2**
EQUITY AND LIABILITIES			
Share capital	893.5	893.5	0.0
Reserves	1,180.7	1,306.4	125.7
Net profit for the period	118.7	90.2	- 28.5
Equity attributable to owners of the parent	**2,192.8**	**2,290.0**	**97.2**
Non-controlling interests	0.0	0.0	-
TOTAL EQUITY	**2,192.8**	**2,290.0**	**97.2**
TOTAL PROVISIONS	**29.8**	**28.9**	**-0.9**
Non-current borrowings	3,484.1	3,512.3	28.2
Other non-current financial liabilities	993.6	950.3	- 43.3
Deferred tax liabilities	0.0	0.0	0.0
NON-CURRENT LIABILITIES	**4,477.7**	**4,462.6**	**- 15.1**
Current provisions	19.4	18.1	- 1.2
Current borrowings	430.8	491.7	61.0
Other current liabilities	208.6	219.8	11.2
CURRENT LIABILITIES	**658.7**	**729.6**	**70.9**
Liabilities related to assets held for sale	2.4	12.6	10.2
TOTAL EQUITY AND LIABILITIES	**7,361.5**	**7,523.8**	**162.2**

Balance sheet ratios

	2017	2018
Net debt (€ million)*	3,074	3,298
Gearing (net debt/equity)	1.4	1.4
Gearing (excluding impact of swaps)	1.3	1.3
Net debt/income (statutory accounts)	5.6	6.0

* Net debt = Borrowings (non-current + current) - Cash and cash equivalents.

FINANCING THE ACTIVITY

The significant investment outlay in 2018 (notably for acquisitions of equity interests) generated net funding requirements of €189 million, following the funding surplus of €42 million recorded in 2017. This reflects a number of factors:

- cash generated by operating activities increased by €4 million to €175 million;
- principal repayments decreased by €61 million as the amount for 2017 included bullet loan repayments for loans taken out in 2012 for a total amount of €62 million;
- cash proceeds on disposals declined by €45 million and were used to fund principal repayments, capital outlay required for work on the housing portfolio (up slightly at €22 million), development work (€64 million, an increase of €11 million), and investments in structural work for relocating the Paris head office (€13.8 million) and rolling out the vectorization application (€5.8 million).

Consequently, **free cash flow before equity financing** was €6 million, a drop of €11 million on the figure for 2017.

After factoring in the €100 million cash capital increase paid up by Caisse des Dépôts (as part of the €400 million capital increase) and acquisitions of various equity interests totalling €295 million (including €150 million for shares in Maisons & Cités, €87 million for shares in Juno, €31 million in funds raised for FLI, €17 million for an additional stake in SIMKO, and a €5 million increase in the capital of Coligny realized by Adestia), **the net funding requirement for 2018 amounted to €189 million.**

Free Cash Flow (in €M)

	2017	2018
Cash flow from operating activities	170.6	174.8
Repayment of principal	-242.6	-181.7
Dividends received from FLI	0.4	0.8
Dividends received from VESTA	0.0	0.0
GROSS OPERATING CASH FLOW	**-71.6**	**-6.1**
Capital invested in renov/enhancement/demolition	-18.0	-22.1
NET OPERATING CASH FLOW	**-89.6**	**-28.2**
Cash proceeds on disposals	162.8	118.0
Equity invested in development (new deliveries)	-53.2	-64.1
Equity invested in structural work	-1.9	-19.6
Other early repayments	-0.9	0.0
FREE CASH FLOW BEFORE EQUITY FINANCING AND CAPITAL INCREASE	**17.1**	**6.2**
Acquisitions of equity interests	-75.4	-295.4
Distributed dividends	0.0	0.0
FREE CASH FLOW AFTER EQUITY FINANCING AND BEFORE CAPITAL INCREASE	**-58.2**	**-289.2**
Cash capital increase	100.0	100.0
FREE CASH FLOW AFTER EQUITY FINANCING	**41.8**	**-189.2**

CDC HABITAT

SOCIAL

In 2018, the 13 social housing entities that comprised the ESH division were merged into a single entity, CDC Habitat social.

For the purpose of presenting an economic overview of CDC Habitat social, the figures presented below aggregate the activities and financial statements of the 13 former social housing entities. This gives a net profit for the year of €206.4 million.

INCOME STATEMENT

Net rental income declined by €15.6 million year on year to €878.5 million due to the combined impacts of the reduction in rent supplements charged to better-off tenants (RLS) (which knocked €27.5 million off rental income) and an €11.6 million increase in rental income essentially due to properties delivered during the period.

Operating expenses rose by €19 million, mainly due to the new basis used to calculate payments into the social rental housing guarantee fund (CGLLS) which accounted for €12.0 million of this increase. EBITDA came in at €451.2 million and represented 51.4% of net rental income (54.4% in 2017).

EBIT came in at €173.0 million and was hit by big increases in depreciation charges related to new buildings placed in service and renovation work carried out.

Net financial expense was €3.5 million lower in 2018, in line with the €4.3 million decrease in financial expense. However, financial income declined by €0.7 million, reflecting the decrease in cash and cash equivalents and lower investments yields.

Proceeds from disposals grew by €48.6 million to €176.5 million year on year, reflecting the high levels of block sales in 2018.

Non-recurring profit was down by €5.9 million following the end of the equity pooling arrangement, the increase in employee profit-sharing expense (€3.6 million) and the reversal of the provision related to the tax on sales due to the suspension of the measure (€4.4 million). Consequently, net profit for the year came in at €206.4 million, an increase of €3.6 million when compared with 2017.

Income Statement (in €M)

	2017	2018	YoY change 2018/2017	YoY change 2018/2017 (%)
NET RENTAL INCOME	**894.2**	**878.5**	**-15.6**	**-1.8%**
Fees paid	-11.3	-23.3	-12.0	105.4%
Maintenance	-100.9	-96.3	4.6	-4.5%
Local staff payroll	-23.5	-24.8	-1.2	5.3%
Property tax on rental housing stock	-91.7	-92.3	-0.6	0.7%
Other direct costs	-22.6	-24.1	-1.4	6.3%
CONTRIBUTION MARGIN	**644.1**	**617.8**	**-26.3**	**-4.1%**
Administrative staff payroll	-105.6	-110.5	-4.9	4.7%
Other indirect costs	-28.1	-27.8	0.3	-1.1%
Own work capitalised	10.4	10.9	0.5	5.0%
Services	-34.8	-39.2	-4.4	12.6%
GENERAL EXPENSES	**-158.1**	**-166.6**	**-8.5**	**5.4%**
EBITDA	**486.0**	**451.2**	**-34.8**	**-7.2%**
Depreciation and amortisation net of government grants and subsidies	-266.9	-280.1	-13.3	5.0%
Variance MR/PMRs	2.3	1.9	-0.4	-15.6%
EBIT	**221.5**	**173.0**	**-48.4**	**-21.9%**
Financial expense	-157.6	-153.3	4.3	-2.7%
Financial income	11.3	10.6	-0.7	-6.5%
NET FINANCIAL EXPENSE	**-146.2**	**-142.7**	**3.5**	**-2.4%**
PROFIT FROM ORDINARY ACTIVITIES	**75.2**	**30.3**	**-44.9**	**-59.7%**
Profit from selling activity	127.9	176.5	48.6	38.0%
Non-recurring profit	12.5	6.6	-5.9	-47.3%
Employee profit-sharing	-6.5	-10.1	-3.6	56.0%
Income tax	-6.2	3.2	9.4	-151.2%
NET PROFIT	**202.8**	**206.4**	**3.6**	**1.8%**

BALANCE SHEET

Within the scope of the merger, the 12 mergees are consolidated to reflect their share in the equity of the absorbing entity (formerly OSICA, now known as CDC Habitat social).

Only the profit/loss of the absorbing entity appears in CDC Habitat social's statutory accounts. In 2018, this represented a loss of €4.2 million.

Balance Sheet (in €M)

	2017*	2018	YoY change 2018/2017
ASSETS			
Rental property	9,361.5	9,657.2	295.7
Renovation and building work in-progress	927.0	1,087.1	160.1
Net rental property	10,288.5	10,744.3	455.8
Owner-occupied property	26.3	27.5	1.2
Non-current financial assets	24.4	10.2	- 14.2
NON-CURRENT ASSETS	**10,339.3**	**10,782.0**	**442.8**
Cash and cash equivalents	806.1	736.1	- 70.1
Inventories	25.9	30.1	4.3
Trade receivables	370.3	449.7	79.3
Deferred charges	0.4	0.2	- 0.2
CURRENT ASSETS	**1,202.7**	**1,216.0**	**13.4**
TOTAL ASSETS	**11,541.9**	**11,998.0**	**456.1**
EQUITY AND LIABILITIES			
Capital and reserves	2,259.8	2,649.7	389.9
Profit (loss) for the period	202.8	- 4.2	- 207.0
Government grants	1,275.8	1,245.7	- 30.1
EQUITY	**3,738.4**	**3,891.2**	**152.8**
Provisions for major repairs	28.7	22.9	- 5.8
Other provisions	65.2	64.7	- 0.5
PROVISIONS	**93.9**	**87.7**	**- 6.2**
Borrowings (outstanding principal)	7,041.7	7,449.7	408.1
Accrued interest on borrowings not yet due	63.4	59.2	- 4.2
Compensating interest	1.3	0.4	- 1.0
NON-CURRENT LIABILITIES	**7,106.4**	**7,509.3**	**402.9**
Current borrowings	580.7	494.4	- 86.4
Deferred income	22.5	15.5	- 7.0
CURRENT LIABILITIES	**603.2**	**509.8**	**- 93.4**
TOTAL EQUITY AND LIABILITIES	**11,541.9**	**11,998.0**	**456.1**

*Aggregate balance sheet of the 13 social housing entities

Balance sheet ratios

	2017	2018
Net debt/net rental income	7.0	7.7
Net debt/rental property	0.6	0.6
Gearing (net debt/equity)	1.7	1.7
Cash on hand/number of months of rental income	10.8	10.1

Total assets grew by nearly 4% (or by €456 million) in 2018.

IN ASSETS

The €456 million increase in net rental property was attributable to the delivery of new developments and acquisitions for an amount of €529 million, work delivered and capitalised for an amount of €182 million and the €160 million increase in assets under construction, less depreciation charges totalling €416 million.

IN LIABILITIES AND EQUITY

Equity grew by €153 million to €3,891 million, reflecting:

- CDC Habitat social's loss of €4 million for 2018 and the €211 million profit generated by the 12 social housing entity mergees consolidated in capital and reserves;
- the €30 million decrease in subsidies and government grants;
- €2 million in dividends paid out;
- merger accounting entries and balances brought forward, notably after asset useful lives were harmonised and subsidies reversed (negative €20 million).

Borrowings grew by €403 million, reflecting new borrowings of €739 million less repayments of €382 million made during the period.

FINANCING THE ACTIVITY

Cash generated by operating activities, down by €45 million, notably due to the reduction in rent supplements charged to better-off tenants (RLS), was insufficient to fund principal repayments and gross operating cash flow was a negative amount of €22 million. Capital outlay required for work on the housing portfolio and structural development and investment was covered by cash proceeds on disposals. Consequently, free cash flow before equity financing was €59 million, an increase of €23 million on the figure for 2017.

After payment of the first tranche of equity financing ("Prêt de Haut de Bilan") of €7 million and the €5 million capital increase, free cash flow was €71 million.

Free Cash Flow (in €M)

	2017	2018
Cash flow from operating activities	342	297
Compensating interest	- 2	- 1
Repayment of principal (excl. early repayments)	- 312	- 318
GROSS OPERATING CASH FLOW	**28**	**- 22**
Equity invested in building work	- 81	- 51
NET OPERATING CASH FLOW	**- 54**	**- 73**
Cash proceeds on disposals (price - outstanding principal)	159	226
Equity invested in development (NB + Acq)	- 50	- 71
Equity invested in structural work	- 2	- 4
Other early repayments	- 16	- 18
Dividends	- 1	- 1
FREE CASH FLOW	**36**	**59**
Equity financing	46	12
FREE CASH FLOW AFTER EQUITY FINANCING	**82**	**71**

SIDOM

This division comprises six real estate companies in French Overseas Departments (known collectively as SIDOM): SIMAR (Martinique), SIG (Guadeloupe), SIGUY (French Guyana), SIMKO (French Guyana), SIDR (Reunion Island) and SIM (Mayotte). CDC Habitat owns 64% of SIMKO and 34% of the other SIDOM.

INCOME STATEMENT

Net rental income was up 4.2% for the year to €14.3 million (€11 million attributable to property delivered in 2017-2018 and almost €3 million to a reduction in vacancy rates). Maintenance expenses increased in 2018 following an atypical year in 2017 when they were below average. EBITDA came in at €183.7 million, up 5.1% on the year, thanks to lower payroll costs and other indirect expenses.

The ratio of EBITDA to net rental income was 51.4% (50.9% in 2017 and 48.6% in 2016).

EBIT was hit by big increases in depreciation charges related to new buildings placed in service and renovation work carried out and totalled nearly €64 million.

The Division's net financial expense improved by €5.0 million: financial expense fell by €8.3 million (termination of swaps on SIG) and financial income declined by €3.3 million (rebilling of expenses related to tax exemptions).

Profit from ordinary activities came out at €30.5 million versus €15.8 million in 2017. Only SIDR generated a loss on ordinary activities for the period (in 2016, this was the case for SIGUY, SIM and SIDR).

Disposal gains increased 10% on the year to €15.9 million (due in particular to the increased volume of split sales).

Net profit came in at €37 million, an increase of €31 million when compared with 2017 when large amounts of non-recurring contingency provisions were recognised.

Income Statement (in €M)

	2017	2018	YoY change 2018/2017	YoY change 2018/2017 (%)
NET RENTAL INCOME	**342.8**	**357.1**	**14.3**	**4.2%**
Fees paid	-1.3	-3.1	-1.8	145.7%
Maintenance	-35.7	-42.3	-6.5	18.3%
Local non-recoverable payroll	-4.6	-4.1	0.5	-10.9%
Property tax on developed property	-32.1	-33.5	-1.5	4.6%
Other direct costs	-6.8	-6.7	0.2	-2.6%
CONTRIBUTION MARGIN	**262.3**	**267.5**	**5.1**	**2.0%**
Administrative staff payroll	-70.4	-68.4	1.9	-2.7%
Other indirect costs	-28.8	-26.4	2.4	-8.4%
Services	5.2	4.5	-0.7	-13.4%
Own work capitalised	6.5	6.5	0.1	1.3%
GENERAL EXPENSES	**-87.5**	**-83.8**	**3.7**	**-4.2%**
EBITDA	**174.9**	**183.7**	**8.9**	**5.1%**
Depreciation and amortisation net of government grants and subsidies	-114.5	-121.3	-6.8	5.9%
Variance MR/PMRs	-6.2	1.4	7.6	-122.7%
EBIT	**54.2**	**63.9**	**9.7**	**17.9%**
Financial expense	-60.9	-52.6	8.3	-13.7%
Financial income	22.5	19.2	-3.3	-14.7%
NET FINANCIAL EXPENSE	**-38.4**	**-33.4**	**5.0**	**-13.0%**
PROFIT FROM ORDINARY ACTIVITIES	**15.8**	**30.5**	**14.7**	**93.3%**
Profit from selling activity	14.5	15.9	1.5	10.2%
Non-recurring profit (loss)	-22.7	-7.9	14.8	-65.0%
Profit sharing	-1.2	-0.8	0.4	-32.8%
Income tax and other levies	-0.6	-0.9	-0.3	41.3%
NET PROFIT	**5.7**	**36.8**	**31.1**	**549.4%**

BALANCE SHEET

The balance sheet is based on the restated statutory accounts (i.e., non-current financial assets rolled into rental property) and reflects the activity of the different entities: total assets grew by €183 million year on year.

The main changes in non-current assets (excluding depreciation charges and derecognition of components) were as follows:

- deliveries for the period, i.e., 1,924 new housing units and 35 commercial units for amounts of €316 million and €12 million, respectively;
- investment work for the period totalling €73 million;
- assets under construction, which increased by an amount of €25.5 million year on year.

Cash on hand totalled €277 million at end-2018 (up €41 million) and represented 9.3 months' worth of rental income.

Equity rose by 9.1% (or by €153 million) on the previous year, and was mostly attributable to government grants and subsidies (up €96 million) and the allocation of 100% of profit for 2017, less €3 million corresponding to the impact of a newly-adopted accounting standard on the treatment of tax credits for social housing in French Overseas Departments.

The net debt/net rental income ratio fell slightly to 8.6. The gearing ratio (net debt/equity) dropped to 1.7.

Balance Sheet (in €M)

	2017	2018	YoY change 2018/2017
ASSETS			
Rental property	3,536.4	3,727.0	190.7
Property adjustments related to property management companies	698.4	580.6	-117.8
Renovation and building work in-progress	486.1	511.6	25.5
Rental property	4,720.8	4,819.2	98.4
Owner-occupied property	36.4	40.5	4.1
Non-current financial assets	8.0	7.9	-0.1
NON-CURRENT ASSETS	**4,765.2**	**4,867.5**	**102.4**
Cash and cash equivalents	235.4	276.9	41.4
Inventories	119.4	103.2	-16.2
Trade receivables	417.3	472.1	54.9
TOTAL ASSETS	**5,537.2**	**5,719.7**	**182.5**
EQUITY AND LIABILITIES			
Capital and reserves	443.5	446.2	2.7
Profit for the period	5.7	36.8	31.1
Government grants	929.0	1,025.1	96.1
Tax exemption subsidies or tax credits	303.9	327.1	23.1
Tax-regulated reserves	1.4	1.5	0.1
EQUITY	**1,683.5**	**1,836.6**	**153.1**
PROVISIONS	**115.2**	**110.5**	**-4.7**
Borrowings (outstanding principal)	3,297.3	3,430.0	132.7
Accrued interest on borrowings not yet due	24.3	19.1	-5.2
NON-CURRENT LIABILITIES	**3,321.7**	**3,449.1**	**127.5**
Current borrowings	313.4	244.4	-69.0
Deferred income	103.4	79.1	-24.4
TOTAL EQUITY AND LIABILITIES	**5,537.2**	**5,719.7**	**182.5**

Balance sheet ratios

	2017	2018
Net debt/net rental income	9.0	8.6
Net debt/rental property	65%	66%
Gearing (net debt/equity)	1.8	1.7
Cash on hand/number of months of rental income	8.2	9.3

FREE CASH FLOW

Cash flow from operating activities, which was €19 million higher than in 2017, is used to fund principal repayments and work on the housing portfolio, and generated net operating cash flow close to zero. Capital outlay required for structural development and investment is covered by cash proceeds on disposals. Free cash flow before equity financing was €25 million.

Following payment of the first tranche of equity financing of €6 million and the release of €2 million of the capital of SIGUY (related to a previous capital increase underwritten by the State as part of the plan to restructure the social rental housing guarantee fund (CGLLS)), free cash flow amounted to €33 million.

Free Cash Flow (in €M)

	2017	2018
Cash flow from operating activities	136.5	155.7
Repayment of capital (excl. early repayments)	-129.6	-133.8
GROSS OPERATING CASH FLOW	**6.9**	**21.9**
Capital invested in building work (deliveries)	-31.9	-22.2
NET OPERATING CASH FLOW	**-25.0**	**-0.3**
Cash proceeds on disposals (price - outstanding principal)	12.9	27.0
Equity invested in development work (NB + Acq)	-25.7	-5.5
Equity invested in structural work	1.1	-3.1
Acquisition-related costs	0.0	-0.2
Other early repayments	-0.1	6.9
FREE CASH FLOW	**-36.8**	**24.8**
Equity financing	31.4	7.7
FREE CASH FLOW AFTER EQUITY FINANCING	**-5.4**	**32.6**

MAISONS &
CITÉS

INCOME STATEMENT

Net rental income declined by €4.4 million year on year (down 1.5%), reflecting the reduction in rent supplements charged to better-off tenants (RLS). However the contribution margin remained largely stable due to the €4.5 million fall in maintenance costs (down 10.4%).

EBITDA was down €3.3 million to €143.7 million, reflecting the €3 million increase in general expenses (50% of which concerns the decrease in own-work capitalised). EBITDA represented 50.8% of net rental income.

EBIT was down 26.1% year on year to €25.2 million, impacted by a €5.6 million increase in depreciation expenses related to new buildings placed in service and renovation work.

Disposal gains increased by an amount of €5.4 million, giving a net profit for the year of €12.4 million, a decrease of €3.7 million when compared with 2017.

Income Statement (in €M)

	2017	2018	YoY change 2018/2017	YoY change 2018/2017 (%)
NET RENTAL INCOME	**287.1**	**282.7**	**-4.4**	**-1.5%**
Fees paid	-2.3	-3.4	-1.1	49.5%
Maintenance	-43.6	-39.0	4.5	-10.4%
Property tax on developed property	-28.5	-26.7	1.8	-6.3%
Other direct costs	-4.4	-5.4	-1.1	24.6%
CONTRIBUTION MARGIN	**208.4**	**208.1**	**-0.3**	**-0.1%**
Payroll	-57.2	-58.9	-1.7	3.0%
Other indirect costs	-14.9	-14.3	0.5	-3.5%
Own work capitalised	10.6	8.8	-1.8	-17.1%
GENERAL EXPENSES	**-61.4**	**-64.4**	**-3.0**	**4.9%**
EBITDA	**147.0**	**143.7**	**-3.3**	**-2.2%**
Depreciation and amortisation net of government grants and subsidies	-112.9	-118.5	-5.6	5.0%
EBIT	**34.1**	**25.2**	**-8.9**	**-26.1%**
Financial expense	-24.9	-26.3	-1.4	5.5%
Financial income	1.0	1.8	0.9	89.1%
NET FINANCIAL EXPENSE	**-23.9**	**-24.4**	**-0.5**	**2.1%**
PROFIT FROM ORDINARY ACTIVITIES	**10.2**	**0.8**	**-9.4**	**-92.5%**
Profit from selling activity	10.8	16.2	5.4	50.3%
Non-recurring profit (loss)	0.4	-2.6	-3.0	-716.9%
Income tax and other levies	-5.3	-1.9	3.4	-64.1%
NET PROFIT	**16.2**	**12.4**	**-3.7**	**-23.3%**

BALANCE SHEET

Total assets grew by nearly 14% (or by €346,8 million) in 2018.

The main changes in non-current assets (excluding depreciation charges and derecognition of components) were as follows:

- deliveries for the period, i.e., 641 units of new housing representing a total amount of €115 million;
- investment work for the period totalling €356 million;
- assets under construction, which decreased over the period by an amount of €233 million.

Cash on hand totalled €277,5 million at end-2018 and represented 11.8 months' worth of rental income.

Equity totalled €1,037.6 million at 31st December 2018, down €14.3 million, reflecting a €16.5 million decrease in government grants and €10.2 million in dividends paid out.

The net debt/net rental income ratio fell slightly to 4.6. The gearing ratio (net debt/equity) dropped to 1.2.

Balance Sheet (in €M)

	2017	2018	YoY change 2018/2017
ASSETS			
Rental property	1,978.0	2,272.4	294.3
Renovation and building work in-progress	429.9	197.0	-232.9
Rental property	2,408.0	2,469.4	61.4
Owner-occupied property	16.0	16.3	0.3
Non-current financial assets	8.6	7.5	-1.1
NON-CURRENT ASSETS	**2,432.6**	**2,493.2**	**60.6**
Cash and cash equivalents	-34.2	277.5	311.7
Inventories	21.3	19.1	-2.2
Trade receivables	86.8	63.6	-23.2
Deferred charges	1.2	1.0	-0.2
CURRENT ASSETS	**75.2**	**361.3**	**286.1**
TOTAL ASSETS	**2,507.7**	**2,854.5**	**346.8**
EQUITY AND LIABILITIES			
Capital and reserves	847.5	853.5	6.0
Profit for the period	16.2	12.4	-3.8
Government grants	188.2	171.7	-16.5
EQUITY	**1,052.0**	**1,037.6**	**-14.3**
PROVISIONS	**4.3**	**9.8**	**5.4**
Borrowings (outstanding principal)	1,326.3	1,557.6	231.3
Accrued interest on borrowings not yet due	8.2	9.9	1.7
NON-CURRENT LIABILITIES	**1,334.5**	**1,567.5**	**233.0**
Current borrowings	116.0	238.8	122.8
Deferred income	0.9	0.8	-0.1
CURRENT LIABILITIES	**117.0**	**239.6**	**122.7**
TOTAL EQUITY AND LIABILITIES	**2,507.7**	**2,854.5**	**346.8**

Balance sheet ratios

	2017	2018
Net debt/net rental income	4.8	4.6
Net debt/rental property	0.6	0.5
Gearing (net debt/equity)	1.3	1.2
Cash on hand/number of months of rental income	-1.5	11.8

FREE CASH FLOW

Cash generated by operating activities totalled €123 million and was insufficient to cover capital invested in building work, leaving a residual funding requirement of €5 million.

Cash proceeds on disposals (€19 million) were used to finance the capital outlay required for structural development and investment (€15 million).

After the payment of a dividend (€10 million), there was a net funding requirement of €10 million.

In the financing plan, the share purchase price of €150 million was treated as a subsidy earmarked for the redevelopment of the mining area. Once this amount was included, free cash flow amounted to €140 million.

Free Cash Flow	**(in €M)**
	2018
Cash flow from operating activities	123
Repayment of capital (excl. early repayments)	- 87
GROSS OPERATING CASH FLOW	**36**
Equity invested in building work	- 41
NET OPERATING CASH FLOW	**-5**
Cash proceeds on disposals (price - outstanding principal)	19
Equity invested in development work (NB + Acq)	- 12
Equity invested in structural work	- 2
Dividends	- 10
FREE CASH FLOW	**- 10**
Equity financing	150
FREE CASH FLOW AFTER EQUITY FINANCING	**140**

ADOMA

INCOME STATEMENT

Net profit grew by €2.8 million in 2018 reflecting the following impacts:

- revenue rose 8.4% on the year to €33.4 million (including €2.8 million in internally-billed fees not related to Hémisphère). This increase was notably attributable to (i) the full-year impact from two French government PRAHDA and HUAS programmes to provide emergency accommodation and social services to distressed populations and asylum seekers which generated additional revenue of €25.1 million, (ii) the increase in asylum-seeker accommodation activity which added €6.6 million to revenue, and (iii) the end of reduced social energy tariffs (TSE) which added another €2.4 million to revenue;
- capitalised production increased by €1.3 million (work is now measured at actual cost and no longer on a fixed-cost basis) and sales from Energy Saving Certificates grew €0.9 million for the year;
- water and electricity charges grew by almost €7.4 million (or 16%) due to sharp increases in rates charged by utilities and the end of social energy tariffs (TSE). Rents increased by €9.5 million (45.2%) and €8.0 million of this increase reflected the full-year impact of the Hémisphère programme. Payroll costs increased by €12.9 million (9.6%) due to the impacts of Mandatory Annual Negotiations (NAO) and the full-year effects of the Hémisphère programme, amounting to €1.4 million and €8.4 million respectively;

The non-recurring loss was €5.7 million less than in 2017 thanks to disposal gains net of government grants and reversals of provisions, and €1.3 million of the indemnity billed to ACCOR.

Income Statement (in €M)

	2017	2018	YoY change 2018/2017	YoY change 2018 / 2017 (%)
REVENUE	**400.9**	**434.3**	**33.4**	**8.3%**
Own work capitalised	2.4	3.7	1.3	56.6%
Operating subsidy	16.2	15.4	-0.8	-4.8%
Reversal of prov. for investment subsidy	12.8	14.2	1.4	11.1%
Other income	0.7	1.7	1.0	153.3%
OPERATING INCOME	**432.9**	**469.3**	**36.4**	**8.4%**
Water, electricity and heating	-46.9	-54.4	-7.4	15.9%
General maintenance (excluding major upkeep and repairs)	-21.3	-23.1	-1.8	8.5%
Building upkeep and cleaning	-23.9	-25.2	-1.3	5.4%
Major upkeep and repairs	-2.6	-2.5	0.0	-1.3%
Rent expense	-20.3	-29.5	-9.2	45.2%
Security and caretaking services	-10.0	-9.1	0.9	-9.0%
Other operating expenses	-33.4	-36.1	-2.7	8.1%
Taxes other than on income	-27.2	-27.2	0.0	-0.1%
Personnel expenses	-134.1	-147.0	-12.9	9.6%
Additions to/reversals of depreciation, amortisation and provisions	-64.0	-67.9	-3.9	6.1%
TOTAL OPERATING EXPENSES	**-383.7**	**-422.0**	**-38.3**	**10.0%**
OPERATING INCOME	**49.3**	**47.4**	**-1.9**	**-3.9%**
NET FINANCIAL EXPENSE	**-9.2**	**-8.9**	**0.2**	**-2.6%**
PROFIT FROM ORDINARY ACTIVITIES	**40.1**	**38.4**	**-1.7**	**-4.2%**
NON-RECURRING PROFIT (LOSS)	**-9.1**	**-3.4**	**5.7**	**-62.6%**
Income tax and employee profit-sharing	-8.5	-9.7	-1.2	13.9%
NET PROFIT	**22.6**	**25.4**	**2.8**	**12.6%**

BALANCE SHEET

Equity and advances (excluding government grants) represented 23% of the total balance sheet, unchanged from 2017.

Government grants and borrowings increased in line with investment and represented 26% and 40%, respectively, of the total balance sheet, the same as in 2017.

Cash on hand remained relatively stable year on year and amounted to €155 million at year end.

Balance Sheet (in €M)

	2017	2018	YoY change 2018 / 2017
ASSETS			
RENTAL PROPERTY	**1,449.3**	**1,555.4**	**106.1**
Cash and cash equivalents	153.6	155.1	1.5
Trade receivables	165.5	173.3	7.8
CURRENT ASSETS	**319.1**	**328.3**	**9.3**
TOTAL ASSETS	**1,768.4**	**1,883.8**	**115.4**
EQUITY AND LIABILITIES			
Capital and reserves	335.4	357.9	22.6
Profit for the period	22.6	25.4	2.8
Government grants	466.2	498.0	31.7
Other	50.2	50.2	0.0
EQUITY	**874.4**	**931.5**	**57.1**
PROVISIONS	**25.7**	**29.8**	**4.1**
Borrowings (outstanding principal)	707.5	752.1	44.6
NON-CURRENT LIABILITIES	**707.5**	**752.1**	**44.6**
Current borrowings	21.3	17.1	-4.2
Other current liabilities	132.2	146.0	13.8
Deferred income	7.3	7.2	0.1
CURRENT LIABILITIES	**160.8**	**170.3**	**9.5**
TOTAL EQUITY AND LIABILITIES	**1,768.4**	**1,883.8**	**115.4**

FREE CASH FLOW

The Division generated free cash flow of €5.0 million in 2018, down €6.8 million from the €11.8 million generated in 2017, due notably to an increase in early repayments which totalled €10.3 million in 2018 (comprising €3.8 million in high-interest collector loans, €4.2 million in over-financing and €2.3 million repaid following demolition work).

Once equity financing of €1.8 million provided by Caisse des Dépôts is included, free cash flow for the period amounted to €6.7 million.

Free Cash Flow (in €M)

	2017	2018
Cash flow from operating activities	83.8	85.8
Repayment of principal (excl. early repayments)	- 30.9	- 35.2
GROSS OPERATING CASH FLOW	**52.9**	**50.6**
Equity invested in building components (including moveable property)	- 28.2	- 25.2
NET OPERATING CASH FLOW	**24.8**	**25.4**
Cash proceeds on disposals (price - outstanding principal)	3.4	9.7
Equity invested in development work (NB + Acq + restructuring)	- 10.8	- 19.7
Other early repayments	- 5.6	- 10.4
Dividends	-	-
FREE CASH FLOW	**11.8**	**5.0**
Additional resources (capital increase/repayment of advances)	7.8	1.8
FREE CASH FLOW AFTER EQUITY FINANCING	**19.6**	**6.7**

CDC Habitat

CDC Habitat is Caisse des Dépôts's public interest real estate subsidiary and France's biggest sociallandlord, managing almost 495,000 units of housing. CDC Habitat also works with Banque desTerritoires, created in 2018.The Group serves the entire housing market (social and low-cost socialhousing, intermediate and affordable housing) and invests in promoting upwardly-mobile residentialtrajectories and home ownership.

As one of France's major housing operators, CDC Habitat is committed to exercising its publicservice mission through an approach underpinned by Corporate Social Responsibility in its dealingswith all stakeholders.

www.cdc-habitat.com

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