

REFERENCES

2018

FINANCIAL REPORT



Unédic

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MANAGING DIRECTOR'S REPORT

HIGHLIGHTS IN 2018

In 2018, growth slowed appreciably in France: Gross Domestic Product (GDP) grew an annual average 1.7%, following 2.3% growth in 2017. Domestic demand (consumption and investment) slowed, particularly investment, and contributed 1.3 percentage points to GDP growth. Changes in inventories contributed negatively (- 0.3 percent). Exports slowed less sharply than imports, with foreign trade contributing positively to GDP growth by volume (+0.7 point).

The purchasing power of households' gross disposable income declined through the acceleration in prices. Households' savings rate increased slightly, while the margin rate of non-financial companies eased slightly to 31.2%.

In 2018, the slowed growth caused a slowing in job creations affiliated to the Unemployment Insurance Scheme: 160,000 jobs created, down from 2017 (when 330,000 jobs were created). At the same time, average per-capita salary grew slightly (by 2.0%, following a 1.9% increase the year before) thanks to the improvement in the labour-market situation. The wages bill, which provides the basis for unemployment insurance contributions, rose 3.5% in 2018, after a rise of 3.6% in 2017.

The unemployment rate as defined by the ILO, and as measured by INSEE, came to 8.8% at end 2018, its lowest level since 2008. The number of jobseekers who were required to make positive job-seeking efforts and who were jobless (Category A) also retreated for 2018 as a whole, by 44,000 persons. The average number of jobseekers receiving unemployment insurance benefit under the ARE, AREF and ASP schemes (2.8 million on average for France as a whole) increased over the year (by 0.6%).

The regulatory changes to the financing of unemployment insurance since 2018 have brought progressive changes to the system's resources: the Social Security Finance Act (LFSS) for 2018 arranged for AcoSS to pay the unemployment insurance contributions owed by employees, with the introduction of partial, then total exemption from employee's contributions (2.4% of gross salary).





INCOME STATEMENT FOR 2018

(in millions of Euros)	2017	2018	% VARIATION
Main contributions	35,765	37,138	3.8
Special contributions	505	457	-
Other income	326	239	-
TOTAL TECHNICAL INCOME	36,596	37,834	3.4
ARE	-30,270	-30,927	2.2
Other benefits	-2,605	-2,338	-
Redeployment benefits	-684	-678	-
Validation of pension points	-2,087	-2,073	-
10% Pôle emploi contributions	-3,348	-3,419	-
Other expenses	-677	-671	-
TOTAL TECHNICAL EXPENSES	-39,671	-40,105	1.1
TECHNICAL MANAGEMENT RESULT	-3,075	-2,271	-26.1
Administrative management profit or loss	-32	-33	-
Financial profit or loss	-352	-365	3.8
Extraordinary profit or loss	18	13	-
Corporate tax	-2	-2	-
NET RESULT	-3,444	-2,658	-22.8

Mainstream contributions rose 3.8% in 2018 through the effect of the increase in the affiliated wage bill in 2018 (rising 3.5%) and the full-year effect of the exceptional 0.05% contribution (bringing in €288 million). The slight slowing in the average growth of salaried numbers employed, increasing 1.5% in 2018 (easing from a 1.7% increase in 2017) was partly offset by a more marked increase in average per-capita salary (SMPT), increasing 2.0% in 2018 (after an increase of 1.9% in 2017), to buoy the wage-bill uptrend in 2018.

On the other hand, falls were recorded in individual contributions and other income. Individual contributions fell because of the decrease in the number of business failures and the diminished recourse to the improved job security contract (CSP). The fall in other income was mainly due to a decrease in ancillary contribution income (delay surcharges, penalties and others).

Thus, total technical income rose 3.4% between 2017 and 2018.

ARE return-to-work benefit payments increased 2.2%, the change being mainly explained by the 1.4% increase in the average daily benefit paid. Note that these developments factor in the early effects of the economising measures instituted with the enacting of the 2017 unemployment insurance agreement. The new agreement introduced among others new rules and procedures for determining the ARE return-to-work benefit, and the assistance for business creations or takeovers. The estimates produced in June 2017 indicate that these changes reduced expenditure by € 243 million in 2018.

At the same time, the downturn in activity in the second half of 2018, combined with the decrease in assisted jobs, caused an increase over the year in the number of jobseekers

receiving benefit; from 2,724,890 benefit recipients under delegated management in 2017, the number increased to 2,738,293 in 2018 (rising 0.49%).

The other benefits (AREF and ASP), on the other hand, were down (with the decrease in the number of days' benefit paid).

After taking into account the contribution of the Unemployment Insurance scheme to the functioning of Pôle emploi (State employment agency) (€3.419 billion), technical management expenses rose 1.1% between 2017 and 2018.

The technical management result was in deficit by €2.271 billion, comparatively improved from the 2017 deficit of €3.075 billion, owing to the higher uptrend in contributions than in benefits paid.

After adding the administrative management result (33 billion Euros), the financial management result (365 billion Euros), the non-recurring result and the tax on property rental payments, the net book result for the financial year amounts to a deficit of 2.658 billion Euros.

For the financing of the Unemployment Insurance scheme in 2018, Unédic raised a total of 2.25 billion Euros on the bond market, in issues with the explicit backing of the French State's guarantee.

CHANGE IN CASH BALANCE FOR THE FINANCIAL YEAR

The net change in cash balance for the Unemployment Insurance transactions is a negative 1,983 million Euros and reflects the following components:

(in millions of Euros)	31/12/17	31/12/2018	CHANGE
Bond issues	-28,800	-29,500	-700
Negotiable short-term securities (NEU CP)	-3,010	-4,175	-1,165
Negotiable medium-term securities (NEU CP)	-5,950	-5,850	100
Overdrafts	0	0	0
Investments:	1,993	2,835	842
Bank balances	2,219	1,159	-1,060
TOTAL	-33,549	-35,531	-1,983

The transition between the negative net change in cash balance of -1,983 million Euros and the financial result for the year of -2,658 million Euros is explained as follows:

NET RESULT IN CHANGE IN CASH BALANCE	
Accounting loss for the 2018 financial year:	-2,568
Transactions with no effect on the cash flow (Increase of technical provisions)	173
Decrease in the need related to the business cycle (DSN effect - Improving cash flow)	502
CHANGE IN CASH BALANCE 2018/2017	1,983



MANAGING DIRECTOR'S REPORT

The decrease in cash requirement is due to the accelerated pace of collection over the year: the changeover to the nominative social-security declaration (DSN) meant that the majority of employers' contributions were paid monthly whereas hitherto, a good many employers paid their contributions quarterly. At the year-end, this has an incidence on the Unédic cash flow: contributions previously collected in January have been moved forward to November and December the previous year, improving cash flow by 502 million Euros in 2018, with a countervailing worsening of cash flow in January 2019 by the same amount. From 2019 onwards, the overall cash-flow effect on contributions will be neutral .

The negative net equity of 32,569 million Euros at end 2018 shed 2,658 million Euros through the loss in the 2018 financial year to yield negative net assets of 35,227 million Euros at 31 December 2018.

(in millions of Euros)	2017	2018
Carry forward and Reserves	-29,125	-32,569
Financial year result	-3,444	-2,658
NET POSITION	-32,569	-35,227

The transition between the negative net financial position of 35,227 million Euros and the net bank debt of 35,531 million Euros, less the balance sheet cash assets, is explained as follows:

FROM NET POSITION TO NET BANKING INDEBTEDNESS SITUATION ON 31/12/2018 (In millions of Euros)	
Net financial position as at 31/12/2018:	-35,227
Transactions with no effect on the cash flow (Financing capacity represented by accumulated amortisation and provisions at 31/12/2018)	2,852
Gross fixed assets at 31/12/2018	-209
Cash requirement represented by financing the surplus of operating receivables out of the operating debts	-3,181
Cash resource linked to accrued interest on loans and staggering of deferred financial expenses (issue premiums, accrued interest, etc.)	234
NET BANKING INDEBTEDNESS SITUATION AT 31/12/2018	-35,531

EVENTS SUBSEQUENT TO CLOSURE

The following events, occurring since the financial year ended 31 December 2018, should be

- reported: The 0.50% increase in the employer's unemployment insurance contribution, provided by Article 4 § 1 of the Unemployment insurance agreement of 14 April 2017 on customary employment contracts for fixed terms of 3 months or less, no longer applies to remuneration paid in respect of employment periods starting on or after 1 April 2019;
- In order to place on a permanent footing the transitional arrangements instituted in 2018,
- Article 54, Act No. 2018-771 of 5 September 2018 on freedom to choose one's professional future abolished the employee contributions for unemployment insurance as from 1 January 2019 (except for employees in casual employment in the entertainment industry, who remain liable solely to the special contribution referred-to in Article L. 5424-20 of the Labour Code, expatriate employees whose employer does not fall under compulsory membership of the scheme provided in Article L. 5422-13 of the Labour Code, and employees working in the Principality of Monaco); to fully offset the impact of this abolition, Article 26, Act No. 2018-1203 of 22 December 2018 on social security funding for 2019, provides for Unédic to receive 1.47% of the CSG social-security levy collected from employment income;
- The 2019 Social Security financing Act also provides for the extension of general declining relief to unemployment insurance contributions (at 1 October 2019). For reliefs specific to farming production, the French overseas departments (DOM), Saint-Barthélemy and Saint-Martin, this extension applies as at 1 January 2019. In addition, the specific exemption for apprenticeship contracts entered-into by private-sector employers has been abolished at 1 January 2019, and is included in the general exemption.
- These different elements are designed to ensure that the trend in receipts in 2019 remains in step with that of the private-sector wage bill;
- After the failure of the negotiations between the social partners, the government presented, on 26 February 2019 the "method and timetabling" of its reform, to be implemented by decree in the summer; Article L. 5422-20 of the Labour Code provides that in the absence of agreement between the social partners or in the absence of approval of the agreement, the rules shall be determined by decree enacted by the Council of State.

2019 OUTLOOK

Unédic regularly updates its expenditure and revenue forecasts to take into account changes in the economic situation. These forecasts are based on cash-flow data and in 2018, they diverged from the accounting data, particularly through the institution in 2018 of a new timetable for paying social-security contributions connected with the DSN (personally-identifying social-security declaration). This new timetable improved cash receipts in 2018 without improving the book income for the 2018 financial year. The latest financial forecast was made in March 2019, and was based on the following macroeconomic assumptions:

- ▶ According to the findings published by INSEE on 28 February 2019, the latest economic information forecasts a slowing of activity in France, although short-term prospects remain favourable.
- ▶ For the immediate future, improved growth is forecast to be the only driver for creation of jobs affiliated to the Unemployment Insurance scheme in 2019. Total employment is forecast to be supported by job creations in the market sectors. In combination with the trends in employment and in average per-capita salary (SMPT), the payroll is forecast to increase by an annual average 3.0% in 2019, following on from a 3.5% increase in 2018, forecast to knock on to an uptrend in contributions to the Unemployment Insurance scheme, mainly arising from contributions assessed on the wage bill.



The financial balance of the unemployment insurance scheme is predicted to show a slightly larger deficit in 2019 than in 2018 (-1.9 billion Euros, following on from -1.8 billion Euros). This deterioration chiefly reflects cash-flow effects (DSN, see previous page). This forecast is consistent with an improvement in the book result in 2019 compared with 2018 thanks to the combined effects of economic trends and the 2017 agreement.

(in millions of Euros), at 31/12/2018 (Source: March 2019 Financial situation forecast)	2018	2019 FORECAST
Total income	38,322	38,573
Total expenditure	40,126	40,464
Adjustment to the Balance Sheet and exceptional items	22	20
FINANCIAL BALANCE	- 1,783	- 1,871

FINANCING THE UNEMPLOYMENT INSURANCE SCHEME ON A SECURE FOOTING

The social-security financing Act for 2018 instituted a phased exemption from the 2.40% employee's unemployment-insurance contribution. The Finance Acts for 2018 gave Acoess the role of fully compensating the loss of receipts caused to all the collecting agencies. The amount of the compensation was 9.6 billion Euros for 2018. The scheme implemented under the agreement prevented the exemption from having any impact on the Unédic receipts, as well as ensuring that the full financial compensation provided (9.6 billion Euros) would produce its effects in step with the phased exemption.

For 2019, the initial version of the draft legislation for the funding of social security for 2019 (PLFSS) provided for Unédic to be allocated 1.45% of the CSG levied on employment income, amounting to 14 billion Euros, to offset the loss of receipts caused by the abolition of the employee's unemployment-insurance contribution as from 1 January 2019. However, the expected receipts of Unédic from the CSG are estimated at 14.260 billion Euros in 2019. Basing itself on the scoping document for the unemployment insurance negotiations forwarded by the government on 25 September 2018, Unédic brought its case before the ministers concerned. The exchanges with the Social Security board, the general Treasury board and Unédic on the calculation of the CSG rate resulted in the joint evaluation of the rate of 1.47% corresponding to the desired gross amount of 14.260 billion Euros.

The non-payment by Acoess of the share of CSG levied from employment income that was allocated to Unédic, pursuant to Article 26 of the Social Security financing Act for 2019, was covered by a special financial agreement defining the implementing rules and procedures, particularly as regards the frequency of payments by Acoess.

While the portion of CSG social-security levy voted under the Social Security budget for 2019 guarantees full compensation for the abolition of employee contributions for 2019, as regards the following years, allowance must be made for the difference in the assessment base between the wage bill in the private sector and the employment income used as the basis for the CSG levy, in order to set the rate of CSG apportioned to Unédic.

In addition, Article 8 of the Social Security financing Act for 2019 extended four exemptions from employers' contributions to unemployment insurance contributions: LODEOM exemption from contributions in French overseas possessions, home helps, seafarers and seasonal agricultural workers (TO-DE - casual labourers seeking employment). For Unédic, the financing

shortfall due to these exemptions is estimated at 305 million Euros, which will be compensated in full by the ministers concerned. The terms and procedures for these compensation arrangements are defined in the framework agreement signed among the stakeholders. Additionally, in order to fully offset the impact of the TO-DE measure for 2019, the Finance Act for 2019 has exceptionally apportioned a fraction of VAT to Unédic (the apportioning order is currently being drafted).

Lastly, under the 2019 Social Security funding Act, the across-the-board reduction will be extended to unemployment insurance contributions at 1 October 2019 for all employers, except for certain particular types of contract, agricultural production, and employers in the French Overseas Departments (DOM), Saint-Barthélemy and Saint-Martin who have benefited from the reduction since 1 January 2019. Across fully compensates the general reduction in unemployment insurance contributions.

THE BORROWING COST OF THE UNEMPLOYMENT INSURANCE SCHEME

Since 2008, Unédic's debt has deteriorated from 5 billion Euros in 2008 to 35.5 billion Euros at end 2018. This increase enabled the Unemployment Insurance Scheme to maintain a benefit level equivalent to the level guaranteed in the most protective European countries, without impacting either employees' purchasing power or labour costs.

In view of the counter-cyclical role of the Unemployment Insurance Scheme, Unédic borrows when the cyclical situation worsens, and therefore when interest rates are low. In recent years, the particularly favourable level of interest rates is explained by the European Central Bank (ECB)'s adoption of an accommodating monetary policy and by the social partners' ability to institute a funding strategy that is readily grasped by Unédic's investors and stakeholders.

The financing strategy phased in between 2009 and 2018 was designed to limit the impacts on interest costs of rising interest rates in a context of expanded borrowing for Unédic: the amount of annual loan repayments was limited to 10% of Unédic's receipts, resulting in an average debt maturity of somewhat less than 6 years; all the rooms are contracted at fixed rates and in Euros, effectively limiting Unédic's exposure to market risks.

The loans issued under this strategy have limited the borrowing costs. Thus, the average rate of interest paid on the loans was 1.03% at end 2018, and net financial expenses for 2018 were 365 million Euros, equivalent to less than 1% of receipts.

Debt at year-end and financial expenses, 2013-2018 (million Euros)	2013	2014	2015	2016	2017	2018
Net debt	17,675	21,398	25,674	29,758	33,549	35,540
Net financial expenses	227	295	301	324	352	365
Ratio of net financial expenses to net debt (%)	1.28	1.38	1.17	1.09	1.11	1.03



DEVELOPMENTS IN FINANCING STRATEGY

In order to cover the financing requirements of the Unemployment Insurance Scheme the Board of Directors, meeting on 29 June 2018, approved a bond issue programme for 2019 of 2.5 billion Euros.

These issues are State guaranteed by virtue of Article 213-15 of the French Monetary and Financial Code, and Article 117, paragraph 2 of the Amending Finance Act for 2004, No. 2004-1485 of 30 December 2004. The guarantee was authorised by the Amending Finance Act of 29 December 2018 for a total of 2.5 billion Euros and, under an Order of the Ministry of Economy and Finance on 1 February 2019, a first tranche was granted, of 1.5 billion Euros principal amount, plus interest and costs. This first tranche takes account of the significant improvement in Unédic's financial equilibria, and the continuous monitoring over the year of the Unemployment Insurance Scheme's financing requirements. It was followed by a second, additional tranche of 1 billion Euros released on 19 April 2019.

Unédic issued a first bond loan for this year, amounting to 1.5 billion Euros, with a 10-year maturity (in 2029), and it honoured its bond-loan maturity date on 25 April 2019 for 2.1 billion Euros.

In the context of a move towards restoring financial equilibrium in the accounts of the Unemployment Insurance Scheme, the Unédic Board of Directors, meeting in February 2019, endorsed the principle of an amended financial strategy designed to shorten loan maturities with the return of forecast surpluses, in pursuit of the following aims:

- Avoid overfinancing the requirements of the Unemployment Insurance Scheme in the medium term; Maintain a regular presence on financial markets during a cyclical high period, to ensure continuity of communication to investors at a time when the economic model is producing positive results. Operationally, this strategy also retains the procedures and skills implemented since 2009 to finance historically high borrowing under increasingly stringent market standards;
- Rank Unédic among the best market practitioners for responsible financing, be instructive and give pride of place to human, economic and social added value in the technical machinery of the Unemployment Insurance Scheme, after a long period in which attention focused on sustainability of the economic model.

DATA ACCESS CHALLENGES

The context of the introduction of digital technology in numerous public service and welfare organisations is causing the proliferation of data relating to employment and training, and also data connected with access to the various income substitutes. In particular, the nominative social-security declaration (DSN) will accelerate the collection of personal data, particularly those relating to employment contracts.

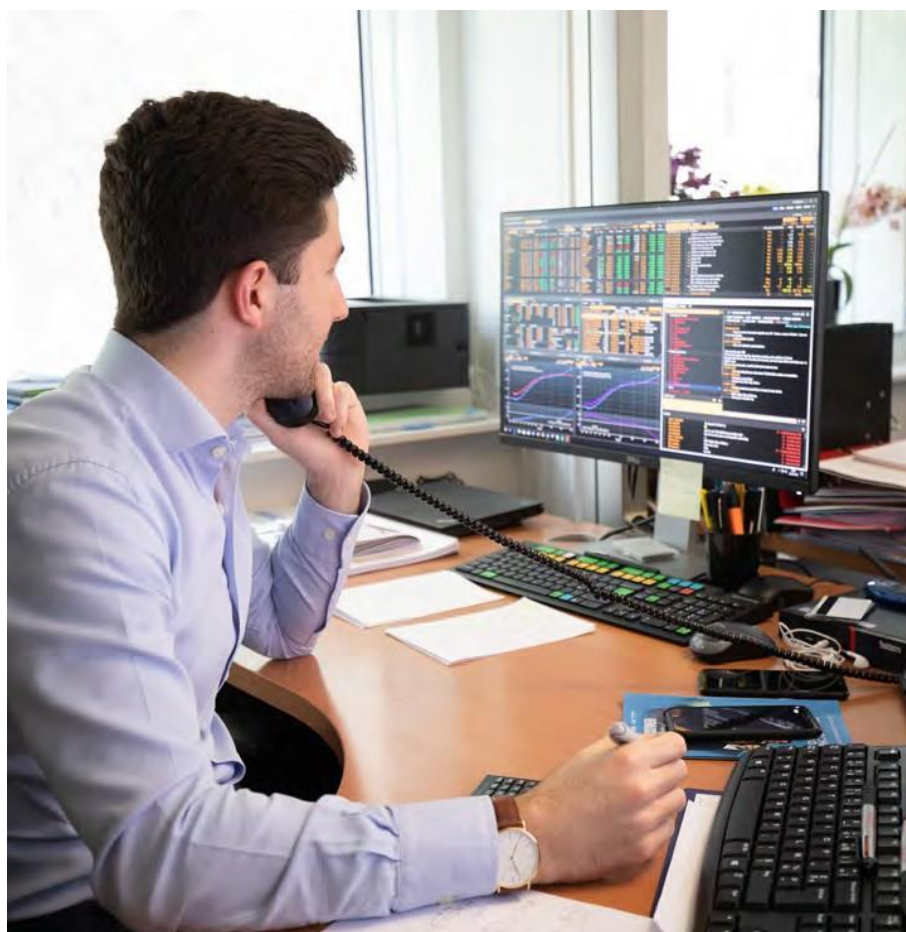
Since 2008, Unédic has been exploiting the data collected by Pôle emploi, chiefly using tools made available by that operator. Thus, the FNA national beneficiaries file is maintained by Pôle emploi, which guarantees Unédic access to and updating of its data.

However, the need for secure cross-checking of data while complying with the data protection principles (GDPR, the French 1978 data protection Act) called for more modern, open-ended tools that could be operated using the present programming languages which Unédic fully controls and can control.

This is the environment in which Unédic is developing a strategy for turning these transformations to best advantage. The aim is, first, to support the generalisation of the nominative social-security declaration (DSN), ensuring that it meets the need of the Unemployment Insurance Scheme as regards both entitlement calculation and benefit payment; and secondly, to seek the benefits of the digital technology introduced in the employment and welfare insurance public services in order to make the Unemployment Insurance Scheme evolve from the standpoint of its implementation and management.

Accordingly, Unédic has embarked on a project to bring in-house the tools for processing and analysing the unemployment insurance data. The IT platform is fully connected with the Pôle emploi system, and it takes in all or part of the data collected by Pôle emploi on behalf of Unédic, for subsequent processing by Unédic. Similarly, this platform can connect to other data sources, those of Acoess, for example.

This project is a priority for Unédic in 2019. It has many benefits for Unédic. First, the platform widens the scope of studies (fine-grained analysis of the job market and of benefit-recipient paths through the scope for pairing the FNA benefit-recipients file with new data sources), and it makes FNA operations secure. Secondly, it facilitates collaboration, innovation and data protection.





FINANCIAL STATEMENTS

BALANCE SHEET ASSETS - ASSOCIATION UNÉDIC (non-profit association)

ASSETS (in millions of Euros)	2018			2017		
FIXED ASSETS			64.8			74.0
Intangible fixed assets		0.2			0.4	
Tangible fixed assets		43.6			52.2	
Financial assets		21.0			21.4	
CURRENT ASSETS			9,145.5			10,162.4
Receivables:		4,895.3			5,601.1	
Benefit receivables	445.5			426.2		
Receivables from affiliates	4,449.8			5,174.9		
Other receivables		255.0			348.1	
Marketable securities		2,834.9			1,992.7	
Available capital		1,158.7			2,218.6	
Prepaid expenses		1.6			1.9	
Deferred expenses			32.2			34.0
Bond redemption premiums			100.3			103.7
TOTAL ASSETS			9,342.8			10,374.1

BALANCE SHEET LIABILITIES - ASSOCIATION UNÉDIC (non-profit association)

LIABILITIES (in millions of Euros)	2018			2017		
NET POSITION			- 35,227.3			- 32,569.1
Reserves		0.8			0.8	
Retained earnings		-32,569.9			- 29,125.6	
Result for the financial year		- 2,658.2			- 3,444.3	
Provisions for contingencies and expenses			115.1			103.1
DEBTS			44,336.0			42,677.3
Loans and financial debts		39,772.2			38,020.4	
Bond issues	29,739.6			29,048.8		
Other loans and financing	10,027.7			8,962.7		
Bank loans and overdrafts	0.0			0.0		
Other financial debts	4.9			8.9		
Other payables		4,563.8			4,656.9	
Receivables from affiliates	129.6			161.3		
Benefit receivables	2,970.2			2,884.1		
Tax and social security debts	70.7			66.7		
Supplier debts	7.9			7.5		
State	0.0			0.0		
Other	1,385.5			1,537.2		
Accruals			119.0			162.9
TOTAL LIABILITIES			9,342.8			10,374.1

INCOME STATEMENT - ASSOCIATION UNÉDIC

PROFIT AND LOSS ACCOUNT (in millions of Euros)	2018		2017	
TECHNICAL MANAGEMENT				
Income		37,834.4		36,596.2
Contributions	37,595.0		36,270.0	
Other income	59.5		97.0	
Write-back of provisions	10.6		80.1	
Transfers of expenses	169.3		149.2	
Expenses		40,105.3		39,671.9
Unemployment benefits	30,927.4		30,271.2	
Other benefits	2,337.9		2,604.8	
Redeployment benefits	677.7		683.5	
Validation of pension points	2,072.5		2,087.3	
Other expenses	3,875.3		3,799.8	
Provisions	214.6		225.3	
TECHNICAL RESULT		- 2,270.9		- 3,075.6
ADMINISTRATIVE MANAGEMENT				
Income		51.9		62.4
Provision of services	43.4		42.8	
Other income	8.6		19.6	
Expenses		85.1		94.8
Purchases	0.6		0.6	
External services	40.8		49.3	
Taxes and levies	4.6		5.2	
Wages and social security costs	27.6		27.4	
Other expenses	0.0		0.0	
Amortisation and provisions	11.4		12.2	
ADMINISTRATIVE MANAGEMENT RESULT		- 33.1		- 32.4
FINANCIAL MANAGEMENT				
Financial income		55.3		65.3
Financial expenses		420.3		416.9
FINANCIAL RESULT		- 364.9		- 351.7
EXTRAORDINARY TRANSACTIONS				
Technical management		0.0		0.0
Administrative management		13.0		17.6
EXTRAORDINARY RESULT		13.0		17.6
Corporation tax and similar levies		- 2.1		- 2.2
PROFIT OR LOSS		- 2,658.2		- 3,444.3



HIGHLIGHTS

11 — NEW REGULATORY MEASURES

1.1.1 — The Unemployment Insurance Agreement of 14 April 2017

The Unemployment Insurance Agreement of 14 April 2017 embodied the principles laid down by the memorandum of agreement of 28 March 2017. It was intended to be effective up to 30 September 2020. However, Act No. 2018-771 of 5 September 2018 on the freedom to choose one's professional future could lead to anticipated termination of the Agreement of 14 April 2017 whenever the Government scoping paper is transmitted to the social partners. The transmission of that document on 25 September 2018 precipitated the opening of new negotiations. Since the social partners were unable to reach an agreement, new unemployment insurance regulations required to be laid down by decree of the Conseil d'Etat, in accordance with the procedure under Article L. 5422-20 of the Labour Code. In addition, the aforementioned Act No. 2018-771 lays down the new terms and procedures for financing the unemployment insurance scheme.

The Agreement of 14 April 2017 provided for a three-phase implementation:

- The measures concerning employers (unemployment insurance contributions) entered into force on 1 October 2017;
- Most of the measures concerning benefit recipients entered into force on 1 November 2017; the end date of the employment contract or the date of initiating the dismissal procedure determined which regulations were applicable;
- Thirdly, certain provisions came into force on 1 January 2018 to allow for the sizeable developments required in the Pôle emploi information system (combining the ARE back-to-work scheme with remuneration from exercising a professional activity other than in salaried employment, the non-inclusion in the unemployment scheme membership of certain periods when the employment contract is suspended, bonus credit of hours to the CPF personal training account for seniors, among others).

In view of the late entry into force in 2017 of the provisions concerning benefits, 2018 amounts to a year of running in the new rules, with the decisions made thereby ensuring financial equilibrium at 550 million Euros during the financial year.

As mentioned earlier, the main new benefit-related measures arising under the Agreement of 14 April 2017 entered into force on 1 November 2017. These measures apply to employees whose contract ended as from that date or whose dismissal procedure was initiated as from that date.

The leading measures of the Agreement of 14 April 2017 are comprised in the following provisions, some of which entered into force on 1 January 2018:

- A major shift in the entitlement rules is the seeking of the qualifying condition in the number of days worked per calendar week (5 days when the contract covers at least one calendar week; the exact number of days of the contract when it is below 1 week, within the limit of 5 days); this notion of days worked has an impact on the determination of the reference daily salary, the period of benefit, the condition of involuntary unemployment and the notification of entitlement;
- The abolition of the special terms for the temporary employees of temporary-work companies (abolition of Appendix IV); these employees now receive benefit under the general rules;
- The decrease in the maximum duration of the special deferral of benefit to a maximum of 150 days in the event of supra-legal indemnities being paid at the severance of the employment contract, and the indexing of the divisor for this deferral period on changes in the ceiling for the social-security old-age insurance scheme – this entails annual updating by means of a circular;



HIGHLIGHTS

- Measures addressing seniors:
 - The raising of the age from which the qualifying period of cover under the scheme is 36 months instead of 28 months; the starting age is 53 years instead of 50 years, at the end of the employment contract; The maximum duration of benefit is set according to two age ranges: 30 months for individuals aged 53 to 54 at the end of the employment contract giving entitlement to benefit; 36 months for individuals aged at least 55;
 - For jobseekers aged 53 and 54, the benefit duration may be raised to 36 months under certain conditions, where training is undergone during receipt of benefit.
 - Seniors aged 50 to 54 inclusive receive on the CPF personal training account a bonus credit of hours required for their training projects, within a maximum of 500 hours. This measure entered into force on 1 January 2018, under implementing provisions of the national Intersectoral agreement (ANI) of 23 October 2017. This ANI agreement remained in force until 31 December 2018.
- The exclusion from coverage under the scheme of certain periods of suspension of the employment contract (unpaid leave and sabbatical leave), and of leave of absence taken by public servants, when such periods are unpaid and do not qualify for benefit, became applicable on 1 January 2018. However, the operational implementation of these provisions required information-technology developments which became effective in June 2018;
- The changed terms and procedures payment of the aid for taking over or creating a business (ARCE), through the application of the deferrals and waiting period;
- The changed terms and procedures for implementing the combination of the ARE back-to-work scheme with remuneration derived from a professional activity other than in salaried employment; these became applicable on 1 January 2018.

1.12 — Appendices VIII and X

Under the effect of the Agreement of 14 April 2017, consistency adjustments were made to the conditions for implementing the specific regulations applicable to temporary show-business workers (Appendices VIII and X) arising under Decree No. 2016-961 of 13 July 2016, as amended among others by Decree No. 2016-1749 of 16 December 2016, transposing the terms of the agreement of 28 April 2016 concerning unemployment compensation in the show-business activities. Thus, Unédic Circular No. 2018-04 of 7 February 2018 performs this updating, without making any far-reaching amendment to the regulations arising under the decrees.

Also noteworthy is the fact that, following the decision by the Conseil d'Etat on 18 July 2018 retroactively annulling the social-certification criterion contained in Appendix VIII, a Unédic circular of 26 July 2018 set out the consequences of this annulment.

1.13 — Legislative measures concerning contributions

2018 featured the implementation of the at first partial, then total exemption from the employee portion of the unemployment insurance contributions, with full compensation of the sums concerned for Unédic

Thus, Article 8 of act No. 2017-1836 of 30 December 2017 for the funding of social security for 2018 provided for Acoiss to bear the cost of the employee unemployment insurance contributions provided in Article L. 5422-9 of the Labour Code, in the following proportions:

- 1.45 percent, for contributions payable in respect of periods between 1 January and 30 September 2018;
- 2.40 percent, for contributions payable in respect of periods running from 1 October 2018 onwards.

The specific measure introduced under the agreement ensured that the exemption had no impact on receipts. Thus, Unédic received 9.6 billion Euros from Acof as compensation for the exemption of the employee portion for 2018 (full financial compensation recognised as “Main Contributions”).

1.1.4 — Measures arising under the Act of 5 September 2018

The Act of 5 September 2018 on the freedom to choose one’s professional future introduced two new rights, the entry into force of which is conditional upon the issuing of implementing decrees and of a decree of the Conseil d’Etat. These new rights, which are included in the unemployment insurance scheme managed by Unédic, are constituted by the following:

- entitlement to unemployment insurance benefit for employees who resign for the purpose of implementing a genuine and creditable professional conversion project (Labour Code, Article L 5422-1, II). An employee must, prior to resigning, request advice on career development from an approved institution, organisation or operator. Pôle emploi verifies the genuineness of the steps taken within 6 months from the start of entitlement to benefit. If a person cannot, without good reason, prove the genuineness of the steps he has taken, he is struck out of the list of jobseekers and benefit is no longer paid to him. The terms and procedures for resuming payment of the remainder of entitlements outstanding remains to be determined by decree.
- a lump-sum benefit for self-employed workers in court-ordered administration, if the finalising of the business recovery plan is subject to the departure of the senior manager, or if such workers are in judicial liquidation (Articles L 5424-24 to 5424-28 of the Labour Code). This benefit is paid by Pôle emploi on behalf of Unédic. Entitlement to this benefit is subject to conditions of minimum employment income and duration, and is also means-tested on terms set by a Conseil d’Etat Decree. The benefit for the self-employed is financed not from contributions but exclusively through taxation (Labour code, Article L. 5422-9, 4°).

12 — RELATIONS BETWEEN PÔLE EMPLOI AND UNÉDIC

The statutory tripartite agreement between the State, Unédic and Pôle emploi lays down the strategic objectives of the operator’s service offer and action, defines the resources made available to it and specifies the tools for controlling its performance.

The 2015-2018 agreement, which expired on 31 December 2018, followed on from the guidelines introduced by the previous agreement, and broke new ground by setting 3 major strategic objectives:

- To enhance individualised support to improve chances of return to employment; to
- provide a service offering for employers that meets their needs and facilitates jobseekers’ access to employment;
- To improve the quality of the relationship with jobseekers and businesses.

The next agreement is undergoing negotiation.

Every year, the financial relationship associated with the implementation of this agreement is the subject of a cash-management agreement entered into between Unédic and Pôle emploi which specifies the amount and terms of payment of the contribution to be paid by Unédic in the light of the statutory provisions. Under Article L. 5422-24 of the Labour Code, the amount of the overall contribution from the Unemployment Insurance Scheme to the Pôle emploi budget is 10% of the scheme’s resources. It translated into a technical management expense of 3,418.7 million Euros in 2018, recognised in income.



HIGHLIGHTS

On behalf of Unédic, Pôle emploi pays benefits to beneficiaries of the Unemployment Insurance Scheme and collects contributions for certain employee categories. For the 2018, financial year, the contributions received by Pôle emploi amounted to 917 million Euros (excluding AGS contributions), and the benefits and financial assistance amounted to 33,943 million Euros.

An agreement between Unédic and Pôle emploi organises the implementation of this service delegation and their operational cooperation (see below).

Pôle emploi is also tasked with implementing specific provisions under an agreement for the financing of support for persons under the CSP improved job security contract which follows on from the CRP and CTP measures, with an expense of 45.7 million Euros recognised in 2018 for CSP support expenditure.

As regards the operating budgets of both organisations, it is important to bear in mind the invoicing of rents and service charges paid by Pôle emploi for occupying real estate sites belonging to Unédic, and amounting to 3 million Euros.

Unédic – Pôle emploi agreement of 21 December 2012

The bipartite Unédic – Pôle emploi agreement signed on 21 December 2012 lays down the conditions for exercising the missions delegated by Unédic to Pôle emploi, namely the payment of benefits and of financial assistance for jobseekers, funded by the Unemployment Insurance Scheme.

The terms and procedures for exercising these delegated powers were drafted in a concern for efficient interoperation of Unédic and Pôle emploi, in order to duly uphold the roles and responsibilities of their respective decision-making bodies.

This policy instrument adheres to the objectives of the multi-year agreements signed between the State, Unédic and Pôle emploi in 2011 and 2014.

It recalls the need for performance-driven management, adapted to the social partners' objectives, in order to propose a high-quality service to jobseekers.

The bipartite agreement sets out the rules and procedures for monitoring achievement of objectives, among which feature the rate of decision-making within 15 days, the rate of initial payments within the prescribed time limits, the quality score for the processing of benefit applications and the percentage of overpayments not recovered.

13 — STATE/UNÉDIC JOINT ARRANGEMENTS

13.1 — Part-time working

As regards part-time work, the amount incurred by Unédic for 2018 came to 44.22 million Euros compared with 58.29 million Euros in 2017.

The benefit for part-time work is paid by the Agence de Services et de Paiement (ASP) paying agency, on behalf of the State and Unédic, on the basis of separate financial agreements specifying for each of the two financing entities the implementing details for the associated financial management.

Following the transposition to Mayotte of the part-time work provisions by Order No. 2016-1579 of 24 November 2016 and Decree No. 2016-1583 of 24 November 2016, in substitution for the partial unemployment measures:

- An amendment No. 1 of 14 April 2017 to the agreement of 24 March 2016 factors in the consequences of applying part-time working to Mayotte, striking out the provisions of the agreement relating to full unemployment without severance of the contract;
- Under an agreement between Unédic and ASP of 28 February 2018 on the terms and procedures for Unédic's financing of its contribution to the part-time working measures at Mayotte, Unédic bears the cost of a portion of the part-time working benefit on the basis of € 2.19 per unworked hour covered by benefit;
- A financial agreement between the State and Unédic was signed on 28 February 2018 concerning part-time working at Mayotte.

Both agreements (Unédic-ASP and the State-Unédic, introducing the measures in Mayotte) took effect on 1 December 2016, and were valid until 31 December 2018.

1.3.2 — The improved job security contract (CSP)

The agreement of 26 January 2015 on the CSP was extended by an addendum of 31 May 2018, until 30 June 2019.

It should be recalled that the financial agreement between the State and Unédic provides for the co-financing of support expenditure in equal shares between the State and Unédic. There is also provision for the State to bear the cost of the ASP benefit paid to recipients having 12 to 24 months of seniority in the business at the time when they sign up to the arrangement, for the portion exceeding the ARE benefit, and after deduction of 80% of the contributions payable by employers where their employees sign up to the arrangement.

1.4 — FINANCIAL RELATIONS WITH THE COLLECTING AGENCIES

Unédic has a number of operators collecting its contributions: AcoSS, CCMSA, Pôle Emploi, CCVRP, the Social Services Compensation Fund of Monaco (CCSS) and the Social Security Fund of St Pierre and Miquelon (CPS).

The contributions collected in 2018 totalled 38.1 billion Euros, taking into account all operators excluding AGS. In comparison, the total amount of contributions for 2017 was 35.8 billion Euros. The AcoSS collecting agency accounted for 93% of collections for the unemployment insurance scheme, collecting 35.5 billion Euros. The financial relationship between AcoSS and Unédic originates in the Unédic-Pôle emploi-AcoSS-AGS agreement of 17 December 2010 on the collection of contributions payable by employers.

CCMSA ranks as the 2nd largest collecting agency before Pôle emploi, with amounts collected of 1.15 billion Euros and 0.9 billion Euros in 2018, respectively.

The Social Security financing Act for 2008 provides for phased exemption, then total exemption from the employee contribution to unemployment insurance (1.45% at 1 January 2018 and 2.40% as from 1 October 2018, with AcoSS providing the related financial compensation).

Two agreements dated 17 January 2018 were enacted accordingly to lay down the terms and procedures for making over the payments to Unédic:

- An amendment to the Unédic-Pôle emploi-AcoSS-AGS agreement of 17 December 2010 on the collection of contributions payable by employers;
- an agreement between Unédic, AcoSS, CCMSA and Pôle emploi.

The financial compensation by AcoSS for the abolition of the employee contribution for 2018 amounts to an overall sum collected of 8.3 billion Euros (excluding accrued income).



HIGHLIGHTS

1.5 — UPWARD REVIEW OF UNEMPLOYMENT INSURANCE BENEFITS

At its meeting on 29 June 2018, the Unédic Board of Directors decided to increase the unemployment insurance benefits by 0.70% as from 1 July 2018:

- the amount of the fixed portion of the ARE back-to-work unemployment benefit; the minimum amount of ARE benefit;
- the lower limit of the training ARE benefit.

The reference salaries were also raised by 0.70%. The increase applies to benefit recipients whose reference salary consists entirely of remuneration at least six months old, i.e. prior to 1 January 2018.

The amounts of minimum ARE and minimum training ARE at Mayotte were also increased by the same percentage.

The unemployment benefits at Mayotte were also increased by the same percentage.

1.6 — DEPLOYMENT OF THE EMPLOYEE-IDENTIFYING SOCIAL-SECURITY DECLARATION (DSN)

The nominative social-security declaration (DSN) continued to gather momentum in 2018, impacting the operational collecting processes of the following collecting agencies:

1.6.1 — With AcoSS

2018 featured the generalisation of the DSN nominative social-security declaration in the URSSAF collecting-agency network. As the DSN gathers momentum, the social-security declarations by employers are moving over to a monthly basis. This was reflected in a strong acceleration in the pace of collection for Unédic and to a lesser extent, in the accelerated accounting recognition of contribution income.

1.6.2 — With CCMSA

As regards the operations delegated to the agricultural scheme, in the light of the difficulties experienced in 2017, CCMSA overhauled and adapted the DSN processes and integration tools. Thus, this collecting agency regularly disclosed, as from the second half of 2018, the unemployment insurance contributions derived from the DSN declarations forwarded by businesses. The CCMSA recalled that the DSN scheme's reliance on employer declarations could impair the quality of information communicated by businesses compared with the calls for contributions stating figures that had previously been issued by the MSA agricultural mutual funds.

1.7 — FINANCING THE UNEMPLOYMENT INSURANCE SCHEME

Since 2008, Unédic's debt has deteriorated from 5 billion Euros in 2008 to 35.5 billion Euros at end 2018. This increase in debt enabled the Unemployment Insurance Scheme to maintain a benefit level equivalent to the level guaranteed in the most protective European countries, without affecting employees' purchasing power, or impacting labour costs.

In view of the counter-cyclical role of the Unemployment Insurance Scheme, Unédic borrows when the economic situation worsens, and therefore when interest rates are low. In recent years, the particularly favourable level of interest rates was explained by the accommodating monetary policy adopted by the European Central Bank (ECB) and by the social partners' ability to institute a funding strategy that was readily grasped by Unédic's investors and stakeholders.

The financing strategy introduced between 2009 and 2018 was designed to limit the impacts on interest costs of rising interest rates in a context of expanded borrowing for Unédic: the amount of annual loan repayments was limited to 10% of Unédic's receipts, resulting in an average debt maturity of somewhat less than 6 years; all the loans are contracted at fixed rates and in Euros, effectively limiting Unédic's exposure to market risks.

The loans issued under this strategy have made for limited borrowing costs. Thus, the average rate of interest paid on borrowings was 1.03% at end 2018, and net financial expenses for 2018 were 365 million Euros, equivalent to less than 1% of receipts. In the context of a move towards restoring financial equilibrium in the accounts of the Unemployment Insurance Scheme, the Unédic Board of Directors, meeting on 15 February 2019, endorsed the principle of an amended financial strategy designed to shorten loan maturities with the return of forecast surpluses, in pursuit of the following aims:

- Avoid overfinancing the requirements of the Unemployment Insurance Scheme in the medium term; Maintain a regular presence on financial markets during a cyclical high period, to ensure continuity of communication to investors at a time when the economic model is producing positive results. Operationally, this strategy also retains the procedures and skills implemented since 2009 to finance historically high borrowing under increasingly stringent market standards;
- Rank Unédic among the best market practitioners for responsible financing, be instructive and give pride of place to human, economic and social added value in the technical machinery of the Unemployment Insurance Scheme, after a long period in which attention focused on sustainability of the economic model.

Debt at year-end and financial expenses, 2013-2018 (million Euros)	2013	2014	2015	2016	2017	2018
Net debt	17,675	21,398	25,674	29,758	33,549	35,540
Net financial expenses	227	295	301	324	352	365
Ratio of net financial expenses to net debt (%)	1.28	1.38	1.17	1.09	1.11	1.03

At the end of the 2018 financial year, the net balance of outstanding borrowings was **35.530 billion Euros**, i.e.:

NET BALANCE OF OUTSTANDING BORROWINGS (billion Euros)	
TOTAL BORROWINGS OUTSTANDING	39.53
Bond issues	29.50
NEU CP	4.18
NEU MTN	5.85
TOTAL LIQUID ASSETS	4.0
Short-term investments	2.84
Bank balances	0.56
Account with Public Treasury	0.60



HIGHLIGHTS

1.1 — Bond issues and bank loans

The maximum outstanding for the EMTN (Euro Medium Term Notes) programme was lowered to 34 billion Euros by resolution of the Board of Directors of 29 January 2018. This decision is explained by the expected return to equilibrium of the unemployment insurance scheme accounts, so that the financing programme can be reduced to a scale covering the Unédic financing requirements forecast up to 2021.

In 2018, Unédic raised a total of 2.25 billion Euros on the bond market: two new bond issues for 1.25 billion Euros maturing in 2028 (10 years) and 1 billion Euros maturing in 2033 (15 years).

All these issues benefited from the rating attributed to Unédic by the Fitch (AA), Moody's (Aa2) and S&P (Aa2) rating agencies at the time when they were launched.

On 26 September 2018, the officers of Unédic, by delegation from the Unédic Board of Directors decided for 2019 to issue one or more tranches of new bonds for a maximum amount of 2.5 billion Euros. Given the restrictions imposed by Article 213-15 of the Financial and Monetary Code governing bond issues by non-profit associations on the financial markets, Unédic applied for a State guarantee. They were backed by a guarantee authorised under the Amending Finance Act of 28 December 2018 for the amount requested of 2.5 billion Euros.

1.2 — NEU MTN (formerly BMTN – negotiable medium-term notes)

The implementation of a 3 billion BMTN (Negotiable Medium Term Notes) programme was authorised by the decision of the Board of Directors of 27 June 2014, in order to reduce the outstanding commercial paper liability and to extend the average duration of the unemployment insurance scheme's debt. The maximum outstanding for the programme was changed to 6 billion Euros by resolution of the Board of Directors on 28 January 2016. The maximum outstanding for the programme was increased to 8 billion Euros and the maximum maturity at issue was extended to 7 years, by resolution of the Board of Directors on 31 January 2017.

The maximum outstanding for the programme was raised to 10 billion Euros by resolution of the Board of Directors on 29 January 2018.

At its creation, the programme benefited from agency ratings from Fitch (AA) and Moody's (Aa1, then Aa2 since the fall in the French sovereign debt rating in 2016).

Unédic has taken advantage of the reform in the market for negotiable debt securities (TCN) to draft NEU MTN documentation (this is the new term for the former BMTNs) compliant with the Prospectus directive. The development of this innovative documentation secured listing on Euronext for the NEU MTN securities.

In connection with the amendment of the Unédic financial strategy, and to remain consistent with the management principles in place since 2009, the NEU MTN medium-term programme, not backed by the explicit State guarantee shall be preferred for pursuing the objective of shortening the maturities of new loans.

1.3 — NEU CP (formerly commercial paper)

The use of this financing method for non-profit associations was authorised under certain conditions by Article 37 of Act No. 2003-706 of 1 August 2003. The initial amount of 1.2 billion Euros in 2004 was progressively raised to reach a maximum of 12 billion Euros authorised by the Board of Directors in June 2012. This maximum value was reduced to 10 billion Euros following the resolutions of the Board of Directors in January 2016. The total amount in issue under the programme at 31 December 2018 was 4.18 billion Euros. These NEU CP commercial

paper issues are drawn down as needed.

Today, this NEU CP programme is rated P-1 by Moody's and F1+ by Fitch Ratings.

Initially, at the request of the rating agencies, syndicated and confirmed lines of credit were put in place to provide coverage for this programme and thereby mitigate any imbalances in the European money market.

Since July 2012, these lines of credit have been replaced by a reserve of liquid assets for a minimum of 2 billion Euros, the level of which varies according to the use of the commercial paper programme and the forecast disbursements for a rolling fifteen-day period.

174 — Conventional bank financing

Very-short-term financing requirements are covered by bank overdrafts negotiated by mutual agreement with Unédic's banking partners (1 billion Euros negotiated). No significant amounts were drawn from these overdraft lines during the 2018 financial year.

175 — Short-term investments and liquidity

Taking into account the balance of short-term investments of 2.83 billion Euros at 31 December 2018 and bank liquidity of 1.16 billion Euros, the liquidity reserve (as mentioned earlier and covering forecast disbursements in the first fifteen day period in January 2019) amounted to 4 billion Euros.





ACCOUNTING PRINCIPLES, RULES AND METHODS

21 — GENERAL PRINCIPLES

Unédic's annual financial statements for the year ended 31 December 2018, drawn up in Euros, include the balance sheet, profit and loss account and the Notes to the accounts. They were drawn up in accordance with the Unemployment insurance organisations' chart of accounts approved by the National Accounting Council (CNC) dated 9 January 1995 (notice of compliance No. 79).

They take into account the specific information linked to the reliance of Unemployment insurance on declarations, and the consequences that entails, with regard to both the declarations of affiliates and the payments to recipients.

The signatory organisations of the unemployment insurance agreement of 14 May 2014, as amended by the amendments of October 2014 and March 2015, and extended by Decree No. 2016-869 of 29 June 2016 and the new agreement of 14 April 2017 concerning the Unemployment Insurance Scheme, and having regard to Article L. 5422-9 of the French Labour Code on the method of financing benefits paid under this scheme, certify that unemployment insurance is a specific "pay-as-you-go" scheme.

The financial statements of Unédic Association include the financial statements for the following business units: Unédic and Unédic-AGS Delegation.

The Unédic annual financial statements were drawn up on the basis of the financial information provided by the following operators: Acooss, CCMSA, Pôle emploi, CCSS (Monaco), CPS (Saint-Pierre and Miquelon) and summarised in the digest documents reflecting the transactions carried out on behalf of the Unemployment Insurance Scheme.

22 — UNEMPLOYMENT BENEFITS

2.2.1 — Expenses

Under the regulations, jobseekers are required to register and then submit to Pôle emploi evidence of their seeking work on a monthly basis to avoid their entitlements being revoked. These formalities mean that the benefits can be recognised on a monthly basis under technical management expenses.

Following this monthly recognition, the benefit expenses recognised during a financial year include only benefits paid for the 2018 financial year, i.e. benefits paid during the current financial year and benefits accrued at the start of the following financial year.

Thus, in addition to the December benefits paid in January of the following year, payment adjustments may be made in the months following. Under these arrangements, for accrued benefits payable, Unédic retains an additional provision corresponding to February and March of year Y +1 relating to financial year Y and earlier years.

Concerning accrued aid payable, the provision relates only to the month of January in year Y, since the generating event for aid payable in 2 tranches (such as a ARCE, representing 73.6% in 2018) is the aid agreement date. Accordingly, there is no certainty that aid disbursed in February and March of Y +1 could be attributable to year Y.

2.2.2 — Benefit payables

Under the item "Benefit payables", the amount of benefits considered as owing for the current financial year, according to the principles referred-to above. This amount is calculated using the benefits paid in January, February and March payable in respect of the current financial year.

2.2.3 — Benefit recipient receivables

The accounts receivable from benefit recipients (overpayments and advances) are covered by a provision set aside by age of the receivables.

The method for calculating provisions for impairment of the benefit recipients' overpayments is based on statistical law derived from actual data observed over six earlier financial years, and allowing measurement of the probability of their recovery.

23 — CONTRIBUTIONS FROM AFFILIATES

2.3.1 — Income

Technical-management income corresponds to general and specific contributions that the employers are required to pay for the year, on the basis of the mandatory periodic declarations that they make to Urssaf (Social Security Contribution Collection Agencies), the MSA agricultural social mutuals, the Pôle emploi and the Pôle emploi Regional Departments, CCSS (Monaco) and CPS (Saint-Pierre-et- Miquelon). DSNs received in January of Y +1 are deemed to relate to the current year. For DSNs received in February, the previous-year and earlier-years references make it possible to recognise the amounts declared as unearned income.

2.3.2 — Affiliate receivables

Contributions accrued for the year are calculated according to the income recognised in January and February of year Y+1 and relating to the financial year elapsed and earlier financial years.

A provision is recognised at the year-end for affiliates' receivables that are judged to be doubtful. This provision is calculated according to the age of the receivables and forecasts of companies' ability to pay according to their characteristics.

2.3.3 — Payables to affiliates

Funds paid by affiliates and collected by the various operators recovering on behalf of Unédic and which could not be assigned to an identified receivable are shown under balance sheet liabilities.

24 — OTHER ITEMS

2.4.1 — Non-current assets

Intangible and tangible non-current assets are recorded in the accounts according to the provisions of ARC (Accounting Regulatory Committee) regulation no. 2002-10 on the amortisation and depreciation of assets and ARC regulation no. 2004-06 on the definition, accounting and valuation of assets. Depreciation is charged according to the straight-line method over the following durations:

ASSETS	AMORTISATION PERIOD
Software	5 years
Buildings and structures	10 to 40 years
Fixtures and fittings	10 to 20 years
IT installations and equipment	3 to 6 years
Office furniture	10 years
Office equipment	5 years
Other	4 to 10 years



ACCOUNTING PRINCIPLES, RULES AND METHODS

2.4.2 — Commitments to employees

Given the provisions of the National collective agreement (CCN) for Unemployment Insurance Scheme personnel, Unédic is required to pay retirement indemnities calculated as monthly wage by number of years' service.

In addition, gratuities are payable for long-service awards (médailles du travail).

Commitments are calculated using the following information: The provisions of the CCN

- (national collective agreement): amendment of 10 February 2011, analytical use of individuals' data: age, sex, salary, seniority;
- Determination of internal actuarial assumptions: staff turnover rate (0% to 3% according to the employee's age), retirement age, terms and conditions (60 to 65 according to the year of birth assuming retirement at the initiative of the employee), a 3% wage increase rate including inflation);
- Use of a discount rate for the commitment corresponding to the Bloomberg reference rate, i.e. 1.55% for the 2018 financial year, compared with 1.30% for the 2017 financial year.

Using these data, the amount of the commitments is calculated individually for each serving employee, on the proviso that, for the long-service bonuses, the commitment must be calculated for the bonuses which are liable to be paid for the entire period of work, i.e. a maximum of 4 bonus levels.

The amounts thus obtained are recognised in the accounts as provisions for contingencies and expenses, and the change in these provisions is recognised in income for the period including the impacts of assumption changes.

Added to this from 2010 onwards is the amount of commitments due under the defined benefits pension plan for the senior executives of the Unemployment Insurance Scheme in service at 1 January 2001, providing evidence of 8 years in this role and having ended their career in an unemployment insurance institution.

2.4.3 — Extraordinary result

The extraordinary result includes:

- Technical management operations which do not arise from ordinary activity and relate to the benefit-recipient or recovery domains;
- Items relating to administrative management, that is to say the items provided in the general chart of accounts and, in particular, the capital gains or losses from disposals of tangible and intangible non-current assets.

The capital gains or losses from disposals of financial fixed assets are, the aforementioned notwithstanding, recorded in the financial transactions.

2.5 — FINANCIAL RELATIONS WITH THIRD PARTIES

2.5.1 — Management on behalf of AGS

Under an agreement of 18 December 1993 and its amendments, AGS tasked Unédic with managing the collection of its contributions and setting up a national delegation, and six regional delegations to manage the salaries guarantee scheme.

As part of the reform of the organisational scheme for the public employment service, on 1 January 2011 Unédic transferred to Acof the task of collecting the unemployment insurance contributions and the AGS contributions. However, the accounts were kept in a third-party account by Unédic in the light of the results communicated. For purposes of this task transfer, AGS is the stakeholder to the agreement between Unédic, Pôle emploi, Acof, and AGS dated 17 December 2010.

2.5.2 — Beneficiaries' contribution to financing supplementary pensions

The Pôle emploi regional boards deduct and recognise in the accounts the beneficiaries' contribution to financing supplementary pensions. This deduction at source, subsequently taken over by Unédic, is deducted from the expense entailed in crediting retirement entitlements. The credits are counted in accordance with the agreements signed with AGIRC-ARRCO, IRCANTEC, CNBF (the National Fund for the French Lawyers) and the CRPN (Seafarers' and Flight Crews' pension fund).

2.5.3 — Community coordination of unemployment insurance systems

Regulation (EC) No 883/2004 sets forth the rules and procedures for reimbursing unemployment benefits paid to a resident in France who is compensated in respect of dependent employment in another country of the European Community.

The expenses of reimbursing benefits owed to the applicant country and the income from reimbursements receivable are recognised upon receipt of the benefit reimbursement request from the other State or upon the sending of the benefit reimbursement request to the other State.

2.5.4 — Management agreements

Pursuant to Article L. 5424-2 of the French Labour Code, Unédic has signed management agreements with businesses and public corporations which are not affiliated to the Unemployment Insurance Scheme. Under these agreements, employees falling within their scope are paid benefits by Pôle emploi, while the signatory organisations pay a lump sum to Unédic.

The management agreements signed with Unédic before 19 December 2008 were terminated by 2017. The public employers concerned were able to sign new management agreements directly with Pôle emploi. That agency provides administrative and financial management of benefits paid to former employees of public employers who wish to be paid in this way under the new management agreements entered-into since 19 December 2008 (the date at which Pôle emploi was created).



EVENTS SINCE THE YEAR-END

The following events, occurring after the financial year ended 31 December 2018, should be reported:

- The 0.50% increase in the employer's unemployment insurance contribution, provided by Article 4 § 1 of the Unemployment insurance agreement of 14 April 2017 on customary employment contracts with fixed terms of 3 months or less, no longer applies to remuneration paid in respect of employment periods starting on or after 1 April 2019;
- In order to place on a permanent footing the transitional arrangements instituted in 2018,
- Article 54, Act No. 2018-771 of 5 September 2018 on freedom to choose one's professional future abolished the employee contributions for unemployment insurance as from 1 January 2019 (except for employees in casual employment in the entertainment industry, who remain liable solely to the special contribution referred-to in Article L. 5424-20 of the Labour Code, expatriate employees whose employer does not fall under compulsory membership of the scheme provided in Article L. 5422-13 of the Labour Code, and employees working in the Principality of Monaco); to fully offset the impact of this abolition, Article 26, Act No. 2018-1203 of 22 December 2018 on social security funding for 2019, provides for Unédic to receive 1.47% of the CSG social-security levy collected from employment income;
- Article 8 of the Social Security financing Act for 2019 extended four exemptions from employers' contributions to unemployment insurance contributions: LODEOM exemption from contributions in French overseas possessions, home helps, seafarers and seasonal agricultural workers (TO-DE - casual labourers seeking employment). For Unédic, the financing shortfall due to these exemptions is estimated at 305 million Euros, which will be compensated in full by the ministries concerned: French Overseas possessions, Agriculture, Labour and Ecological Transition. The terms and procedures for these compensation arrangements are defined in the framework agreement signed among the stakeholders. Additionally, in order to fully offset the impact of the TO-DE scheme for 2019 (for casual labourers seeking employment), the Finance Act for 2019 has exceptionally apportioned a fraction of VAT to Unédic (the apportioning order is currently being drafted).
Under the 2019 Social Security funding Act, the across-the-board reduction will be extended to unemployment insurance contributions as from 1 October 2019 for all employers, except for certain particular types of contract, agricultural production, and employers in the French Overseas Departments (DOM), Saint-Barthélemy and Saint-Martin who have benefited from the reduction since 1 January 2019. Acooss fully compensates the general reduction in unemployment insurance contributions. The amounts corresponding to this financial compensation are paid by Acooss to Unédic.
- After the failure of negotiations between the social partners, the government presented, on 26 February 2019 the "method and timetabling" of its reform, to be implemented by decree in the summer; Article L. 5422-20 of the Labour Code provides that in the absence of agreement between the social partners or in the absence of the agreement, the rules shall be determined by decree enacted by the Council of State.



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4.1.1 — Non-current assets

4.1.1.1 Tangible and intangible non-current assets

Twenty-eight real-estate sites were sold during the financial year.

The transactions recognised concerning non-current assets and depreciation during the 2018 financial year are set out below:

CHANGES IN GROSS FIXED ASSETS IN 2018 (in millions of Euros)	(1) Gross value at the opening of the financial year	(2) Acquisitions and creations	(3) Sales or decommissioning	(4) Transfers	(5)= (1) + (2) - (3) + (4) Gross value at the opening of the financial year
Total intangible fixed assets (A)	2.0	0.0	0.0	0.0	2.0
Total tangible fixed assets (B)	224.1	2.1	40.2	0.0	186.0
Property: land, buildings and fittings	220.8	1.9	40.2	0.0	182.5
Other tangible fixed assets	3.2	0.3	0.0	0.0	3.5
Tangible and intangible non-current assets	0.0	0.0	0.0	0.0	0.0
TOTAL (A + B)	226.1	2.1	40.2	0.0	188.0

CHANGE IN DEPRECIATION, AMORTISATION AND IMPAIRMENT OF FIXED ASSETS IN 2018 (in millions of Euros)	(1) Amortisation at the beginning of fiscal year	(2) Increase in appropriations	(3) Reductions in sales and decommissioning	(4) Transfers	(5)= (1) + (2) - (3) + (4) Gross value at the opening of the financial year
Total intangible fixed assets (A)	1.6	0.2	0.0	0.0	1.8
Total tangible fixed assets (B)	170.9	3.5	32.7	0.0	141.7
Property: land, buildings and fittings	168.1	3.4	32.7	0.0	138.8
Other tangible fixed assets	2.8	0.1	0.0	0.0	2.9
TOTAL (A + B)	172.5	3.7	32.7	0.0	143.5

A provision for impairment of properties and developments amounting to 0.8 million Euros was recognised in connection with the planned sale of certain sites for which a purchase proposal, in lieu of a sale price estimate, is lower than the net book value.

4.1.1.2 Financial assets

This item, amounting to 21 million Euros, mainly includes loans at their original amount for purposes of the construction subsidy, of 20.9 million Euros, and deposits and guarantees provided, amounting to 0.1 million Euros.

4.1.2 — Current assets

4.1.2.1 Receivables

a) Receivables from benefit recipients – Overpayments to recipients

The gross value of this item is 15.20% increased from the previous financial year: to 1,310.0 million Euros, from 1,137.2 million Euros. It consists of overpayments to recipients repayable to the Unemployment Insurance Scheme.



BALANCE SHEET ANALYSIS

Transactions relating to unemployment insurance overpayments are set out in the table below:

(in millions of Euros)	2018	2017	Change 2018/2017IN%
Advances and overpayments on account at the opening of the financial year (A)	1,137.2	945.6	20.26
Total Undue detection Unemployment insurance (B)	1,132.8	1,072.8	5.59
Total Reimbursement and recoveries (C)	806.5	763.3	5.66
Write-offs and losses on overpayments (D)	153.7	117.9	30.36
Advances and payments on account (E)	7.9	8.5	- 7.06
Recovered advances and payments on account (F)	7.7	8.5	- 9.41
Benefit recipient debtors at the end of the financial year (including the advances and payments on account) (G) = (A)+(B)- (C)-(D)+(E)-(F)	1,310.0	1,137.2	15.20
Provision set aside for bad debts (H)	- 889.3	- 736.1	20.81
Provisioning rate (H) / (G)	0.7	0.6	4.88
NET BOOK VALUE (I) = (G)-(H)	420.7	401.1	4.89

The risk of not recovering overpayments is covered by the setting aside of a provision equal to 67.9% of the receivable, an increase from the provision for the 2017 financial year.

b) Receivables from beneficiaries – Advance payments

Transactions relating to unemployment insurance overpayments are set out in the table below:

(in millions of Euros)	2018	2017	CHANGE 2018/2017 IN%
Advances and overpayments on account at the opening of the financial year (A)	44.3	44.8	-1.12
Total Undue detection Unemployment insurance (B)	333.3	308.5	8.04
Total Reimbursement and recoveries (C)	331.3	309.0	7.22
Write-offs and losses on overpayments (D)	0.0	-	-
Advances and payments on account (E)	0.0	-	-
Recovered advances and payments on account (F)	-	-	-
Benefit recipient debtors at the end of the financial year (including the advances and payments on account) (G) = (A)+(B)- (C)-(D)+(E)-(F)	46.3	44.3	4.51
Provision set aside for bad debts (H)	- 22.1	- 20.1	9.95
Provisioning rate (H) / (G)	0.5	0.5	5.20
NET BOOK VALUE (I) = (G)-(H)	24.2	24.2	0.00

The risk of not recovering advance benefit payments is covered by the setting aside of a provision equal to 47.7% of the debt, increased from the provision for the 2017 financial year.

c) Receivables from affiliates

Gross contributions remaining recoverable at 31 December 2018 came to 6,106.6 million Euros, of which 5,942.1 million Euros relating to the Unemployment Insurance Scheme. The latter amount breaks down as follows:

- Mainstream contributions: 5,274.1 million Euros, 88.8% of the total,
- Special contributions: 476.1 million Euros, 8.0% of the total,
- Additional contributions: 191.9 million Euros, 3.2% of the total,

These contributions also break down into undisputed accrued contributions for which recovery procedures were carried out in January or February 2019, amounting to 3,880 million Euros (of which AGS for 82 million Euros), and disputed accrued contributions amounting to 2,226.5 million Euros (of which AGS for 82.4 million Euros).

Under the delegated-management agreement between AGS and Unédic Association, affiliate debt receivable from AGS is recognised in a counterpart entry to the AGS current account on the liabilities side of the balance sheet.

For disputed receivables, after analysis of the stage reached in the recovery procedure or the business's characteristics, a provision is set aside for the risk of non-recovery amounting to 1,656.8 million Euros (of which 60.9 million Euros for AGS).

The provision is calculated by each of the collecting agencies responsible for recovering Unemployment insurance contributions, in the light of the results of recovering disputed receivables over previous years.

4.1.2.2 Other receivables

This item, amounting to 255 million Euros, predominantly includes:

- Accrued income connected with the repayment by Member States to France of benefits paid to French cross-border workers of 166.1 million Euros, net of impairment provisions for long-standing receivables;
- A receivable from the ASP Service and Payment Agency of 6.4 million Euros;
- A receivable from the entities under management agreements amounting to 1 million Euros;
- A 9.6 million Euro receivable from Monaco relating to ordinary contribution-recovery transactions;
- A 16.7 million Euro receivable from Acoiss, corresponding to the balance of contributions paid by employers during December, to be made over to Unédic;
- A receivable from Acoiss of 51.1 million Euros, relating to compensation for contribution exemptions;
- A receivable from Saint-Pierre and Miquelon for 0.2 million Euros, relating to ordinary contribution-recovery transactions;
- The AGS share of aggregated affiliates within the Acoiss remit, amounting to 3.4 million Euros.



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4.1.2.3 Marketable securities

This item, of 2,835 million Euros, corresponds to money-market funds dedicated to hedging commercial-paper issues in the event of market failure.

(in millions of Euros)	
Marketable security inventory as at 01/01/2018	Marketable security inventory as at 01/01/2018
Acquisitions in 2018	Acquisitions in 2018
Sales in 2018	Sales in 2018
Marketable security inventory as at 31/12/2018	Marketable security inventory as at 31/12/2018

4.1.2.4 Bank balances

This item, of 1,159 million Euros, mainly corresponds to interest-bearing passbook deposits.

4.1.3 — Deferred charges

This item, amounting to 32 million Euros, concerns bond and NEU MTN issue costs that are spread evenly over the term of the bonds.

(in millions of Euros)	Deferred fees and costs (a)	Prior amortisation (b)	Amortisation 2018 (C)	Fees fully amortised on borrowings maturing in 2018 (d)	Accumulated amortisation at 31/12/2018 (e) = (b) + (c) - (d)	Bond fee balance 31/12/2018 (a) - (d) - (e)
Year of release						
2012	3.5	3.0	0.4	1.5	1.9	0.1
2013	5.4	3.1	0.7	0.1	3.7	1.6
2014	10.8	4.8	1.3	0.3	5.8	4.8
2015	11.2	3.5	1.4	0.0	4.9	6.4
2016	8.4	1.7	1.0	0.0	2.7	5.7
2017	11.5	0.7	1.1	0.0	1.8	9.6
2018	4.2	0.0	0.1	0.0	0.1	4.1
TOTAL DEFERRED EXPENSES	54.9	16.8	6.0	1.9	20.8	32.2

4.1.4 — Redemption premiums

The bonds and NEU MTNs issued by Unédic include an issue premium, corresponding to the difference between the nominal value of the securities and their issue value. These premiums are amortised over the term of the issue.

(in millions of Euros)	Issue premium amount (a)	Prior amortisation (b)	Amortisation 2018 (C)	Issue premium fully amortised on borrowings maturing in 2018 (d)	Accumulated amortisation at 31/12/2018 (e)=(b)+(c)-(d)	Issue Premium Balance 31/12/2018 (a)-(d)-(e)
Year of release						
2012	4.9	4.3	0.6	2.0	2.9	0.1
2013	7.8	4.9	1.1	0.0	5.9	1.9
2014	19.2	7.7	2.3	0.0	10.0	9.2
2015	48.8	12.7	4.7	0.0	17.4	31.4
2016	33.2	6.6	3.7	0.0	10.4	22.9
2017	27.3	1.4	2.8	0.0	4.2	23.1
2018	12.2	0.0	0.4	0.0	0.4	11.8
TOTAL ISSUE PREMIUM	153.4	37.5	15.6	2.0	51.1	100.3

The issue premiums on the 2015 BMTN medium-term notes are recognised in account No. 48601000, to be amortised over the term of the loan. The balance of this item at 31 December 2018 was 0.2 billion Euros.

4.2 — ANALYSIS OF BALANCE SHEET LIABILITIES

4.2.1 — Net financial position

The net financial position, at the end of the 2018 financial year, is a negative 35,227.3 million Euros, and its change over the year breaks down as follows:

- Net financial position as at 31 December 2017: - 32,569.1 million Euros,
- Net deficit for the 2018 financial year: - 2,658.2 million euros,
- Negative net assets at 31 December 2018: - 35,227.3 million Euros

4.2.2 — Provisions for contingencies and expenses

This item, totalling 115.1 million Euros, predominantly includes the following provisions:

- The provision for disputes with affiliates, of 91.5 million Euros;
- The provision for risks of disputes relating to benefit recipients and recovery matters reported by the regional departments of Pôle emploi, amounting to 5.6 million Euros;
- Provisions for employee-related commitments:
 - Provision for retirement indemnities (IDR) amounting to 15 million Euros;
 - Provision for long-service bonuses of 1.9 million Euros.
- The provision for personnel-related contingencies and expenses of 1.1 million Euros.



BALANCE SHEET ANALYSIS

The changes in provisions for contingencies and expenses during the 2018 financial year are set out in the table below:

(in millions of Euros)	Opening balance	Provision	Write-back provision used	Write-back provision not used	Closing balance
Acoss	71.6	19.9	-	-	91.5
Personnel costs	0.2	0.9	-	-	1.1
IDR	15.2	-	0.2	-	15.0
Long-term service bonuses	2.0	-	0.1	-	1.9
Public sector employer reimbursement	7.9	-	7.9	-	0.0
Other	6.2	0.2	0.8	-	5.6
TOTAL	103.1	21.0	9.0	-	115.1

4.2.3 —Loans and financial debts

The changes in financing during 2018 are as follows:

FINANCING (In millions of Euros)	Opening balance	Of which accrued interest	Additional financing	Financing reimbursement	Closing balance	Of which accrued interest
Bond issues	29,049	249	2,250	1,550	29,740	240
Negotiable medium term notes (NEU MTN)	2,752	2	-	-	2,752	2
Negotiable medium-term securities (NEU MTN)	3,201	1	-	100	3,101	1
Credit/financing establishments loans (NEU CP)	3,010	-	10,175	9,010	4,175	-
Bank loans and overdrafts	-	-	-	-	-	-
TOTAL	38,012	252	12,425	10,660	39,768	243

4.2.3.1 Bond issues

The bonded debt amounts to 29,500 million Euros at the end of the 2018 financial year.

BONDED DEBT (in millions of Euros)	Amount	Issue date	Maturity	Cou pon rate in %
ISSUE				
5.1	1,000	29/02/2012	25/04/2019	3.000
5.2	300	25/04/2012		
5.3	300	17/09/2013		
5.4	500	23/09/2014		
8.1	1,500	05/04/2013	05/04/2023	2.250
8.2	500	22/05/2014		
10.1	1,500	29/05/2013	29/05/2020	1.250
11.1	2,500	20/02/2014	25/05/2024	2.375
12.1	1,500	16/04/2014	16/04/2021	1.500
12.2	150	30/10/2014		
12.3	500	14/12/2015		
13.1	1,500	05/09/2014	25/10/2022	0.875
13.2	250	01/10/2015		
13.3	500	04/05/2016		
14.1	3,000	17/02/2015	17/02/2025	0.625
15.1	1,250	21/10/2015	21/10/2027	1.250
15.2	750	04/05/2016		
16.1	1,000	04/11/2015	04/11/2021	0.300
17.1	2,000	03/03/2016	03/03/2026	0.625
17.2	250	20/06/2017		
18.1	1,750	31/03/2016	24/11/2023	0.250
19.1	2,000	28/03/2017	28/03/2027	1.250
19.2	250	31/08/2017		
20.1	1,750	20/04/2017	20/04/2032	1.500
20.2	750	30/08/2017		
21.1	1,000	30/05/2018	25/05/2033	1.250
22.1	1,250	03/10/2018	25/05/2028	0.875
TOTAL	29 500			

Added to this are 240 million Euros in accrued coupons at the end of the financial year.



BALANCE SHEET ANALYSIS

4.2.3.2 Loans from credit institutions and miscellaneous financing facilities

The total amount of this item comes to 4,175 million Euros, corresponding to the NEU CPs (formerly commercial paper) issued by Unédic.

The transactions concerning the NEU CP commercial paper issues were as follows in 2018:

(In millions of Euros)	Inventory At 01/01/2018	Issues in 2018	Repayments in 2018	Inventory At 31/12/2018
	3,010	10,175	9,010	4,175

The maturity dates of these NEU CP issues are as follows:

(In millions of Euros)	During the 1st quarter 2019	During the 2nd quarter 2019	During the 3rd quarter 2019	During the 4th quarter 2019	Total
Due date of commercial papers	1,695	1,430	450	600	4,175

4.2.3.3 Loans from credit institutions and miscellaneous financing facilities

In 2018, Unédic issued 2,750 million Euros of NMTN.

ISSUES (In millions of Euros)	Amount	Issue date	Maturity	Coupon rate in %
6	1,250	05/03/2015	05/03/2020	0.125
7	1,500	16/04/2015	25/05/2019	0.040
TOTAL	2,750			

At the end of December 2018, accrued interest represented 1.6 million Euros.

4.2.3.4 NEU MTN (formerly BMTN – negotiable medium-term securities)

In 2018, Unédic issued 3,100 million Euros of NEU MTN.

ISSUES (In millions of Euros)	Amount	Issue date	Maturity	Coupon rate in %
1	500	04/10/2016	25/11/2020	0.000
2	1,250	16/01/2017	25/05/2022	0.125
4	100	13/02/2017	25/11/2020	0.000
5	1,250	28/11/2017	25/11/2024	0.125
TOTAL	3,100			

At the accounting cut-off date, accrued interest amounted to 1.1. million Euros.

TO SUMMARISE

(In millions of Euros)	Bond loan, NEU and MTN maturities	Maturity date within 1 year at most	Maturity date more than 1 year and less than 5 years	Maturity date over 5 years
	35,350	3,600	13,750	18,000

4.2.3.5 Bank loans and overdrafts

None.

4.2.4 Other liabilities

4.2.4.1 Payables to affiliates

This item, amounting to 129.6 million Euros, corresponds to the sums received from employers which could not be matched with receivables at the end of the financial year.

4.2.4.2 Benefit recipient debts and other accounts payable

This item, for a total amount of 2,970.2 million Euros, mainly consists of accrued benefits payable:

- For the month of December 2018 and paid in January 2019, amounting to 2,982.9 million Euros, and 39.4 million Euros for redeployment benefits to be paid to benefit recipients;
- In respect of 2018, paid in February and March 2019 amounting to 67.6 million Euros, less the advance retirement levy amounting to 127.8 million Euros.

4.2.4.3 Tax and social security debts

This item totalled 70.7 million Euros, and mainly includes:

- provision for paid leave, holiday bonuses and 13th-month bonuses totalling 3.2 million Euros;
- Accrued benefit-recipient advance levies payable of 55.9 million Euros, corresponding to the benefits paid in December 2018;
- Part-time working, amounting to 7.2 million Euros;
- Other tax and social security payables, amounting to 4.4 million Euros.

4.2.4.4 Supplier payables

The amount of 7.9 million Euros, representing accrued invoices payable at 31 December 2018, falls into two items:

- Suppliers of goods and services: 7.6 million Euros,
- Suppliers of non-current assets: 0.3 million Euros.

4.2.4.5 Other payables

The main components of this item, which totals 1,385.5 million Euros, chiefly relate to:

- The accrued charge payable at 31 December 2018 to various pension funds, for the crediting of the benefit recipients' supplementary pension entitlements:
 - 673.9 million Euros due to ARRCO (Association of supplementary pension plans for salaried employees) which breaks down into:
 - 629.4 million Euros corresponding to accrued contributions payable for 2018;
 - 40.8 million Euros in respect of the semi-finalised 2018 position;
 - 3.7 million Euros in respect of the 2017 adjustment;
 - 260.3 million Euros due to AGIRC (General Association of Pension Institutions for Managerial Staff) which primarily breaks down into:
 - 273.9 million Euros corresponding to accrued contributions remaining payable for 2018;
 - 6.2 million Euros in respect of the semi-finalised 2018 position;
 - - 19.8 million Euros owed from AGIRC for the 2017 adjustment; 35.7 million
 - Euros owed to other supplementary pension organisations, of which IRCANTEC (32.1 million Euros).
- The linking current accounts with Pôle emploi totalling 280.1 million Euros, including the account relating to the financing of Pôle emploi through the 10% contribution which shows a balance of 306.7 million Euros.
- The payable to AGS relating to scheme affiliate receivables arising from collection by Acooss, of which the gross amount is 164,5 million Euros, less a provision of 60.9 million Euros;



BALANCE SHEET ANALYSIS

- A payable to CCMSA of 1.9 million Euros, relating to current contribution-recovery transactions;
- A payable to the State, concerning the exemption of apprentices, of 5.3 million Euros, relating to current contribution-recovery transactions;
- A payable to the State concerning the exemption of ship-owners for 1.8 million Euros relating to current contribution-recovery transactions;
- A payable to AGS of 6.7 million Euros, for management expenses;
- The balance owed by Unédic to the State at 31/12/2018 of 1.3 million Euros for its financial contribution in connection with the deferral (Appendices VIII and X).

4.2.5—Accrual accounts

Unearned income of 119 million Euros concerns:

- The payments made by public-sector companies and institutions which are not affiliated to the Unemployment Insurance Scheme, but have signed a management agreement with Unédic. The payments are made for benefit recipients registered as unemployed and whose acquired rights may be spread over several financial years according to their age. The amount concerned is 1.4 million Euros;
- The opportunity costs on bond loans and NEU MTN issues amounting to 110.9 million Euros. These costs are amortised over the term of the issue.

(In millions of Euros) Year of release	Financial income amount	Prior amortisation	Amortisation 2018	Write-back of loans repaid 2018	Accumulated amortisation at 31/12/2018	Unearned income balance at 31/12/2018
2012	12.3	11.0	1.2	8.7	3.5	0.1
2013	25.0	19.7	4.1	4.2	19.6	1.2
2014	105.0	64.0	17.1	12.8	68.3	23.9
2015	36.2	12.2	5.9	-	18.1	18.1
2016	54.7	12.2	7.8	-	20.0	34.7
2017	37.7	1.5	3.4	-	4.9	32.8
2018	-	-	-	-	-	-
TOTAL UNEARNED INCOME	270.8	120.6	39.4	25.7	134.3	110.9

- Other income of 6.7 million Euros relates to unearned income on NEU CP (commercial paper) interest.



ANALYSIS OF THE INCOME STATEMENT

5.1 — TECHNICAL MANAGEMENT

5.1.1 — Income

5.1.1.1 Contributions

The income from contributions for the 2018 financial year is 3.65% increased from 2017:

(In millions of Euros)	2018	2017	CHANGE 2018/2017 IN%
Main contributions	37,137.97	35,765.30	3.84
Special contributions	457.04	504.70	-9.44
TOTAL	37,595.01	36,270.00	3.65

After adjustment for new items and transfers of contributions in respect of financial years prior to 2018, the increase in income from mainstream contributions, excluding the apprenticeship arrangement, came to 3.85% in 2018.

This is primarily explained by the 3.5% increase in the wage bill:

- The change in the wage bill should be compared to the increase in the average per-capita salary (SMPT) of 2%; and
- The 1.5% increase in the numbers in salaried employment;
- The full-year effect of the exceptional 0.05% contribution.

Special contributions decreased 9.44% in line with the fall in the number of business failures.

5.1.1.2 Other income

This item, amounting to 59.5 million Euros, predominantly comprises income under management agreements of 10.5 million Euros, in addition to surcharges for delay and penalties of 45.8 million Euros.

5.1.1.3 Net write-back of provisions

The total amount of decreases in or write-backs of provisions is 10.6 million Euros, and arises from the following:

- The write-back of the provision for Pôle emploi contingencies and expenses of 0.9 million euros;
- The write-back of the CNAM provision of 7 million euros;
- The write-back of the provision for public employers (the French Waterways Corporation) of 0.9 million Euros.
- The write-back of the provision for EESSI of 1.8 million Euros;

5.1.1.4 Transferred charges

This item, amounting to 169.3 million Euros, mainly includes:

- Affiliates' repayment of benefits amounting to 20.8 million Euros;
- The repayment of benefits between the EU countries, of 148 million Euros;
- The partial payment of improved job security contract (CSP) benefits by the State, amounting to -0.5 million Euros;
- the partial payment by the State of the PAP benefits (individualised job-seeking programme), amounting to 0.3 million Euros;
- The repayment of the contribution by the deferred unemployment benefit scheme (ARE), of 0.7 million Euros;



ANALYSIS OF THE INCOME STATEMENT

5.1.2—Expenses

Total technical management expenses increased slightly by 1.09% to 40,105 million Euros in 2018 compared with 39,672 million Euros in 2017. This was due to the increase in average benefit payment and to the 0.6% increase in the number of jobseekers receiving benefit under the Unemployment Insurance Scheme (ARE, AREF, ASP) in 2018. Technical management expenses mainly include benefit expenses, other technical management expenses (writing off benefits and affiliates), the costs of crediting pension entitlements, and Unédic's financial contribution to the running of Pôle emploi.

5.1.2.1 Benefits

The overall cost of benefits increased by 1.18% in 2018, with the following breakdown:

(In millions of Euros)	2018	2017	CHANGE 2018/2017 IN %
ARE	30,927.4	30,271.2	2.17
Other benefits	2,337.8	2,604.8	-10.25
Training ARE	1,280.6	1,398.1	-8.4
Specific redeployment benefits (ASR)/Benefits from the specific temporary fund (ASP)	1,044.7	1,194.1	-12.51
Other	12.5	12.6	-0.79
TOTAL	33,265.2	32,876.0	1.18

The expenses per benefit are calculated by taking into account:

- Payments to benefit recipients made during the financial year;
- The reduction in expenses associated with the detection of overpayments;
- The write-back of the provision recognised in 2017 to cover accrued benefits payable for the previous financial year;

The supplementary expenses represented by the provision recognised for the benefits paid at the start of 2019 for periods in 2018 or previous years.

(In millions of Euros)	Benefits paid in 2018 (+)	Overpayment s detected 2018 (-)	2018 benefits paid in 2019 (+)	Write-back of 2017 benefits paid in 2018 (-)	Financial year expenses (=)
ARE	32,199.9	1,405.1	2,796.9	2,700.6	30,891.1
ARE CSP/CTP/EJEN/AAP	37.4	1.4	3.3	3.0	36.3
TOTAL ARE	32,237.3	1,406.5	2,800.2	2,703.6	30,927.4
Training ARE	1,318.8	40.1	158.6	156.7	1,280.6
ASR/ASP	1,066.7	16.1	90.9	96.8	1,044.7
Various others	12.8	0.1	0.9	1.1	12.5
Other benefits	2,398.3	56.3	250.4	254.6	2,337.8
TOTAL ARE	34,635.6	1,462.8	3,050.6	2,958.2	33,265.2

The Improved job security benefits scheme in 2011 took over from the specific redeployment benefits and the occupation transition benefits for those signed up to this support arrangement as of 1 September 2011 and until 31 January 2015. The Improved job security benefits scheme has been operating since 2015.

The main changes in benefit payments are as follows:

- ARE payments amounted to 32.20 billion Euros in 2018 compared with 31.50 billion Euros in 2017; this 2.22% increase is explained by a 1.37% increase in the average daily benefit amount, and a 0.9% increase in the number of compensated days;
- Training ARE payments, excluding social contributions of 90.9 million Euros, amounted to 1.228 billion Euros in 2018 compared with 1.377 billion Euros in 2017, decreasing 10.82%.
- ASR and ASP payments, excluding the CSP extra payment, amounted to 1.067 billion Euros in 2018 compared with 1.269 billion Euros in 2017; this 15.9% fall is explained by an 11.9% decrease in the number of compensated days and a 0.7% decrease in the average amount of the daily benefits.

a) Redeployment benefits

Redeployment benefits amounted to 677.7 million Euros in 2018, compared with 683.5 million Euros in 2017, and break down as follows:

(In millions of Euros)	2018	2017	CHANGE 2018/2017 IN %
IDR- ASP differential redeployment indemnity	9.2	11.2	-17.86
ADR- Compensatory allowance upon redeployment	0.1	0.8	-87.50
ARCE- Assistance for the takeover or creation of a company	498.8	490.2	1.75
IDR- ASP differential redeployment indemnity	0.0	0.0	-
Improved Job Security Contract Bonuses 2015	150.4	160.7	-6.41
Other benefits	19.2	20.6	-6.80
TOTAL REDEPLOYMENT BENEFITS	677.7	683.5	-1.0

Assistance for the takeover or creation of a company (ARCE) is the main benefit, amounting to 498.8 million Euros or 73.6% of all benefits. Its amount increased by 1.75% in 2018. The ADR compensatory benefit upon redeployment was discontinued during 2015.

With the institution of the 2015 CSP improved job security contract came the creation of the improved job security bonus (prime contrat de sécurisation professionnelle).

b) Crediting of pension entitlements This item refers to the cost of confirming benefit recipients' supplementary pension credits. The amount was 2,072.5 million Euros in 2018 compared with 2,087.3 million Euros in 2017. This slight decrease reflects adjustments of expenses relating to the previous year.

The breakdown by pension scheme is as follows:

(In millions of Euros)	TOTAL
ARRCO	2,647.1
AGIRC	684.1
Other funds (IRCANTEC - CRPNPAC)	132.9
TOTAL PENSION FUNDS	3,464.1
Contribution of benefit recipients	- 1,391.6
VALIDATION OF PENSION POINTS	2,072.5



ANALYSIS OF THE INCOME STATEMENT

c) Other technical management expenses

This item, amounting to 3,737 million Euros, increased 1.99% compared with 2017.

The main expenses comprise:

- The write-offs and cancellations of receivables from affiliates for 205.6 million Euros;
- the debt write-offs and cancellations of receivables from benefit recipients for 153.7 million Euros;
- the 10% contribution payable by Unédic to Pôle Emploi amounting to 3,418.7 million Euros;
- Unédic's contribution to the costs of support under the Improved job security contract (CSP), of 45.7 million Euros;
- Unédic's contribution to the financing of the long-term reduced activity (APLD) arrangement for the sum of 44.2 million Euros.

d) Provisions

Provisions total 214.6 million Euros and break down as follows:

- Impairment of receivables from affiliates for 39.2 million Euros;
- Impairment of overpayments to benefit recipients for 155.2 million Euros;
- Provision for contingencies and expenses amounting to 20.16 million Euros which primarily concerns the provision for AcoSS disputes of 19.9 million Euros and the provision for Pôle Emploi contingencies and expenses of 0.26 million Euros.

5.2 — ADMINISTRATIVE MANAGEMENT

5.2.1 — Income

5.2.1.1 Provision of services

This item, amounting to 43.3 million Euros, mainly consists of income received from third parties under management agreements:

(In millions of Euros)	2018	2017
AGS	42.5	41.4
Pôle emploi	0.4	0.8
Other agreements with third parties	0.0	0.0
Other provisions of services	0.4	0.6
TOTAL	43.3	42.8

5.2.1.2 Other income

This item, totalling 3.1 million Euros, mainly represents the rent paid by Pôle emploi for its use of the Unemployment Insurance Scheme's real-estate assets.

5.2.2 — Expenses

Expenses amounted to 85.06 million Euros in 2018. Expenses therefore decreased 10.29% compared with 2017.

The depreciation of the real estate stock, its maintenance and management constitute a significant administrative management expense. 115 sites remained at the end of 2018.

5.2.2.1 Purchases

This item represents 0.7% of administrative management expenses, and amounted to 0.8 million Euros, a slight 0.1 million Euros down from 2017.

5.2.2.2 External services

This item represents 48% of administrative management expenses.

(In millions of Euros)	2018	2017
Works and services provided by third parties	4.9	6.2
Other external services	3.8	4.1
Rents	2.8	2.7
Transportation and travel	1.1	1.1
Postal and telecommunications costs	0.4	0.4
Notarial fees and costs	19.6	19.2
Bank and postal costs	4.4	11.8
Miscellaneous	3.8	3.8
TOTAL	40.8	49.3

The "Other external services" item includes, inter alia, expenses relating to the financing of employer and union organisations, falling within the management of the Unemployment Insurance Scheme; its amount was 3.9 million Euros in 2018.###

5.2.2.3 Taxes and levies

This item represents 5.4% of the administrative management expenses and is broken down as follows:

(In millions of Euros)	2018	2017
Taxes on earnings	2.2	2.2
Other taxes and levies	2.4	3.0
TOTAL	4.6	5.2

5.2.2.4 Wages and social security costs

This item represents 32.5% of administrative management expenses. It breaks down as follows:

(In millions of Euros)	2018	2017
Wages	18.7	18.5
Social security costs	8.9	8.9
TOTAL	27.6	27.4

5.2.2.5 Amortisation and provisions

This item represents 13.4% of the administrative management expenses, and amounts to 11.4 million Euros, compared with 12.2 million Euros in 2017. This change is mainly explained by the decrease in depreciation due to the sale of assets.



ANALYSIS OF THE INCOME STATEMENT

5.3 — FINANCIAL MANAGEMENT

Net financial income is negative:

- -365 million Euros in 2018;
- 352 million Euros in 2017.

The 2018 expenses came to 420.3 million Euros mainly consisting of the following:

- structured-finance expenses of 404.7 million Euros of which 398.2 million Euros for the bond loans and the NEU MTNs.
- amortisation of bond issue redemption premiums for 15.6 million Euros.

The average financing rate for 2018 came to 1.03%.

5.4 — EXTRAORDINARY RESULT

The net income from extraordinary transactions is positive (+13 million Euros) and concerns capital gains on disposals of non-current assets.

5.5 — CORPORATE INCOME TAX

Unédic is liable to corporation tax for earnings from property revenue and investment income. The tax due came to 2.1 million Euros for 2018.

5.6 — RESULT FOR THE FINANCIAL YEAR

This item represents the net result returned by the Unemployment Insurance Scheme for the 2018 financial year. The result is a negative 2,658.2 million Euros.





ADDITIONAL INFORMATION

6.1 — ESTIMATED BENEFITS PAYABLE TO RECIPIENTS HAVING ENTITLEMENT AT THE YEAR-END

The “pay-as-you-go” management method implies that certain technical provisions which could be set aside in an insurance or welfare activity are not set aside within the specific context of the Unemployment Insurance Scheme. However, they constitute potential forecast expenditure calculated at the end of the financial year, which could only be challenged in the future where dictated by the financial equilibrium of the Unemployment Insurance Scheme or a change in the regulations.

With the aim of better informing third parties, we have set forth below the estimates, not defined by the accounting system, of the benefits payable to recipients having entitlement at the year-end, and the method of calculating them.

More extensive information on the expenditure and income forecasts can be found in the management report in the “2019 Outlook” (Perspectives 2019) section, reflecting work regularly conducted by the Unemployment Insurance Scheme on the benefits/contributions equilibrium and the coverage of its financing needs.

6.1.1 — Estimate of the benefits yet to be paid by the Unemployment Insurance Scheme to the benefit recipients compensated at the end of the financial year

The amount of benefits to be paid over the average duration of unemployment remaining to be covered as from 31 December 2018, to benefit recipients registered on this date, was assessed by Unédic's Studies and Analyses Department at 27,723 million Euros. This amount does not take into account the benefits to be paid to recipients whose benefit is maintained until they retire. The methods and procedures used to calculate this estimate are as follows:

- Calculation of benefits paid in 2018 to recipients entitled to benefit at 31 December 2017 (2,633,398 benefit recipients), amounting to 17,050 million Euros;
- Calculation of benefits payable to this population remaining accrued after 31 December 2018, amounting to 9,672 million Euros. This population represents 31.30% of current benefit recipients at 31 December 2017;
- For this population in 2017, the total amount of accrued benefits payable by the Unemployment Insurance Scheme is 26,722 million Euros;
- This amount is updated, taking into account a 3.75% increase in benefit recipient numbers at 31 December 2018 compared with 31 December 2017; the estimate of the accrued benefits payable to the benefit recipients compensated at the end of the 2018 financial year is 27,723 million Euros.

6.1.2 — Estimate of the accrued benefits pay by the Unemployment Insurance Scheme to recipients entitled to extension of benefit

These benefits concern the jobseeker benefit recipients who may, under certain conditions, have their benefit paid up to retirement age.

The amount of accrued benefits payable to these benefit recipients registered at the end of the financial year was assessed by Unédic's Studies and Analyses Department at 636 million Euros. The calculation is made by prolonging the indemnification rate used as at 31 December 2018 until the day before the retirement date, with the maximum age being 67.

6.1.3 — Estimated total financial commitment

Thus, the total benefits remaining payable to Unemployment Insurance beneficiaries having entitlement at 31 December 2018 are estimated at 28,359 million Euros.

6.2 — NUMBER OF UNEMPLOYMENT INSURANCE STAFF

The number of Unédic staff as at 31 December 2018 is 339 Unédic employees, 229 of whom are allocated to the Unédic-AGS Delegation.

8 — TRANSACTIONS CARRIED OUT ON BEHALF OF THIRD PARTIES

The employees' claims guarantee Association (Association pour la gestion du régime de Garantie des créances des Salariés – AGS), an employers' organisation financed by businesses and created in early 1974, steps in to pay sums owed to employees under the employment contract in the event of an employer business entering into court-ordered administration or liquidation. A management agreement was concluded between that Association and Unédic, the latter [former?] being responsible for managing the collection of contributions, for making the necessary funds available to attorneys and court administrators, recovering sums advanced and keeping accounts for these operations. Unédic itself entered into an agreement with Pôle emploi, signed on 19 November 2008, for recovering unemployment insurance contributions and AGS contributions (via the regional departments and Pôle emploi service).

The transfer of collection to Acoess generated accounting and financial flows as early as 2010 under two pilot phases. An agreement signed on 17 December 2010 by Unédic, AGS, Acoess and Pôle emploi laid down the rules and procedures for generalising the handling of contribution collection by Acoess and its network.

The contribution rate changed from 0.25% (applying since 1 January 2016) to 0.20% starting on 1 January 2017, following a decision of the AGS board of directors in December 2016, and was then lowered to 0.15% from 1 July 2017 onwards.

4 — STATUTORY AUDITORS' REPORT

The fees for statutory-auditor assignments in 2018 amounted to 398 thousand Euros including VAT (shared equally between the two co-signatory accounting firms, FCN and Grant Thornton).





Also worth consulting:



Unemployment
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Risk management,
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