A French *société anonyme* with share capital of €276,525,220
Registered office: 19, rue de Vienne – TSA 50029 – F-75801 Paris Cedex 08
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2016 REGISTRATION DOCUMENT

INCLUDING THE ANNUAL FINANCIAL REPORT

AUTORITÉ DES MARCHÉS FINANCIERS
AMF

The original French version of this document was filed with the Autorité des Marchés Financiers (AMF, the French securities regulator) on 6 April 2017, in accordance with Article 212-13 of the AMF's General Regulations. It may be used in connection with a financial transaction only if supplemented by a prospectus relating to the transaction officially approved by the AMF. The signatories of this document, prepared by Nexity, are responsible for the information contained herein.
Pursuant to Article 28 of Commission Regulation (EC) 809/2004, the following information is incorporated by reference into this Registration Document:

- the management report, the consolidated financial statements for financial year 2015 and the corresponding Statutory Auditors' report, set out on pages 131 to 175, 259 to 312 and 313 to 314 of the original French version of the Registration Document filed with the AMF on 13 April 2016 under number D.16-0325; and
- the management report, the consolidated financial statements for financial year 2014 and the corresponding Statutory Auditors' report, set out on pages 125 to 174, 261 to 333 and 334 to 335 of the original French version of the Registration Document filed with the AMF on 8 April 2015 under number D.15-0297.

This document is a free translation into English of the original French *Document de reference*, reffered to as the "Registration Document". It is not a binding document. In the event of a conflict in interpretation, reference should be made to the French version, which is the authentic text.

Copies of the Registration Document may be obtained free of charge from Nexity, 19 rue de Vienne – TSA 50029 – F-75801 Paris Cedex 08, and on the websites of Nexity (www.nexity.fr) and the AMF (www.amf-france.org).

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1.1 NEXITY IN BRIEF

Nexity[1] is France's leading integrated real estate services group, with business operations in all areas of real estate development and services (residential real estate, commercial real estate, real estate services to individuals and real estate services to companies, franchise networks and major urban projects) and enjoys a strong presence across all industry cycles (short, medium and long terms).

Nexity is committed to regional life and endeavours to design products that take account of potential changes in consumer behaviour and practices, as well as the changing expectations of city dwellers. Its client-oriented focus, long-term commitment to making real estate and city life sustainable, and its ambitious innovation policy are the cornerstones of Nexity's strategy.

The Group serves three types of clients: individuals, companies and investors, and local authorities. This segmentation is reflected by the new organisational structure of Nexity's Executive Management team – which for the first time is client-oriented rather than product-oriented – as presented on 23 January 2017.

Nexity offers its various clients a unique range of products, services and solutions, backed by market-leading expertise and a high level of personal commitment, wherever their real estate needs may take them (purchases, rentals, property management, building operations, property or development sales, investments, etc.):

- for individuals, this includes a wide selection of residential properties for homebuyers and buy-to-let investors (including a bare ownership offering); a broad subdivisions offering; a comprehensive range of services (property management for individuals, sales of real estate assets, and operation of serviced residences, notably for students and seniors); and a property sales offering via the Group's franchise networks (Century 21 and Guy Hoquet l'Immobilier);
- for companies and investors, Nexity offers a range of commercial properties (office space, high-rise buildings, logistics space, business parks, hotels, retail premises, etc.) and construction processes (concrete, wood), sustainable improvement solutions for existing office buildings, a selection of residential buildings for professional landlords, and a full complement of services (commercial property management, building operations, real estate advisory and brokerage services) as well as a co-investment offering; and
- for local authorities, Nexity serves as a partner for the design and execution of major urban projects or large-scale urban regeneration schemes.

Nexity has no income-yielding property assets, with the exception of a limited portfolio.

The Group was one of the leading players in French real estate markets in 2016. It has a diversified client base and its geographical coverage is well balanced between the Paris region and elsewhere in France.

The Group's 2016 consolidated revenue was €3,073 million. Its consolidated current operating profit came to €266 million. At 31 December 2016, the Group had over 7,000 employees.

The Group has adopted an innovative organisational structure that offers its entities considerable autonomy with respect to their operations and the management of their teams, while maintaining a centralised and highly rigorous approach to the management of risks and the allocation of financial resources. This strong centralisation of shared functions and resources at the Group level (and, where applicable at the division level), notably with respect to brand communication, finance, legal matters, human resources, digital and IT systems, allows operational teams to focus their attentions on project management and the conduct of their business, while at the same time favouring internal developments and the sharing of expertise among business lines thanks to initiatives implemented by the Group.

For the purposes of presenting financial information, the Group's various business lines are grouped into four divisions, in recognition of the economic characteristics shared by these businesses (nature of the business, procedures for monitoring business activity, production cycle, capital employed, etc.) so as to facilitate the most relevant analysis and the most effective monitoring of financial information:

- Residential real estate, responsible for the development of new homes (including the activities of Iselection, PERL and Edouard Denis) and subdivisions;
- Commercial real estate, mainly focused on the development of new or rehabilitated office buildings, high-rises, business parks, logistics facilities, retail property and hotels;

Unless otherwise indicated, the financial data and indicators used below – including forward-looking information – are based on Nexity's operational reporting, with joint ventures proportionately consolidated. The IFRS-compliant consolidated financial statements can be found in Section 3.4 of this Registration Document

[1] Hereinafter the Company or the Group

- Services, comprising services to individuals (property management, student residence management, the administration, coordination and development of real estate franchise networks) and to companies and investors (property management, real estate advisory and brokerage services); and
- Other activities, which include in particular Nexity's urban regeneration business (Villes & Projets), investment activities, innovative start-up ventures in the incubation phase, the Group's main digital projects and the holding company.

Selected financial information

2016 business activity

- Residential real estate reservations grow to a record at 18,890 reservations, including 15,893 new home reservations in France (up 35% by volume and 29% by value);
- Nexity's residential real estate market share up 1.4 percentage points to 12.7%;
- Commercial real estate order intake: €356 million; and
- Development backlog: €4.0 billion (up 22%).

2016 financial performance

- Revenue: €3.07 billion (up 0.5%);
- Current operating profit target exceeded: €266 million (up 21% relative to 2015) and an operating margin of 8.7% (up 1.5 percentage points);
- Free cash flow: €168 million; and
- Net debt under control at €317 million (gearing: 20%[1]).

Nexity exceeds its targets[2]

	2016 (Actual)	2016 (Guidance)	
New home reservations in France (by volume)	Up 35.4%	Up more than 15% to 20%	✓
Commercial real estate order intake	€356m	More than €250m	✓
Revenue	€3.1bn	Stable at around €3bn	✓
Current operating profit	€266m	More than €245m	✓

✓ : target exceeded

Condensed financial statements

Nexity's consolidated financial statements are prepared in accordance with IFRSs (International Financial Reporting Standards) and IFRIS IC (IFRS Interpretations Committee) interpretations as adopted within the European Union.

IFRS 11 *Joint Arrangements*, which is required to be applied as of 1 January 2014, states that "joint ventures" must be accounted for using the equity method (whereas before they could be proportionately consolidated). Nexity's joint ventures are mainly co-development vehicles in the Residential and Commercial real estate divisions. For operational reporting and management purposes, Nexity continues to apply proportionate consolidation to its joint ventures, which in its view provides a more accurate reflection of the Group's performance and risks as measured by revenue, operating profit, working capital and debt. The segment-specific presentations in this Registration Document are based on operational reporting data.

The following tables summarise the Group's consolidated financial statements with joint ventures proportionately consolidated, in millions of euros, for the financial years ended 31 December 2014, 2015 and 2016. These principal accounting and financial data should be read in conjunction with Section 3.1 of this Registration Document, "Financial position and performance".

The consolidated financial statements for financial year 2016 are provided in Section 3.4 of this Registration Document, "Consolidated financial statements", and the consolidated financial statements for financial years 2014 and 2015 are included for comparison purposes.

[1] Gearing: net debt / equity
[2] Guidance issued in February 2016 and partly upgraded on 31 May, 21 July and 27 October 2016

Condensed consolidated income statement (operational reporting)

(in millions of euros)	2016	2015	2014
Revenue	**3,072.7**	**3,057.1**	**2,631.9**
Current operating profit	**266.5**	**220.1**	**183.7**
Net profit[1] before goodwill impairment	**139.1**	**123.5**	**85.7**
Net profit[1]	**139.1**	**123.5**	**35.7**

[1] Attributable to equity holders of the parent company

Condensed consolidated statement of financial position (operational reporting)

ASSETS

(in millions of euros)	2016	2015	2014
Non-current assets	**1,404.5**	**1,319.8**	**1,280.9**
Current assets	**3,956.1**	**3,810.3**	**3,516.6**
Total assets	**5,360.6**	**5,130.1**	**4,797.5**

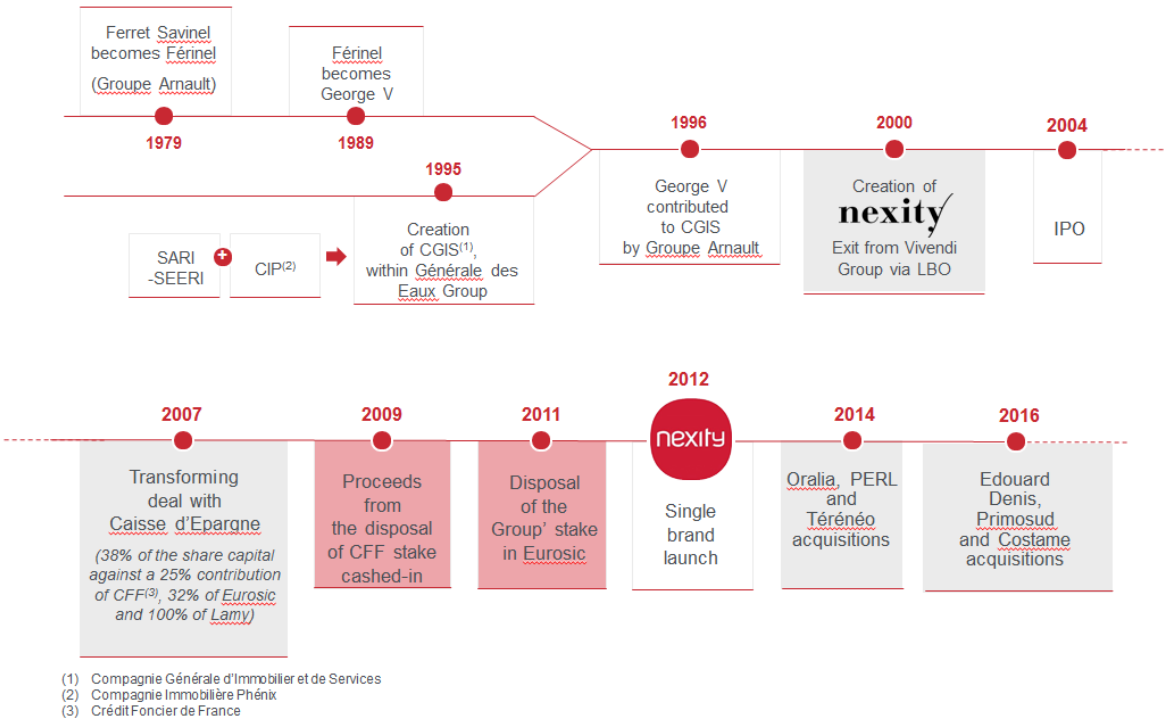
LIABILITIES AND EQUITY

(in millions of euros)	2016	2015	2014
Equity attributable to equity holders of the parent company	**1,589.3**	**1,579.1**	**1,558.7**
Non-controlling interests	4.9	2.3	20.1
Total equity	**1,594.1**	**1,581.4**	**1,578.8**
Non-current liabilities	**814.0**	**700.1**	**689.9**
Current liabilities	**2,952.4**	**2,848.6**	**2,528.8**
Total liabilities and equity	**5,360.6**	**5,130.1**	**4,797.5**

Consolidated statement of cash flows (operational reporting)

(in millions of euros)	2016	2015	2014
Cash flow from operating activities after interest and tax expenses	181.6	148.9	116.9
Change in WCR and deferred taxes	9.3	91.2	(79.1)
Net cash from operating activities	**190.9**	**240.1**	**37.8**
Net cash from/(used in) investing activities	(80.4)	(19.3)	(224.9)
Net cash from/(used in) financing activities	(232.5)	(67.3)	252.2
Change in cash and cash equivalents for the period	**(122.0)**	**153.5**	**65.1**

1.2 HISTORY OF THE COMPANY



(1) Compagnie Générale d'Immobilier et de Services
(2) Compagnie Immobilière Phénix
(3) Crédit Foncier de France

Nexity is the product of the sale by Vivendi in 2000 of a part of the activities of CGIS, which were combined into Nexity SA. The sale, undertaken by Vivendi for strategic reasons, was made in the form of a leveraged buyout (LBO) to certain members of the management of CGIS and three financial investors (CDC Entreprises FCPR, LBO France and Lehman Brothers). Nexity subsequently conducted two refinancing operations, and was listed on the Paris Stock Exchange on 21 October 2004.

Following the LBO in 2000, the Group decided to concentrate on its core real estate development business and, in 2001, sold its subsidiaries Gymnase Club and Maeva as well as a portfolio of real estate assets acquired from the Vivendi group, followed in 2009–2011 by its financial investments in Crédit Foncier de France (CFF) and Eurosic.

From 2000 to 2011 and in parallel with these transactions, the Group strengthened its businesses by enlarging its territorial coverage in France, expanding its product range and making strategic acquisitions to round out its areas of activity.

At the end of 2011, the Group founded LFP Nexity Services Immobiliers (of which it then owned 75.36%) in partnership with La Française AM to combine the activities in real estate services to companies (property management, commercial real estate advisory and transactions services) owned by both groups. In February 2016, Nexity completed the acquisition of 100% of LFP Nexity Services Immobiliers.

In 2014, Nexity successively acquired the following:

- 100% of individual property management group Oralia. With this acquisition, Nexity strengthened its leading position as the number-one fully integrated real estate group, and secured its place as France's second-largest property manager;
- a 76.4% stake in PERL, a pioneer and leader in the French market for social housing usufruct solutions. Usufruct solutions divide ownership (via a process called *démembrement*) of a social housing property between usufruct (the right to use or derive income from the property, called *usufruit*) and bare ownership (title to the property, or *nue-propriété*). This acquisition rounded out the Residential real estate division's diversified offering; and
- 50.1% of the share capital of Térénéo, a wood-frame developer based in the north of France that has acquired specific expertise in the development of wood-frame, low-energy "green" buildings. Through this deal, Nexity rounded out its geographical coverage, making it the number one developer of wood-frame office buildings in France.

In 2015, the BPCE group, which had owned around 40% of Nexity since 2007, decreased its holding in line with its strategic plan. BPCE announced on 2 March 2016 that it had sold its remaining stake in Nexity.

In 2016, Nexity mainly:

- acquired a 55% stake in Edouard Denis Développement, a generalist real estate developer benefiting from strong positions in the Hauts-de-France and Île-de-France regions, Lyon, Bordeaux, Lille and Nantes markets, consolidating Nexity's market-leading position in residential real estate;
- acquired 65% of Prado Gestion, a developer with a presence in markets such as Aix-en-Provence and Marseille, under the Primosud brand;
- acquired 100% of Costame, one of France's leading providers of technical solutions consulting for the real estate and construction sectors. This deal rounds out Nexity's offering in real estate services to companies; and
- strengthened its strategic partnership with the Ægide-Domitys group, the French market leader in senior independent living facilities (increasing Nexity's equity stake from 38.15% to 45.16%), with an option to become the majority shareholder in 2018.

In early 2017, Nexity adjusted its organisational structure to prepare to achieve its strategic ambition of becoming a truly comprehensive real estate services provider resolutely focused on its three Client groups: Individuals, Commercial and Local Authority (see Section 1.3.5 of this Registration Document, "Shifting our business model to become a truly comprehensive real estate services provider").

1.3 STRATEGY

1.3.1 An integrated real estate operator model

Since it was founded in 2000, Nexity has built a unique business model as an integrated real estate operator capable of handling almost any type of client request, and as a market leader or major player in each of the industry sectors where it operates. Apart from its core business in the development of residential properties and, to a lesser extent, the development of commercial properties, the Group has successively extended its expertise into new areas (urban regeneration, real estate services to individuals and companies, and franchise networks) while also expanding into new geographical areas (by improving its coverage of regional markets in France).

This business model capitalises on the specific characteristics of French housing development regulations. With VEFA off-plan sales, the Group need not bear the commercial risk through to delivery: title is transferred as construction proceeds for houses that can be sold as soon as the developer has bought the land and obtained building permits. This means the Group is encumbered with relatively few assets carrying a low level of risk. As such, Nexity's business model is geared more towards flows and services than ownership of inventories (see Sections 1.4.2 and 2.4.1 of this Registration Document, "Legal and financial framework of property development in France" and "Risk management policy").

Reflecting its strategic decision to develop a business model based on services rather than real estate investment, Nexity's balance sheet includes just a small number of properties held for investment (without precluding the holding of land or assets presenting significant development potential with a view to a future resale on a limited and optimistic basis – particularly in the Villes & Projets business).

The Group enjoys an unrivalled presence across the entire real estate value chain in France. Without being dependent on a single industry sector or client category, Nexity relies on all of its business lines to develop and diversify its supply sources, flesh out its range of products, services and solutions aimed at each of its three types of clients, and ensure that these offerings are consistently competitive, in particular by developing innovative and unique products, services or solutions that meet the needs of the market, backed by the Group's vast, diversified and complementary distribution networks. The Group relies on the resilience provided by its diversified approach to its business, thus mitigating the impact of market cycles by increasing the percentage of revenue generated by activities little or less exposed to these cycles, as well as the synergies (particularly in terms of client acquisition, complementarity of activities or cross-selling) afforded by its integrated model joining all of its business lines.

Nexity is able to offer specific solutions, products and services to its various clients (individuals, companies and investors, and local authorities), addressing the full spectrum of real estate needs. Nexity has developed original and innovative offerings for both individual customers (such as its first-tenant guarantee and guarantee against capital losses upon reselling a property) and companies (such as its occupancy cost guarantee on buildings built by the Group, and its Blue Office shared office space offering).

From 2010, following the creation of its Services division (mainly the result of external growth), Nexity has aimed to leverage the complementarity of its businesses by placing the client at the heart of its organisational and marketing approach, to serve clients as their real estate needs evolve (purchases, rentals, property management, building operations, sales, investment, etc.) so as to offer "smart real estate solutions for life".

The transition to the single Nexity brand was made in early 2012, when the Group's main brands were brought together under the "Nexity" brand, which introduced a new visual identity to mark this milestone event. All of the Group's 200 agencies providing real estate services to individuals (formerly the Lamy network) were then brought under the Nexity trade name. With the Nexity brand now well established, the Group has adopted a policy of diversifying its brands and access channels to clients (including Edouard Denis, Oralia, Iselection and franchise networks).

At present, Nexity's strategy aims to bolster its position as a real estate leader along the following lines:

- aiming to be the leader in digital innovation in the real estate sector;
- a growth plan covering all business lines, with a financial target of achieving current operating profit of €325 million by 2018;
- fully integrating sustainable development considerations into the Group's strategy; and
- committing to developing a concrete model for becoming a truly comprehensive real estate services provider focused on its different client categories within the near future.

1.3.2 Aiming to be the leader in digital real estate services

Aware of the growing importance of issues connected with digital transformation and social innovation, Nexity launched a new strategic plan at the end of 2014 named "Nexity Connects Everyone", which aims at once to:

- invest in new digital services designed to create value for its clients;
- improve connectivity for staff by equipping them with mobile tools;
- launch digitisation and paperless processing projects to facilitate improvements in service and cost management; and
- promote the development of a digital culture and a culture of innovation within the Group.

This strategic plan is aimed at bolstering or defending Nexity's competitive position.

A Digital Innovation department has been created to bring together all digital, marketing and IT functions. All the Group's functions, including central support functions, are involved in this digital transformation project.

In digital customer relations, the goal is to increase the online capture rate by making use of new ways to humanise the relationship (such as videoconferencing) and highlighting offerings using high-quality visuals and texts. Relationships are also shifting towards more interactive collaboration with customers, who will henceforth be asked for opinions on their experience with Nexity, and more accurate targeting thanks to predictive database marketing.

Thanks to its relationships with major technology leaders, investment funds, start-up incubators (such as Paris&Co and Numa) and digital schools, Nexity aims to continue to launch five major innovations every year with the goal of further simplifying the multichannel customer journey and conquering new markets linked to disintermediation.

Nexity is also making far-reaching changes to its fixed and mobile working tools so as to provide its staff with the best new technologies for communication (videoconferencing and instant messaging) and collaborative working (shared online documents, a corporate social network and internal information search).

In this context, thanks to its healthy cash position and borrowing capacity, Nexity has increased its investment in digital-focused innovation projects (the Group's 2015 results included €25 million in investment in this area and the 2016 results included €18 million) and intends to invest an average of €20 million a year in 2017 and 2018.

1.3.3 A growth plan covering all business lines

This growth plan aims to achieve current operating profit of €325 million by 2018.

Following a six-year period (2008–2014) marked by the financial crisis and its consequences, during which Nexity emphasised the resilience of its business model, the Group is now on a growth trajectory, consistent with its strategy: to be the benchmark operator in all its business lines, the partner of choice for all its clients' real estate needs and the leader in digital innovation in the real estate sector. Nexity has set itself a target of achieving current operating profit of €325 million by 2018, compared with €266 million in 2016 and an outlook

of €300 million in 2017. At the same time, the dividend has risen from €2 per share paid in 2015 to €2.20 per share paid in 2016 and €2.40 per share planned for 2017 (subject to approval at the Shareholders' Meeting on 1 June 2017) and 2018 (subject to a decision of the Board of Directors and approval at Nexity's Shareholders' Meeting).

This presupposes that the macroeconomic and regulatory environment prevailing in early 2017 does not deteriorate significantly over the next two years.

This medium-term ambition is supported, in particular, by the following factors:

- continued growth in Nexity's underlying markets: residential real estate, commercial real estate and services;
- the Group's ability to grow at a faster pace than these underlying markets, drawing on "growth accelerators" such as:
  - growing market share in geographical areas and products where it is below the Group average (southern France and the Rhône-Alpes region in residential real estate; groups of houses in communities outside the Paris region; office space in France's regions, logistics, hotels and retail premises in commercial real estate; etc.), both under the Nexity brand and under other Group brands such as PERL and Iselection, open-architecture distribution models or white-labelled products and services, and
  - differentiating Nexity's offering through innovation and the use of digital media, and continuing to extend the Group's product ranges to respond appropriately to clients' needs; for example, in 2015/2016:
    - the new online rental management offering, dubbed *E-gérance*, broadened the product range offered by Nexity Real estate services to individuals,
    - the launch of a general contractor business for renovation work and work linked to moving into new premises enabled Nexity Property Management to round out its range of services for corporate clients and investors,
    - in residential real estate, Nexity developed less expensive homes through optimised design and construction procedures that are better suited to first-time buyers (Nexity Access Design), and
    - in commercial real estate, Nexity extended – especially outside the Paris region – its range of tailored office buildings that meet demand in the SME market using Ywood and Térénéo wood-framed products that can be delivered much faster than those built using traditional construction procedures. In 2015 and 2016, Nexity bolstered its position as the French market leader in wood-framed offices;
  - a tighter policy on synergies and cross-selling between Nexity's various business lines, resulting in the creation of packaged offerings (e.g. offering management services in connection with the Group's residential and commercial property development programmes, proposing that the Services business lease student residences developed by the Residential real estate division, leveraging local residential development resources to pursue commercial development opportunities outside the Paris region, encouraging franchise networks to seize opportunities to offer land for the Group's development activities, sale by other subsidiaries of new homes developed by the Residential real estate division, etc.);
- developing additional complementary business lines across the entire value chain (supply of construction rights for the Group's development activities by the urban regeneration business (Villes & Projets) or taking part in the value creation process alongside investors by acquiring minority interests in high value-added commercial development programmes, client acquisition between business lines, etc.). In this regard, and to a limited degree, Nexity could step up its policy of securing new land positions, notably through Villes & Projets;
- targeted external growth in Nexity's business areas and key markets, wherever operating profitability is in line with the Group's objectives (operating profitability is more important than business volumes) and there is no adverse impact on the Group's carefully managed risk profile. One example of this strategy is the acquisition of a majority stake in the Edouard Denis group, in partnership with its founder (see Section 3.3.1 of this Registration Document, "Recent developments"). The Group's healthy cash position and borrowing capacity allow it to seize market opportunities that will contribute to future growth without jeopardising its objectives with regard to profitability and financial strength;
- development of an active partnership policy, as illustrated by "Nexity Partners" – launched at the end of 2016 – which aims to propose to small and medium-sized independent developers that they join forces with Nexity on a project-by-project basis in order to benefit from the Group's financial resources, as well as a certain number of services such as sales and marketing, listing of properties for sale on the nexity.fr website, financial and accounting management, etc. Projects selected by Nexity Partners will be subject to strict targeting.
- In addition, in 2016 Nexity strengthened its partnership with Ægide-Domitys, with an option to acquire control and a consolidation option in 2018, in order to integrate the senior services business line.

This 2018 goal is also supported by Nexity's desire to improve the Group's operating margin while matching the performance of other leading operators in each of its business areas:

- by launching residential and commercial developments deemed likely to ensure satisfactory margin levels, following an in-depth analysis of technical feasibility, commercial characteristics and budget data;
- by implementing initiatives in both these divisions to control construction costs (central purchasing unit, standardisation, use of digital tools, development of specific low-cost products, etc.), marketing costs and overheads; and
- by driving continued improvements in the operating profitability of the Group's Services businesses, with the aim of bringing operating margins into line with Nexity's other business lines.

Lastly, this medium-term growth ambition must not be achieved at the expense of Nexity's risk profile, working capital management or dividend policy (see Section 3.6.3 of this Registration Document, "Dividend policy").

1.3.4 Fully integrating sustainable development considerations into the Group's strategy

Nexity's strategy takes full account of sustainability issues and the new economic models, more responsible and less resource-hungry, being developed to respond to them (such as the collaborative economy, circular economy and social and solidarity economy). Sustainability initiatives create value and ensure that urban and rural areas are developed optimally. The Group has therefore chosen to put sustainable development at the heart of its activities. This strategy, which is underpinned by a desire to demonstrate and enhance the societal benefits of Nexity's activities (see Section 5.1 of this Registration Document, "Sustainable development"), is structured around three commitments:

- producing affordable, high-performance homes;
- delivering offices that create value; and
- working to ensure the attractiveness of communities and support the circular economy.

More generally, the Group aims to take into account the issues raised by sustainable development in the broadest sense, whether in relation to its human resources policy in terms of training, prevention, certification and knowledge transfer (see Section 5.3.1 of this Registration Document, "Human resources policy") or its societal responsibility: facilitating access to housing and developing accountability to clients (see Section 5.1 of this Registration Document, "Sustainable development").

The Group's growth strategies for its main business areas are described in more detail in Sections 1.5.1, "Growth strategy for the Residential real estate division", 1.5.2.1, "Growth strategy for the Commercial real estate division" and 1.5.3, "Growth strategy for the Services division" in this Registration Document.

1.3.5 Shifting our business model to become a truly comprehensive real estate services provider

The strategic target for the next few years will be to develop a single model as a truly comprehensive real estate services provider focused on our clients (individuals, companies and local authorities), including in particular:

- the ongoing aim of taking account of "client value" and client satisfaction in all of its services and all of the Company's policies, which will involve a joint design and joint construction approach to new services with clients;
- changes in the Group's organisational structure, adopting a more client-centric approach and a more focused Executive Management team for greater operational efficiency;
- the gradual development of a client database and CRM (Customer Relationship Management) system at the highest level, allowing for optimal client treatment across the various business lines and increased cross-selling, on the basis of products developed by Nexity or its partners; and
- the introduction of service platforms, for example on the basis of the private client area (mynexity.fr) or a connected homes management platform (Eugénie application), allowing for the launch of new open architecture services.

Without departing from the Group's traditional business, the strategic shift to become a truly comprehensive real estate services provider is in preparation for Nexity's future growth.

This transformation project will be the object of a new strategic plan, to be drawn up in 2017 for the 2018–2020 period.

1.4 OVERVIEW OF THE REAL ESTATE MARKET

The following table sets out the key sectors in the French real estate market and indicates those in which Nexity operates:

Segment	Clients	Field	Nexity involved	Main Nexity subsidiaries in each field
Residential property development	Individuals and professional landlords (institutional or social)	New-build developments	yes	Nexity (apartment buildings, single-family home developments, serviced residences) Edouard Denis (apartment buildings, single-family home developments, serviced residences) Iselection (serviced residences: seniors, students and business travellers) PERL (*démembrement* – division of ownership) Ægide (45.16% owned) (senior residences)
		Planning, subdivision	yes	Nexity Foncier Conseil, Nexity Villes & Projets (comprehensive urban projects)
		Sales and marketing / operation	yes	Iselection
		Single-family home building	×	-
	Local authorities	Planning	yes	Nexity Foncier Conseil, Nexity Villes & Projets (comprehensive urban projects)
Commercial property development	Investors and end-users	New-build developments	yes	Nexity, Ywood, Térénéo
		Renovation	yes	Nexity Immmobilier d'Entreprise, Nexity Contractant Général
		Delegated project ownership (*maîtrise d'ouvrage déléguée*)	yes	Nexity
Property management	Individuals	Condominium management	yes	Nexity, Oralia
		Rental management	yes	Nexity, Oralia, E-gérance
		Serviced residence management	yes	Studéa (student residences) Ægide-Domitys (45.16% owned) (senior residences)
	Investors and end-users	Commercial property management	yes	Nexity Property Management
		Asset management	×	-
		Shared offices	yes	Blue Office
Property sales and lettings	Individuals	Sales	yes	Century 21 France[1], Guy Hoquet l'Immobilier[1], Nexity, Oralia
		Lettings	yes	Century 21 France[1], Guy Hoquet l'Immobilier[1], Nexity, Oralia
	Investors and end-users	Sales	yes	Nexity Conseil et Transaction
		Lettings	yes	Nexity Conseil et Transaction
		Appraisal	×	-
Asset-holding	Investors	Property companies	×	-
		Investment funds	×	-

[1] Via the management of a franchise network

1.4.1 General market overview

Residential real estate

As a consequence of the 2008 financial crisis, the French housing market[1] experienced a steep decline in sales (down 40%). The market next experienced a considerable recovery in 2009 and 2010, spurred by the introduction of new measures (Scellier scheme for individual investors, doubling of the permissible principal for PTZ interest-free loans until mid-2010, Pass-Foncier® scheme until the end of 2011) and by a new decline in mortgage rates.

In 2011 and 2012, mainly due to the lowering of tax benefits for buy-to-let investors under the Scellier scheme, insufficient stimulus measures for first-time homebuyers in the lowest income brackets and a further increase in mortgage rates, sales of new homes once again declined (down 23% between 2010 and 2012). They fell to fewer than 90,000 units in 2012 and remained stable in 2013, with the new Duflot incentives for buy-to-let investment failing to win over investors.

In August 2014, the government announced a new housing stimulus plan that aimed to encourage home ownership and boost the supply of new homes (by revising the criteria for interest-free loans, lowering the VAT rate to 5.5% in the 1,300 new priority urban planning districts, introducing the Pinel buy-to-let investment scheme and making changes to supply-constraint zones), revive construction by freeing up private land and simplifying construction standards, increase the supply of new intermediate and social housing and improve

[1] According to the definition used in the ECLN survey of new home sales in France: developments of more than five homes intended for sale to residential buyers, irrespective of financing method or end use (main residence, secondary residence or buy-to-let), excluding bulk reservations (to social housing operators or other parties), multi-ownership reservations and homes built to be let directly by the developer or the instructing party as social housing (intended for rent or rent-to-buy), as well as employee accommodation.

living conditions. While these measures, which took effect between the final quarter of 2014 and 1 January 2015, did not drive any upturn in new home sales in 2014 (with 86,950 units sold, the lowest volume since 2008), they had a significant impact in 2015.

Indeed, after declining for four years running, the market for new homes picked up in 2015, with 103,700 units sold (up 19.3%). There was also an upturn in investment in 2015 as investors took advantage of the Pinel scheme and low interest rates. These favourable terms continued in 2016, and were further bolstered by significantly improved terms for PTZ interest-free loans, effective 1 January 2016. In this attractive context, sales of new homes grew by 20.6% to 125,100 units, the highest volume recorded since 2007 (127,000 sales). The market is expected to remain stable in 2017, albeit in a more uncertain environment (due to interest rate rises, the political context, etc.).

Commercial real estate

According to CBRE, investment in the French commercial real estate market totalled €23.6 billion in 2016 – a figure that should increase further once year-end transactions are factored in. With transactions totalling €8 billion over the last three months, performance in 2016 should also equal that seen in 2015.

The market environment for commercial real estate in France may be characterised as follows:

- for the past two years, the structure of the investment market has appeared very balanced, with core transactions of between €50 million and €200 million accounting for over 40% of commitments;
- a slightly decline in retail space, with €3.7 billion invested, a similar level to the strong performance seen in 2012 and 2013;
- the off-plan (VEFA) segment had its second-best year since 2009, with transactions totalling €2.3 billion. The proportion of speculative investment took off again, reaching 61%;
- the market for office space in the Paris region confirmed its strong performance, with take-up 7% higher than in 2015 at 2.4 million sq.m (French *surface de plancher* measure) and an average vacancy rate of only 6.2% at end-2016, while immediate supply declined 10% year-on-year to 3.5 million sq.m;
- immediate supply declined 10% relative to 2015, with new-build and refurbished premises accounting for 15% and definite future supply increasing slightly year-on-year to an expected 1.8 million sq.m (compared with 1.6 million sq.m in 2015); and
- take-up in the logistics market increased sharply (up 11% at 3.7 million sq.m).

In 2017, in an economic environment that is set to remain complex, cost control will continue to be a major driver of market movements, though the search for modern facilities and the right locations will be just as critical to attracting and retaining talent. Against this backdrop, take-up volumes in the market for units with a floor area in excess of 5,000 sq.m are not expected to increase in 2017. The core market for units with a floor area of less than 5,000 sq.m is likely to continue on the same trend seen over the past two years, enabling take-up to exceed 2.2 million sq.m in 2017.

1.4.2 Residential real estate market in France

The French market for new homes appears to be structurally demand-led, supported in particular by demographic factors and accumulated delays in housing starts.

Demographic factors

Demand for new housing in France is structurally expanding, principally due to demographic factors. According to INSEE, France's population at 1 January 2017 was 67.0 million. The population grew by 0.4% or 265,000 in 2016, the same as in 2015.

At 1 January 2016, with 13% of the European Union's population, France remained the second-most populous country in Europe, behind Germany (16%) and ahead of the United Kingdom and Italy. France's fertility indicator came in at 1.93 children per woman in 2016. Though lower than in 2015, this is still the highest level of any European country (source: INSEE).

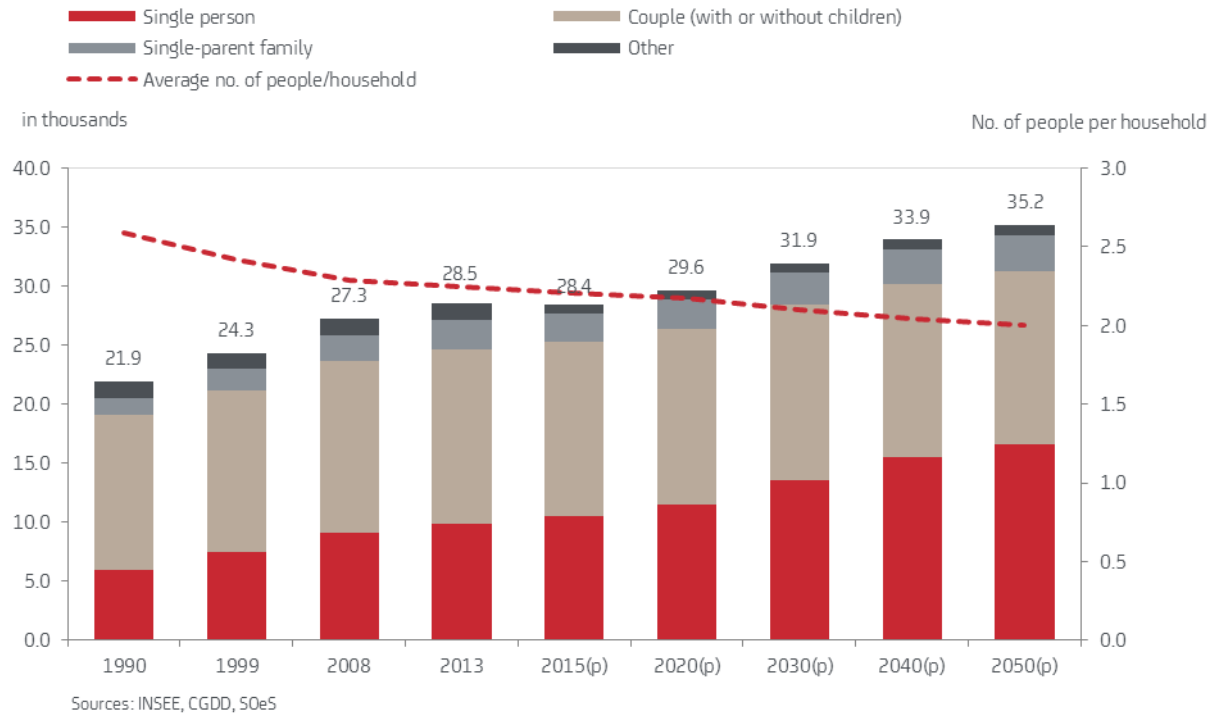
According to INSEE, France had 28.5 million households in 2013, 1.2 million more than in 2008 (according to the INSEE definition, a household is a group of people who share the same main residence). Many factors influence growth in the number of households and changes in their structure: the ageing population, the fact that people are waiting longer before living together as a couple, more fragile marriages, increasing numbers of people living alone and single parents, etc.

Households consisting of people living alone have shown the highest growth over the past few years (up 801,000 between 2008 and 2013). They now account for 35% of all households. Couples with no children and single-parent families are also increasing in number (up 251,000 and 234,000 respectively), while the number of couples with children is declining (down 78,000 units).

Smaller households and positive annual net migration will reportedly increase the number of households by an average of almost 235,000 a year out to 2030, and by 200,000 a year over the whole of the period 2010-2050 (source: *Commissariat Général au Développement Durable* (*General Commission on Sustainable Development*) baseline scenario, September 2012).

The following graph sets out historical data and projections of the number of households in France by type, together with the change in the average number of people per household:

Households by type



Sources: INSEE, CGDD, SOeS

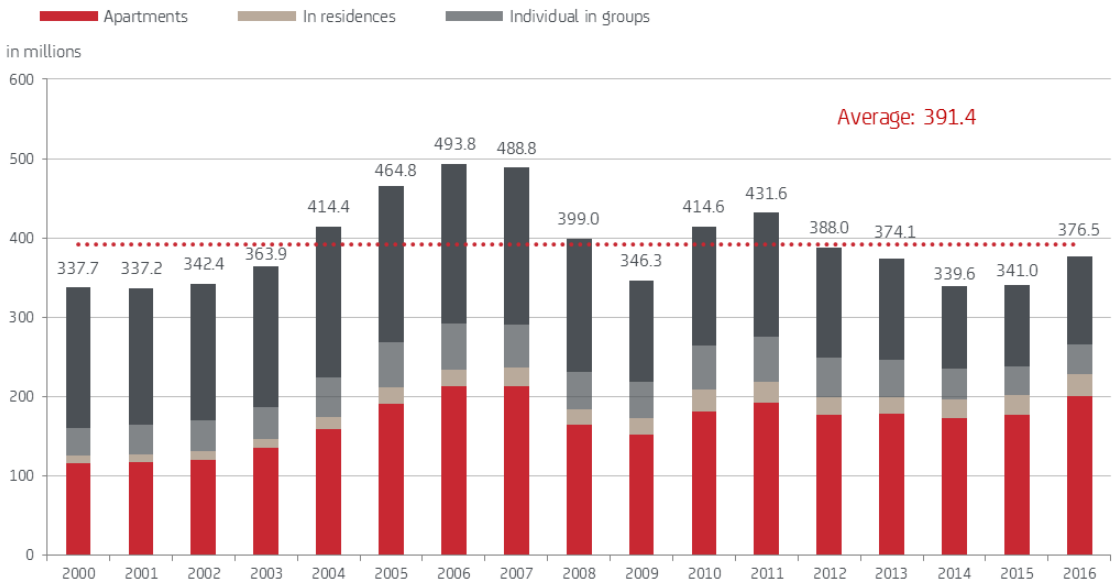
Demand for new housing is also supported by the growing proportion of the French population aged 65 and over: at 1 January 2017, 19.2% of the population was at least 65 years old, an increase of 4 percentage points in 20 years (source: INSEE). According to projections produced by INSEE in November 2016, the proportion of the population over 65 will have risen to 29% by 2070.

Potential demand for new housing is generally between 300,000 and 350,000 additional homes a year, sometimes more depending on the assumptions used (net migration, life expectancy, stock renewal, etc.), but never in excess of 400,000 homes. This must be distinguished from the number of homes to be built, since it does not take into account needs arising from poor housing or homelessness.

New-build homes

According to the *Commissariat Général au Développement Durable*, the steady decline in the number of housing starts since 2011 halted in 2015, with 341,000 housing starts, stable relative to 2014 (up 0.4%). In 2016, housing starts increased by 10.4% compared to 2015, at 376,500 units. The upturn spanned all segments, with collective housing up 13.4%, individual single-family houses up 8.4%, homes in serviced residences up 6.4% and groups of single-family houses up 4.1%.

Housing starts by actual date and type



Sources: Commissariat Général au Développement Durable, SOeS, ECLN

The Group is primarily active in private residential development (apartment blocks, serviced residences and houses developed in groups) and bulk sales to social and intermediate housing operators, although it is also active in the individual home market through its subdivision business.

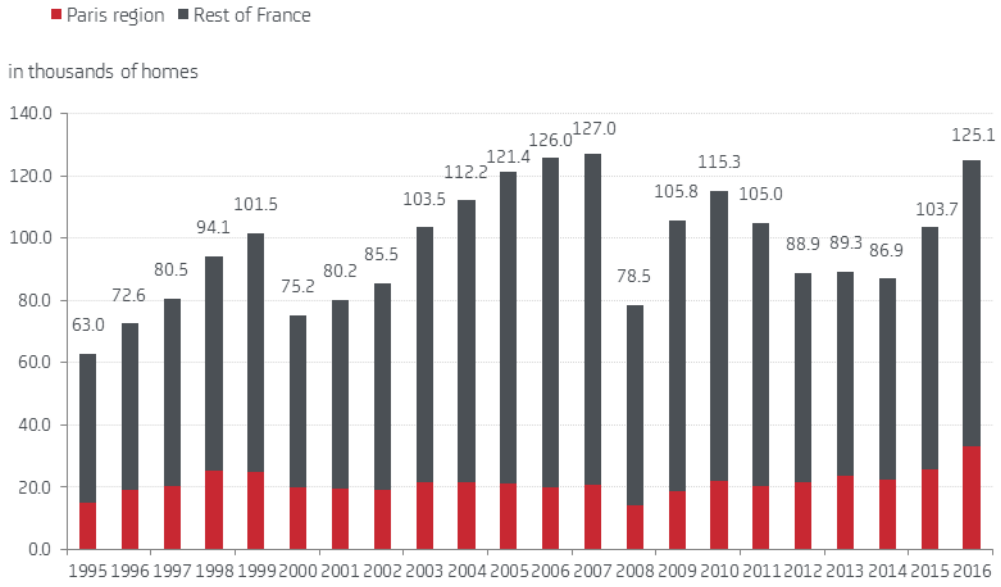
Private residential development

The analysis of the private residential development market set out in this report is based on figures from the ECLN (*Enquête sur la Commercialisation des Logements Neufs* – Survey on the Marketing of New Homes) published by the *Commissariat Général au Développement Durable*.

The ECLN covers developments and building permits for five or more homes intended for sale to residential buyers, irrespective of financing method and end use (main residence, secondary residence or buy-to-let). It excludes bulk reservations (by social housing or other operators), multi-ownership reservations and homes built to be let directly by the developer or the instructing party as social housing (intended for rent or rent-to-buy), as well as employee accommodation. Cancellations are not deducted.

Other surveys exist but may cover a different scope, an example being the FPI Observatory (*Fédération des Promoteurs Immobiliers* – French Federation of Real Estate Developers) based on data supplied by various regional observatories (Adéquation, CAPEM, CECIM, OIH and OIP) and covering 90% of the property development market. It records net home sales in the retail segment (to occupiers and investors) and bulk sales.

Number of new home reservations in France



Source: Commissariat Général au Développement Durable, Sit@del2 database

The above graph shows the change in reservations for new homes in the private residential development sector in France since 1995. This is the main market in which Nexity operates and which the Group has used since 2004 as a basis for calculating its market share where reliable data is not available for other markets (such as social housing). This provides a consistent baseline for comparison that is constant over time. As stated above, this source underestimates the real size of the residential market since it does not include bulk sales; however, it overestimates it by counting gross reservations without deducting withdrawals (reservations cancelled outside the period).

Reservations precede the construction of housing, which explains the difference between the data shown in the above graph and those shown in the preceding graph on housing starts.

Following the market recovery in 2009, which continued in 2010, new home reservations by private developers declined steadily between 2011 and 2014, falling to around 87,000 units, the lowest volume since the 2008 crisis. The market picked up again in 2015 (up 19.3% at 103,700 units), a trend that continued in 2016 with sales up 20.6% at 125,100 units, the highest volume since 2007.

Buyers of new homes in France

Private buyers of new homes in France break down into two categories: those planning to live in the home (owner-occupiers) and individual buy-to-let investors.

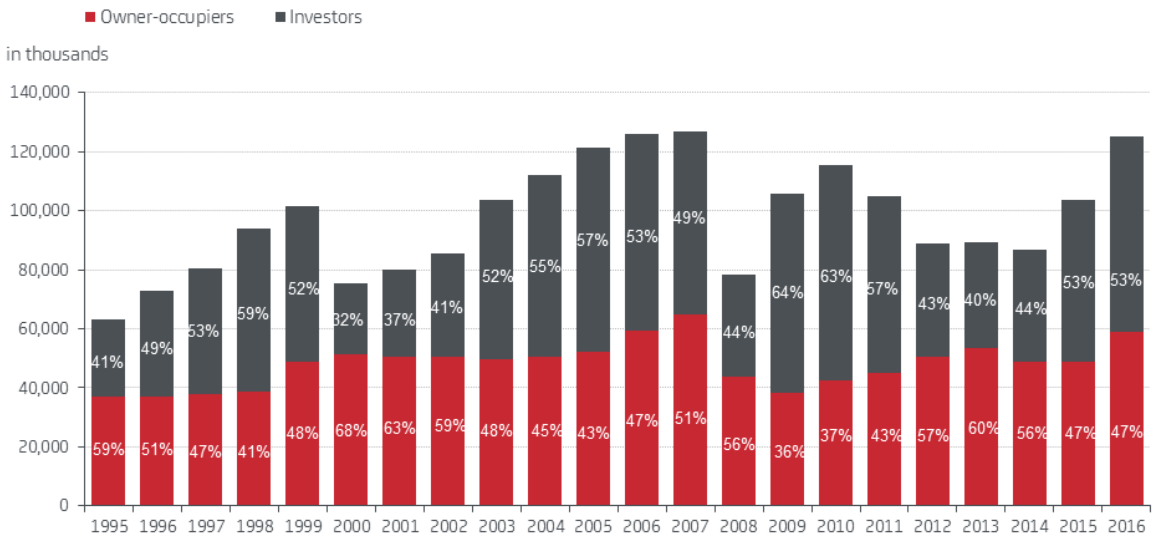
The number of new homes reserved by owner-occupiers – which had peaked at 65,000 in 2007, followed by a sharp decline in the subsequent years – rose gradually back to 53,600 units in 2013, before falling again in 2014 and 2015 to reach 48,700 units, a level slightly lower than the average over the past ten years (about 49,500 units). In 2016, thanks to the re-targeted zero-interest loan scheme (known as PTZ+) and historically low interest rates, homebuyers came back onto the market in significant numbers, totalling 58,800 – the highest volume since 2007.

In 2016, sales to owner-occupiers accounted for 47% of all retail sales, equivalent to the proportion seen in 2015 but lower than that seen in 2012 and 2014.

In 2016, reservations by individual investors accounted for 53% of the retail market, thus more than 66,300 units, greater than the average over the past ten years (about 53,000).

The chart below shows the breakdown of new home reservations between owner-occupiers and individual investors in France:

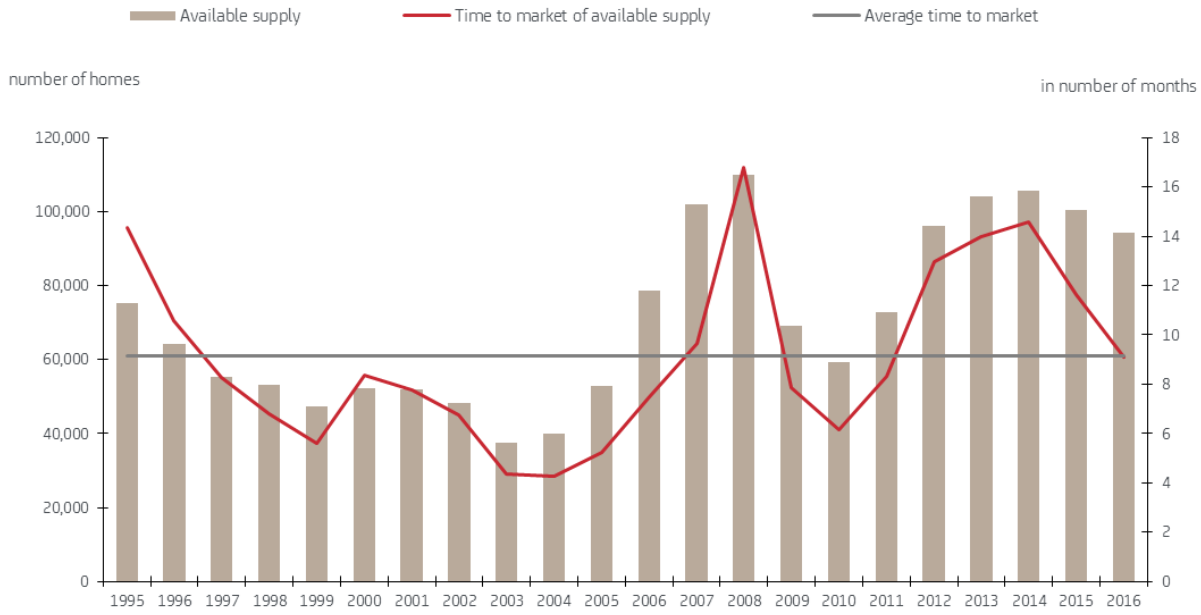
Estimated breakdown of homes in France between owner-occupiers and individual investors



Sources: Fédération des Promoteurs Immobiliers / Commissariat Général au Développement Durable, SOeS, ECLN

The chart below illustrates the volume of new homes on the market as well as the average time to market for this available supply:

Supply of new homes and time to market the available supply



Sources: Commissariat Général au Développement Durable, SOeS, ECLN

New supply grew more slowly than reservations (up 16.1% at 119,000 units, vs. 20.6% growth in reservations). Consequently, the available market supply declined (down 6.0% to 94,326 homes available at end-2016) and now represents 9.1 months' sales (compared with 11.6 months in 2015).

The available supply at end-2016 consisted of 86,328 new apartments and 7,998 individual houses developed in groups.

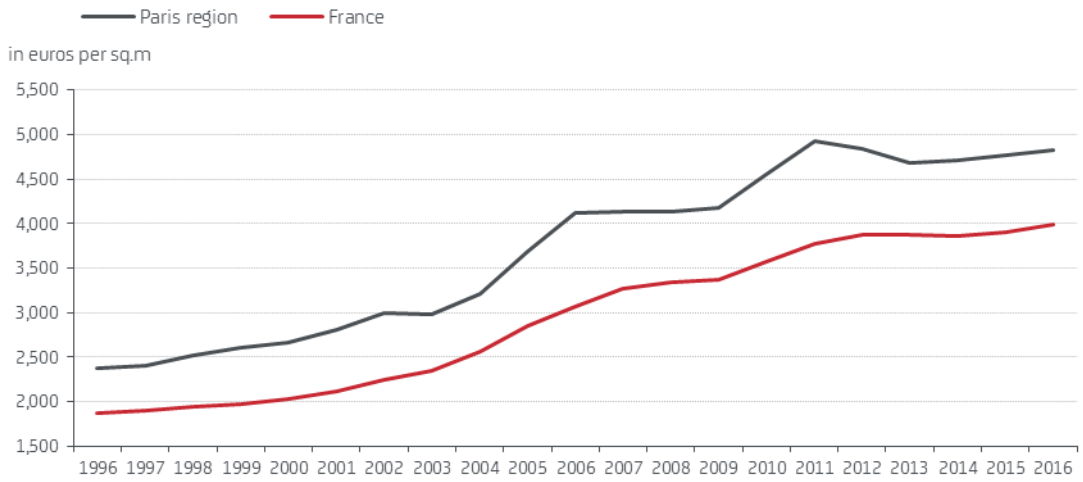
Of the 86,328 new apartments available at year-end 2016, 63.4% were projects not yet launched by developers, 31.1% were developments under construction and only 5.4% were completed but unsold units.

The average selling price in 2016 rose slightly for new apartments (up 0.7% to €3,993 per sq.m) and declined slightly for detached houses (down 1.5% to €257.0k).

Between 1996 and 2016, the average increase in the price per square metre was 112.4% for units in apartment blocks (including an increase of 11.8% between 2010 and 2016) and 106.5% for houses developed in groups (including an increase of 7.3% between 2010 and 2016).

The chart below shows the growth in selling prices per square metre for new units in apartment blocks in France since 1996:

New apartment prices over time



Sources: Commissariat Général au Développement Durable, SOeS, ECLN

Financial capacity of households

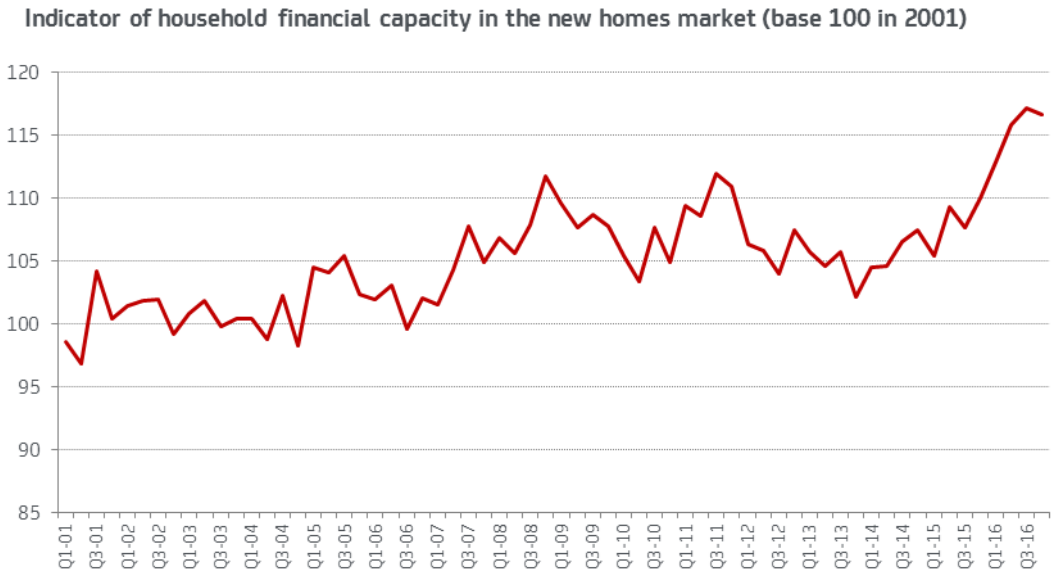
Sales of new homes in France are closely tied to household financial capacity, i.e. families' ability to contract and honour a loan for the purchase of real estate.

Mortgage rates (over an average loan term of 17.9 years) continued to decline in the fourth quarter of 2016, falling to record lows (1.32% over the final quarter of 2016). According to surveys, average mortgage rates have risen since end-2016 and should continue to rise in 2017.

In 2016, pressure on the relative cost of new-build purchases increased sharply, reaching the highest level for 16 years at 4.93 years' income in the fourth quarter of 2016, compared with 4.56 years' income a year earlier.

However, the average cost of developments continued to rise at a sustained pace (up 5.0% in 2016, compared with 1.7% in 2015). At the same time, household income among households purchasing these properties increased only slowly (up 0.9% in 2016).

Furthermore, the average deposit continued to decline (down 5% in 2016, compared with a 4% decline in 2015), driven by the return of younger households and first-time buyers with less funds to put down. However, the improvement in credit conditions and the impact of the PTZ interest-free loan scheme for eligible households resulted in a further improvement in household financial capacity, which reached its highest level since the early 2000s (source: *Observatoire Crédit Logement*).

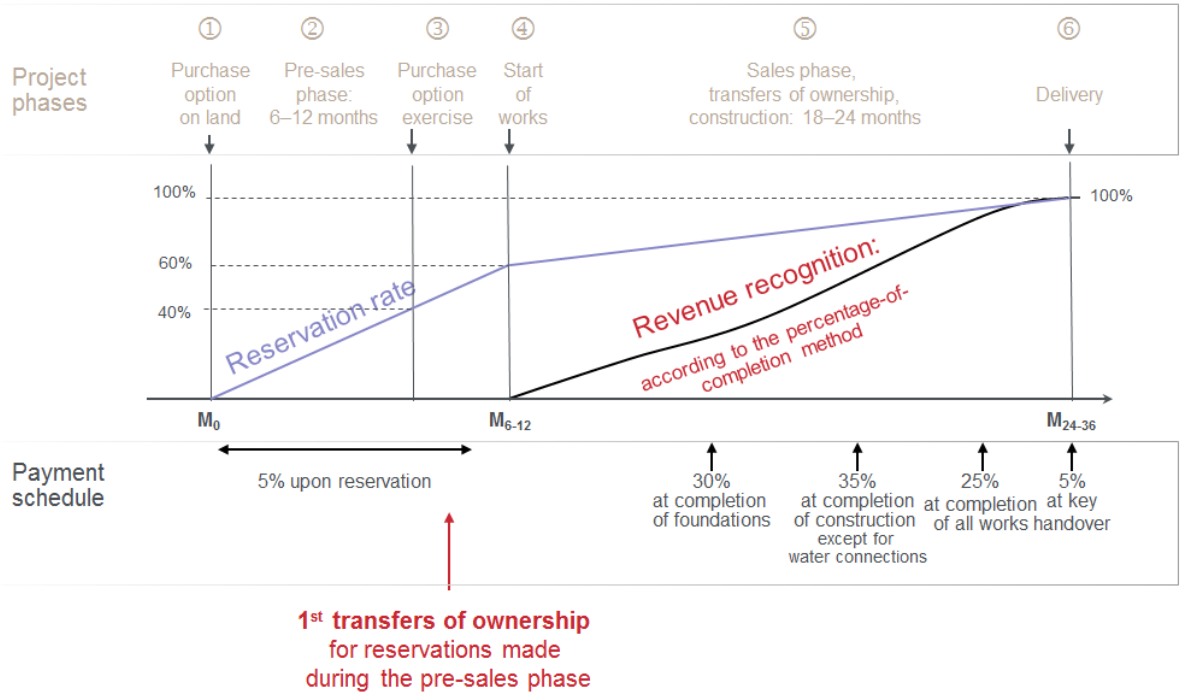


Sources: *Observatoire Crédit Logement / CSA du Financement des Marchés Résidentiels* – fourth quarter 2016

Legal and financial framework of property development in France

Property development in France falls almost entirely within the VEFA off-plan framework, an original model arising from the Act of 3 January 1967 and gradually perfected, characterised by a limited level of risk (relative to other models) for developers, clients and banks.

Furthermore, most market operators secure options on land, with conditions precedent that must be met before those options can be exercised, thus reducing the risk borne by Nexity.



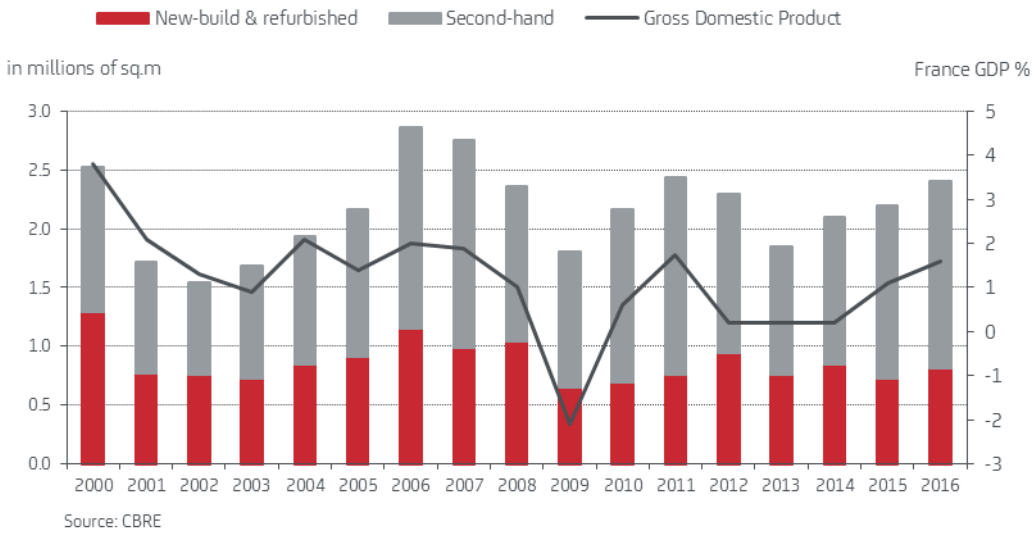
1.4.3 Commercial real estate market in France

The outlook for the commercial real estate market is always closely tied to the macroeconomic environment, and is affected in particular by economic growth, the transition to a service economy and the financial health of companies. In France, developments in this market may be summarised as follows:

- a buoyant investment market in 2016 thanks to a very busy end to the year (with €23.6 billion in committed commercial real estate investment);
- an increase in total take-up of office space in the Paris region (up 7% relative to 2015 at 2.4 million sq.m) with an average vacancy rate of only 6.2% at end-2016 and a 10% year-on-year decline in immediate supply;
- a genuine upturn in new speculative developments; and
- record volumes marketed in the logistics market in 2016.

Take-up and available supply of office space in the Paris region

The chart below illustrates changes in take-up of office space in the Paris region over the 2000–2016 period (take-up refers to all transactions, both sales and lettings, by end-users):



Source: CBRE

Take-up and economic growth (GDP) are highly correlated: as such, following the 2008 financial crisis, the volume of transactions declined sharply. Take-up has since recovered moderately, hand in hand with a slight increase in economic growth.

In 2016, take-up of office space in the Paris region exceeded 7% of volumes marketed in 2015 and was 4% higher than the average for the past ten years. Total take-up in full-year 2016 came in at 2.4 million sq.m. The fourth quarter of 2016 confirmed the health of the Paris region's rental market, with take-up of 669,400 sq.m (9% higher than the average of fourth-quarter averages between 2006 and 2015), in spite of an 11% year-on-year decline (source: CBRE).

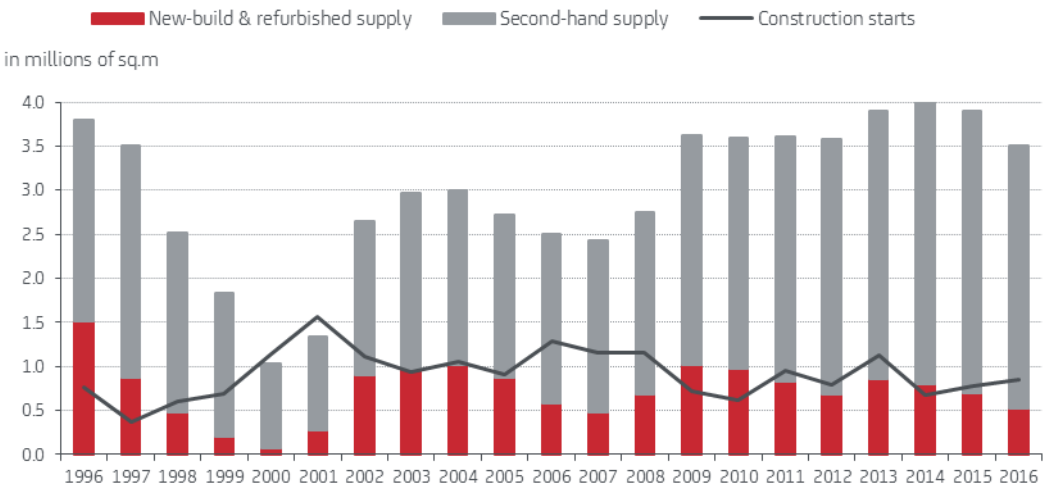
New-build and refurbished space accounted for 34% of take-up in 2016, thus 820,000 sq.m. Annual take-up of new-build space has also averaged 820,000 sq.m over the past five years (source: Nexity Conseil et Transaction).

The year saw renewed activity in the market for units with a floor area in excess of 5,000 sq.m (with 65 transactions totalling 891,100 sq.m, up 23% year-on-year), which returned to a level close to its historical average, though the trend appeared very mixed from one location to another. Southern Paris and La Défense reached record levels, with 14 and 11 transactions respectively in the market for units with a floor area in excess of 5,000 sq.m. Three transactions for units with a floor area in excess of 20,000 sq.m were completed at La Défense. In the market for units with a floor area of less than 5,000 sq.m, Paris and the western Paris region put in a strong performance: the western Paris region had a satisfactory year in 2016, with volumes 5% higher than the average for the past ten years.

Outside Paris, take-up increased by 18% in 2016, representing 37% of all transactions in France. With total take-up of 619,000 sq.m, new-build space accounted for 44% of all transactions outside Paris (source: CBRE).

The chart below shows the trend in immediately available supply in the Paris region between 1996 and 2016, distinguishing between new buildings (completed entirely or in part in the last five years without being occupied) and "second-hand" supply:

Immediate supply in the Paris region



Sources: CBRE; Ministère de l'Écologie, du Développement durable et de l'Énergie

Following the 2008 crisis, the aggregate supply of office space in the Paris region rose to 3.5-4 million sq.m between 2009 and 2016.

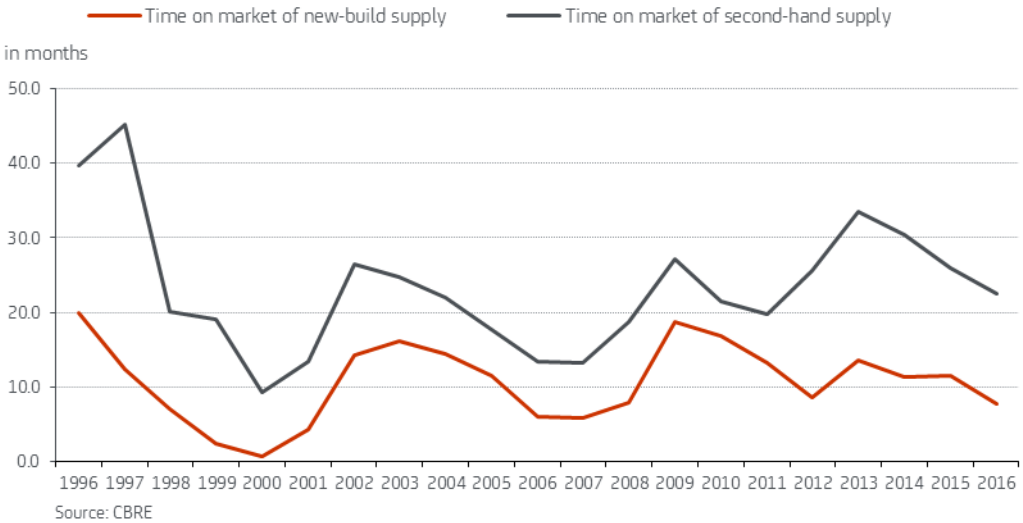
At 31 December 2016, immediate supply in the Paris region was down 10% year-on-year at just over 3.5 million sq.m. Meanwhile, vacancy rate also declined to 6.2%. The proportion of new-build and refurbished premises fell to its lowest level since 2007, accounting for only 15% of vacant stock. Immediate second-hand supply increased by 45% between 2008 (the beginning of the financial crisis) and 2016 (source: CBRE).

Construction starts were up 9% at 850,000 sq.m (compared with 780,000 sq.m in 2015). While the volume of construction starts fell sharply when the crisis broke out in 2009, activity has since tentatively recovered (source: *Ministère de l'Écologie, du Développement durable et de l'Énergie*).

Time to market for new office space shortened in 2016 (to 7.7 months, compared with 11.6 months in 2015). Time to market for second-hand space continued to decrease in 2016, falling from 26 months in 2014 to 22.5 months in 2016 (source: CBRE).

The number of speculative developments started also increased in 2016, with 34 such developments exceeding 5,000 sq.m (compared with 27 in 2015). The availability of new high-quality developments appeared relatively modest given the current supply of high-quality properties available immediately (source: CBRE).

Time on market on office supply



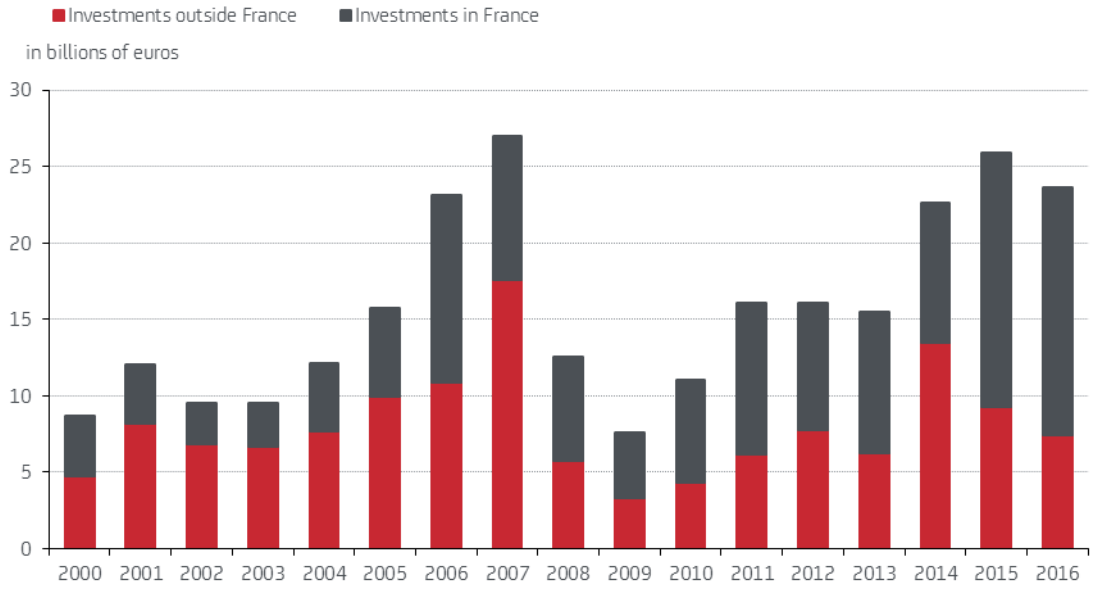
Source: CBRE

Real estate investment in France

With the European investment market slowing over the first nine months of 2016, particularly in response to questions over Brexit, France continued to put in a respectable performance (source: CBRE).

Transaction volumes in the French commercial investment market declined in 2016, coming in at €23.6 billion (compared with €25.9 billion in 2015):

Commercial real estate investments in France



Source: CBRE

Thanks to a particularly busy final part of the year, with commercial real estate investment in the fourth quarter currently standing at €8 billion, performance in 2016 should ultimately come close to that seen in 2015.

For the past two years, the structure of the market has appeared very balanced, with core transactions of between €50 million and €200 million accounting for over 40% of commitments. The intermediate segment of transactions between €100 million and €200 million accounted for 27% of transactions in 2016 (compared with 28.3% in 2015).

With €17.2 billion invested, office space continued to account for the majority of deals, at 73% of total commercial real estate investment (compared with 72% in 2015). The off-plan (VEFA) segment, while lower in volume terms than in 2015, had its second-best year since 2009 (with sales totalling €2.3 billion). The proportion of speculative rental investment took off again, reaching 61% – a sign that investors are beginning to anticipate a shortage of high-quality supply in the rental market (source: CBRE).

The proportion of retail premises declined by 2 percentage points year-on-year (around 16% of investment volumes in 2016, compared with 18% in 2015), with transactions totalling €3.7 billion, similar to the strong performance seen in 2012 and 2013. With transactions totalling €2.7 billion, investment in industrial/logistics developments reached its highest level since 2007 (source: CBRE).

The Paris region once again attracted by far the most investors, accounting for 86% of deals, up 2 percentage points relative to 2015.

French investors continued to invest record amounts, accounting for 69% of investment (compared with 60% in 2015), confirming their market dominance. Investment funds accounted for 21% of sales, down 10 percentage points relative to 2015. Developers accounted for 14.5% of sales, up 1.5 percentage point year-on-year. Property companies (*foncières*), more focused on their internal development potential, have become less important players.

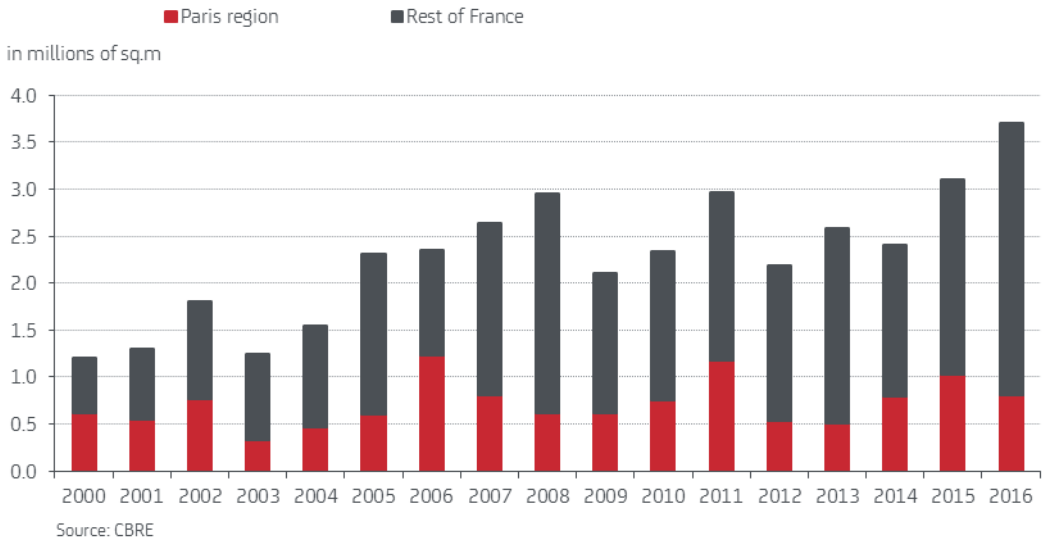
Prime yields on office space in Paris CBD (Central Business District) continued their decline, falling to between 3.00% and 4.25% by year-end 2016 (compared with a range of 3.25% to 4.50% in 2015).

France, and particularly Paris, remains an attractive market, equally for international investors, who accounted for 31% of investment in 2016. France is positioned as a serious alternative to the London market, notably because of its less volatile economy and property market and its more stable currency.

Market for logistics space

The logistics market is heavily dependent on the economic climate. It had a record year in 2016 in terms of volumes marketed, with take-up totalling 3.7 million sq.m, up 11% relative to 2015 (and 39% higher than the eight-year average). New prospects are emerging: very large warehouses (with a floor area of over 50,000 sq.m) are attracting more and more users (with take-up of 1.1 million sq.m) and breaking into secondary markets.

Take-up in logistics (>5,000 sq.m)



Source: CBRE

The market in the Paris region declined year-on-year in 2016, with 819,200 sq.m marketed, down 26% year-on-year but 6% higher than the eight-year average.

Conversely, regional markets posted strong growth (up 39%). The Rhône-Alpes region delivered a strong performance, with take-up of 481,000 sq.m in 2016, up 17% relative to 2015. As in 2015, 388,200 sq.m were marketed in Lille. In spite of buoyant markets in Lyon and Lille, 2016 saw a decline along the backbone of France, with prime regions now representing only half of total take-up by volume, compared with an average of 65% between 2008 and 2015 (source: CBRE).

Take-up was chiefly focused on the best products (Class A), which accounted for 70% of transactions (source: Nexity Conseil et Transaction).

Immediate supply in France at 1 January 2017 totalled 3.06 million sq.m, up 2% year-on-year.

The semi-speculative[1] supply in France totalled 2.29 million sq.m, compared with 2.9 million sq.m in 2015 (source: CBRE).

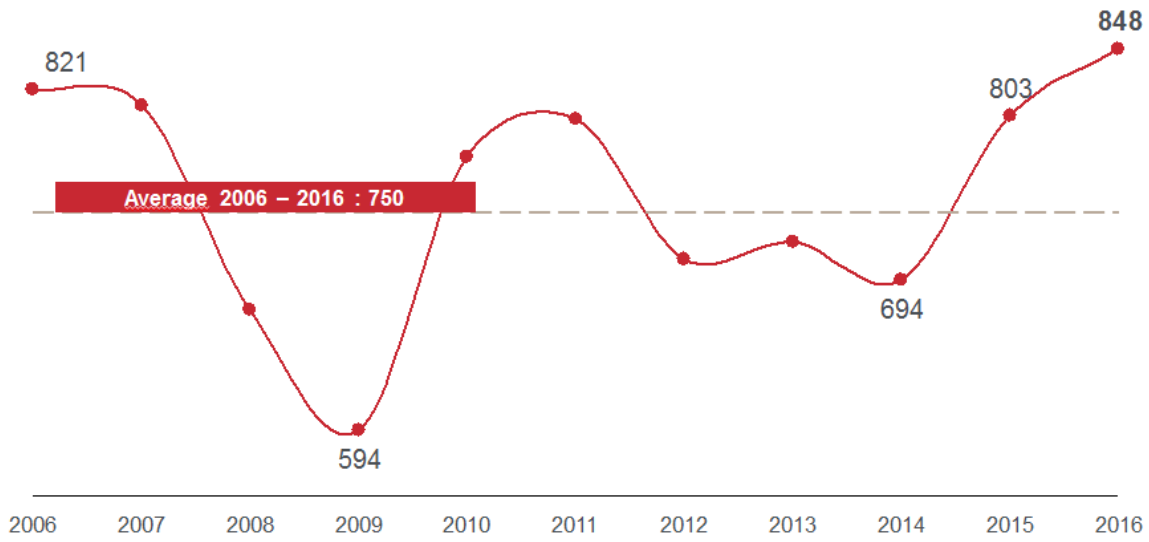
1.4.4 Real estate services market in France

The French real estate services market is highly fragmented (see Section 1.6.3 of this Registration Document, "Services"), with a great many players offering a diverse range of property-related services.

The real estate services to companies market underwent a transformation in the mid-1990s with the arrival of large, well-capitalised investors from English-speaking countries with sophisticated analysis tools that have since been adopted across the industry. These investors have thus enlisted the firms best equipped to manage their interests that are also able to produce management reporting in line with the highest standards. At the same time, a number of other owners are reviewing their real estate asset management arrangements (outsourcing versus insourcing).

In the French market for real estate services to individuals, the main indicator used to measure activity is the number of existing home sales recorded. Transactions reached an all-time high in 2016, as shown in the chart below (sources: CGDD based on data from DGFiP (MEDOC) and notarial databases from 2006 to end-2016):

[1] See Section 1.5.2.4, "Project types" for the definition of semi-speculative developments.



1.5 DESCRIPTION OF NEXITY'S MAIN BUSINESS ACTIVITIES

1.5.1 Residential real estate

Overview of Nexity's residential real estate business

Nexity is a major player in the development of new homes and subdivisions in France. In 2016, the Group recorded 15,893 reservations for new homes in France, ranking it among the country's top new home developers, together with 2,518 reservations for subdivisions.

The table below shows the number of reservations recorded in the years ended 31 December 2014, 2015 and 2016:

RESERVATIONS (FRANCE)

At 31 December	2016	2015	2014
Reservations (number)			
New homes	15,893	11,741	10,365
Subdivisions	2,518	2,202	2,104
TOTAL	**18,411**	**13,943**	**12,469**

The Group operates its property development and subdivision activities throughout France. In 2016, 36% of new home reservations recorded by the Group were for units located in the Paris region, with the remaining 64% elsewhere in France, managed through the Group's 23 regional arms. 13% of 2016 subdivision reservations were recorded in the Paris region, and 87% elsewhere in France, managed by the Group's 23 agencies.

Growth strategy for the Residential real estate division

The Group aims to grow its market share in France, while maintaining a satisfactory level of profitability.

In order to meet these goals, the Group has adopted a short- and medium-term strategy identifying the following key priorities:

- a broader product range, achieved through the following initiatives:
  - increasing production tailored to first-time buyers (owner-occupiers purchasing a main residence for the first time),
  - putting together a comprehensive solution to meet the needs of individual investors by offering, in addition to the home, a full complement of related services, including mortgage brokering, property management to individuals, assistance with finding the first tenant, insurance and 24-hour assistance for emergency service requests,
  - establishing an offering of homes aimed at professional landlords, namely social housing operators for the most part, but also and to a growing extent institutional investors, unlisted real estate investment vehicles (SCPIs) and funds (OPCIs), etc.,

  - via PERL, developing innovative real estate solutions based on techniques for the division of ownership (distinction between usufruct and bare ownership) to promote access to housing,
  - developing social or freely financed serviced residences (which accounted for around 24% of net reservations in 2016), chiefly student residences in partnership with Nexity Studéa, among other entities, and seniors residences via a partnership with Ægide-Domitys,
  - developing sustainably designed, environmentally friendly and energy-efficient homes, and
  - developing homes applying optimised design and construction processes (Nexity Access Design) in order to alleviate risks to financial security for first-time buyers;
- consolidation or growth in the Group's presence nationwide, in line with the changing face of local markets, focusing on metropolitan areas as a priority. The Group intends to strengthen its presence by way of the following:
  - expanding the operations of its existing regional offices,
  - external growth transactions, targeted acquisitions of land portfolios and/or partnerships with local developers,
  - building synergies between its subdivision and new home businesses, especially in regions where the size of the local market does not warrant the direct presence of a subsidiary on a permanent basis for the new home business, and
  - taking advantage of the additional distribution capacity provided by Iselection, which has signed partnership agreements with the Caisse d'Epargne and Banque Populaire networks;
- pursuing its policy of aiming for the highest possible profit margin (in a given context) rather than simply increasing sales volume, by renegotiating the purchase price of land or centralising the purchasing of certain equipment (such as lifts or bathroom furniture) and services (such as lift maintenance); and
- seizing land acquisition opportunities, particularly in the Paris region, that arise in connection with the Group's urban regeneration business (Villes & Projets), described below in Section 1.5.4 of this Registration Document, "Urban regeneration (Villes & Projets)".

Products

The Group offers homes in all client segments, covering both owner-occupancy and investment (including serviced residences), for both private individuals and professional landlords (social, intermediate and other housing), spread across France's main urban areas. The Group works to provide sustainable offerings so as to be able to propose widely accessible, low-carbon, energy-efficient products designed to suit every stage of life.

1.5.1.1 New homes

Access to housing

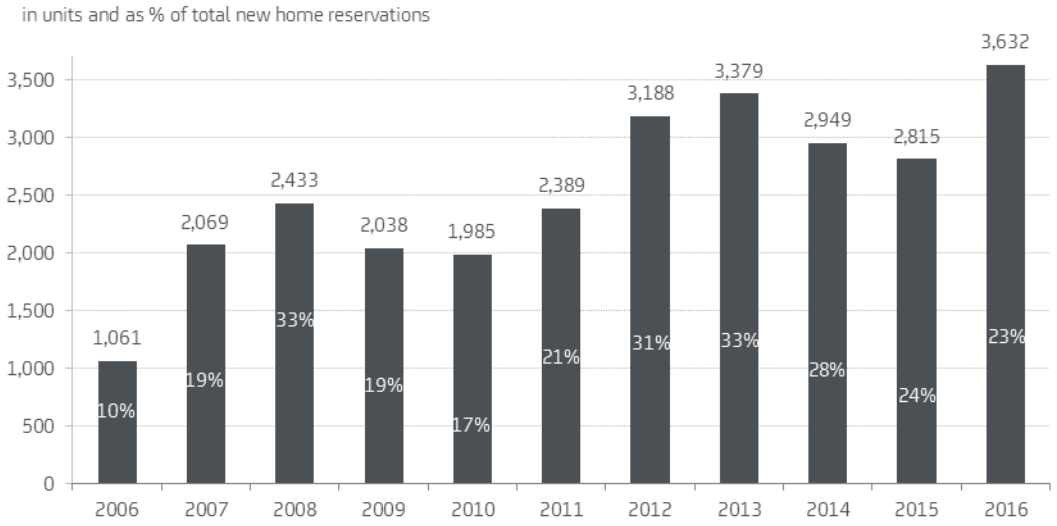
As a real estate operator, Nexity is conscious of its need to help facilitate access to housing for all. Since 2006, the Group has demonstrated its commitment to low-income individuals and families as first-time buyers, notably by way of a strong presence in urban regeneration zones, the development of social housing programmes and the launch of a product line dedicated to cost-efficient housing (see Section 1.9.1 of this Registration Document, "Research and development"). The Group also helps its homebuyer clients manage their homes in environmentally friendly ways. At the same time, Nexity continues to examine economic solutions that may be put in place to facilitate and assist with access to housing for low-income populations.

Social housing

Article 55 of the Solidarity and Urban Regeneration Act (*Loi SRU*) of 13 December 2000 established a minimum threshold of 20% social housing to be achieved in certain municipalities. This applies to municipalities with at least 3,500 inhabitants (1,500 in the Paris region) located in a metropolitan area or intermunicipal council area that raises its own taxes with at least 50,000 inhabitants, including a town or city with over 15,000 inhabitants. The penalties imposed on local authorities not achieving these thresholds have gradually been stepped up. The Act of 18 January 2013 on the use of public land for housing raised the minimum threshold from 20% to 25% in areas that need extra social housing to be built. This social obligation imposed on local authorities is passed on to developers via urban planning authorisations.

As such, since 2011, new social housing built by Nexity has exceeded the 20% threshold laid down in the Solidarity and Urban Regeneration Act (23% in 2016)[1].

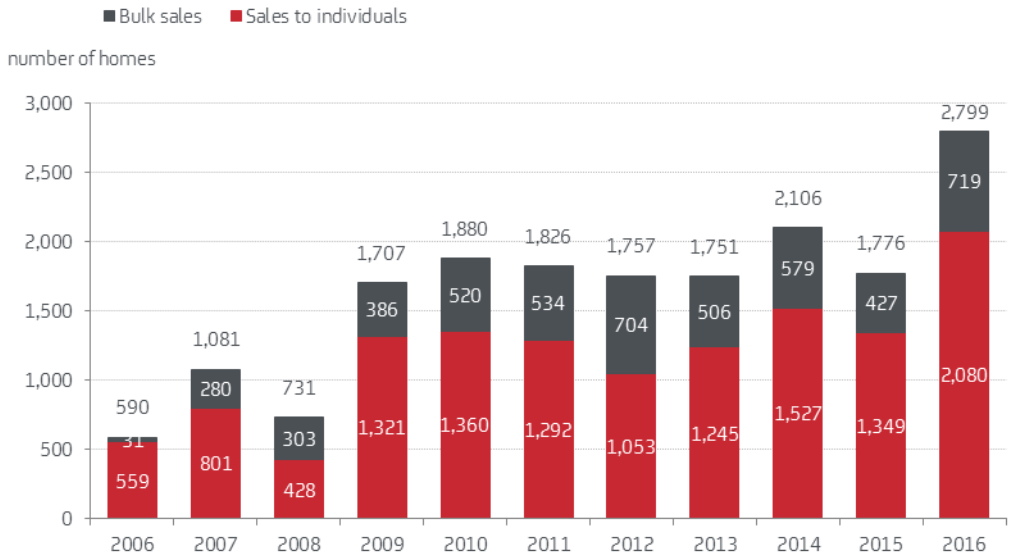
Business with social housing operators



Beyond this legal obligation, since 2005 Nexity has made the strategic decision to meet social housing operators' needs in terms of urban planning, social cohesion and sustainable development. A department dedicated to coordinating the necessary expertise has been put in place. In order to make more homes accessible to lower-income households in France, the Group is committed to increasing the number of homes targeted to social housing operators, investors that use an intermediate or low-income rental housing loan to finance their investment, and buyers eligible for an interest-free or low-income home loan. This strategy of diversifying toward social housing operators and institutional investors aims to provide each social housing operator with the most suitable solutions, notably by offering off-plan (VEFA) contracts for homes that meet criteria relating to geographic location, price and environmental standards.

Reduced-rate VAT zones: ANRU urban regeneration zones and priority urban planning districts (QPVs)

Nexity's operations in the reduced-VAT sector



[1] Reservations by PERL with individual clients are mostly "purposed" for social housing. Taking into account PERL reservations, the portion of social housing in Nexity's output would be 27%.

Back in 2005, Nexity made a commitment to assist local authorities with development projects for neighbourhoods that had been targeted for urban regeneration by the ANRU (the French national urban regeneration agency) and their immediate vicinity. These urban projects aim to make target neighbourhoods attractive again. The application of reduced-rate VAT supports these projects by making it easier for homeowners to move house and increasing the solvency of lower-income households. Following the introduction of reduced-rate VAT in ANRU urban regeneration zones and its extension to priority urban planning districts (called QPVs in French) in January 2015, the Group maintained its involvement in reduced-rate VAT areas in 2016, with 2,799 homes, or 19% of total reservations.

Framework Act (*loi de programmation*) No. 2014-173 of 21 February 2014 for urban planning and cohesion – known as the Lamy Act – established QPVs that offer the same housing stimulus measures as ANRU urban regeneration zones: VAT at the reduced rate of 5.5% for primary residences, a maximum selling price per square metre of usable floor area and a limit for the means test based on income for tax purposes two years prior to the current tax year.

QPVs are in urban areas and are defined by a single criterion: inhabitant income. The gap is determined in relation to France as a whole and to the urban area in which each of these districts is situated, with different criteria applied depending on the size of the urban area.

The newly defined QPVs replaced the previous ZUS category of disadvantaged urban districts. In all, 1,300 QPVs (plus the 300-metre radius around them) may now be the focus of new-build developments for low-income homebuyers at the reduced VAT rate of 5.5%, as opposed to the fewer than 500 neighbourhoods (plus the 300-metre radius around them) heretofore targeted by the ANRU.

Some 700 French municipalities (*communes*) contain QPVs, located within about 300 urban, peri-urban and other intermunicipalities (*communautés*). They are covered by intermunicipal urban planning agreements.

Intermediate rental housing

While confirming the importance of developing social housing, the government, in its Ordinance 2014-159 of 20 February 2014, developed a new form of housing, intermediate rental housing.

Accordingly, the government has introduced two new tax advantages effective 1 January 2014 to stimulate intermediate rental housing, exclusively offered to non-individual buyers (legal entities), all of whose shares or units are held by other legal entities subject to corporate income tax, as well as social housing operators and their specialised subsidiaries, or buyers belonging to the Action Logement network (agencies collecting contributions to "*1% Logement*" and their specialised subsidiaries):

- VAT at the reduced rate of 10%; and
- a property tax exemption for built assets for the duration of building ownership, not to exceed 20 years.

All intermediate housing developments covered by these tax advantages are subject to the approval of the competent prefectural authority. In return for these advantages, investors undertake to:

- target only Zones A bis, A and B1;
- apply the intermediate housing rent limits mentioned in Article 199 novovicies (III, first paragraph) of the French General Tax Code (rents charged as provided by the Pinel law);
- apply the tenant means test limits mentioned in this same Article 199 novovicies (means test limits as provided under the Pinel law);
- maintain ownership of all buildings for at least 10 years, and of more than half for at least 15 years; and
- include the buildings in mixed construction projects where at least 25% of space is devoted to social housing.

Société Nationale Immobilière (SNI), a subsidiary of Caisse des Dépôts et Consignations and the creator of Fonds de Logement Intermédiare (FLI), the first intermediate housing fund in France, tasked by the French government with acquiring between 30,000 and 35,000 intermediate rental housing units by the end of 2019, entered into a framework agreement with Nexity in December 2014, with between 800 and 1,100 reservations of intermediate rental housing units slated per year. In 2016, SNI and FLI placed reservations with Nexity for 485 housing units with building permits already secured.

Other residential bulk sales

As well as reservations with social housing operators or for intermediate rental housing, Nexity also makes bulk sales to institutional investors (such as banks, insurers and asset managers). There were 663 such reservations in 2016, notably in serviced residences, equating to 14% of the Group's bulk sales.

The Group is also working to expand the range of solutions offered to professional landlords (social housing operators and other professional investors): RSSIs (intergenerational senior social residences), RHVSs (social-purpose apartment hotels), FJTs (homes for young workers).

Controlling construction costs

At the beginning of 2014, Nexity set up a Production and Cost Control department. This is a cross-functional department that helps operational teams reduce costs through optimisation in the following areas:

- the Access Design and Other Construction Methods team develops innovative construction methods aimed at offering clients controlled-price homes and provides them to regional development teams;
- the whole of the available range is based on industrialised construction processes that make substantial use of wood. Apart from the Access Design product, other new offerings were developed in 2015: intergenerational residences, houses and student residences;
- with these products, Nexity aims to encourage home ownership through very competitive selling prices (as much as 15-20% lower than market prices) while meeting the most stringent demands for comfort, to improve the quality of delivery and to shorten delivery timescales, in accordance with a high-performance environmental approach (FSC or PEFC accreditation, a preference for materials sourced from France, the hygroscopic properties of wood, etc.);
- the Procurement and Services team selects and catalogues building fixtures and designs ranges of services for new homes. As such, part of its work is to centralise procurement. This approach aims to optimise the cost and quality of procurement and propose services suited to the various target categories of clients while lowering construction costs;
- Nexity's in-house multidisciplinary design office, Nexity Ingénierie, dedicated to all of the Group's residential real estate businesses (whatever a building's destination), carries out project management (design and execution at competitive prices); and
- the Tools and Processes unit constitutes an operational centre of excellence that designs and consolidates best practice and develops and distributes shared tools, notably via the technical academy (an in-house construction project management training programme). The various training modules offered by the technical academy are designed to provide complete training to each member of technical staff in a maximum of 36 months.

Student residences

The Group is the leading private provider of student housing in France. Through its offering, Nexity takes care to provide financing for high-quality housing – accessible to persons with reduced mobility – for students with or without grants.

Since 2015, Nexity Studéa has chosen to reposition its product offering to bring it more in line with students' new expectations. In particular, this work has consisted of redefining shared spaces to make them more welcoming and conducive to discussion, creating more comfortable and better-equipped bedrooms, and refreshing signage. New services were also designed to make students' lives easier (such as car sharing and vending machines).

Driven by the increasing demand for housing for the younger population, Studéa student residences are a tailored and long-term response to a pressing societal issue in France. In 2016, Nexity marketed four student residences (after marketing four in 2015) comprising a total of 458 units.

At 31 December 2016, the portfolio of residences operated by Nexity Studéa consisted of 125 residences comprising almost 15,500 units in 56 cities in France and Switzerland.

Career starters' residences and social-purpose apartment hotels (RHVSs)

As a complement to the network of serviced residences for students under the Studéa brand, the Group builds residences for students and career starters on behalf of social and private investors. The management of these residences is systematically outsourced to recognised operators. These residences, which blend into the local environment, are also designed to meet the specific needs of their occupants, offering innovative, personalised services (such as co-working areas, relaxation areas and secure access). Nexity is also keen to provide a solution to the housing difficulties faced by employees who must move or travel for work, by offering social-purpose apartment hotels. These residences offer a temporary or permanent housing solution at a moderate cost, as well as improving the appeal of local areas and boosting companies' competitiveness.

Senior residences

Housing demand for senior citizens is a societal challenge that cuts to the core of the current national debate on the demographic changes taking place. To meet the current and future housing expectations of senior citizens, Nexity proposes made-to-measure solutions that take into account each occupant's level of autonomy and financial resources. Bulk sales to institutional clients account for almost half of Nexity's senior serviced residence business.

In addition to selling to private investors, the Group is developing "social" senior residences to meet the needs of social housing landlords on this extremely promising market. Such residences provide a solution to the problems faced by the aging population, who often end up alone in oversized, poorly insulated homes.

Senior independent living residences

In partnership with Ægide, France's leading developer of senior independent living facilities, in which the Group holds a 45.16% stake, Nexity is developing next-generation serviced residences for independent seniors (with features including dining areas, cleaning services and round-the-clock assistance). In 2016, Ægide placed 7 new projects on the market representing 866 housing units under the Domitys brand and managed by Domitys. Domitys manages a total of 59 residences, representing almost 7,000 residential units.

Social senior residences

These residences combine adapted housing units with many service and leisure areas that enable seniors to live comfortably and independently. Exclusively built for rented and social housing, they guarantee access to a large population including seniors, people with disabilities and younger working people eligible for social housing. This concept creates genuinely welcoming places to live and helps prevent seniors from becoming isolated. At the request of elected officials, social residences for senior citizens frequently incorporate an intergenerational dimension, in which case they are known as "intergenerational serviced social residences" (RSSIs). Set within attractive green spaces and located close to amenities, these residences combine environmental performance with social utility.

To go beyond intergenerational shared living, Nexity provides an equipped shared room at the entrance to the building (with a lounge area, a kitchenette and toilets) that acts as a central space for social interaction between residents. The units themselves are divided between senior citizens, career starters and families. To preserve seniors' independence and safety without stigmatising them, apartments designed for them include advanced features (such as non-slip floors and ergonomic bathrooms).

Nursing homes

In France, retirement homes for dependent seniors (EHPAD) are built to house seniors who are no longer independent. Nexity's nursing home facilities have 70 to 110 beds and combine traditional assisted-living services with medical services tailored to residents' conditions.

1.5.1.2 PERL

In May 2014, Nexity acquired a 76.4% stake in PERL alongside its key managers, who together hold 23.6%. PERL retains its own brand and maintains its corporate governance structure and its open architecture for the benefit of its long-standing partners (developers, social housing operators, agency networks), with Nexity playing the role of leading shareholder and fully exercising its risk management duties.

Established in 2000, PERL has developed an innovative scheme for co-financing new rental properties for working people via private savings investment. The scheme is particularly well suited to supply-constrained "prime" areas with severe housing shortages.

It consists of separating a home's asset value from its value in use for a given period as follows:

- an investor wishing to build up an asset base over the medium term purchases bare ownership of a home at an average discount of 35%-45% to the cost of full ownership;
- a social housing operator acquires the usufruct rights for a period of 15-18 years. As beneficial owner, the operator can make use of the homes over this period as if it had full ownership of them, including collecting rent and providing rental management services. This means the operator can offer homes with affordable rents in supply-constrained areas without any additional need for capital or subsidies; all it has to do is maintain them in good condition until the beneficial ownership period expires;
- through the social usufruct rental scheme, local authorities are able to provide more affordable homes for working people, without any need for subsidies or direct or indirect assistance, counting towards the 25%

social housing target laid down in Article 55 of the Solidarity and Urban Regeneration Act (see "Social housing" in Section 1.5.1.1 of this Registration Document, "New homes"); and

- the investor purchases an asset at a discounted price, does not receive any rent during the usufruct period, but at the same time does not incur any fees for management, maintenance or repairs. The investor pays no tax or duty. At the end of the usufruct period, the investor automatically gains full ownership of the unoccupied property in its original condition.

As the leader in this segment and since its creation, PERL has operated in almost a hundred supply-constrained cities, offering high-quality property developments (in prime locations, with amenities that meet the demands of both occupiers and professional landlords, located close to business areas).

In 2016, PERL booked 919 reservations for bare ownership (733 VEFA off-plan contracts and 186 purchases of existing properties) representing a revenue from reservations of €182 million including VAT.

PERL's business development priorities for 2017 revolve around the following themes:

- organising the first sales of rental properties in usufruct (March and June 2017), marking the completion of the full cycle of the PERL product;
- bolstering the service offering for bare property owners by setting up the "MyPerl" online platform and creating a division dedicated to reselling bare ownership during the usufruct period;
- capitalising on PERL's expertise and engineering to structure the first intermediate usufruct rental deals (known as *Usufruit Locatif Intermédiaire* or ULI); and
- developing innovative solutions dedicated to private and institutional investors and first-time buyers.

1.5.1.3 Iselection

Iselection's business is to select and market residential units as buy-to-let investment products to its clients. Its distribution network is built in particular on a partnership agreement signed with regional banks in the Caisse d'Epargne network, Banque Populaire branches, and a number of independent financial advisors.

Iselection distributes products on behalf of third-party real estate developers but also functions as a direct operator. In the latter case, Iselection makes bulk purchases of all or part of developments and sells the units within these developments individually.

Its teams serve a client base made up of individual investors, to whom they offer several types of properties:

- new furnished apartments in serviced residences, eligible for LMNP status (non-professional landlords of furnished property) for amortisation or under the Censi-Bouvard scheme (see Section 1.8.3 of this Registration Document, "Tax relief measures intended to favour buy-to-let investment and first-time home ownership"). These serviced residences are intended for students, seniors, holiday-makers and business travellers;
- unfurnished units covered by tax relief schemes for individual buy-to-let investors, notably the Pinel scheme; and
- investments in bare ownership, renovation work covered by the Malraux Act, historic monuments and property tax losses.

In 2016, Iselection booked 3,244 reservations, of which 2,440 were marketed on behalf of third parties and 804 fell under the scope of its own new-build housing operations.

1.5.1.4 Edouard Denis

Nexity acquired 55% of Edouard Denis Développement, the parent company of real estate development group Edouard Denis, which has been consolidated in Nexity's financial statements since 1 July 2016.

The Edouard Denis group, which was founded in 1996 with an initial focus on high-end real estate in Le Touquet-Paris-Plage (northern France), has progressively diversified to become a non-specialist real estate developer.

Its multi-regional strategy means that it has been able to take significant positions in the Paris region, Lyon, Bordeaux, Lille and Nantes.

Since joining the Group, Edouard Denis has recorded 842 new home reservations.

1.5.1.5 Site development and subdivisions

The site development and subdivisions business develops and subdivides sites, rendering the land suitable for construction and dividing the land into plots. The Group sells the plots primarily to private individuals who then have their own houses built on the plots, as well as occasionally to residential real estate developers who then develop groups of houses or apartments on the land.

In most cases, the Group assembles a development site from multiple plots of land belonging to different owners. It renders land suitable for construction with facilities improvements such as surface water drainage, sewage connections, water, electricity, telecommunications, private roadways, parks and gardens. On average, there are around 30 units per development. This activity gives the Group an indirect presence on the individual house building market, which is a major sector of the French real estate market.

The Group's new home development business and its subdivision business have a number of similarities with respect to the search for suitable land and the types of clients served.

The Group's site development business emphasises sustainable development principles. In 2004, Nexity became the first private-sector operator in France to have been certified to ISO 14001 (a standard for environmental management systems - EMS) for all of the site development projects it manages. The demands of this certification require the Group to constantly think about the choice of qualified providers for use on development projects, based on environmental and social criteria. All selected providers certify that they are aware of the environmental policy adopted by the subsidiary. The subsidiary's "Environmental Circle" works to support teams and continuously improve the EMS. In 2015, following the annual monitoring audit, the EMS's performance rating increased from A- to A (on a scale from D to A+), which is a "very satisfactory/exemplary" level of performance. A diagnosis and work to migrate from the 2004 to the 2015 version of the certification was undertaken in 2016.

For local authorities, the site development and subdivisions subsidiary develops neighbourhoods designed to meet economic, social and environmental challenges. Apart from assessing and controlling environmental consequences on soil, rainwater, traffic, urban landscapes and biodiversity, the development of these residential districts also focuses on:

- building energy performance (BBC-Effinergie® certification, HQE® approach, etc.);
- a bioclimatic approach to district planning in which buildings use passive solar energy;
- social diversity;
- the possibility for low-income households to purchase houses and land; and
- controlled management of traffic.

The subsidiary also raises awareness of its environmental approach among its individual clients, elected officials and service providers. This commitment is in line with the planning priorities of the Grenelle environmental round table and meets the requirements of the ISO 14001 standard, which systematically provides procedures for coordination in projects taking place in ZAC areas.

Furthermore, a number of developments have won awards in recent years, including in particular the following:

- the Marlière eco-district in Courcelles-lès-Lens (Pas-de-Calais) won silver in the real estate developers category of the *Victoires du Paysage* competition in 2014; and
- the Goven development (Ille-et-Vilaine), delivered in 2015, won the Orange award from the *Association des Géographes de France* (Association of French Geographers) for its overall harmony, the resulting energy savings and its diversity of housing types.

1.5.1.6 International

Outside France, the Group's main presence in new housing development is in northern Italy and in Warsaw (Poland).

In Italy, developments in the marketing phase were mostly located in the Milan and Turin regions, representing a supply for sale of 32 residential units. A total of 112 reservations were booked in 2016.

There were 367 reservations in Poland in the year, all in Warsaw.

Project procedures and sales terms are adapted to each country's legal, regulatory and marketing constraints (including administrative authorisations to be obtained, the process of selling to buyers, and guarantees granted).

1.5.1.7 Clients

The clients of Nexity's Residential real estate division are as follows:

- first-time buyers (of homes or plots of land);
- other buyers (who already own their main residence) purchasing a new home (or a plot of land) to live there;
- retail investors purchasing a buy-to-let home (whether furnished, unfurnished or under a division of property ownership known as *démembrement*); and
- professional landlords purchasing an entire building to generate rental income (social housing operators or operators of intermediate or freely available housing).

The Group's Residential real estate division thus serves a broad range of clients. A breakdown of Nexity's business activity in 2016 is set out in Section 3 of this Registration Document, "Financial report".

Clients purchasing their first homes are younger and have lower annual incomes than clients purchasing second homes or individual investors.

The table below shows the average age and annual income of Nexity's individual clients:

New homes	2016	2015	2014
Owner-occupiers – Main residence			
Average age	37	37	37
Average annual income (in euros)	41,273	41,596	41,003
Average home price in number of years' income	6.0	6.0	5.9
o/w first-time buyers			
Average age	34	34	34
Average annual income (in euros)	35,967	37,746	37,011
o/w buyers who are already homeowners			
Average age	48	48	47
Average annual income (in euros)	58,098	56,133	59,516
Owner-occupiers – Second home			
Average age	55	54	57
Average annual income (in euros)	98,358	94,446	90,506
Average home price in number of years' income	3.0	3.9	3.6
Investors			
Average age	47	47	46
Average annual income (in euros)	77,594	75,227	78,075
Average home price in number of years' income	2.4	2.5	2.3
All clients			
Average age	43	43	42
Average annual income (in euros)	62,212	62,287	60,144
Average home price in number of years' income	3.4	3.4	3.6

Source: Nexity (based on statements made by buyers, excluding Iselection and PERL)

1.5.1.8 Geographic presence

Regional establishments

The geographic organisation of the Group's Residential real estate division is based on a strategy of permanent local establishments (subsidiaries or agencies), run by professionals who are generally local. This strategy provides the Group with an understanding of local preferences and purchasing trends in the areas where it is established as well as familiarity with the procedures for obtaining the permits necessary to develop residential real estate or subdivide land into lots. The Group's regional organisation is also in line with this strategy, and allows its subsidiaries to concentrate on their respective products or regional specificities.

Nexity's Residential real estate division has a presence in France's main metropolitan areas.

The Group's project portfolio includes developments currently being sold to clients, as well as its land portfolio, which consists of "secured" land that it has the right to purchase under contracts or options. This portfolio, which gives the Group a certain degree of visibility regarding its future business, is comprised of the number of new homes and plots it could produce if all of its potential programmes (ongoing programmes and projects planned on secured land) were realised. For a description of the land search process and the process of buying land, see Section 1.5.1.9 of this Registration Document, "Project procedures and risk management".

Geographic distribution of Nexity's new home business

The number of reservations recorded by the Group for new homes outside the Paris region rose from 2,577 units in 1997 to 10,174 units in 2016 (64% of total reservations). The Group also continues to leverage its historically strong position in the Paris region, which accounted for 36% of reservations recorded in 2016 (compared to an average of 35% from 2007 to 2016).

The Group stepped up its development in the most supply-constrained zones (A bis, A and B1), which accounted for 87% of reservations, stabilising at a high level.

Reservations by zone	2016	2015	2014	2013	2012	2011
Zones A bis, A and B1[(1)]	87%	88%	87%	86%	84%	80%

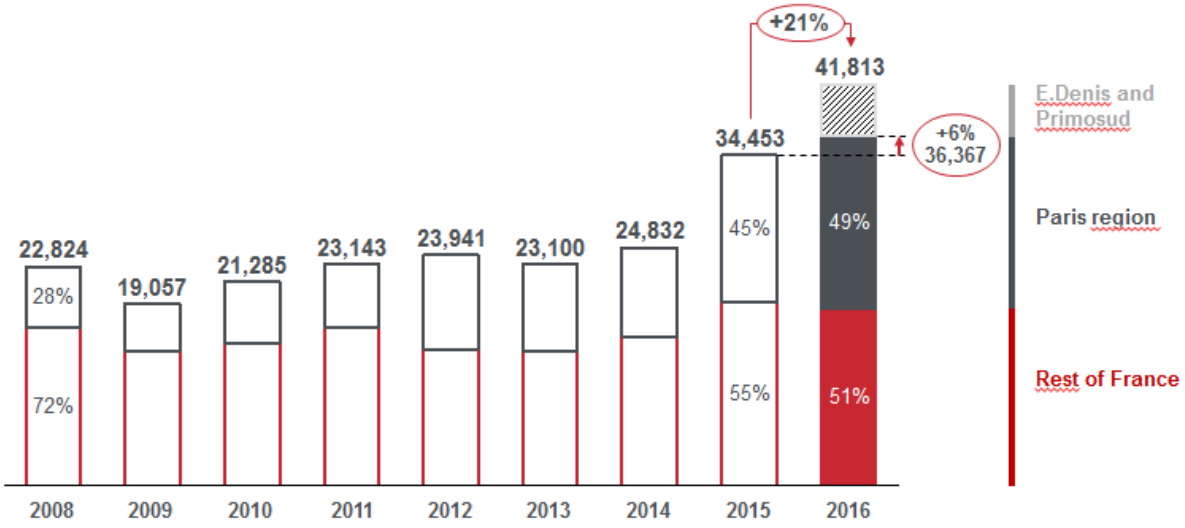
(1) To facilitate comparison, data for all years has been recalculated in line with the Pinel zone map introduced on 1 October 2014.

Geographic distribution of Nexity's subdivision business

The Group operates its subdivision business primarily outside the Paris region, where more land for subdivision is available, rather than in and around the capital, where such land has become scarce. As a result, units reserved in the Paris region accounted for only 13% of total units reserved in 2016, compared with 11% in 2015.

Business potential

The following chart shows Nexity's potential new homes business[1] over the past nine years. At 31 December 2016, this represented 2.6 years' development revenue.



1.5.1.9 Project procedures and risk management

The process of developing a new residential programme generally involves a number of steps: land selection, signature of the land contracts, validation of the project by the Commitments Committee (described below), permit request, marketing, land acquisition (after validation by the Purchasing Committee), building start, construction and delivery. Each programme is monitored by the relevant local subsidiary, the Commitments Committee and the Group's financial, legal and management control departments.

Land selection

Each subsidiary undertakes its own search for land and its own feasibility studies. This approach enables the Group to benefit from the subsidiary's experience in its local market, its knowledge of the area and its speed of execution. The Group's subsidiaries use customary methods of searching for available land, including real estate

1 Includes the Group's current supply for sale, its future supply corresponding to project phases not yet marketed on acquired land, and projects not yet launched associated with land secured through options

register searches; systematic searches in communities; contacts with local service providers such as subcontractors, suppliers, real estate agencies, notaries, architects and land surveyors; and networking.

Construction feasibility and the project's potential profitability are essential criteria. The Group does not have a minimum size requirement and instead focuses primarily on a provisional budget prepared by the relevant subsidiary, which is based on a planned programme of new homes or plots. Except when special opportunities arise, the Residential real estate division's strategy does not include buying land to create a real estate portfolio or as a speculative investment.

Land contracts

After the Group has found a site, it signs an agreement with the owner of the land, generally a purchase contract subject to conditions precedent. Except for some marginal cases, the Group's commitment to buy is conditioned upon obtaining necessary permits for the realisation of the project (building permits, demolition permits and/or subdivision permits) and the expiry of the period during which such permits may be challenged by a third party or rescinded. It is also subject to conditions regarding the nature of the soil and the presence of pollution or installations such as those classified under the French Environment Code as requiring environmental impact assessment. Prior to the acquisition of any land or buildings, the Group generally commissions specialised firms to study soil and subsoil quality and pollution levels along with the history of the site, and, in buildings to be renovated or restructured, to test for asbestos. When soil samples indicate the possible presence of pollutants, the Group's obligation is also conditional upon environmental evaluations and, where necessary, site rehabilitation measures.

Draft purchase options subject to conditions precedent must be validated by the in-house legal counsel assigned to the subsidiary before being signed. Under certain circumstances, a purchase contract may be signed prior to approval by the Commitments Committee (described below), but no financial commitment (often including a bank guarantee) may be provided without the Commitments Committee's prior approval. Generally, such financial commitment must be provided in the month following the signing of the contract, failing which the contract is cancelled.

Approval of projects by the Commitments Committee

Each site for which a purchase contract is expected to be signed (or if a contract has already been signed, a financial commitment is to be given) is submitted to the Group's Commitments Committee. The Commitments Committee is composed of the Residential real estate division's general management, as well as the managing director of the relevant subsidiary, and possibly others working on the project, and, for the biggest projects, the Chairman and CEO and/or the Deputy CEO of the Company until 31 December 2016. The Committee meets whenever necessary, including any time the programme planned for a given site is changed in a significant way. Implementation of the Commitments Committee's decisions is followed up by the Group's legal and financial departments.

The Commitments Committee makes its decision on the basis of a review of the engagement file, which includes the description of the site, a market study, a feasibility study, a projection of the potential costs and benefits of the project, a legal risk assessment, and the verification of the effective application of sustainable development criteria. For the project to be considered acceptable by the Commitments Committee, the project's provisional budget, supported by internal and external market studies, generally must, among other things, forecast a minimum net margin and a rate of return on invested funds in line with the objectives set by Group management.

Permit requests

Once the purchase option has been signed, the subsidiary in charge of the project requests a building permit from the local authorities in whose jurisdiction the site is located. This request is examined by the local government's planning department and is closely monitored by the subsidiary. The examination often takes longer than the legal examination period, which is three to five months. Once a permit is issued, the Group must observe a waiting period of three months before starting construction. This includes the period during which third parties, such as associations or local residents, may contest the permit on the grounds that it does not comply with local urban planning laws, zoning plans (ZAC, etc.) or the Town Planning Code (two months and fifteen days from the posting of the permit at the mayor's office and at the building site). This waiting period also covers the time during which the State's local representative (*préfet*) can challenge the legality of the permit, which runs from the date the *préfecture* (subregional administrative authority) received the decision granting the permit. In addition, this three-month period covers the time during which the permit may be rescinded by the granting authority (usually the mayor), who must do so no later than three months after the date of issuance of the permit.

Financing plan

Once the building or subdivision permit has been obtained, Nexity's finance and management control departments approve a financing plan prepared by the subsidiary. This financing plan includes an estimate of the marketing costs and an update of the data in the engagement file, with such information constituting the reference budget for the project.

A programme's financing depends upon its size. The Group finances projects whose expected revenue is less than €20 million (including VAT) by means of an unallocated line of credit of €300 million and €840 million in guarantees, maturing in December 2018. For projects with expected revenue greater than €20 million (including VAT), the Group obtains bank financing specific to the project, the amount of which is based on the project's cash flow plan (see Section 3.2.2, "Financing"). In either case, the Group can also finance the programme in part or in whole via its available cash.

Subcontractors and suppliers

The subsidiary generally selects its subcontractors and suppliers through competitive bidding among different companies that separately bid for various parts of the project.

The Group does not have any exclusivity policies with specific subcontractors or suppliers. However, it enjoys privileged relationships with certain subcontractors and suppliers that satisfy its qualitative and financial criteria, and the Group consults them regularly for bids. In financial year 2016, the Residential real estate division's leading supplier accounted for €34 million (including VAT) in costs, i.e. 2.4% of total costs, and its top ten suppliers accounted for a total of €161 million (including VAT) of costs, i.e. 11.2% of total costs.

Nevertheless, a centralised procurement policy has been in place since 2011 with a view to better controlling the price and quality of certain products such as lifts, bathroom components, tiles, partitions and doors.

The subsidiary decides whether to use specialised service providers. During the preparation of the project, the subsidiary may hire one or more *bureaux d'études* (specialised engineering firms) to provide technical advice and to assist in the preparation of designs, plans and the selection of subcontractors. A general contractor can also be involved in overseeing the work, even though most of the subsidiaries have the necessary resources and expertise to oversee all or part of the construction work. The subsidiary selects an architect to design the programme by competitive bidding or private agreements. The subsidiary considers technical skills, financial terms, organisation and quality of prior work in choosing its specialised service providers.

The subsidiary verifies the financial soundness of the subcontractors and suppliers it hires and their financial ability to perform their obligations (in light of the subcontractor or supplier's size in relation to the project). The subsidiary also ensures that these companies' liability is covered by the appropriate insurance and that they comply with applicable employment laws. Contracts signed with subcontractors and suppliers include construction schedules and late delivery penalties as well as a legal withholding equal to 5% of the contract amount, sometimes replaced with a guarantee by bond, which is released one year after completion of the work.

In order to obtain a reliable estimate of the costs of a project, the subsidiary sometimes negotiates with technical service providers and subcontractors prior to the final acquisition of a plot of land (without making any financial commitment).

Sales and construction

Each market launch is signed off by the Commitments Committee after reviewing the adjusted commitment budget. Subsequently, any proposed acquisition of land is examined by a Purchasing Committee based on that budget and the success of marketing operations.

The average size of a new-build residential development is around 80 units.

Generally, before construction can begin, the Group requires that at least 40% of the value or number of homes in the relevant project or project stage be reserved. In addition to the percentage of housing reserved, the Group also checks on the status of the buyers' loans. However, the progress of the marketing of each programme (including the type of homes reserved in light of those still remaining in the programme) is considered on an individual basis before construction begins. Accordingly, the average rate of successful pre-selling that the Group recorded before beginning construction of new homes was 72% in 2016 (67% in 2015 and 71% in 2014).

In all cases, construction starts for each project are subject to formal approval by the Regional Director, the Executive Management Committee member responsible for the subsidiary.

Construction work is monitored by the Group's engineers and technicians and/or by a general contractor hired by the subsidiary. Inspections of the work are carried out regularly by either the subsidiary's field supervisors or an external general contractor.

Whenever possible, the Group's residential programmes are divided into stages, providing it with increased security by permitting work to commence on the second and subsequent stages depending on the rate at which homes are absorbed into the market. Delivery of homes in stages also provides greater flexibility because it enables the Group to vary the types of apartments or houses to be produced in the programme, depending on reservations already made. Upon a decision to make such a change, the Group files a request for the corresponding amended building permit and the Commitments Committee reviews the project.

Budget monitoring

The budget for each project is monitored by the relevant subsidiary and by the Group's management control teams. This monitoring includes:

- systematic updating of each budget item as work contracts are signed or expenses committed;
- a monthly report on the rate at which homes in the project are being absorbed into the market, including a review of the status of reservations and the appropriateness of the price scale; and
- a quarterly review of the budget by the Group's management control teams.

Delivery

The definitive sales contract signed with the buyer sets forth the calendar quarter during which the new home is to be delivered to the buyer. The definitive sales contract generally provides that the delivery date may be extended due to force majeure or a legitimate cause for delay.

Once construction is completed, the home is delivered to the buyer, who is required to have paid 95% of the price of the home by completion of construction and 100% by the time the keys are handed over. Nexity has a policy of not handing over the keys to a home if the buyer has not paid the remaining balance of the purchase price (see Section 1.5.1.10 of this Registration Document, "Marketing and sales", for a description of the schedule of payments).

When the keys are handed over, a report is prepared to indicate that the buyer has performed a formal inspection of the home and verified that it conforms to the sales contract.

The work and management of the Production Quality department helps improve control over delivery deadlines as well as finishing quality on projects (by managing the number of defects on delivery).

After-sales service

The Group provides buyers with after-sales service for two years following delivery of the home. The purpose of this service, which is provided by the Group's subsidiaries and which was created at the request of its insurers, is to provide buyers with high-quality customer service, avoid increases in insurance premiums and minimise insurance claims by managing the warranties provided with the purchase of a home: *garantie de parfait achèvement* (perfect completion warranty) and *garantie de bon fonctionnement* (proper operation warranty). When a client claims a defect (whether during inspection of the home at delivery or later) covered by the one-year perfect completion warranty (*garantie de parfait achèvement*) or the two-year proper operation warranty (*garantie de bon fonctionnement*), both described below, the Group's after-sales service team handles the claim, coordinates any work to be done with the relevant subcontractors (who are also bound by the warranties) and, where appropriate, contacts the insurance companies. See Sections 2.4.2 and 2.4.3 of this Registration Document, "Policy with respect to insurance" and "Main insurance agreements".

Particularities of residential projects outside France

Residential developments outside France can differ in certain respects from residential developments in France. In particular, land may be purchased before the required final building permits have been obtained, and ownership may not be transferred until construction is complete, leading to a higher working capital requirement. The development and marketing process for these projects is adapted to the legal and economic particularities of each country, and care is taken to maintain a consistent level of risk management within the local context.

Particularities of subdivision projects

The Group's subdivision projects involve processes and procedures similar to those of its residential projects. The land search process and the process for buying land are carried out in the same way: they must meet the same criteria for permits and generation of margins, and are reviewed by the Group's Commitments Committee and management control teams.

French law provides that reservation contracts for subdivision plots, which generally take the form of a unilateral promise of sale between the Group and the buyer, may be signed only after the subdivision permit has been obtained. This purchase option is followed by a contract of sale, pursuant to which the Group transfers ownership of the land and undertakes to complete all work (with the Group's undertaking backed by a bank guarantee).

1.5.1.10 Marketing and sales

Brand strategy

In order to serve its clients under one roof as their real estate needs evolve, the Group carries out the vast majority of its development and services business activities under the Nexity single brand (see Section 1.3 of this Registration Document, "Strategy"). However, secondary brands (Edouard Denis, Primosud, etc.) are developed to address certain specific markets.

Marketing methods

The Group's subsidiaries generally market their developments using their own personnel, and if appropriate, engage real estate agencies. For certain products, particularly those targeted to individual investors, marketing is done by special centralised sales forces, independent asset advisors or Iselection.

Subsidiaries use the customary industry methods to market homes: model units, sales offices, point-of-sale (POS) advertising, billboards, press and trade shows. They also increasingly use digital channels, including a website, accessible directly and through links on the most visited real estate web portals and search engines, and a centralised appointment system that allows the Group to provide potential clients with initial guidance before directing them to its subsidiaries.

The Group has also made a name for itself by marketing selected large-scale developments through "one-shot" promotional marketing. The Group's one-shot marketing involves promotional offers that take place over a short period of time, generally 48 hours, at a site specifically created for the development to be marketed and where notaries, banks and real estate sales people are available to present the development to prospective buyers. These marketing operations, which involve significant planning and preparation, are used for large-scale programmes, often in new or unusual urban areas.

Lastly, Nexity is moving towards designing and producing fully digital launches.

Client assistance during the marketing process

New homes

The Group accompanies its clients throughout the process of buying a new home, from the first phone call or online contact to the appointment with one of its subsidiary's commercial consultants, up to the final delivery of the home. Each of its subsidiaries' sales advisors is able to assist clients in assessing their purchasing power, preparing a financing plan and, for buy-to-let investments, if needed, performing a simulation of the tax treatment of their investment with assistance from Group experts. This analysis allows the Group to check each buyer's financial resources and thereby limit the risks of the reservation lapsing due to a failure to meet the condition precedent of obtaining financing.

The Group's salespeople are encouraged to complete its degree-bearing sales training programme. This programme ensures the consistent quality and expertise of the Group's sales force.

The Group considers its client assistance programme to be one of its key assets. As part of its *Question Immo* programme, the Group provides its clients with a real estate information and assistance service accessible via a free phone number that they can call from 9 a.m. to 9 p.m. seven days a week with any question related to the purchase of a new home, or via the Nexity internet site, which also offers the possibility to simulate a purchase, including notary fees, loans, and insurance. Through its brokerage and loan activity, the Group also offers a selection of financial solutions suitable to its clients buying new homes.

Subdivisions

Clients of the Group's subdivision business have access to professional advisers, a dedicated website and a free phone number. The Group's advisers assist clients in determining the best layout and integration of their projects on the land they are considering buying, and in establishing a financing plan and schedule for the work to be performed. Advisers also provide information on clients' rights and the construction process.

Form of sale and schedule of payments

The Group sells homes via reservation contracts and subdivisions via purchase contracts followed by definitive notarised deeds of sale.

The Group sells its new homes under off-plan contracts ("VEFA" or *Vente en l'État Futur d'Achèvement*). Under the VEFA system, total payments made by clients cannot exceed these legal limits: 5% upon reservation; 35% when the foundations are completed; 70% when construction, excluding water connections, is completed; 95% upon completion of construction; and 100% when the keys to the new home are handed over. Intermediate calls for payment are made between the different phases based on the progress of construction.

In any event, the amount paid by the client upon signing the reservation contract is deposited in an account opened in the client's name and which cannot be seized, transferred or made available. This amount remains blocked with a financial institution until the definitive sales contract is signed, at which date it is definitively acquired by the Group. This amount is refunded to the client if the definitive sales contract is not signed within the specified time period due to the Group's fault or under the legal provisions that protect the rights of clients to withdraw their reservations.

The buyer of a subdivision lot pays 5% of the price upon signature of the agreement to purchase (deposited in an escrow account) and 95% upon signature of the definitive sales contract.

1.5.1.11 Operational organisation of the Residential real estate division

The Group's Residential real estate division is organised so as to give its operating subsidiaries significant autonomy in their marketing and technical approaches to land searches and team management, while maintaining centralised Group-level control over legal and financial risks as well as the allocation of Group resources (including equity, lines of credit, human resources, information technology resources and management resources). The advantage of this organisation is that it provides subsidiaries with high-quality resources and allows staff at subsidiaries and agencies to focus on their specialities. At 31 December 2016, the Group's Residential real estate division had 1,991 employees, 46 of whom were assigned to projects outside France.

In France, the Residential real estate division's territory is divided into various regional departments in addition to national ones (including *Créateur de Quartiers, Immobilier Patrimonial, Aménagements & terrains à bâtir* and *Conseil & Patrimoine*).

The Group's Residential real estate division is made up of a holding company (Nexity Logement), operating subsidiaries (nominal partnerships called *sociétés de moyens* corresponding to the regional and national departments described above), a joint company that provides management and supervisory services to the operating subsidiaries (George V Gestion), and programme-specific vehicles that are established for each residential programme, in the form of either special-purpose real estate companies ("SCI" or *sociétés civiles immobilières*) or partnerships ("SNC" or *sociétés en nom collectif*), generally 100% owned by the Group. For subdivisions, the resources of the site development and subdivisions department (*Aménagements & terrains à bâtir*) as well as the work on the projects themselves, with rare exceptions, are managed by a single company (which has local agencies instead of regional subsidiaries).

The Group's operating subsidiaries or agencies are responsible for the entire real estate project and are staffed by specialists. In the Paris region, these operating subsidiaries are organised based on geographical areas that largely correspond to specific product types: upscale apartments, entry-level apartments, mid-range apartments and individual houses in communities. Outside the Paris region, the Group's subsidiaries generally offer an entire range of products in a specific area. Specific service companies common to the entire Group may also assist its operating subsidiaries by setting up specialised operations or providing marketing or technical assistance.

In addition, some projects may be co-developed with partners that operate locally or nationwide, whereby the various technical and management responsibilities involved in the projects are divided among the co-developers. Of the 276 projects under construction at end-2016, 16 involved co-development arrangements.

Project costs

The following table presents the distribution of the average cost of projects by type of cost for projects delivered during the 2014–2016 period:

(in % of total costs)	2016	2015	2014
Development rights	22.2	21.4	19.8
Roads & miscellaneous infrastructure (land development)	3.5	4.5	4.0
Construction work	51.5	51.9	52.3
Fees and insurance [1]	14.7	14.7	15.0
Financing expenses	1.0	1.0	1.2
Marketing and advertising [1]	7.2	6.6	7.7
Total	**100.0**	**100.0**	**100.0**

[1] Including intra-Group fees, which are generally around 10% in total

For a description of financing arrangements for the Group's programmes, see Section 3.2.2 of this Registration Document, "Financing".

1.5.1.12 Warranties given by the Group

New homes

For sales of new homes under the VEFA system, the Group is required by law to provide certain warranties for the benefit of its clients:

- a warranty against visible defects (*garantie des vices apparents*), covering visible construction defects reported by the buyer within one month of the buyer's taking possession of the home;
- a perfect completion warranty (*garantie de parfait achèvement*) covering all problems or faults relating to non-conformity of the home to the description given at the time of sale (valid for one year from date of delivery);
- a proper operation warranty (*garantie de bon fonctionnement*) covering malfunctions of items of equipment separate from the construction itself, valid for two years from date of delivery; and
- a ten-year warranty (*garantie décennale*) covering problems that involve the solidity of the construction's structure or the suitability of the structure for its intended purpose (valid for ten years from date of delivery).

The Group systematically obtains the mandatory insurance, including structural defects (*dommages-ouvrage*) insurance, to cover its commitments under the proper operation and ten-year warranties (see Section 2.4.3 of this Registration Document, "Main insurance agreements").

The Group also ensures that the insurance of the subcontractors it hires adequately covers its respective obligations under the proper operation and ten-year warranties, and that their insurance premiums are paid.

Lastly, on behalf of its buyers and in accordance with the law, the Group provides a financial completion guarantee backed by leading banks or insurers, thus ensuring the proper completion of all construction operations.

Subdivisions

For its subdivision programmes, the Group also provides its clients with a financial warranty covering work not yet performed, which is mandatory for the signature of the final sales contract.

In addition, the Group obtains insurance covering its civil liability for ten years (as of delivery date) for any defects that may compromise the structure's solidity or render the work or equipment unsuitable for its intended use (see Section 2.4.3 of this Registration Document, "Main insurance agreements").

1.5.2 Commercial real estate

Nexity is a leading player in France's commercial real estate development market. It deals mainly in office space, especially in the Paris region and major metropolitan areas such as Lyon and Marseille. The Group also develops logistics space and, on a more occasional basis, retail premises and hotels.

By acquiring a majority stake in Térénéo (consolidated since 1 January 2015), a wood-frame developer based in the Haut-de-France region, Nexity increased its specific expertise in the development of wood-frame, low-energy "green" buildings. Nexity is France's number-one developer of timber-frame office buildings.

The Group's commercial real estate projects are mostly pre-sold and are carried out mainly on behalf of two types of clients:

- large private or institutional investors, French or foreign, seeking to derive rental income from real property and eventually profit from capital gains on their real estate assets; and
- end-user businesses having buildings constructed to meet their own space needs.

Thanks to the wide range of investors active in the French investment market, Nexity is not generally dependent on one or more clients.

Conscious of the sustainable development challenges associated with building and construction, Nexity has for some years pursued a proactive policy in this area. As a result, the Group has implemented innovative techniques for building construction and renovation (as attested by various international certifications) as well as for day-to-day building management (energy management, etc.). It has also set targets that often go above regulatory requirements.

All office developments delivered in the Paris region in 2016 (57,400 sq.m), excluding Ywood Business and Térénéo wood-frame buildings:

- have secured or are in the process of securing HQE® certification (rated either excellent or exceptional). It should be noted that the renovation of *Les Magasins Généraux* carried out for BETC in Pantin was awarded additional Effinergie renovation certification;
- are at least 28% more energy efficient than required under the RT 2012 thermal regulations;
- recycled at least 70% of site waste; and
- have planted areas equivalent to 8% of the floor area delivered.

Furthermore, almost all developments that were marketed in the Paris region in 2016 or that are in the construction phase aim to achieve at least HQE® certification with a rating of excellent.

Furthermore, at end-2016, almost 40,000 sq.m of wood-frame offices had been delivered (since 2011) and Nexity had secured a project to deliver France's tallest wood-frame office building (35 metres over nine stories) as part of the Nice Méridia science park project. Through these innovative and environmentally friendly construction processes, Nexity is providing practical low-carbon solutions and anticipating future regulatory requirements. Ywood offices are built using cross-laminated timber (CLT) from sustainably managed European forests (100% PEFC-accredited).

This alternative construction method offers:

- excellent performance (energy, insulation, greater fire resistance than concrete);
- an optimised carbon footprint compared with traditional concrete construction;
- a clean building site (waste reduction and re-use); and
- an environment conducive to workplace well-being (thanks in particular to improved acoustic performance).

The Nexity group has also set itself CO_2 emissions reduction targets: for the Commercial real estate division, the target is to reduce emissions by 21% (in tonnes of CO_2 equivalent per square metre of floor area delivered) between 2015 and 2030 (see Section 5 of this Registration Document, "Corporate social responsibility").

The proportion of speculative rental investment took off again, reaching 61% – a sign that investors are beginning to anticipate a shortage of high-quality supply in the rental market (source: CBRE). With new orders for commercial space corresponding to 110,800 sq.m, the backlog amounted to €544 million in revenue at 31 December 2016, up from €487 million a year earlier.

In 2016, the Group delivered 15 projects totalling about 77,850 sq.m, including 74,100 sq.m of office space and 3,750 sq.m of logistics and other industrial space.

1.5.2.1 Growth strategy for the Commercial real estate division

In a structurally sound but cyclically affected commercial real estate market, the Group's aim is to grow its market share, essentially in France and through the following actions:

- focusing development efforts on:
  - securing prime real estate within the city of Paris and its inner suburbs for office buildings, and in the northern Paris region and Rhone valley region for logistics facilities,
  - stepping up prospecting activity among investors with a view to helping them restructure their obsolete properties,

  - relationships with end-users, particularly such that investors may be offered "safe" projects (i.e. those with total or partial pre-leasing), highlighting the know-how acquired in carrying out complex operations and the ability to offer innovative, value-sharing solutions,
  - expanding operations in regions other than Paris via specially adapted products (Ywood and Térénéo for timber-frame office buildings),
  - diversifying its product offering by developing retail premises and hotels, and
  - more broadly, closely monitoring clients' changing behaviours and new ways of working;
- strengthening and accelerating research and development initiatives so as to offer innovative products (such as office space with building expense guarantees) and products suited to the new requirements of users (by researching innovative solutions with operators and experts from across the real estate sector through collaborative "User culture and real estate performance" workshops). Collaborative workshops have brought together many businesses since 2012, looking at a wide range of topics such as users' well-being and comfort, new workspaces, expense management, services and digital technology);
- integrating the strictest energy efficiency standards to meet demand from large investors; and
- maintaining a rigorous risk management and cost control policy.

1.5.2.2 Group products and markets by geography

Office developments

Nexity draws on its extensive experience in commercial real estate to offer its clients a broad and well-rounded range of services, covering everything from the construction of towers at La Défense to the development of office space in suburban business parks. The development of wood-frame office solutions under the Ywood and Térénéo brands complements the Group's offering.

Over the past three financial years, the Group has delivered 125,900 sq.m of new office space in the Paris region, including 17,700 sq.m on land secured through Nexity's urban regeneration programme (Villes & Projets). The Group has also delivered 29,600 sq.m of renovated office space in this same region.

Over the same period, 49,500 sq.m of office space were delivered in other regions of France, including 19,600 sq.m of wood-frame offices delivered by Térénéo in the Lille region.

Logistics and industry space

The Group has been developing logistics facilities (warehouses) and industrial parks (including production buildings, factories, workshops and laboratories) since 2000. After expanding primarily in and around the Rhone river valley, business has in recent years shifted back toward the Paris region.

Retail premises and hotels

Alongside its office building projects, the Group develops retail and hotel premises for its clients.

Business outside France

Due to challenging local market conditions, the Group's Commercial real estate business outside France is now limited to monitoring developments in the markets where it maintains a presence in connection with its residential real estate development activities.

1.5.2.3 Project portfolio

The Group has a portfolio of 832,300 sq.m of projects underway or at the planning stage, including 281,900 sq.m of long-term value enhancement through its urban regeneration programme (see Section 1.5.4 of this Registration Document, "Urban regeneration (Villes & Projets)") and 550,400 sq.m currently under construction, development or structuring phase in the Commercial real estate division. This category encompasses as yet undelivered projects for which an agreement with an investor or end-user has been reached and/or a promise to sell/purchase (under certain conditions) has been signed.

PORTFOLIO OF DEVELOPMENTS AT 31 DECEMBER 2016

(sq.m)	TOTAL	o/w Commercial real estate	o/w Villes & Projets
Offices	459,800	339,800	120,000
Logistics / Industry	346,300	198,900	147,400
Retail / Hotels	26,200	11,700	14,500
Total	**832,300**	**550,400**	**281,900**

The Group has a portfolio of 339,800 sq.m of office projects underway or at the planning stage (excluding urban regeneration projects). The main projects marketed in 2016 were as follows:

- delivery of two office buildings of 6,800 sq.m and 16,600 sq.m in Versailles (Yvelines) as part of the Versailles-Chantiers development: one through a VEFA off-plan contract and the other through a CPI development contract;
- construction of a new mixed-use building in Clichy-la-Garenne (Hauts-de-Seine) consisting of a 5,700 sq.m hotel and 9,700 sq.m of office space through two VEFA off-plan contracts with dual HQE® (rated excellent) and BREEAM (rated very good) certification; and
- renovation of an office building (18,200 sq.m) in Rueil-Malmaison (Hauts-de-Seine), with dual HQE® (rated excellent) and BREEAM (rated very good) certification.

1.5.2.4 Project types

The overwhelming majority of the projects Nexity completes are pre-sold before it purchases the land involved. For these projects, the Group uses two distinct types of legal instruments:

- VEFA off-plan contracts, in which it sells a building as well as the land on which that building will be constructed; and
- CPI development contracts, which are similar to VEFA contracts except that the investor already owns the land and the Group simply builds on it.

Under both the VEFA and CPI frameworks, the Group bears the construction risk insofar as it undertakes to complete the work at a certain cost and within a certain time frame.

The Group is also involved in projects with delegated project ownership (*Maîtrise d'Ouvrage Déléguée* – MOD). These are fee-based consulting services that carry less risk than CPI agreements, in particular because they include no price guarantee.

Under special circumstances, the Group may carry out what are known as speculative or semi-speculative projects, in which it acquires land and begins construction work on a building before finding an investor (speculative project or *opération en blanc*) or with only a future end-user secured on a rental basis, but no investor as yet (semi-speculative project or *opération en gris*). Speculative projects place considerable risk on the developer, who bears both the construction risk for the building and the business risk involved in finding a buyer. The Group only launches speculative construction projects on a highly exceptional basis.

1.5.2.5 Project procedures and risk management

The average project life cycle lasts around three to five years and includes the following phases:

- searching for and securing land, planning, and structuring the project with the investor: 6 to 12 months;
- obtaining the required permits: 9 to 12 months;
- construction: on average 18 to 24 months (for office buildings) or 6 to 12 months (for logistics); and
- defects liability period: 12 months with effect from delivery (including a contractual 3- to 6-month period for completion of outstanding work).

All financial commitments for commercial real estate purposes must receive prior validation from the Group's Commitments Committee.

To manage its operational risks as effectively as possible, the Group applies the following principles:

- generally securing land for purchase on the conditions precedent that the necessary permits be obtained and satisfactory soil quality assessments performed, with the right to withdraw in return for an option fee usually amounting to 5-10% of the land value;

- limiting speculative projects, or *projets en blanc* (see Section 1.5.2.4 of this Registration Document, "Project types") to exceptional cases in which the Group deems the business risk involved to be low, particularly with opportunities presented by attractive property prices or exceptional geographic locations;
- following the risk control procedures defined centrally by the Group's Finance and Legal departments, including monitoring each project's total budget on a quarterly basis; and
- for office buildings, retail space, or hotels, incorporating project consultants (*assistants à maîtrise d'ouvrage*) with technical expertise into each project team, particularly to monitor construction costs on an ongoing basis.

The Group generally awards separate work contracts by trade, assigning different parts of the job to companies specialising in different building trades, in order to optimise costs while also ensuring the quality of the work. A project's technical specifications or the need to hedge work costs may also lead Nexity to award a single work contract (where one contractor gets the entire project).

Projects undertaken under VEFA are generally broken up into four successive phases (planning, set-up, construction and the defects liability period), the most important features of which are presented in the sections that follow. Projects undertaken under CPI agreements have the same overall features except that the Group does not have to purchase the land where the building will be built, as it already belongs to the client.

For developments undertaken outside France, the framework outlined above is adapted locally as needed, in particular from a legal standpoint.

Planning phase

During the project planning phase, the Group generally starts by finding the land (usually through site developers). It then designs the project, has it validated by the Commitments Committee and takes the first step towards securing the land with a reservation agreement.

For planning purposes, the Group entity undertaking the project also uses this first phase to select its partners for the job, i.e. the architect, legal counsel, contractor, design office, oversight firm, and health and safety coordinator (*Sécurité et Protection de la Santé* or SPS) who will help define the project (initial drawings by the architect) as well as calculate the figures involved (construction cost estimate by the contractor, for comparison with estimates provided by the Group's departments).

On the business end, project planning mainly consists of market surveys that will confirm the rental value of buildings marked for construction and determine a project's capitalisation rate (profitability) so as to appraise its economic feasibility given the estimated construction costs.

Set-up phase

Projects that make it through the planning phase then enter the set-up phase, which starts with the securing of land through purchase options. As part of its risk management policy and barring some occasional exceptions, the Group agrees to purchase land only if it obtains the final permits needed to undertake the project and completes studies of the property, in particular to rule out any pollution. In certain cases the Group also ensures that the purchase agreement includes a condition precedent of successful sale that releases it from any obligation to buy the land if the project is not sold to an investor or end-user based on specifically agreed terms.

At this point the Group offers the project to one or more investors. The Group then signs an agreement promising to sell the prospective investor the building planned for construction. This agreement contains terms delimiting the price of the building and, in most cases, the same conditions precedent (except for that of successful sale) as the Group's original agreement to purchase the land.

As soon as the necessary permits are obtained, the Group:

- puts in place any bank financing needed for the project (see Section 1.5.2.7 of this Registration Document, "Project financing");
- takes out the necessary insurance policies (civil liability, building damage insurance including *dommages-ouvrage* and a builder's all-risks policy);
- signs the definitive land purchase deed; and
- signs the definitive CPI or VEFA deed with the investor.

Construction phase

Subcontractors and suppliers

The construction phase of the project begins with a request to open the worksite and the hiring of subcontractors and suppliers under separate trade-based contracts (or sometimes under a single contract), of which there may be up to forty for a large worksite. The building contractor the Group designates is highly involved at this stage, coordinating all of the subcontractors at the worksite, managing the construction schedule, verifying and monitoring the subcontractors and validating the work reports prepared by them each month (thus providing a basis for tracking work completion and making payments).

The Group does not have any exclusivity policies with specific subcontractors or suppliers. However, it enjoys privileged relationships with certain contractors and suppliers that satisfy its qualitative and financial criteria, and the Group consults them regularly for bids. Depending on the number of development projects in a given year, the leading supplier may potentially account for a significant portion of the Group's commercial real estate expenses that year. The Group verifies the financial soundness of the subcontractors and suppliers it hires as well as their financial and human resources capacity to meet their obligations (in light of the subcontractor or supplier's size in relation to the project). Nexity also closely monitors employment conditions for on-site personnel to ensure than they are legally compliant.

Environmental management and preventing disturbances

During works, the Group applies "low-impact construction site" standards as laid down in the HQE®, BREEAM and LEED standards. In particular, construction sites are subject to requirements governing waste management, sorting and recovery. Likewise, a procedure for the regular monitoring of water use at construction sites is implemented by Nexity for all Commercial real estate division projects seeking certification under HQE®, BREEAM and/or LEED. Lastly, measures to limit noise pollution are applied at all of the Group's construction sites.

Delivery

At the end of construction, certain procedures are carried out prior to the subcontractors delivering the work and the building being handed over to the investor. Once the building has been handed over to the investor, the investor files a delivery acceptance report listing any outstanding defects in the work.

Post-delivery period

During a contractual period of three to six months following delivery of the building, the Group undertakes any outstanding work needed to reach final completion based on the investor's delivery acceptance report.

In accordance with applicable regulations, the investor benefits from a perfect completion warranty and a proper operation warranty covering defects noted in the year following the building's delivery. The Group also obtains a certificate of compliance during this period.

1.5.2.6 Operational organisation of the Commercial real estate division

The Group's Commercial real estate business is organised around teams consolidating the different specialities in France, and around local subsidiaries outside France.

In France, the Group's Commercial real estate business encompasses the development of office space, hotels, logistics facilities and other industrial space. It also includes the development of wood-frame office buildings. Such an organisation enables the Group to segment its offering.

Since the market is concentrated in the Paris region, most employees are based at the head office in Paris. Regional establishments in Lille, Lyon and Marseille help take a hands-on approach to local business development, particularly regarding the development of wood-frame office buildings (Ywood/Térénéo). To find customers and obtain permits, the Commercial real estate division also takes advantage of synergies with the Residential real estate divisionResidential real estate division's regional development subsidiaries, which have denser territorial coverage in France.

The Group develops some of its projects jointly with other real estate developers or major construction companies. The Group may decide to co-develop projects as part of a marketing strategy to increase its chances of being selected for a project, or as part of a risk-sharing effort.

These ventures generally take the form of partly owned special-purpose companies created specifically for a given construction job.

Of the 249,400 sq.m of commercial real estate delivered in France over the past three financial years, approximately 35% was developed in partnership with other developers.

1.5.2.7 Project financing

The breakdown of costs by type varies considerably from one project to another. In general, construction makes up more than half of VEFA costs and more than two thirds of CPI costs.

The financing of projects depends on the timing of payments from investors. For VEFA or CPI projects, after making a down payment upon signing the contract generally amounting to 10-20% of the project's price, investors settle the remainder either by instalments as the project progresses or as a lump sum upon delivery.

When the investor pays the full price (excluding the initial down payment) upon delivery of the project, the project is funded with bank financing set up specifically for it, most often in the form of credit facilities. This bank financing is generally secured by assigning the bank the proceeds from the first demand guarantee required as a general rule from the investor to ensure payment of the purchase price, and by the Group ceding to the bank the receivables to which the Group is entitled under its contract with the investor (*cession Dailly*).

When the investor pays by instalments on a percentage-of-completion basis, it is generally not necessary to obtain bank financing except to deal with certain cash flow discrepancies requiring temporary credit facilities.

1.5.2.8 Warranties given by the Group

Completion bonds

As part of any project carried out under a VEFA or CPI agreement, the Group provides a financial completion warranty similar to that required by the regulations applicable to the VEFA off-plan contracts entered into by the Residential real estate division. The ten-year warranty and proper operation warranty also apply to commercial real estate developments (see Section 1.8 of this Registration Document, "Legislative and regulatory environment").

Rental guarantees

The Group sometimes provides a rental guarantee to investors who request it, pursuant to which the Group guarantees, for a limited time, some rental revenue on the real estate asset purchased from it by the investor, or, if necessary, a reduction of the sale price by an equivalent amount.

To limit the risks involved, the Group generally caps the amount of a rental guarantee at no more than one year's rent (including building expenses) and manages the search for potential tenants through specialised real estate agents such as Nexity Conseil et Transaction, BNP Paribas Real Estate, Jones Lang LaSalle or CBRE.

Rental guarantee conditions are carefully negotiated and precisely defined, particularly with regard to:

- the amount covered by the rental guarantee (rent and building expenses);
- the type of tenants that the investor will have to accept and the rent levels at which the property may be leased; and
- the conditions for terminating the guarantee, which require that one or more potential tenants be found, but do not cover their solvency or adherence to lease clauses.

The cost that would be incurred if the rental guarantee were called upon is systematically incorporated into the project budget, which allows the Group to forecast two different profit outcomes depending on whether or not the guarantee is exercised.

1.5.3 Services

Nexity is a major player in the real estate services sector in France (and occasionally operates in certain other European countries) serving all client segments – individuals, family ownership groups, institutional investors and companies – with activities in the following areas:

- real estate services to individuals, including all property management services (condominium management, rental property management, sales and lettings), whether they be owner-occupiers, investors or tenants, provided throughout France thanks to the coverage offered by the Group's network of local agencies. Nexity is France's second-largest provider of property management services for individuals;

- real estate services to companies, specialising in the management of portfolios of residential properties, offices or other business premises (commercial property management);
- real estate services to large private investors, including family-owned groups, to whom the Group offers a range of tailored real estate services for managing and optimising the value of their real estate assets, as well as institutional investors, for whom the Group arranges bulk or unit sales of properties in their portfolios;
- comprehensive real estate services offered by Nexity Conseil et Transaction to commercial users and owners seeking to lease or sell, make further investments or optimise their real estate assets (including office space, logistics facilities, retail premises, etc.); and
- student residences: under the Studéa brand, Nexity offers solutions meeting the specific requirements of students and career starters while managing residences and providing rental income to investor-owners under long-term leases.

Following the 2015 sale of its Swiss commercial property management business, the Group's European presence outside of France is limited to Belgium and Poland.

At end-2016, the Group's Services business was managing 898,000 residential units (including 36,400 outside France), consisting of 172,200 rental units and 725,800 condominium units, together with 12.3 million sq.m of commercial space.

Nexity's services policy helps ensure that the Group is able to offer its clients appropriate, responsible solutions to improve cost control, asset management, energy optimisation and comfort: the Energy Performance Contract (CPE) for condominiums, the Occupancy Cost Guarantee and Energy Performance Guarantee (GPE), and the Attractiveness Index for office buildings.

Growth strategy for the Services division

In a market supported by structural growth factors (population growth in France, lifestyle changes, regulatory developments, gradual changes in the uses of real estate, a significant challenge to carry out energy-efficient renovation work, etc.) and with a highly recurring income stream, the Group's aim is to grow its market share through the following actions:

- continually improving its services, developed in cooperation with clients;
- increasing the perceived value of its services by ensuring that clients are satisfied and remain loyal;
- enhancing the client experience by capitalising on Nexity's expertise in all its business areas and its ability to propose innovative solutions;
- differentiating itself through its transparent sales strategy and pricing policy, and through the digital transformation of Nexity's service businesses, so that it can offer innovative products that meet clients' emerging needs;
- strengthening the Group's presence in the market for serviced residences (student residences with Nexity Studéa and senior independent living facilities through the partnership with Ægide-Domitys); and
- securing external and partnership-based growth in a business that is becoming increasingly industrialised.

1.5.3.1 Real estate services to individuals

In this business line, the Group's areas of expertise run the full gamut of services dedicated to individuals, whether they are owners or tenants, providing them with long-term support as their real estate needs evolve.

Numerous business digitisation projects were implemented in 2016, such as:

- Mobility: a virtual building tour application;
- EPC *Intéractif* and Connect'in: client request management tools;
- Locat'in: a tablet-based tool for carrying out paperless property inspections, with legally valid signatures; and
- E-sip Manager: a portal for managers to monitor sales performance.

Managing agent services for condominiums

The range of services provided by the Group's managing agents on behalf of condominium property owners aims to:

- ensure that all communal facilities and equipment work as they should;
- see to it that common areas in buildings are well maintained;

- ensure that condominium maintenance expenses are well managed and under control; and
- monitor regulatory developments and changes in safety standards.

Energy efficiency

Since 2012, Nexity has been actively committed to upgrading condominium energy efficiency in order to provide its clients with practical solutions. Controlling expenditure, enhancing value and maximising comfort are important social and economic challenges. In 2015, Nexity formally affirmed its commitment by signing the official French charter on the energy-efficient renovation of condominiums, launched in line with the recommendations of the *Plan Bâtiment Durable*, France's sustainable building plan.

The Energy Transition Act, published in August 2015, strengthens Nexity's commitment to its objective of effectively supporting condominium owners through this process.

Awareness of the importance of energy renovation

To raise awareness among its clients, for several years now, the Group has carried out an information campaign on energy renovation in condominiums (including meetings, posters, brochures, videos and newsletters to condominium boards). Nexity stepped up its communications by creating a dedicated energy renovation page on its website.

Nexity is innovating by developing special tools; in 2014, for example, it rolled out a condominium energy assessment system. The purpose of this tool, intended for condominiums with shared heating, is to raise co-owners' awareness of their building's energy efficiency. It encourages users to run an energy performance diagnostic (DPE) or energy audit (depending on the characteristics of the condominium), which is the first step towards planning energy renovation works. Using the tool, Nexity condominium managers can immediately carry out an energy assessment of the condominium by providing just a few details. The tool generates an informative overview presenting the condominium's energy assessment, which is given to the condominium owners.

A significant number of analyses were carried out at condominiums managed by the Group, enabling it to compile summary data and communicate in 2015 on the consumption trend observed for heating and hot water (in the H1 climate zone – the coldest region, located in northern and eastern France) for buildings built before 1948 and between 1948 and 1974.

At the same time, as an operator committed to the energy renovation of condominiums, Nexity continued its commitment to work with the Paris Climate Agency (*Agence Parisienne du Climat* – APC) to develop its CoachCopro® online platform. This support is currently offered to condominium owners and managers in Paris and its inner-ring suburbs, and is gradually being extended to other regions of France such as the *département* of Ain, the Brest metropolitan area, the Bordeaux metropolitan area, Burgundy, Upper and Lower Normandy, the Nantes metropolitan area and the Rhône-Alpes region.

Energy renovation projects

In order to put together the comprehensive range of services its clients want, Nexity has launched specific energy-efficient renovation projects to gain expertise and experience in optimum project solutions and sources of financing.

As such, the Group's teams support condominium owners at every stage of a project (from awareness-raising and diagnostics to renovation solutions and financing plans). Through this type of support, the Group has been able to propose certain condominium renovation solutions that have made it possible to achieve energy savings ranging from 30% to 60%, with financing plans including up to 90% collective and individual financial support (depending on co-owners' income).

In 2016, Nexity was also involved in the *Éco-Rénovons Paris – Objectif 1000 Immeubles* programme, set up by Paris City Council in partnership with the national housing agency (*Agence Nationale de l'Habitat*) and the Paris climate agency (*Agence Parisienne du Climat*).

Led by operators Soliha and Urbanis, the aim of the project is to encourage energy efficiency renovation for private dwellings, reduce their environmental impact and combat fuel poverty.

Five condominiums managed by the Group, which were selected in response to the first call for applications, will benefit from free project management and, subject to eligibility criteria, subsidies payable to their condominium associations for both the design and construction phases.

Innovative solutions

Nexity is always looking for innovative solutions to reduce condominium energy costs.

In 2016, Nexity worked with start-up Stimergy to roll out an innovative solution: the digital boiler.

Inspired by the circular economy, it produces domestic hot water using heat recovered from computer servers, thus limiting energy consumption. The system can meet 30-60% of a shared residential building's domestic hot water requirements.

Since April 2016, 110 students at a Nexity Studéa residence in Grenoble have had the benefit of a digital boiler – France's first condominium property to be so equipped. Over the past six months of operation, it has met 20% of the residence's domestic hot water requirements.

Energy performance contract

Nexity offers an Energy Performance Contract, which aims to deliver a guaranteed 40% reduction in a condominium's heating consumption over a six-year period.

Financing energy renovations

Nexity helps its clients determine which financing solutions are best suited to improving their property's thermal performance. To this end, the Group is working closely with banks as it continues to consider how best to roll out innovative financing solutions (such as third-party financing, increasing building density and adding height to buildings).

Rental property management services

The Group's property management professionals look after the real estate assets of individual investors, providing a complete package of services to meet their objectives in terms of value enhancement, secure rental income and optimal return on investment:

- tenant selection;
- negotiation of leases;
- collection of rental payments and service charges;
- technical, logistical and legal assistance;
- regulatory and safety standard monitoring; and
- guarantees against loss of rental income due to tenant non-payment, property damage or vacancy periods.

In 2016, two new management contracts were created: the "security" management contract (*mandat sécurité*) for existing properties and the "peace of mind" management contract (*mandat sérénité*) for new properties. In both cases, the client is offered a management contract that guarantees income if the property is vacant, rent is unpaid or no tenants are found when the property is first offered for rent.

Lastly, management teams are structured so as to capture the largest possible number of rental management contracts as soon as a new residential property is reserved.

In 2015, Nexity launched online rental management (known as *E-gérance*), the first fully digital rental management offering under contract.

Lettings

Working in close collaboration with the Group's rental property management teams, this service handles all aspects of the letting process. This includes arranging visits, drafting lease agreements, carrying out property inspections and taking care of administration.

Brokerage

The Group's brokerage specialists assist with all aspects of property sales or acquisitions: property viewings; placing advertisements and putting sellers in touch with buyers; complying with all regulatory requirements whether related to technical, legal or administrative issues; drafting provisional sale agreements and following the sale through to completion.

Student residences

Nexity's serviced student residences were created to meet the needs of students whose studies require them to live in a city, either temporarily or over the long term. These modern, furnished residences make daily life easier for clients, allowing them to live and work comfortably in apartments conveniently located close to campuses in France's leading university cities.

For each new student residence, which the Group manages under the Studéa brand, the Group now commits, in accordance with the Pinel Act, to a fixed ten-year term under a commercial lease agreement. The Group thus leases each property for ten years from its investor-owner, who receives guaranteed rental income over this entire period; it then becomes a lessor, sub-letting the furnished property to a tenant found by the Group. However, residences that entered into operation before the implementation of the Pinel Decree are not affected; their nine-year lease terms remain valid.

1.5.3.2 Ægide-Domitys

Nexity strengthened its strategic partnership and now has a 45.16% stake in Ægide, with the remaining shares held by the company's three founding executives.

Founded in 1999, the Ægide group builds, owns and markets senior independent living facilities. The Ægide group develops and operates its residences. These residences are directly operated by Domitys SAS, a company wholly owned by Ægide SA.

Over the past three years, the Ægide group has brought 36 projects to market, including 7 in 2016, representing over 4,300 residential units. Of these 36 projects, 15 were co-developed with Nexity.

At end-2016, Ægide had 1,565 employees and operated 59 residences for a total of nearly 7,000 housing units.

Ægide is accounted for in the Group's financial statements using the equity method. Nexity has two seats on Ægide's board of directors, which has six members.

1.5.3.3 Real estate services to companies

In this business line, the Group offers companies, institutional investors and public and para-public bodies a full range of services covering every stage in a building's life cycle, from advisory services for those planning to acquire properties, to the management of real estate assets possibly including either unit or bulk sales and, where applicable, condominium management. Whether the aim is to hold or sell, renovate or rebuild, make marginal changes to a building's usage or entirely repurpose the premises, improve the main structure of the building or reconfigure all liquid-based heating and cooling systems, Nexity's teams of experts in real estate services to companies work hard to find solutions to all problems raised.

Rental management

The Group's rental management professionals look after institutional investors' full range of real estate assets, providing a packaged solution designed to constantly optimise the return on those assets in terms of both rental income and capital growth through a dynamic range of services focused on tenant satisfaction in line with owners' interests:

- negotiation and signing of leases;
- property inspections (at the beginning and end of tenancies);
- verification of legal and financial aspects of lease terms and conditions;
- monitoring tenants' compliance with requirements;
- account administration for properties;
- maintaining service charges at appropriate levels and monitoring adherence to budget;
- quality assurance plans and key performance indicators;
- customised financial and business reports;
- building attractiveness studies; and
- managing environmental annex-related matters.

Technical management

The technical management of a building involves a well-planned, structured and comprehensive approach using Group tools such as PQI (*Plan Qualité Immeuble*, for building quality assurance) and a collaborative system for

managing service requests, maintenance planning, regulatory services and controls, managing metering and other building operations-related data, and document-sharing. The Group's end-to-end property management offering includes the technical services required to manage operations at properties, perform physical inventories, control operating costs including those relating to utilities and fluids, and draw up and implement multi-year works plans.

Management of property portfolios for users, government and quasi-governmental agencies

This business, which supports the Group's real estate divisions, includes in particular the following:

- searching for locations;
- optimising occupancy;
- space planning;
- lease management;
- management of internal billing;
- technical management;
- managing services to occupants;
- providing assistance for transfers;
- selling properties; and
- managing works and general contractor activities.

Works encompass the redevelopment, renovation and restructuring of buildings of all sizes.

Types of involvement range from project owner assistance to general contracting, including delegated project ownership.

Managing safety

Guaranteeing the safety of people and property is a fundamental part of managing real estate assets. The Group's role in this area involves monitoring regulatory developments as well as safety and security conditions at each property, conducting on-site safety inspections and fire safety audits, training relevant personnel in fire safety and prevention requirements and providing safety agents for managed properties.

Insurance

Insurance management, another important area of expertise covered by the Group, entails assisting clients with implementing full completion warranties, conducting technical inspections, analysing property damage, negotiating and taking out insurance policies and filing claims.

Managing commercial condominium properties and shopping centres

This area of expertise involves services such as ensuring an on-site presence, keeping service charges under control, managing safety and providing administrative services for condominium owners and, in certain cases, running shopping centres.

Brokerage

The Group also provides brokerage services for property lettings or sales (of individual units or blocks of units) on behalf of business clients.

- **Residential real estate**: owners may decide to sell individual units in their buildings in order to secure the best prices. Thanks to its expertise in this area, the Group is able to offer assistance throughout the process:
  - in the preliminary phase, by preparing detailed reports on the property's sales potential (market and product surveys, provisional balance sheets) and completing pre-sale formalities (such as diagnostics, establishment of condominium status and legal recommendations);
  - during the selling process itself, in particular by managing relations with current tenants, who constitute the initial pool of potential buyers; and
  - by offering units for sale on an individual basis.
- **Commercial real estate**: the Group offers a full range of services to users and owners who wish to lease or sell, make further investments, or assess or optimise real estate assets, including office space, logistics facilities, retail premises, hotels and land parcels.

Other services and new tools

The Group operates in other business areas to round out its offering and provide services for end-users and investors, by forming partnerships built on an in-depth analysis of client requirements and expectations, thus enabling the Group to tailor its solutions through a shared quality-focused approach:

- facilities management: on-site assistance with the maintenance and upkeep of commercial buildings;
- consultancy: helping clients bring their plans to fruition by carrying out technical, regulatory, organisational and financial audits and drawing up specifications;
- E-solutions: providing web-based IT tools such as indicators and collaborative online portals for buildings;
- building works supervision and transfer management: this area of expertise, serving clients interested in renovating and outfitting their office space, encompasses space planning, drawing up specifications, managing invitations to tender, supporting project owners and providing guidance on transfers of undertakings as part of the occupant services offering; and
- technical solutions consulting for the real estate and construction sectors, providing property owners, construction project owners and real estate asset managers with high added-value technical solutions (technical expertise, assistance to construction project owners, renovation project management) and/or compensation-related solutions (assistance with claims management).

Occupancy cost guarantee

For its renovation and refurbishment projects, Nexity demonstrates its commitment to reducing occupancy costs and enhancing the value of property assets by working with selected partners to put in place occupancy cost guarantees and energy performance guarantees, involving a commitment concerning the building's future energy consumption.

In 2013, Nexity signed its first commercial property management agreement with an occupancy cost guarantee and an energy performance guarantee, for the Le Nuovo office building in the Paris suburb of Clichy (Hauts-de-Seine). The occupancy cost guarantee (excluding staff catering) was developed and put in place from the start of the design phase for this building, which was delivered in early 2016. The guarantee covers:

- all energy consumption, with the exception of lighting and private electrical outlets;
- water use;
- the maintenance of all shared fixtures and fittings;
- cleaning and upkeep of common areas;
- cleaning of façades;
- upkeep of green spaces; and
- comprehensive insurance.

Nexity's teams have revamped the conventional processes of commercial property management to establish a new organisational model and guiding principles for a committed occupancy cost guarantee of nine years.

The occupancy cost guarantee applies to all main management functions. It entails:

- closer ties between property managers and occupants, especially as regards energy efficiency;
- specific contractual arrangements with maintenance firms and other service providers;
- active, day-to-day involvement in technical management; and
- the release of a new version of a collaborative system developed by Nexity's commercial property management teams. The system will let users monitor meter data, share documents and manage user requests.

Sustainable development offering

Remote energy control systems

To effectively reduce energy consumption at buildings managed by Nexity, the Group puts in place energy management solutions (remote monitoring and management of energy).

Environmental certification

With a view to maximising value and extending the life of clients' portfolio assets, certification procedures have become a key part of Nexity's offerings. These procedures ensure better management and usage of commercial buildings, boosting energy and environmental performance.

Nexity helps its clients obtain and/or maintain various in-use certifications for their portfolio assets: HQE® Exploitation, BREEAM In-Use International and LEED EBOM (Existing Buildings: Operations and Maintenance). Nexity acts as an assistant to the contracting authority for green building status (AMO HQE in French), managing the end-to-end certification process. The Group is therefore well placed to meet clients' expectations by offering specialised solutions tailored to their needs and wishes that maximise the value of their property.

Collaborative platform to monitor environmental annexes

Nexity offers a collaborative platform that organises and structures reports for all involved parties (owners, managers, maintenance specialists and users) focusing on obligations arising from implementation of the environmental annex.

This collaborative platform lets users share modules over the internet, such as:

- a document-sharing system;
- a system for collecting data on resource use; and
- a scheduling system to plan future action.

Attractiveness indices

The commercial real estate rental market is becoming increasingly competitive. To optimise occupancy rates and prevent a decline in rental values, buildings really need to stand out.

The attractiveness index is a tool introduced by Nexity Property Management to analyse how sites are perceived by tenants, making it possible to highlight priorities to make a building more attractive and thus optimise its occupancy rate and rental value.

This method reflects the significance of the objective and subjective factors that influence tenants' choices (such as a building's characteristics, management and operating performance, energy and environmental performance and quality of on-site services). A total of 150,000 sq.m of office space has been analysed to date.

1.5.3.4 Operational organisation of the Services division

Real estate services to individuals

Property management for individuals

With 3,451 employees and a nationwide network of 228 local agencies, the Real estate services to individuals business a leader in the French market for individual property management. Its activities fall under three brand names: Nexity, Oralia and Bérard (with the latter only in Paris and the surrounding region).

To meet its clients' expectations, the Group draws on its key strengths:

- a strong, professional and stable management team;
- an ability to innovate so as to meet clients' expectations as fully as possible. This means innovating not just in technology but also in our organisation and marketing;
- transparent client communications, in particular via the leading French individual property management barometer, which clearly shows what condominium and management charges relate to;
- the professionalism of its staff, who receive significant training throughout the year to ensure they are always at the cutting edge in terms of skills and regulatory knowledge;
- digital tools offered to clients to remain in step with their lifestyles and behaviours;
- high value for money, with exclusive commitments within each business area and committed end-to-end support for every real estate project;
- a local presence throughout France, located close to managed assets, thanks to its network of agencies. The Group thus benefits from in-depth knowledge of the specific operators, properties and practices in each local market;

- transparency in client relationships, by providing clear and accurate legal and accounting documentation tailored to each client's situation and expanding the personalised content made available via each client's My Nexity page;
- innovation and offerings that set Nexity apart in the market, including an effective information system, a website serving as a genuine showcase for the Group's range of products and services, and numerous initiatives to promote sustainable development and corporate responsibility;
- a dedicated structure serving large, private investors such as family-owned groups. This department offers services tailored to each client's circumstances, including budget, cash flow and taxable income simulations, and assistance from a network of preferred experts, particularly for tax- and banking-related matters, focused on portfolio valuation and optimisation; and
- the creation of a key accounts team.

The Group's agencies manage a total of 861,600 residential units in France, for which they provide individual property management or managing agent services on behalf of their clients, which include owners, condominium owners and tenants. The Group is also active in the area of brokerage for residential properties, having completed 5,300 sales and 32,300 lettings in 2016.

In the Real estate services to individuals business, 77% of revenue was highly recurrent (46% for Nexity's activities in managing agent services and 31% in rental property management). The remaining 23% was attributable to other business areas, in particular brokerage for sales and lettings. In geographical terms, 38% of 2016 revenue from Real estate services to individuals was generated in the Paris region, with 62% generated elsewhere in France.

Student residences

With 253 employees at 31 December 2016, this subsidiary operates 125 residences representing almost 15,500 units. The Group operates Studéa residences in 56 cities throughout France, as well as three residences in Geneva and Lausanne (Switzerland) totalling 450 units. All the units within these student residences are furnished, ranging from single-room occupancy to studio or one-bedroom apartments, located close to city centres and/or educational institutions, offering services similar to those provided in hotels, including reception, housekeeping, breakfast, rental of household linen and dishes, as well as laundry services. These residences are intended for students and career starters. Four new residences were opened in 2016, in Paris (279 units), Lille (141 units), Perpignan (110 units) and Toulouse (34 units).

Franchise networks

Nexity controls two of the leading real estate franchise networks in the French market – Century 21 France and Guy Hoquet l'Immobilier – which have 793 and 424 agencies, respectively, for a total of 1,217 franchisees at 31 December 2016. In 2016, the 7,694 franchise employees signed 58,650 provisional sale agreements.

Nexity's strategy for coordinating its real estate franchise networks aims to drive business development by reinforcing the quality positioning of both networks and raising the professional standards of the services they offer.

Century 21 France

At end-2016, the 793 agencies of Century 21 France, the country's leading real estate franchise network, employed nearly 5,893 staff working in all the real estate professions: brokerage, rental property management and managing agent services for clients in the residential sector as well as brokerage for office space, retail and other business or industrial premises for clients in the commercial sector.

In 2016, 43,250 provisional sale agreements were signed through the Century 21 France network.

Naxos develops and distributes software for Century 21 agencies.

Guy Hoquet l'Immobilier

The Group holds a 95% stake in Guy Hoquet l'Immobilier, France's third-largest real estate franchise network, with 424 agencies staffed by some 1,801 employees at end-2016.

In 2016, 15,400 provisional sale agreements were signed through the Guy Hoquet l'Immobilier network.

Real estate services to companies

Commercial property management

At end-2016, Nexity Property Management (NPM) managed properties totalling 12.3 million sq.m in commercial space. The vast majority of assets under management (72%) are office buildings. The rest of the portfolio is composed of business parks, retail space and logistics facilities.

In 2016, 89% of revenue from this business line can be considered highly recurrent since it derived from rental property management (82% of revenue) and managing agent services (7% of revenue). The remainder (11% of revenue) comes from facilities management, structural defect insurance and brokerage.

The Group's commercial property management business has 495 employees, mainly based in the Paris region but serving all regions of France, with a network linking the major urban areas overseen by 20 regional offices.

Its clients are mainly French and foreign investors (insurance companies, banks, pension funds, public or para-public corporations, asset managers and international investment funds), key accounts and other government agencies and quasi-governmental organisations (public industrial and commercial undertakings, public land management agencies, etc.).

The Group is ramping up its construction works business (which includes project owner support, delegated project ownership and general contracting) and business relocation engineering services as well as developing collaborative web portals for key accounts or investors for their most significant assets.

Commercial real estate brokerage and advisory services

Through its subsidiary Nexity Conseil et Transaction (formerly Keops), which specialises in commercial real estate brokerage and advisory services, the Group had 134 employees in France in this business line at 31 December 2016 and completed more than 400 transactions during financial year 2016.

Nexity Conseil et Transaction mainly operates in the Paris region. In this market, sales and lettings totalling 189,100 sq.m (consisting of 111,600 sq.m of office space and 77,500 sq.m of industrial space, shops and other premises) were completed in 2016, representing more than 277 transactions. Nexity Conseil et Transaction also helped its clients place assets totalling nearly €712 million in investments in 2016.

Outside the capital, Nexity Conseil et Transaction has offices in Marseille and Lyon as well as two franchises based in Lille and Toulouse.

Real estate services outside France

The Group sold its Swiss commercial property management business in 2015, though it continues to have a presence in Switzerland through Nexity Studéa, which operates three student residences in Geneva and Lausanne. The Group also operates in real estate services in two other European countries:

- Belgium: with 58 employees and a portfolio of more than 16,650 condominium units for which Nexity serves as managing agent and 1,000 units for which Nexity provides rental property management services, the Group is now one of the leading firms in this sector in Brussels and Antwerp; and
- Poland: with a total of 74 staff at offices in Warsaw, Łódź, Wrocław and Gdańsk, the Group is one of the country's largest private property management operators, with a portfolio of nearly 18,750 condominium units for which Nexity serves as managing agent.

1.5.4 Urban regeneration (Villes & Projets)

1.5.4.1 Urban regeneration

Villes & Projets supports local authorities in their urban development projects, from design to delivery.

Serving as a genuine liaison between the various stakeholders involved in urban development, Villes & Projets adopts a long-term strategy encompassing all aspects of these projects:

- conducting preliminary project studies and entering into partnerships with local authorities or major landowners;
- acting as project owner for major urban planning and regeneration projects; and

- coordinating and managing real estate development expertise, particularly for large, complex projects involving a diverse range of products.

In this manner, through its subsidiary, Nexity is positioned as both an urban developer and project manager for urban regeneration, thereby also constituting its medium- and long-term construction portfolio for all its development subsidiaries in residential and commercial real estate.

Nexity develops know-how and expertise in sustainable development that go above and beyond technical subjects related to buildings. Thanks to the complementarity of its business lines, the Group is able to apply a cohesive real estate development strategy that takes into account regional, economic, social and environmental considerations to contribute to the sustainable use of local land as a green value source, rebuilding cities within their existing limits and redensifying city centres, often by reappropriating former industrial sites located there.

When preparing its proposals for submission to local authorities and major landowners, Nexity ensures that the issue of sustainable development is always covered and offers concrete technical solutions tailored to the district or region in question. This approach meets – and sometimes anticipates – local authorities' growing demand for sustainable urban planning solutions.

In 2016, Nexity secured a role in the Grand Paris regional development project, winning contracts for the first two stations in Bagneux (Hauts-de-Seine) and Créteil l'Échat (Val-de-Marne).

1.5.4.2 Arranging and structuring development projects

Villes & Projets takes part in urban development projects from their earliest stages. Its project teams bring together all the skills and expertise needed for design and execution. These teams, whose composition varies depending on the type of properties involved (homes, offices, retail premises, hotels or business parks) may also enlist the services of external partners with specific expertise (such as urban planners and engineering firms).

Site planning projects

Once the project has reached an advanced stage, the Group sets up a special-purpose entity to acquire land rights, carry out preparatory works and resell construction rights to the Group's real estate development companies or to third-party operators designated by the local authorities (social housing operators in particular).

Major urban projects

Villes & Projets uses urban planning techniques to design and structure complex real estate projects. In these cases, implementation (project ownership) is left to the relevant development subsidiaries.

1.5.4.3 Land development potential

The Group is currently developing nine urban projects with a total potential floor area of 531,500 sq.m. At end-2016, 66% of these projects were located in the Paris region, with the remaining 34% elsewhere in France.

A total of 111,300 sq.m was marketed in 2016, bringing the amount of space marketed since the founding of Villes & Projets to 895,500 sq.m.

In 2016, the Group acquired land in Versailles (Yvelines) to develop office and residential programmes and signed a commitment to purchase land in Bordeaux (Gironde) with a view to delivering a mixed-use co-development programme.

Portfolio exits in 2016 mainly related to the following projects:

- Saint Priest (Rhône) – ZAC Berliet: resale of 14,100 sq.m of commercial development rights within the business park.
- Montreuil Acacia (Seine-Saint-Denis): continued marketing of the first residential development rights for the ZAC mixed development zone: 12,300 sq.m.
- Marseille (Bouches-du-Rhône) – *Docks Libres*: marketing of the final tranche of residential space equating to 29,700 sq.m of development rights; and
- Versailles (Yvelines) – Versailles-Chantiers station: marketing of development rights for the residential tranche (21,200 sq.m) and the office tranche (22,300 sq.m).

The following table summarises the programmes in the portfolio:

Name	Locality	Total floor area in sq.m*	Floor area in sq.m for residential units*	Floor area in sq.m for commercial units*
Paris-region portfolio				
Alstom site	Saint-Ouen (Seine-Saint-Denis)	146,100	89,500	56,600
Quartier de la Gare	Ermont-Eaubonne (Val-d'Oise)	9,100	-	9,100
La Friche Guitel	Le Pré-Saint-Gervais (Seine-Saint-Denis)	7,000	-	7,000
Chemin de Paris	Nanteuil-le-Haudouin (Oise)	32,700	-	32,700
Asnières PSA	Asnières-sur-Seine (Hauts-de-Seine)	85,000	45,000	40,000
ZAC Boissière Acacia	Montreuil (70% share) (Seine-Saint-Denis)	50,400	46,300	4,100
Land	Le Blanc-Mesnil (Seine-Saint-Denis)	22,000	22,000	-
Subtotal		**352,300**	**202,800**	**149,500**
Other regions of France				
ZAC Berliet	Saint-Priest (Metropolis of Lyon)	108,700	10,400	98,300
Belvédère	Bordeaux (Gironde)	70,500	36,400	34,100
Subtotal		**179,200**	**46,800**	**132,400**
Total		**531,500**	**249,600**	**281,900**

** Floor areas are provided for information purposes only and may be subject to adjustment once administrative authorisations have been obtained.*

1.5.5 Participation in real estate investment projects

The Group acquires interests in club deals with other investors who have together formed a special-purpose entity to carry out value-creating real estate development projects (whether for new-build properties or major redevelopment projects), in which the Group's development subsidiaries participate. Office space remains the main target asset class. In some cases, the Group might secure ownership of a high-potential development before subsequently opening it up to other investors.

At 31 December 2016, the Group thus held investments in three office development projects in the Paris region, broken down as follows:

Investments	% held	Total usable floor area (sq.m)	Acquisition date	Type of investment
SAS Neximmo 89 – Boulogne-Billancourt	100%	4,000	June 2013	Office complex
Melisande Invest – Boulogne-Billancourt	40%	1,700	June 2015	Office complex
SAS Lexin Alfortville	20%	16,700	June 2008	Office building (VEFA[(1)] purchase)

[(1)] VEFA: *Vente en l'Etat Futur d'Achèvement* (off-plan sale).

The total estimated acquisition volume for this portfolio is more than €75 million. The Group had €11 million of capital invested in these projects at end-December 2016.

1.5.6 Innovative businesses in the incubation phase and digital projects

1.5.6.1 Nexity Blue Office

Nexity's Blue Office business, launched in 2014, offers a network of next-generation working spaces managed and marketed by the Nexity Blue Office subsidiary to facilitate and coordinate remote working.

Blue Office premises have been designed as professional but user-friendly spaces, providing employees and self-employed workers with a comfortable environment conducive to concentration.

Each Blue Office offers a range of workstations suited to the needs of different users:

- a lounge area dedicated to co-working;
- shared offices for team working; and
- individual offices.

Alongside these areas, Blue Office offers secure WiFi connectivity, printing facilities and meeting rooms with videoconferencing equipment.

At end-2016, the Blue Office network consisted of five sites based in the heart of residential areas in the inner and outer suburbs of Paris: Alfortville (Val-de-Marne), Massy (Essonne), Maisons-Lafitte (Yvelines), Noisy-le-Grand (Seine-Saint-Denis) and Montigny-le-Bretonneux (Yvelines).

Blue Office sites are located near public transport facilities and major road routes so that they can be easily accessed from surrounding areas.

The Blue Office business forms part of the Group's innovation strategy, based on the following principles:

- flexible offerings: space can be booked by the day, week or month across the entire network;
- simple, flexible management powered by an online booking and payment platform; and
- located close to residential areas to optimise commuting times and thus help reduce client companies' carbon footprints.

Nexity Blue Office had more than 350 corporate users in 2016, including around 200 new users, generating revenue split equally between micro-enterprises and SMEs on the one hand and large firms on the other, the latter using Blue Offices to provide local working facilities for telecommuters.

1.5.6.2 Bien'ici

Bien'ici is a next-generation property listings website in which Nexity has a 40% stake alongside a consortium of real estate professionals (*Consortium des Professionnels de l'Immobilier*). Launched in December 2015, it had 5,800 member agencies at end-2016 and continues to receive a growing number of membership applications from professionals wishing to place paid listings.

1.5.6.3 Online rental management (*E-gérance*)

In 2015, Nexity launched a new offering in the area of real estate services to individuals: *E-gérance*, an all-digital rental property management solution (www.e-gerance.fr).

For a flat monthly subscription fee, *E-gérance* offers a secure and fully customisable online interface accessible 24/7, including via smartphones and tablets.

Each client has a personal account page where he or she can track payments in real time, communicate with tenants and access an online help function for day-to-day assistance with any legal or tax-related questions that may arise as well as a set of informational documents, all regularly updated in line with changes in regulations.

1.5.6.4 Digital projects

Aware of the growing importance of issues connected with digital transformation and social innovation, Nexity launched a new strategic plan at the end of 2014 named "Nexity Connects Everyone", which aims at once to:

- invest in new digital services designed to create value for its clients;
- improve connectivity for staff by equipping them with mobile tools;
- launch digitisation and paperless processing projects to facilitate improvements in service and cost management; and
- promote the development of a digital culture and a culture of innovation within the Group.

This strategic plan is aimed at bolstering and defending Nexity's competitive position (see Section 1.3 of this Registration Document, "Strategy").

In this context, thanks to its healthy cash position and borrowing capacity, Nexity has increased its investment in digital-focused innovation projects (the Group's results included €25 million in investment in this area in 2015 and €18 million in 2016) and intends to invest an average of €20 million a year in 2017 and 2018.

1.5.7 Financial interests

As part of the Group's innovation strategy, Nexity has invested in FPCIs (a type of French venture capital fund) to strengthen its ties with start-ups, working with two specialist management companies: Newfund Capital, which focuses on technology and the digital transition, and Demeter Partners, which focuses on the energy transition.

Nexity is also developing its expertise in direct investment in start-ups. In 2016, it acquired an equity stake in Spicesoft, which specialises in designing software and applications for managing office space.

1.6 COMPETITION

The Group is the only player in France to operate simultaneously in the areas of residential real estate, commercial real estate, real estate services, franchise networks, real estate product distribution networks, urban regeneration and real estate investment.

The Group believes that the key factors of success in the sectors of the real estate market in which it operates lie in the quality of its products and services; in its geographic coverage, which enables it to respond optimally to its clients' preferences; and in its managerial and operational organisation.

The Group does not currently have a versatile competitor with a significant presence in each of its areas of activity. It faces different competitors depending on the real estate market sector.

The table below shows the financial performance of France's leading players in residential and commercial property development:

	2016			2015			2014			2013		
(in millions of euros)	Revenue (excl. VAT)	Current operating profit	Order intake (incl. VAT)	Revenue (excl. VAT)	Current operating profit	Order intake (incl. VAT)	Revenue (excl. VAT)	Current operating profit	Order intake (incl. VAT)	Revenue (excl. VAT)	Current operating profit	Order intake (incl. VAT)
Nexity	**2,574**	**260**	**3,645**	**2,541**	**225**	**2,977**	**2,100**	**188**	**2,325**	**2,285**	**204**	**2,814**
Bouygues Immobilier [1]	2,568	167	3,292	2,304	138	2,845	2,775	174	2,895	2,510	178	2,406
Kaufman & Broad [2]	1,238	101	1,814	1,063	86	1,366	1,083	74	1,424	1,026	76	1,078
Altaréa Cogedim [3]	1,370	89	2,884	1,012	77	1,980	822	53	1,332	994	71	1,016
Icade Promotion [4]	1,005	56	1,115	956	38	839	1,246	64	788	1,092	72	784

[1] Order intake: reported exclusive of VAT by Bouygues Immobilier. Amount inclusive of VAT estimated by Nexity.
[2] Financial year differs from calendar year.
[3] Order intake: residential development only for 2013 (commercial order intake not disclosed by Altaréa Cogedim).
[4] Order intake: residential development only (commercial order intake not reported by Icade).
Sources: corporate press releases. Amounts based on each company's own methods of calculation.

1.6.1 Residential real estate

1.6.1.1 New homes

Numerous new-build residential real estate developers are active at both the national and regional levels. The largest of Nexity's national competitors are Bouygues Immobilier (which operates in the new homes market as well as the office space, shopping centre and hotel markets), Kaufman & Broad (active in the new homes market for individual houses in communities and apartments) and Altaréa Cogedim (which operates in the new homes, office space and retail premises markets).

The following table shows the number of reservations for France's leading residential and commercial property developers:

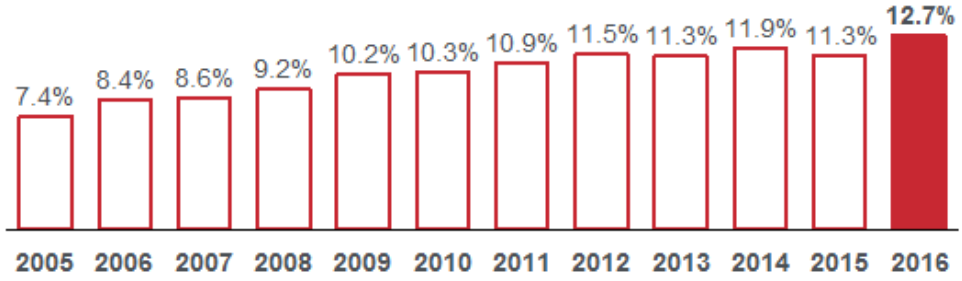
Residential [1]	2016	2015	2014	2013
Nexity (new homes)	**15,893**	**11,741**	**10,365**	**10,121**
Bouygues Immobilier	13,866	11,183	11,033	10,340
Altaréa Cogedim	10,011	6,011	4,526	3,732
Kaufman & Broad [2]	8,017	6,901	5,871	5,379
Icade Promotion	5,665	3,999	3,849	3,533

[1] Based on statements made by the companies in the absence of a shared methodology for determining these figures. Some of the Group's competitors include "residential unit equivalents" (subdivisions, retail space, etc.) in their figures, whereas Nexity applies a stricter definition.

[2] Financial year differs from calendar year.

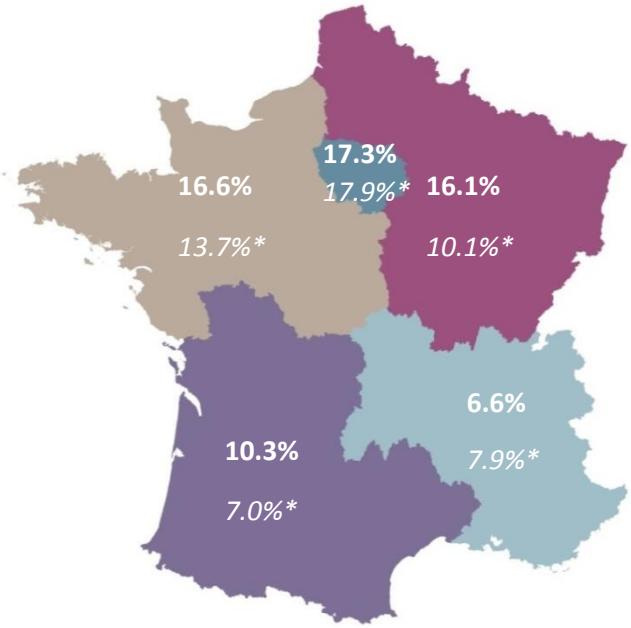
Source: company press releases.

Nexity's market share figures are calculated as a proportion of the total number of new home reservations booked in France, set out in Section 1.4.2 of this Registration Document, "Residential real estate market in France".



In financial year 2016, the Group's market share grew by 1.4 percentage points to an all-time high of 12.7%. Half of this increase was the result of organic growth (with Nexity's reservations growing at a faster pace than the market), and the other half was the result of external growth (with Edouard Denis joining the consolidated group with effect from 1 July 2016).

The Group increased its market share in most regions, with the exception of southeastern France (down 1.3 percentage points to 6.6%) and the Paris region (which was down 0.6 points, but where Nexity achieved its highest market share of 17.3%).



* 2015 market share figures based on data at 1 March 2017, published in *Enquête sur la Commercialisation des Logements Neufs* (ECLN, a French survey of new home sales).

In 2016, 119,000 new homes were put on the market, 16.1% more than in 2015. New supply grew more strongly in the Paris region (up 21.8%) than in the rest of France (up 14.2%). Nexity accounted for 12% of all units released onto the market in 2016 (down 0.4 percentage points relative to 2015), stabilising at a high level. This proportion decreased in the Paris region, after a particularly buoyant year in 2015. In the rest of France, for the first time since 2010 Nexity accounted for over 10% of all new homes released onto the market.

1.6.1.2 Subdivision

Through its Subdivision business (*Aménagements & Terrains à bâtir*), the Group is the number-one player in this market, with 2,518 reservations in 2016. Other national players (mainly Capelli, Procivis Immobilier, Francelot, Angelotti and Ataraxia) transact business at volumes well below those recorded by the Group. The site development and subdivisions market is highly fragmented. The remaining players not mentioned above are

either regional or local, with average annual new business volumes of fewer than 100 subdivision lots, or public operators such as publicly controlled companies (*Sociétés d'Économie Mixte*).

1.6.2 Commercial real estate

The commercial real estate market is more concentrated than the residential real estate market, especially in such highly technical areas as the construction of high-rise buildings, where Nexity has few competitors in France.

The market for new office space development is also characterized by large projects rather than ongoing activity. As a result, the various competitors' market share fluctuates significantly from year to year based on the number of square metres of projects for which construction is started.

The Group is one of the leaders in the Paris market along with Bouygues Immobilier, BNP Paribas Immobilier, Icade, Altaréa Cogedim and Vinci Immobilier, with market shares and rankings varying significantly from year to year based on large project starts.

Over the past ten years, Nexity's market share has averaged 8.5%, making the Group one of the leaders in the office space market in the Paris region (sources: Capem, Nexity).

1.6.3 Services

The real estate services market is highly fragmented. There are more than 50,000 companies active in the sector, most of which are small, independent entities. But this fragmentation belies the existence of a number of franchise networks and groupings with a considerable market presence. In fact, it is estimated that between 20% and 25% of all real estate agencies are affiliated with these overarching structures, which account for over one-third of all revenue generated. Alongside the brick-and-mortar agencies, "virtual" umbrella organisations of independent agents (such as CapiFrance and I@D) began entering the market in the early 2000s with the rise of the Internet (source: XERFI, "*Les agences immobilières pour particuliers*", January 2016).

In France's residential market there are 6,500 individual property management firms (source: XERFI, "*Les administrateurs de biens à l'horizon 2017*"). For the past few years, the sector has been in an active consolidation phase characterised by an increase in M&A activity and the emergence of major players, particularly in managing agent and rental property management services, such as Foncia, Nexity/Oralia, Citya/Urbania/Belvia, Immo de France and Square Habitat. In addition, a recent phenomenon over the last several years has been the development of networks of independent agents working under an umbrella organisation but without brick-and-mortar agencies (such as Optimhome and CapiFrance), offering themselves as an alternative to "traditional" real estate agents.

In the absence of recent published data, Nexity estimates that it is the number-two player in the market after Foncia.

Unlike the residential market, the commercial real estate services sector is made up of a very small number of players able to meet the management and reporting needs of major investors. The most significant include Nexity, BNP Paribas Real Estate Property Management, Adyal, Yxime, Septime, Telmma, CBRE PM and Icade PM.

In the specific market for student residences, under the Studéa brand, the Group is France's leading private operator of managed student residences, with a market share of 18%[1], ahead of the Réside Études, Studélites Résidences BNP Paribas and Club Étudiant O.S.E. groups.

1.6.4 Real estate franchises

Real estate agencies offer brokerage, advisory and appraisal services for the purchase, sale or rental of property. Many of them also engage in other related business activities, including rental property management and managing agent services.

Volumes in 2016 came close to their all-time highs, with 848,000 sales (source: *Commissariat Général au Développement Durable*).

At the same time, according to FNAIM, apartment prices rose by 1.9% in the year. In the fourth quarter, prices rose by 1.9% across France and by 3.5% in the Paris region (sources: FNAIM and Indice Notaire-INSEE).

[1] Based on an estimated market of 84,000 units excluding CROUS university-managed residences (source: Nexity)

The table below shows the main networks of real estate agencies in France:

Agency networks (number of agencies)	Type	2015	2014	2013
1. ORPI	Cooperative	1,200	1,250	1,250
2. Century 21 France	**Franchise**	**793**	**806**	**818**
3. Laforêt Immobilier	Franchise	700	750	750
4. Guy Hoquet l'Immobilier	**Franchise**	**413**	**436**	**443**
5. Era Immobilier	Franchise	350	350	350
TOTAL		**3,456**	**3,592**	**3,611**

Sources: Innovapresse, XERFI and agency websites. Internal study for Century 21 and Guy Hoquet l'Immobilier data.

1.6.5 Urban regeneration (Villes & Projets)

The Group developed a structured approach to urban regeneration in 2001 by founding the Villes & Projets subsidiary. A number of competing national developers subsequently developed a similar approach. These include Eiffage (Eiffage Aménagement), Icade, Vinci (Adim), Bouygues (Linkcity and Urbanera), Cogedim and BNP Paribas Immobilier.

1.6.6 Investments

The Group's investment business specialises in high value-added co-investment activities in the form of club deals (which are developed exclusively by the Group). Valid comparisons cannot be made with the main players in the French market, most of whom are linked to large real estate investment funds.

1.7 SUSTAINABLE DEVELOPMENT AT NEXITY

The following sections highlight some of the steps taken by the Group under its sustainable development policy. The Group's recognition of the need for sustainable development in its broadest sense is explored in Section 5.2 of this Registration Document, "CSR performance in keeping with Nexity's leadership role".

1.7.1 Building efficiency

High-performance, healthy buildings

In order to offer its individual clients resource-efficient buildings, Nexity is working on improving the intrinsic performance of its buildings (including thermal performance, carbon emissions and health-friendliness). In particular, the Group's R&D priorities include reducing the greenhouse gas emissions of its property developments, managing their energy dependency and associated costs, designing a range of sustainable homes with lower energy consumption, and selecting materials and equipment that help ensure better indoor air quality. Furthermore, the Group is convinced that biodiversity and the use of green spaces help improve residents' quality of life, so it aims to make these elements a key focus of its operations. Designing low-carbon property developments that favour renewable energy is also a way for Nexity to help fight climate change.

Energy-efficient, low-carbon buildings

Nexity is working hard on sustainable design to optimise buildings and limit their energy consumption. The Group makes use of the full range of engineering techniques to maximise energy performance: optimising building orientation, improving insulation and limiting thermal bridging, efficient glazing and heating systems, etc.

As early as 2010, Nexity was working to comply with the RT 2012 energy regulation by requiring all new residential real estate developments to obtain BBC-Effinergie® accreditation. Nexity therefore easily met its RT 2012 requirements, such as the threshold of 50 kWh of primary energy per square metre of total net floor area (TNFA) per year, varying by region and altitude (from 40 to 65 kWh per square metre of TNFA per year from the south to the north of France).

In 2016, 8% of homes delivered and 17% of homes submitted to the Purchasing Committee achieved RT-10% or RT-20% performance.

All the Group's new residential projects are therefore designed to consume only a small amount of energy for heating, cooling, hot water, ventilation and lighting. Special attention is paid to energy requirements. From design through to the choice of materials and fixtures, all obligations – whether of means or performance – are systematically met.

The Access Design product is a good illustration of this commitment. Based on an industrialised construction method that uses both wood and concrete, it is mainly characterised by:

- very good thermal insulation in excess of RT 2012 standards (with a "Bbio" climatic building coefficient 30-50% below the maximum and "Créf" baseline energy consumption at least 10% below the requirement[1]);
- the use of 100% FSC- or PEFC-certified wood from sustainably managed forests, with the aim of favouring French wood;
- a very favourable carbon footprint of around 240 kg of CO_2e per square metre, almost twice as efficient as a traditional building;
- a minimal environmental footprint thanks to dry construction and industrialisation, with water and energy savings during the construction phase; and
- shorter construction timescales (8-12 months depending on the size of the development), with less waste produced and fewer disturbances to local residents (in terms of noise, hygiene, traffic and safety).

The strategy of achieving regulatory compliance earlier than required has helped the Group, which has since made such compliance a focus for continuous development and improvement. For example, from as early as 2013, almost all of the Group's residential housing starts complied with the RT 2012 thermal regulations, with some also achieving early compliance with the BBC-Effinergie standard. 100% of residential units delivered in 2016 complied with the RT 2012 regulations.

The Group has continued to develop low-energy buildings, particularly by working on energy efficiency. As a result, the proportion of dwellings beating the regulatory threshold has increased sharply, with some buildings beating the RT 2012 standard by as much as 10%. In another key initiative, the Residential real estate division has provided its operational staff with five "Ecotech" guides since 2014, with the aim of leveraging best practices and in order to frame its dealings with external parties in developments. These guides lay down important principles essential to achieving an optimal design concept in terms of roads and other infrastructure for apartment blocks, individual homes, intermediate housing and student residences.

This policy of learning from past experience is used for all Nexity developments, right from the feasibility study stage.

Passive and energy-plus buildings

As an engaged participant in sustainable development, Nexity has already begun preparing for France's next set of thermal regulations.

Renewable energies

For eco-design buildings, Nexity always considers the use of renewable energies such as solar panels and connections to urban utility grids consisting of a significant proportion of renewable energy (over 60%) to produce domestic hot water, electricity and so on. In 2016, 34% of developments delivered included solar energy for domestic heating or solar panel systems.

Energy and environmental certifications

In keeping with its comprehensive, long-term commitment to quality, Nexity regularly applies for certifications for its development projects. At a minimum, the Group aims to obtain all legally binding energy-efficiency certifications.

Cerqual awarded very high environmental performance (H&E – *Habitat et Environnement*) certification to 40 developments (2,916 units) in 2016. This certification is based on seven environmental criteria (environmental management of the development, clean construction sites, energy, construction method and choice of materials, water, comfort and hygiene, environmentally friendly gestures) that developments must meet in order to be certified. In particular, H&E-certified buildings are designed to optimise energy consumption, improve soundproofing and ensure healthier indoor air quality by using low-emission materials.

Since 2015, all operational teams have opted to go beyond the threshold laid down in the RT 2012 standard for a number of developments, both under a voluntary approach and in response to requests for certification with the three major certification bodies.

Beyond this level of certification, a number of developments are aiming to beat the RT 2012 regulations by at least 20% or to achieve Effinergie+ or BEPOS (positive-energy buildings) accreditation.

[1] Bbio = climatic building coefficient; Créf = baseline energy consumption

In 2015 the certification body Cerqual launched a new NF Habitat and NF Habitat Démarche HQE® certification offering. These new certifications involve the assessment and inspection of property developments to determine the service commitments made by the developer and their level of performance. They guarantee a superior-quality property, particularly in terms of the following:

- thermal requirements – energy savings;
- acoustics – reinforced indoor soundproofing;
- durability – building upkeep, choice of products;
- building security – night-time lighting, motion sensors, etc.;
- senior living – ease of access, audio and visual safety systems, etc.; and
- household fixtures and fittings.

NF Habitat also means that the developer meets management requirements regarding continuous improvement, internal organisation and communication with clients. Certification guarantees that the developer will provide the buyer with complete information, in particular about the nature of the purchase and the construction time frame.

NF Habitat HQE® certification is an environmental variant and add-on to NF Habitat that demonstrates a stronger commitment to sustainable development. It provides additional benefits in terms of savings, health, comfort and the environment.

Nexity subsidiary Paris Val-de-Seine secured NF Habitat and NF Habitat Démarche HQE certification with a maturity level of 2. Since 2016, all buildings delivered by Paris Val-de-Seine have had at least NF Habitat certification.

Low-carbon buildings

The volume of greenhouse gas emissions is a crucial piece of information that must be calculated to analyse the carbon performance of the Company and its property developments. The purpose of an inventory of greenhouse gas emissions is threefold:

- it provides the Company with an evaluation of its exposure to environmental risk (fossil fuel dependence, use of dwindling natural resources, etc.);
- it helps respond more efficiently to changes in environmental regulations; and
- it is a prerequisite for establishing an effective greenhouse gas reduction policy in designing residential properties.

Since 2014, using the proprietary Carbon Cube tool, operational teams in Residential real estate can independently assess greenhouse gas emissions for the entire life cycle of their property developments.

In 2016, 129 Bilan Carbone® assessments were carried out for real estate programmes put before the Purchasing Committee, and 91 assessments were carried out on completed real estate programmes.

“Healthier buildings” approach

To improve the comfort of building occupants and also respond to a growing concern among public authorities, Nexity has launched an experimental and pragmatic approach dubbed “Healthier Buildings”. The approach is structured around three key priorities:

- indoor air quality (choice of materials, analysis of the ventilation system);
- living in comfort (interior space design, acoustics, natural light, temperature and humidity); and
- water quality (amenities, supply, etc.).

After this approach was adopted in 2010 with the distribution of an in-house “Healthier buildings” design guide, feedback was gathered from nine pilot developments including apartment blocks, houses and offices.

In addition, the Procurement and Services unit in the Group’s Production and Cost Control department has continued its work on integrating health criteria into the specifications given to suppliers, such as by requiring certified materials, environmental certifications, the absence of CMR (carcinogenic, mutagenic and reprotoxic) substances, formaldehyde-free status and natural wood treatments. Thanks to this commitment, the average rating of certified materials for these products is A+.

The Group is keen to be a trailblazer in the field of indoor air quality.

1.7.2 Environmental analysis of sites within the site development business

Biodiversity

Development planning is Nexity's main activity affected by the need to protect biodiversity because it happens earliest in the project process. In designing development projects, the site development and subdivisions subsidiary (*Aménagements & terrains à bâtir*) seeks to ensure ecological continuity by consistently taking into account existing green and blue corridors:

- green corridors: developments may include interlocking hedges planted around properties, parks and gardens, and alternative techniques (swales planted with trees or grass, landscaped basins, etc.); and
- blue corridors: where possible, alternative rainwater management techniques allow water to follow its natural course – a key component of design.

As part of its efforts to secure ISO 14001 certification, the site development and subdivisions subsidiary has included biodiversity as one of the five priority action themes in its environmental policy. As of this writing, the objectives incorporated into the business's Environmental Management System are to "Protect and improve existing resources" and "Prepare to manage parks and gardens in an environmentally friendly and economical way". To meet these objectives, all staff at the subsidiary responsible for a development project are informed of the procedures to be followed in respect of biodiversity. These procedures are spread across every phase of a development project (with the exception of partnership projects). An initial current state assessment is carried out using a proprietary tool to measure the sensitivity of existing biodiversity at each potential site for future development. The specific procedure followed depends on the findings of this assessment:

- a base level that goes above and beyond regulatory requirements and applies to all development projects carried out under the subsidiary's supervision (excluding purchases of development permits and joint projects). In particular, it calls for the identification of ecological continuity that must be maintained and the designation of specific items to be protected; and
- a sensitive, very strict level that calls for the appointment of an ecologist to provide an assessment of flora and fauna, the listing of notable species located at the site, habitat conservation or the recreation of dedicated spaces, etc.

Preservation of resources

A shift towards the balanced and cyclical functioning of natural ecosystems is fundamental for development activity. Alternative rainwater management for public spaces, for example, is recommended in all of the subsidiary's site developments.

The subsidiary also seeks to reuse as much excavated earth as possible on-site and to recycle demolition waste so as to minimise truck trips. Les Tanneries, an eco-district in Lingolsheim (Bas-Rhin), is an exemplary project in terms of reducing consumption, resource recovery and waste recycling. When the Les Tanneries plant was demolished, 15,000 cubic metres of crushed materials were retrieved out of a total of 45,000 cubic metres (i.e. one-third of the total volume of materials) and reused on-site for the eco-district's roads. This system also enabled the Group to cut 900 truck trips. As part of the project, a system of grassy swales was installed for rainwater harvesting in public spaces. The water is treated by a reed-bed before being discharged into the natural environment.

Renewable energies

In its development projects, the Group always considers installing solar, wind and biomass technologies.

All the buildings at the Les Tanneries development in Lingolsheim (Bas-Rhin) are heated using the 100% renewable energy heating network designed for the district by teams of architects. As such, they are mostly heated using local wood and a heat pump. Les Rives du Bohrie, a development in the neighbouring municipality of Ostwald, is also heated by the collective heating system (combustion of renewable materials – 62% from biomass and 38% from a groundwater heat pump). As well as burning wood biomass, the biomass boiler is designed to reuse agricultural waste from the Alsace plain, such as corn cobs.

Le Quartier du Lac in Lingolsheim also has a collective geothermal heating network that supplies the entire neighbourhood with heating and hot water.

Finally, some sites use wind technology: the La Marlière development in Courcelles-lès-Lens (Pas-de-Calais) has a 3,000- to 4,000-watt urban wind turbine. This power rating can supply the energy needed to power 50 light sources at night (approximately one kilometre of road).

Multimodal transport

Nexity invests in research and development to promote alternative transport solutions and encourage multimodal transport. On certain projects, the Group proposes innovative and responsible modes of transport that include in particular the concept of collaborative use.

In the Strasbourg metropolitan area, Les Tanneries, an eco-district in Lingolsheim (Bas-Rhin), is an example of this approach: specific spaces for car sharing are under development to provide residents with mobility while reducing the number of cars that individual households need to own, thus saving money. Another feature of the Les Tanneries eco-district is that the site is to be well integrated with existing transport links, with a preference for people-friendly solutions. The neighbourhood will be served by the tram, the regional train, three bus routes and a dense network of cycling paths.

HQE® Aménagement

In order to receive HQE® Aménagement certification, projects must take sustainability issues into account at six key phases and across 17 themes. The certification process incorporates stages of dialogue with stakeholders, enabling the Group to define and achieve its sustainable development goals.

Following discovery audits to prepare for the introduction of HQE® Aménagement certification for its developments, in 2012 Nexity secured HQE® Aménagement certification for the La Saoga ZAC mixed development zone in Saint-Blaise (Alpes-Maritimes), making it one of the first development projects to be certified.

This development stood out for its urban, environmental, social and economic quality, in particular by highlighting four key objectives:

- water savings through the choice of plant species;
- creation of an ecological corridor;
- social housing units (approximately 20%) even though the quota under the Solidarity and Urban Regeneration Act does not apply to the municipality; and
- reducing the isolation of the Saint-Blaise municipality.

The subsidiary's aim is to meet the criteria for HQE® Aménagement certification without actually securing such certification in all cases.

1.7.3 Environmentally responsible construction sites

A shared charter for the subsidiaries

By looking at a building's carbon footprint over its entire life cycle, one can see that the greenhouse gases produced in the construction phase alone account for 60% of the building's total carbon emissions.

Better organisation and management at construction sites can help substantially reduce greenhouse gas emissions. For this reason, Nexity has drawn up a voluntary environmentally responsible construction charter that applies to all of its new home construction developments, with the aim of combining current practice used by major construction firms, the demands of environmental certification and internal best practice.

This contractual charter is binding upon all construction firms in the following areas:

- during the site preparation phase:
  - organisation of the waste management plan,
  - notification and involvement of companies in the environmentally responsible construction approach, and
  - incorporation of social inclusion clauses;
- during the construction phase:
  - site cleanliness,
  - maintenance of separate storage areas for construction materials and waste, and
  - sorting and recovery: for new home developments, at least 20% of all waste must be recovered.

    In cases of prior demolition, Nexity always commissions a demolition waste assessment. This waste assessment identifies, quantifies and locates the materials, construction products and equipment forming part of a building, as well as residual waste arising from a building's occupation and use. The goal of the assessment is to find potential opportunities to reuse waste on site or, failing that, determine

how demolition waste can best be managed. This process of quantifying waste by category is in keeping with the objectives established by the Grenelle environmental round table, and is intended to encourage all forms of waste recovery.

- managing the use of dangerous products: storage in containment tanks, making anti-pollution kits available, etc.,
- reducing water and electricity consumption: equipment in staff accommodation and catering areas, monitoring of consumption,
- monitoring the implementation of social inclusion clauses,
- minimising disturbances to local residents such as dust and noise, and
- monitoring and responding appropriately to any complaints from local residents.

Since 2014, Nexity has pursued a policy of environmentally responsible construction sites, with the aim of:

- protecting the environment, which includes ground protection, waste sorting and recycling, and construction site cleanliness;
- reducing site management costs, focusing on water and electricity consumption, waste collection and storage costs; and
- strengthening the Group's community integration by further reducing construction-related disturbances, improving on-site working conditions and creating local jobs.

To support construction firms working on sites committed to this approach and raise their awareness of the associated requirements, Nexity has created dedicated communication tools and materials: posters and stickers on green behaviours to be displayed in staff accommodation and catering areas and adjustable signage to improve waste sorting. The latest version of the charter and accompanying tools were rolled out in 2016, managed and operationally supported by a number of central support functions.

In 2016, 60 construction sites managed by the Residential real estate division (34% of sites opened in 2016 or approved by the Land Purchasing Committee) were brought under this approach, and 65 sites opened in 2016 or approved by the Purchasing Committee (36%) were in the process of seeking more comprehensive environmental certification (H&E, HQE®, Promotolec or other).

Social inclusion

Nexity is increasingly asked to include social inclusion clauses in contracts with construction firms, particularly for developments in areas eligible for reduced-rate VAT.

In 2016, 24% of construction sites launched or approved by the Land Purchasing Committee were affected by such clauses, and 49,700 hours in support of social inclusion were worked in the year.

Water management

All Nexity projects take water resources into account in the outline, design and construction phases.

Outline phase

Notable ecosystems such as watercourses on development sites are identified early in the process so that a "Water Act" compliance work stream can be initiated. This work stream identifies the steps needed to ensure that planned construction activities do not significantly affect a site's water resources or aquatic environments. Ground pollution can also lead to the pollution of water that has seeped into the ground and/or any water located near development sites. Checks are carried out whenever a ground pollution analysis is necessary. When seeking Habitat & Environnement certification for new housing developments, Nexity conducts site analyses on soil sealing and other practices. The findings of these analyses help identify appropriate solutions to encourage water infiltration and thus manage rainwater runoff.

Nexity makes sure that such studies are completed long before any construction work begins so that findings can be incorporated right from the design phase.

Design phase

In order to optimise water management on its developments, Nexity focuses on three main points:

- rainwater management: studies are carried out for each development to identify appropriate arrangements for collecting, retaining and using rainwater. Rainwater retention is integrated into the design of all

construction sites to ensure that local networks are not saturated. Collected rainwater is often used to water parks and gardens or to clean areas surrounding residential buildings;

- drinking water: all Nexity residential units are fully equipped with water-saving taps. When seeking Habitat & Environnement certification for developments, each residential unit is fitted with its own "class C" water meter (offering maximum precision for cold water metering), providing occupants with real-time information on their water consumption so that they can make adjustments as appropriate; and
- domestic hot water: to reduce the lag time before tap water runs hot, the design team is careful to keep distances between hot water production points and outlets as short as possible. In addition, temperatures are maintained at an optimal level to avoid any unnecessary loss of heat energy. Finally, water networks are specially treated to prevent contamination risks.

Construction phase

For its residential developments, Nexity ensures that on-site water consumption is regularly monitored (at least once a month), with consumption for staff accommodation and catering facilities measured separately where technical constraints allow. During negotiations, contractors are always informed of the water-management measures to be complied with at the Group's construction sites.

Lastly, staff accommodation facilities at sites are equipped with dual-flush toilets and other water-saving devices.

1.7.4 Villes & Projets activities relating to sustainable development

Biodiversity

In its urban regeneration projects, Villes & Projets takes steps to protect biodiversity:

- in Saint-Priest (Rhône), management of habitat restoration spaces for fauna at the La Fouillosse site; and
- in Asnières-sur-Seine (Hauts-de-Seine), design of a 1.5 hectare urban park for indigenous plants, ecologically managed without using any pesticides.

Contaminated sites and soils

Before it acquires any land or buildings, the Group generally commissions third-party experts to carry out an environmental assessment of the quality of the soil and subsoil and the history of the land at the site. When soil samples indicate the possible presence of pollutants, the Group's obligation is also conditional upon environmental evaluations and, where necessary, site rehabilitation measures. Villes & Projets is working to optimise industrial site renovation principles to limit clean-up costs for an adapted urban project.

Villes & Projets also helped finalise the decrees to be issued under the ALUR Act on access to housing and new urban planning, resulting in smoother processes for transforming and renovating contaminated land in urban projects.

For example, some defining features of the innovative management of clean-up at the PSA ZAC mixed development site in Asnières-sur-Seine (Hauts-de-Seine) were: most of the work to remove the main pollutants was carried out on site (heavy metals, chromium, halogenated VOCs, THCs, PCBs, etc.); reusable materials were kept for recovery; and worksite carbon emissions were kept to a minimum.

Preservation of resources

Nexity increasingly endeavours to apply circular economy and energy recovery concepts. A shift towards the balanced and cyclical functioning of natural ecosystems is fundamental for development activity.

As an illustration, a 60 cubic metre rainwater collector has been created to water the 1.5 hectare landscaped park at the PSA ZAC mixed development zone in Asnières-sur-Seine (Hauts-de-Seine).

Transport and travel

Nexity invests in research and development to promote alternative transport solutions and encourage multimodal transport. On certain projects, the Group proposes innovative and responsible modes of transport that include, in particular, the concept of collaborative use. An example is the partnership entered into with Zenpark to trial the management of shared car parks.

Social inclusion

Villes & Projets requires each of its building rights specifications to include obligations relating to hours spent in support of social inclusion. This approach allows the Group to intelligently manage such work by integrating it into the total number of hours worked on building plots, rather than handling it by company working at a site.

A similar approach to working hours is applied to all designated companies for development work carried out by *Voiries Réseaux Divers* (VRD).

1.8 LEGISLATIVE AND REGULATORY ENVIRONMENT

1.8.1 Real estate development operations

There is no specific regulatory regime governing the Group's residential and commercial real estate development operations in France. The Group must nevertheless comply with numerous rules and regulations in carrying out its operations.

Urban planning

In its role as project owner (*maître d'ouvrage*) and designer of its property developments, the Group must comply with applicable urban planning regulations set forth in local zoning laws promulgated by city governments (*plans locaux d'urbanisme)*. Such regulations include rules regarding the height of buildings, space between buildings, principles for installation on land, permitted waivers and the exterior and aesthetic aspects of structures.

The successful completion of complex projects requires the partners involved to have well-rounded capabilities as well as a high level of expertise in real estate development.

Recent years have seen significant urban planning reform in France (including the ALUR Act, Pinel scheme, Mandon Act, Macron Act and MAPTAM Act), whether enacted by ordinance or under the new ALUR Act facilitating access to housing and promoting urban renewal.

Environment

The Group is also bound by environmental regulations.

The Group's activities are governed by a number of provisions of the Framework Act (*loi de programmation*) of 3 August 2009 on implementation of the Grenelle environmental round table (known as the "Grenelle I" Act), the 12 July 2010 Act on the national commitment in favour of the environment (known as the "Grenelle II" Act), considered a "toolbox" for implementing the "Grenelle I" Act, and the 17 August 2015 Act on energy transition for green growth.

In particular, these provisions cover thermal performance in the construction sector, requiring all new buildings to meet low energy consumption ("BBC") criteria, incentivising the construction of energy-plus and high-environmental-performance buildings, and launching a major thermal renovation programme for existing buildings. In new-build homes, the introduction of the digital home monitoring and maintenance log will improve occupants' knowledge of their homes' energy performance alongside the rollout of smart gas and electricity meters.

Since end-2016, energy performance diagnostics (or energy audits) must be carried out in residential condominium properties equipped with collective heating or cooling systems. Such diagnostics may be followed up with energy savings work plans or energy performance agreements for the condominium.

Article L. 125-9 of the French Environment Code specifies the content of the environmental annex that must be inserted into all new and existing leases of office or retail premises of more than 2,000 sq.m. These provisions also affect the urban planning sector, since they take into account the need to protect biodiversity by restoring and creating ecological continuity. Finally, urban planning rules have been adjusted to foster the use of equipment running on renewable energy and to favour energy efficient buildings (bonus building permission of up to 20% depending on the conditions agreed by each municipality).

Since 31 December 2012, under the Grenelle II Act, businesses with more than 500 employees have been required to carry out an audit of their greenhouse gas emissions.

The Group is also bound by applicable provisions on polluted sites and land (see Section 1.5.1.9 of this Registration Document, "Project development and risk management").

The ALUR Act also added new provisions on ground pollution:

- measures to notify the public have been tightened, in particular by creating "ground information zones" (SIS in French) with stricter notification requirements when property transactions (sales or rentals) take place;
- increased responsibility for ground pollution has been placed on real estate operators via a requirement for project owners to include in building permit and development permit applications a certificate issued by a certified surveying organisation guaranteeing the completion of ground surveys and establishing pollution management measures, which must also be incorporated in the project's design, whenever a development falls within a SIS ground information zone or land undergoes a change of use following the cessation of activity at a facility that is registered (*classé*) for environmental protection purposes; and
- when or after a registered facility is permanently decommissioned, an interested third party may request authorisation from the State's local representative (the *préfet*) to take over the facility from the operator with its consent and refurbish it for its own intended use.

Those provisions remain to be clarified by various decrees and orders. Finally, there are strict regulatory limits on the use of water and waste water arising from construction sites, including in particular a requirement to treat waste water. Similarly, with effect from 1 March 2012, a waste assessment must be undertaken before demolishing certain buildings, with the aim of encouraging the recycling of site waste.

Right to sell

As a seller of real estate products, the Group must comply with the legal requirements for sale to private individuals. Article L. 271-1 of the French Construction and Habitation Code grants non-professional buyers the right to withdraw from a purchase for ten days from the day after they receive the non-notarised contract of sale or the reservation contract, if one exists. Therefore, the contract does not enter into effect until the end of this cooling-off period, which was lengthened from seven to ten days by the Macron Act of 6 August 2015. The Group must also comply with regulations governing VEFA sales and consumer protection laws as amended by the Hamon Act of 17 March 2014, with the exception of its provisions relating to agreements entered into remotely and outside the Company, as real estate transactions were subsequently excluded from the scope of this legislation by the Macron Act of 6 August 2015.

The Mandon Act of 20 December 2014 (Act 2014-1545) amended and corrected certain provisions of the Hamon and ALUR Acts.

As regards the VEFA scheme covering off-plan property sales, the regulations lay down a number of public provisions designed to protect homebuyers. They include an obligation to sign the contract of sale in notarised deed form; the obligation to provide a warranty of completion (in the form of a bank guarantee); the obligation to sign a preliminary contract with clauses related to the client's assessment of the compliance of the project and the reserved property with the provisions of the final sale deed; the obligation to place the reservation deposit in escrow; and the obligation to comply with the schedule for future payments. However, these protective rules apply only to the "protected" sector, meaning buildings or portions of buildings for residential use or mixed use (professional and residential). Buildings intended exclusively for professional use are in the deregulated sector, and sales of such buildings, if sold under a VEFA contract, may include contractual conditions freely negotiated between the parties, in particular with respect to the preliminary contract, future payments and the completion warranty.

Liability

In its residential and commercial real estate activities, the Group is subject to statutory liability rules that apply to all parties involved in the construction of a building (proper operation and ten-year warranties). According to applicable regulations, there is a presumption of liability on the part of all persons involved in the construction of the building for any defect, including those resulting from defects in the land itself, that compromises the structural integrity of the building or an item of equipment in such a way as to render it unsuitable for its intended use.

Buyers benefit from a ten-year warranty for all structural defects (i.e. problems that make the building unfit for its intended purpose) and a two-year proper operation warranty for all items of equipment separate from the construction. Customers can make claims against the Group, which can in turn pursue the party responsible for the construction defect. This warranty scheme is rounded out with compulsory insurance instituted by Act 78-12 of 4 January 1978, called *dommages-ouvrage* insurance, which must be obtained at the beginning of construction. This insurance allows pre-financing for the repair of defects that trigger the two-year or ten-year warranties. The legal benefit of this coverage is transferred to the Group's clients when they acquire the home, and to their successors if their home is sold. This insurance, together with the other insurance schemes related to the Group's business, is described in Section 2.4.3 of this Registration Document, "Main insurance agreements".

With respect to the Group's construction sites, the Act of 31 December 1993 and the Decree of 26 December 1994 require the construction project owner (*maître d'ouvrage*) to designate, from the time the construction project is designed, a safety and public health coordinator (*Sécurité et Protection de la Santé* or SPS). Aside from designating this coordinator, the Group's policy is to anticipate and identify the risks associated with its construction projects. The Group puts in place prevention plans at construction sites to identify risks and notify the various involved parties of potential risks. Under its obligation of due diligence, it also monitors compliance with provisions intended to prevent undeclared labour and subcontracting; as such, it bars access to construction sites for companies it has not approved.

1.8.2 Property management and brokerage

Through some of its subsidiaries, the Group provides property management services (as a property manager, building manager or managing agent) and brokers property transactions (as an estate agent or property developer).

A property manager is appointed by the owner (or condominium association) of a residential property, office space or retail premises and is responsible for the day-to-day management, upkeep and maintenance of the property in question (including insurance, taxes, maintenance, cleaning and repairs). He or she advises the owner(s) on the management of their property or properties and their rights and responsibilities and, if applicable, initiates any procedures necessary to protect their interests. He or she may also be tasked with managing rentals on behalf of the owners (including finding tenants, drawing up leases, preparing inventories, collecting rental payments and calculating charges).

An estate agent, on the other hand, acts as an intermediary between two or more parties in connection with the purchase, sale or rental of a building, a business or shares of an entity (owning built or unbuilt property or a business). In this respect, for example, the subsidiaries of the Residential real estate division engage in brokerage operations.

Professionals operating in these roles must comply with the provisions of Act 70-9 of 2 January 1970, known as the "Hoguet Act", and its Implementing Decree No. 72-678 of 20 July 1972, subject to criminal penalties. In particular, they are required to:

- hold a professional licence issued by a chamber of commerce and industry for a period of three years, subject to conditions relating to professional competence and good standing. This licence must state the activity or activities undertaken by the holder ("property and business transactions" and/or "property management" and/or "managing agent services" and/or "tourist services");
- be covered by a professional guarantee issued by a bank or industry body (Article 3 of the Hoguet Act and its implementing decree of 20 July 1972) for an amount of at least €110,000 (€30,000 if they were first licensed within the last two years). However, Act 2010-853 of 23 July 2010 on chambers of commerce and industry, retail, trades and services removed the obligation to be covered by a professional guarantee for estate agents who make a sworn statement to receive no funds, bills or securities from their clients, by amending Article 3 of the Hoguet Act;
- take out professional indemnity insurance to protect them against losses arising from mistakes made in the course of performing their duties; and
- maintain a register of mandates. Professionals may only act where they hold a written mandate signed by the individual on whose behalf they are acting and stating their responsibilities and the amount and terms of their remuneration. Each such mandate must be numbered and recorded in a register. Any professional who does not comply with this requirement is liable to incur criminal penalties (up to two years in prison and a €30,000 fine) and administrative sanctions including having his or her professional licence revoked, such that he or she is no longer able to carry on the profession.

1.8.3 Tax arrangements intended to favour buy-to-let investment and first-time home ownership

1.8.3.1 Tax arrangements intended to favour buy-to-let investment

For more than 20 years, the Group's construction and development activities in respect of new housing have benefited from various successive tax schemes designed to favour buy-to-let investment by private individuals.

With effect from 1 September 2014, the Pinel scheme, based on the principle of an income tax reduction, replaced the earlier Duflot scheme, introduced on 1 January 2013 (which had itself replaced the depreciation-based Scellier, Robien and Borloo schemes).

For the application of these various schemes, France is divided into several zones. The zones were redrawn with effect from 1 October 2014:

- Zone A bis includes: Paris and 76 municipalities: in *Département* 78 (**Yvelines**): Le Chesnay, Croissy-sur-Seine, Maisons-Laffitte, Le Pecq, Rocquencourt, Saint-Germain-en-Laye, Versailles, Le Vésinet, Viroflay, Chatou, Marly-Le-Roi, Vélizy-Villacoublay. In *Département* 92 (**Hauts-de-Seine)**: Antony, Asnières-sur-Seine, Bagneux, Bois-Colombes, Boulogne-Billancourt, Bourg-la-Reine, Châtenay-Malabry, Châtillon, Chaville, Clamart, Clichy, Colombes, Courbevoie, Fontenay-aux-Roses, Garches, La Garenne-Colombes, Issy-les-Moulineaux, Levallois-Perret, Malakoff, Marnes-la-Coquette, Meudon, Montrouge, Nanterre, Neuilly-sur-Seine, Le Plessis-Robinson, Puteaux, Rueil-Malmaison, Saint-Cloud, Sceaux, Sèvres, Suresnes, Vanves, Vaucresson, Ville-d'Avray. In *Département* 93 (**Seine-Saint-Denis**): Aubervilliers, Bagnolet, Les Lilas, Montreuil, Pantin, Le Pré-Saint-Gervais, Saint-Denis, Saint-Ouen, Neuilly-Plaisance, Le Raincy, Villemomble. In *Département* 94 (**Val-de-Marne**): Arcueil, Bry-sur-Marne, Cachan, Charenton-le-Pont, Fontenay-sous-Bois, Gentilly, Ivry-sur-Seine, Joinville-le-Pont, Kremlin-Bicêtre, Maisons-Alfort, Nogent-sur-Marne, Le Perreux-sur-Marne, Saint-Mandé, Saint-Maur-des-Fossés, Saint-Maurice, Villejuif, Vincennes, L'Haÿ-les-Roses. In *Département* 95 (**Val-d'Oise**): Enghien-les-Bains;
- Zone A: the rest of the greater Paris area, Lille, Marseille, Lyon, Montpellier and some neighbouring municipalities, the Côte d'Azur (Hyères-Menton coastal strip), the French part of the outskirts of Geneva;
- Zone B1: conurbations with a population of over 250,000, the outer suburbs of Paris, a few expensive conurbations, the periphery of the Côte d'Azur;
- Zone B2: other conurbations with a population of over 50,000, other border or coastal areas that are expensive or neighbouring the Paris region; and
- Zone C: the rest of France.

The Pinel scheme

Taxpayers purchasing new or off-plan (VEFA) homes before 31 December 2017 are eligible for income tax relief provided that they undertake to rent out the unfurnished property as a main residence for at least six or nine years, after which they may opt to renew their undertaking for an additional period bringing the total duration to no more than twelve years.

Taxpayers may qualify for this incentive on the purchase of no more than two homes in a given tax year.

The amount of tax relief is calculated on the cost of the home up to a purchase price ceiling of €5,500 per sq.m of living space, not to exceed €300,000 in respect of a given year.

The rate of tax relief is set at 12% when the rental commitment is entered into for six years, increasing to 18% for a nine-year commitment and 21% for a twelve-year commitment.

Tax relief is spread over six, nine or twelve years. It is granted in respect of the year in which construction is completed or the year in which the property is purchased, whichever is later; it is applied to the tax payable for that year and then to the tax payable for each of the five, eight or eleven years following at a rate of 2% each year for nine years and then 1% each year for the following three years.

For purchases completed on or after 1 January 2015, there is an option to rent the property to an ascendant or descendant provided that the rental terms are met.

Rents are also capped depending on which zone the property falls into and how large it is. The adjusted rent ceilings pursuant to regulations in effect were as follows at 1 January 2017:

RENT CEILINGS PER SQUARE METRE BY ZONE (BEFORE WEIGHTING BY A FACTOR OF 0.7 + [19 / FLOOR AREA] NOT TO EXCEED 1.2)

Zone A bis	Zone A	Zone B1	Zone B2
€16.83	€12.50	€10.07	€8.75

The decree of 19 June 2013 allows regional state representatives (*préfets*) to lower the applicable rent ceilings to adapt them to local rental markets. Such rent ceiling terms must be set by order of the *préfet*.

Tenants' income must also not exceed various ceilings based on household size and geographic location.

INCOME BASIS FOR TAX PURPOSES (YEAR Y-2) AFTER DEDUCTIONS (in euros)				
Tenant household criteria	**Zone A bis**	**Zone A**	**Zone B1**	**Zone B2**
Single person	36,993	36,993	30,151	27,136
Couple	55,287	55,287	40,265	36,238
Single person or couple with 1 dependent	72,476	66,460	48,422	43,580
Single person or couple with 2 dependents	86,531	79,606	58,456	52,611
Single person or couple with 3 dependents	102,955	94,240	68,766	61,890
Single person or couple with 4 dependents	115,851	106,049	77,499	69,749
Raise in ceiling per additional dependent (≥5)	12,908	11,816	8,646	7,780

The Censi-Bouvard scheme

A tax relief option known as "Censi-Bouvard", based on the Scellier scheme, was introduced by the 2009 Supplementary Budget Act to favour certain property investments in the private furnished rental sector.

Tax relief is available on investments in any of the following:

- official tourist residences;
- serviced student accommodation;
- accredited serviced accommodation for seniors or residents with disabilities; and
- accredited social and medical care facilities.

Tax relief is calculated on the first €300,000 of the cost of the property or properties in any given tax year. This is calculated at a rate of 11% and spread over nine years, with one-ninth of the total amount of relief applied each year starting in the year the property is completed.

Under the 2017 Budget Act, this scheme will remain in force until 31 December 2017 in its present form, with the exception that tourist residences are no longer eligible.

There are no criteria linked to the region in which the property is located, rent ceilings or tenants' income.

Tax relief ceilings

The annual income tax relief granted to any given household in respect of its expenditures, investments and financial aid qualifications is subject to an overall ceiling. Since 1 January 2013, this overall cap has been set at €10,000 per fiscal year.

1.8.3.2 Financial and tax arrangements to help first-time buyers

Interest-free loans (PTZ)

The PTZ interest-free loan scheme aims to support the construction of new homes and boost social home ownership by facilitating access to ownership for low-income households. The scheme, under which interest-free loans are granted to first-time homebuyers, is codified in Articles L.31-10-1 et seq. of the French Construction and Housing Code.

With effect from 1 January 2015, PTZ loans can be used to finance the following:

- purchase of a new or newly renovated home;
- construction of a new home (potentially including the acquisition of building rights or land on which the home is to be built);
- conversion for residential use of premises not intended for habitation;
- purchase of a home covered by a rent-to-buy agreement; and
- purchase and improvement of an existing home (in a limited number of rural areas).

Eligibility requirements are as follows:

- applicants must not have owned their main residence for the previous two years, and must be planning to use the property as their main residence; and

- applicants must pass a means test based on income in the year before last.

The amount and repayment terms of a PTZ interest-free loan depend on the following:

- the purchase price of the property;
- the number of people who will be living at the property;
- the geographical location (Zones A, B1, B2 and C); and
- the buyer's income basis for tax purposes based on the year before last (i.e. 2014 for purchases in 2016).

In order to accelerate and amplify the upturn in construction, the 2016 Budget Act strengthened measures promoting home ownership, in particular through significant changes in the terms of PTZ loans since 1 January 2016:

- raised ceilings for household income;
- reduction to three income brackets for repayment terms, each with a total deferment of 5, 10 or 15 years:
- extension of maximum repayment periods from 20 to 25 years; and
- broadened scope of 2016 PTZ loans to include existing homes, in all zones, provided that renovation works are carried out in an amount at least equal to 25% of the total cost for the transaction.

Repayment terms are based on the borrower's income bracket, in accordance with the following scale (taxable income per person):

2016 (in euros)

Income bracket	Zone A	Zone B1	Zone B2	Zone C	Repayment terms
1	22,000	19,500	16,500	14,000	Deferred 100% 15 yrs + 10 yrs
2	25,000	21,500	18,000	15,000	Deferred 100% 10 yrs + 12 yrs
3	37,000	30,000	27,000	24,000	Deferred 100% 5 yrs + 15 yrs

The amount of a PTZ interest-free loan is calculated on the basis of a percentage of the total purchase price, varying by geographical region, up to a maximum authorised amount and depending on the size of the household.

Reduced-rate VAT in ANRU and QPV areas

France's National Housing Commitment Act (ENL) of 13 July 2006 introduced reduced-rate VAT eligibility for purchases of new homes in or within 500 metres of neighbourhoods covered by a "CRU" urban renovation agreement, subject to the buyers (who need not necessarily be first-time buyers) using the property as their main residence and passing a means test according to their geographic location and household situation. The "Housing Mobilisation and Prevention of Exclusion" Act of 25 March 2009 added a further condition in relation to the maximum selling price for such properties.

The 2014 Budget Act reduced the perimeter around ANRU urban regeneration zones eligible for a reduced VAT rate from 500 metres to 300 metres, and modified the VAT rates as follows:

- With effect from 1 January 2014, deliveries of projects located in ANRU zones and the 300-metre perimeter around these zones are eligible for VAT at a rate of 5.5%, which applies retroactively to the entire purchase price;
- and deliveries of projects located within the 300-metre to 500-metre perimeter around the ANRU zone are still eligible for VAT at a rate of 7% as long as the building permit was filed before 31 December 2013.

Framework Act (*loi de programmation*) No. 2014-173 of 21 February 2014 for urban planning and cohesion – known as the Lamy Act – established priority urban planning districts for urban planning (called QPVs in French), which offer the same housing stimulus measures as ANRU urban regeneration zones, including for homes situated within a 300-metre radius around them, and will thus be able to accommodate new developments earmarked for social home ownership at the reduced VAT rate of 5.5%. A total of 1,300 QPV priority urban zones have been created in mainland France, overseas *départements*, Saint Martin and French Polynesia.

Under the 2017 Budget Act, subject to certain conditions, the 5.5% reduced VAT rate can be extended to apply to the 300- to 500-metre apron surrounding QPVs covered by an NPNRU (new national programme for urban renovation, known as "ANRU 2") agreement. Homes earmarked for social home ownership that form part of a property complex located less than 500 metres from QPV-ANRU 2 neighbourhoods, and that fall partly within the 0- to 300-metre apron surrounding such neighbourhoods, are eligible for reduced-rate VAT provided that the building permit application is submitted on or after 1 January 2017. This measure should apply to around 450 QPVs.

1.9 RESEARCH AND DEVELOPMENT, INTELLECTUAL PROPERTY

1.9.1 Research and development

The Group's research and development activities are monitored and led by a team that coordinates and oversees innovation projects. This team, which reports direct to Executive Management, consists of the Corporate Sustainability and Strategic Marketing Director, the Strategy and Development Director, the Digital Innovation Director and the New Businesses Director.

This team identifies and confirms priority actions, appoints innovation project managers and allocates central resources.

Nexity's innovation strategy can be broken down into two dimensions:

Sourcing and supporting start-ups via:

- financial investment in two professional venture capital funds:
  - a fund managed by Demeter Partners, dedicated to investing in start-ups specialising in the climate-based energy and environmental transition; and
  - a fund managed by Newfund Capital, which focuses on technology and the digital transition.

This investment, focusing on new urban services and sustainable real estate, is in keeping with Nexity's digital transformation and innovation strategy. It is also helping the Group boost its innovation capacity across all business lines by working as closely as possible with today's most promising entrepreneurs and start-ups.

This strategy makes it possible to:

- benefit from a strong flow of start-ups, thus increasing the number of opportunities;
- learn from the views of other businesses and industry sectors through discussion with investors and funds;
- boost the Group's financial firepower: Nexity accounts for between 4% and 6% of amounts raised by the funds, but has access to 100% of investments;
- participate in open innovation programmes using the ecosystems of local stakeholders, including:
  - the DataCity challenge on the city of the future with NUMA (an accelerator for start-ups linked to digital innovation), an open innovation programme involving partners such as the city of Paris, Cisco, SFR, RATP Dev, Setec, Suez Consulting, and Poste Immo, supported by the Directorate-General for Enterprise within the Ministry for the Economy and Finance, and
  - the *Ville durable* ("Sustainable city") incubation programme dedicated to the future of real estate with Paris&Co;
- participate in events that bring together the regional ecosystem of start-ups;
  - in conjunction with local authorities and all local stakeholders in innovation and economic development, Nexity identifies and invites start-ups identified within a region and working in selected subject areas to a day of meetings and dialogue; and
  - such days provide an opportunity for start-ups to present their solutions at pitch sessions, gain a deeper understanding of Nexity's expertise, potentially embark on an operational relationship with a major real estate player, and make contact with leading venture capital funds and other stakeholders in innovation within the same region.

Developing business ties with start-ups by integrating and adapting the Group's product and service offerings

The Group's start-up sourcing and support strategy provides opportunities to develop operational partnerships with certain start-ups, with the aim of driving innovation in its products and services.

Partnerships have thus been formed with two start-ups in which the Demeter fund has invested:

- Stimergy, a start-up with which the Group is rolling out France's first digital boiler solution for condominium properties, based on circular economy principles; and
- Zenpark, France's first shared parking operator, with which Nexity entered into a partnership in February 2015 to develop the solution at new properties (in particular by way of responding to consultations), thus addressing the challenge of the increased need for parking as well as local authorities' sustainable development challenges.

The Group also monitors start-ups that are aligned with its vision for societal innovation, providing opportunities to enter into business or capital partnerships with some of them:

- Nexity is partnering with Ubeeqo (a start-up subsidiary of Europcar) to provide the first local car-sharing service for exclusive use by residents of condominium properties managed by the Group. The service began to be rolled out in November 2014; at end-2016, a total of 13 vehicles were based at six residences in the Paris region; and
- acquisition in 2016 of an equity stake in Spicesoft, which specialises in designing software and applications for managing office space.

Nexity encourages employees to develop innovations under an intrapreneurial approach, giving rise to new product lines.

The two most iconic such innovations are as follows:

- Ywood, a product initiated by an in-house project team in 2010, which gave rise to a special-purpose entity to develop a range of ecologically designed wood-frame office buildings – see Section 1.5.2 of this Registration Document, "Commercial real estate"; and
- Nexity Blue Office (see Section 1.5.6.1 of this Registration Document, "Nexity Blue Office"), an innovative offering initiated by an in-house project team in 2012, with the first sites opened in 2014.

1.9.2 Intellectual property

The intellectual property rights of the Group and its subsidiaries mainly consist of brands and domain names as well as, occasionally, patents, designs and models.

As of January 2012, aside from the few exceptions mentioned below, all of the Group's businesses are united under a single brand: Nexity.

The Nexity brand and its logos, style guide and associated Internet domain names are constantly monitored to protect them from any fraudulent usage that would damage the Group's image.

Some of the Group's businesses require specific brand communication. This is mainly true of the following:

- Century 21 France and Guy Hoquet l'Immobilier. As franchisers of estate agencies, these businesses need to be able to capitalise on their own brands. The Century 21 brand is used under a licensing agreement entered into with Century 21 Real Estate Corporation, which is governed by United States law. This case is an exception: the Group generally owns all the brands it uses;
- Iselection and PERL, which work with various developers, and therefore continue to use their own brand; and
- certain property management networks such as Oralia and Bérard; or certain property development organisations such as Edouard Denis and Primosud, given the specific nature of their business and their strong brand identity in their market.

Moreover, the Group continues to add new brands to its portfolio on a regular basis, using them to promote its subsidiaries' flagship products and services.

The Group owns or holds the rights to use all its brands. All the intellectual property rights of the Group and its subsidiaries are protected in France and, when their business so requires, internationally.

The Group's Legal department centralises and coordinates the management of the intellectual property rights portfolio of the Group and its subsidiaries. It is assisted by specialised firms that provide regular updates and monitoring. It is also in charge of putting into action the necessary procedures and avenues of legal recourse should a third party breach the intellectual property rights of the Group and its subsidiaries.

1.10 INVESTMENTS

Apart from the financing of purchases involved in the operating cycles of its development activities (Residential real estate and Commercial real estate) and its urban regeneration business (Villes & Projets), which mainly consist of inventory components and work in progress held for sale (land, refurbishment and construction work, etc.), various types of investments are carried out by the Group:

- investments in ongoing operations (fixtures and fittings, computer equipment and software, furniture, etc.);
- external growth investments with the aim of developing the Group's business by way of acquisitions of companies, equity interests, business goodwill or contributions; and
- investments that are more financial in nature, such as acquisitions of minority interests (in particular as carried out by the investments business).

For further information on purchases involved in the operating cycles of the Group's development activities and its urban regeneration business (including land acquisitions), as well as minority interests acquired by the investments business; see the following sections of this Registration Document: 1.5.1.1 "New homes", 1.5.2.2 "The Group's products and geographic markets", 1.5.2.3 "Project portfolio", 1.5.4 "Urban regeneration business (Villes & Projets)" and 1.5.5 "Interests in real estate investment operations".

Investments in ongoing operations amounted to €25.3 million in 2016 for the Group as a whole (€19.8 million in 2015 and €29.5 million in 2014). Investments undertaken in 2016 mainly related to IT development and refitting work at the Solstys building (in Paris's eighth arrondissement – the Group's head office) and at property management agencies.

External growth investments over the last three years are discussed below.

In 2014, the Group acquired 100% of property management group Oralia (consolidated with effect from 1 April 2014), 76.4% of PERL (a pioneer and the French market leader in social housing usufruct solutions, consolidated with effect from 1 July 2014) and 50.1% of Térénéo (a wood-frame office developer based in the north of France, consolidated with effect from 31 December 2014). The total value of these acquisitions came to €323.3 million, with €198.5 million of this amount corresponding to the purchase price of shares (funded from the Group's cash holdings) and the remainder corresponding to bank borrowings shown in the opening balance sheet and acquisitions of minority interests.

In 2015, Nexity acquired individual property management firms in Bordeaux, Dijon and Paris, including Pierre Bérard, one of the Paris region's leading independent individual property management firms. These transactions represent a total value of €26.1 million, with €20.4 million of this amount accounted for by the purchase price of shares (financed in cash by the Group) and the remainder by bank borrowings taken on and showing in the opening balance sheet.

At end-2015, the Group also undertook to purchase the remaining interest in its commercial real estate services business (LFP Nexity Services Immobiliers). This purchase, for a value of €25.7 million, was finalised in the first quarter of 2016 and financed from the Group's cash holdings.

In 2016, the Group acquired 55% of real estate group Edouard Denis Développement and 65.01% of Prado Gestion, parent company of developer Primosud. Nexity also acquired 100% of the Costame group (one of France's leading providers of technical solutions consulting for the real estate and construction sectors, as well as various individual property management firms in Paris and Aix-en-Provence. Lastly, Nexity acquired 7% of Ægide SA, bringing its stake in the company to 45.16% at 31 December 2016, with the founding shareholders continuing to own the remainder of the company. The total value of these acquisitions came to €213.6 million, with €90.3 million of this amount corresponding to the purchase price of shares (funded from the Group's cash holdings) and the remainder corresponding to bank borrowings shown in the opening balance sheet and commitments to acquire minority interests.

1.11 MAJOR CONTRACTS

Partnership agreement with SNI (intermediate housing)

In December 2014, SNI and Nexity entered into a partnership agreement in the intermediate housing sector. The two groups' goal is to designate, every year for five years, 800 to 1,100 housing units for SNI and the investment funds that it manages. The agreement defines a working method, determines target rental yields, and specifies the technical and financial criteria for developments. In terms of geographic location, 1,250 municipalities have now been selected by SNI for intermediate housing development.

SNI reserved 485 housing units in 2016 (across 14 programmes), compared with 124 reservations in 2014 and 686 (across 19 programmes) in 2015 (either directly or indirectly through the *Fonds de logement intermédiaire* (FLI) – intermediate housing fund – or the *Société pour le logement intermédiaire* (SLI) – intermediate housing company). The partnership is expected to ramp up from 2017 onwards, with new home reservations expected to increase, given development projects currently in the structuring phase already accepted by SNI and with building permits due to be issued over the next few months.

2 RISK FACTORS

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Nexity operates in a business environment characterised by cyclical fluctuations, in which changes can occur rapidly, giving rise to a number of risks for the Group, some of which are beyond its control. Much of Nexity's business takes place in the French real estate market. Business activities are heavily regulated and constantly subject to the risk of changes in regulations. The risks and uncertainties described below are not the only ones faced by Nexity. Additional risks and uncertainties not currently known to Nexity or that the Group currently believes to be immaterial may also adversely affect its business and financial performance. Any of these risks, known or unknown, could cause significant differences with the forward-looking information released to the market and filed by the Group with the AMF (Autorité des Marchés Financiers).

2.1 RISKS ASSOCIATED WITH THE REAL ESTATE SECTOR

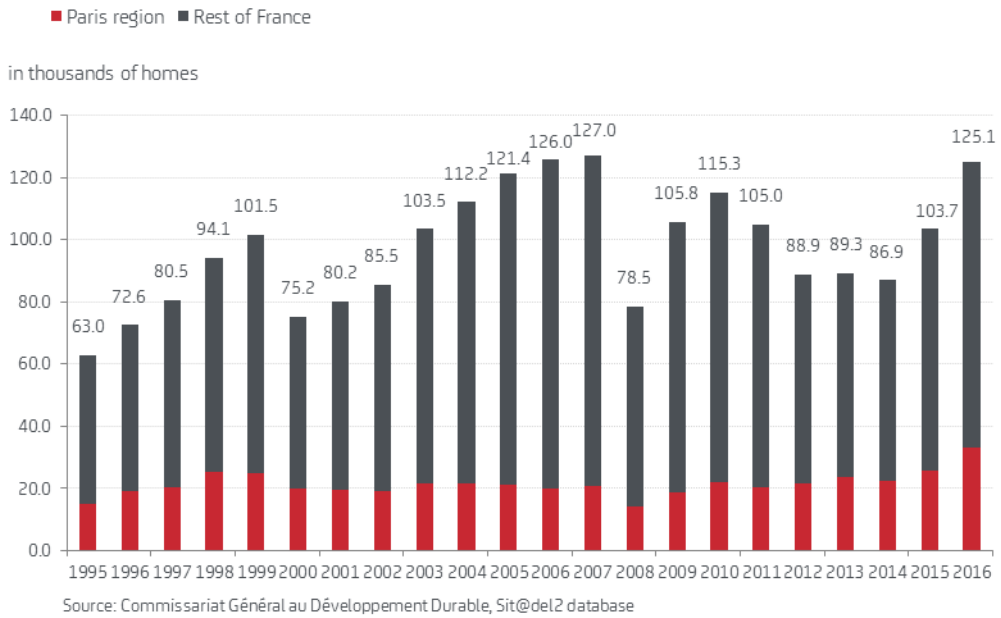
Economic conditions may have a significant impact on the Group's performance

The French real estate industry, Nexity's target market, is heavily affected by a certain number of macroeconomic factors that may have an impact on the Group's performance, particularly by reducing the demand for new homes and/or commercial real estate projects developed by its Residential and Commercial real estate divisions, respectively, and/or the transactions handled by its Services division relating to existing properties or in the buy-to-let investment market.

The Group's business activities may thus be particularly affected by economic growth rates, interest rates and unemployment rates as well as gains or losses in household purchasing power and consumer confidence in France. As they are strongly tied to the market for new housing (especially the market for home purchases), any adverse development in these factors would be likely to result in decreased sale values or volumes.

The **residential real estate market** is a cyclical market, as shown in the chart below. After three years with fewer than 90,000 net reservations a year (between 2012 and 2014), the French market for new residential real estate recovered strongly in 2015, with 103,700 reservations; this recovery continued in 2016, with the Commissariat Général au Développement Durablereporting 125,100 reservations, up a substantial 21% relative to 2015 and above the market average for the past ten years (104,700 reservations).

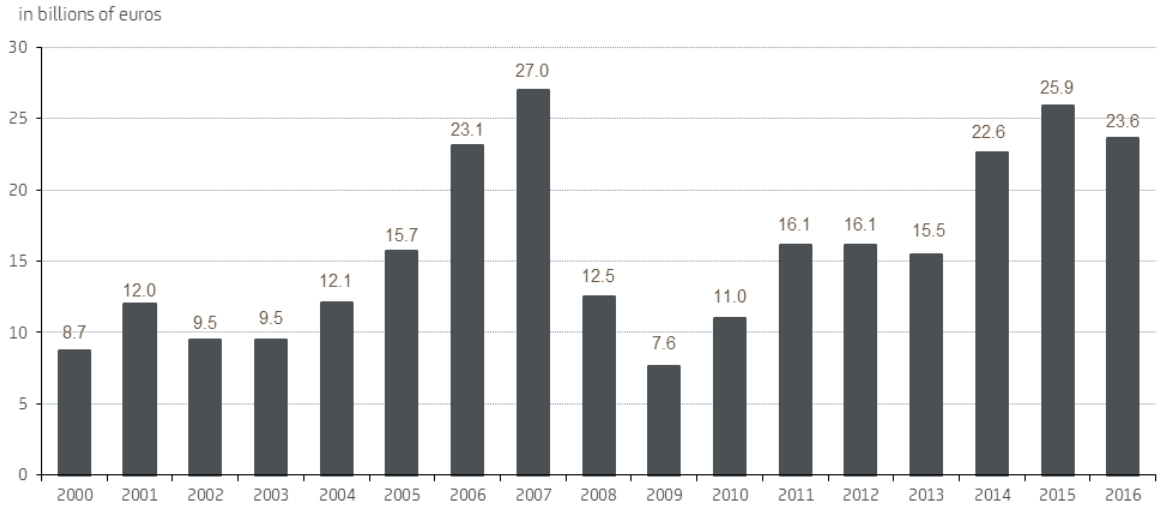
Number of new home reservations in France



Source: Commissariat Général au Développement Durable, Sit@del2 database

The cyclical nature of the **commercial real estate market** is even more pronounced; property values and rents, take-up and average vacancy rates may experience significant volatility, thus affecting the level of demand among investors. Generally, each expansionary phase is accompanied by an increase in rents and market values and a decrease in surplus stock; the reverse is true during recessionary phases. The market is even more volatile in the off-plan new office development segment.

Commercial real estate investments in France



Source: CBRE, Marketview, bureaux île-de-France, 4ème trimestre 2016

These overall market trends had an impact on the Group's business activity, although its performance was not exactly correlated with that of the market. The impact of these fluctuations in business activity on the Group's financial performance, in phases of both expansion and contraction, is only registered after a certain period of time, given the time generally required between a programme entering the backlog and work being launched, and is also due to revenue and profit on development activities being recognised using the percentage-of-completion method.

Nexity's strong positioning across multiple real estate market segments (residential, commercial and services) nevertheless ensures it some degree of insulation from the impact of changes in economic conditions. Its flexible operating model and its risk management policy (which generally avoids generating unsold stock) also help shield the Group from these macroeconomic risks.

However, the Group's activities and performance may be affected by adverse developments in the real estate markets in which it operates, caused by the overall economic environment (detrimental to the demand for Nexity's products and services), particularly in relation to the following factors:

- the demand for new homes may erode and the average time required to sell homes may lengthen, which would have an adverse impact on business volumes and the results of the Group's operations, leading to an increase in its working capital requirements; furthermore, the Group may experience difficulty finding new projects able to satisfy its profitability requirements and other investment criteria;
- the commercial real estate market, which tends to be sensitive to changes in economic conditions, may see a decline in lease transactions and investments in new commercial properties due to expectations of slow economic growth or a recession (less favourable to higher take-up volumes and thus liable to increase pressure on market lease rates), or potentially because of tighter financing conditions and, more generally, a decrease in the value of real estate assets in the event of a decrease in interest rates;
- the time required to move through the stages of urban regeneration projects in which the Group is involved may be greater than anticipated due to factors such as regulatory or administrative changes, elections or an overall economic downturn, which may delay the launch of related development activities, lengthen their time on the market and increase any land carrying charges;
- the indirect impact of a decline in the level of investment or a decrease in the number of transactions in the market for existing properties may adversely affect business activity for the Services division; and
- the final profitability expected from commercial real estate projects in which the Group has invested may not be consistent with the assumptions made due to developments in real estate markets.

As of the date of this Registration Document, Nexity does not have sufficient information to determine whether short-term market conditions will be consistent with the overall assumptions used for 2017, as described in Section 3.3.2 of this Registration Document, "Forecasts and outlook", and, more generally, whether the medium-term impact of the aforementioned risk factors on its business and financial performance will be significant (see Section 3.1.4 of this Registration Document, "Economic uncertainties").

The following paragraphs provide more detail on the potential impact of the main risk factors on Nexity's business and financial performance.

Political uncertainties exposes the Group to risks

Nexity is exposed to country risks, meaning the risk that political, social, economic and financial conditions in the countries where the Group operates will affect its strategy and performance. Beyond its structural exposure to economic and regulatory factors over which elected political authorities have significant influence, the general direction of policy – and the potential resulting uncertainty – can have a significant impact on Nexity. The upcoming presidential and legislative elections in France (April–June 2017) could contribute to an increase in such political uncertainty (with the same being true of the political context in Italy and Poland, albeit to a much lesser extent given the low level of Nexity's exposure in these countries). The fact that in each of the countries concerned the need for housing is a matter of priority, and a fundamental requirement of their populations, provides a degree of protection against excessively rapid disruption of the market model within which the Group operates.

Demand for new homes offered by the Group may be affected by a decline in the financial capacity of households and stricter lending conditions

Although France's housing market is low on supply, its health also depends directly upon buyers' ability to obtain bank loans, and thus upon their financial capacity as perceived by the banks. Nexity's business is therefore heavily dependent on the ability of potential homebuyers to qualify for and meet their obligations under the loans that allow them to purchase their homes. In past years and particularly since the end of 2009, the Group has operated in a favourable environment of low mortgage rates and relatively long-term loans. In 2016, mortgage rates reached historic lows, and were 1.34% on average in December 2016 for a fixed-rate loan with an average term of 17.9 years. An increase in interest rates will naturally result in higher mortgage rates. Surging property prices and tighter lending conditions over the last few years have made it harder for certain segments of the population (especially young people and low-income households, who represent the bulk of first-time buyers) to purchase new homes. Apart from the likely increase in the cost of home loans due to rising interest rates, potential homebuyers may also face greater difficulty in obtaining loans due to more stringent solvency and liquidity demands from banking regulators (now organised on a European scale) and bigger down payment requirements or shorter loan periods, which would translate into higher monthly payments at equivalent interest rates. Any decline in the financial capacity of households as a result of higher mortgage rates or more difficult lending conditions may directly affect the demand for homes offered by Nexity.

The Group is exposed to risks stemming from possible changes in interest rates

Apart from the impact that any rise in interest rates may have on the financial capacity of households, which may affect the business of the Group's Residential real estate division to a considerable extent, the performance of Nexity's Commercial real estate division may also be affected by an increase in interest rates: the return on rental investments, and on real estate more generally, is linked to interest rates, since these investments are largely financed through borrowings and because this return corresponds to the market interest rate plus a risk premium. Any increase in interest rates inevitably results in a decline in the profitability of investments. In addition, an increase in interest rates may make other investments (particularly bonds) relatively more attractive compared to real estate.

A rise in interest rates represents an instantaneous and automatically favourable (though limited) effect on the Group's performance, due to financial income on its own cash holdings and on a portion of the client working capital accounts handled by its property management for individuals business (Services division).

As far as the Group's borrowings are concerned, fixed-rate bonds have been issued and an interest rate hedging policy covering variable-rate debt has been implemented to moderate the impact of interest rate increases. However, the adverse impact of any upward movement in interest rates on the financing capacity of households as well as returns from commercial property assets would be likely to have a more negative effect on the Group's accounts. A rise in interest rates would be likely to result in a deterioration in business performance by the Group's Residential and Commercial real estate divisions, with a considerable impact on the results of operations for the current and subsequent years, although it would not be possible to arrive at a precise estimate of this impact.

Likewise, a decline in interest rates could have an instantaneous adverse impact on the Group's accounts. However, the favourable impact of any downward movement in interest rates on the financing capacity of households (once this change is passed on by banks in the form of lower rates for home loans granted to individuals) and on returns from commercial property assets would be likely to have a more positive effect on the Group's accounts. A decline in interest rates would be likely to result in an improvement in business

performance by the Group's Residential and Commercial real estate divisions, with a considerable impact on the results of operations for the current and subsequent years, although it would not be possible to arrive at a precise estimate of this impact.

However, if interest rates were negative for a long time, this would create another potentially risky situation for the Group. Apart from the unfavourable impact on interest earned on Nexity's cash holdings (the total volume of which has been substantial in recent years), such a scenario could trigger an across-the-board deflationary effect whose consequences are difficult to predict due to a lack of precedent.

A sensitivity analysis of the impact of movements in short-term interest rates on floating-rate debt instruments within net debt after hedging and of cash held in client working capital accounts is presented in Note 25.1 in Section 3.4 of this Registration Document, "Consolidated financial statements".

Demand for new homes is affected by changes in home ownership stimulus measures or buy-to-let investment tax incentives

Like all its competitors, Nexity stands to benefit from tax incentives that encourage individuals to invest in new residential property. The upturn in the new home market seen in 2009 and 2010 may be attributed in large part to the success of stimulus measures in support of home ownership (doubling of permissible principal for PTZ interest-free loans, extension of the Pass-Foncier® plan to cover apartment purchases) and tax incentives for buy-to-let investment (Scellier-Carrez Act). Some of these schemes have been reshuffled or discontinued over the past three financial years, such as the Duflot tax incentives for buy-to-let investment, which took effect on 1 January 2013 and were replaced on 1 September 2014 by the Pinel scheme, which has been extended and now expires in December 2017, and the new PTZ interest-free loan scheme announced at the end of 2015 and due to expire at the end of 2017. The validity period for measures currently in effect is limited (see Section 1.8 of this Registration Document, "Legislative and regulatory environment"). The volume or price of new homes sold – and thus the Group's business and financial performance – may be adversely affected by the replacement of measures due to expire with other, less favourable ones; the absence of replacement measures or a failure to renew expired measures; or more generally, the limitation or elimination of certain benefits currently offered to buyers of new homes, whether they intend to occupy the property or use it for investment purposes, in accordance with applicable legal and tax provisions.

In addition to the Pinel scheme, the Group's home sales to investors also depend on the specific tax conditions applicable to leases of furnished dwellings (by professional or non-professional landlords) and so-called Censi-Bouvard incentives, which expire at the end of 2017.

Demand for new homes and Nexity's outlook may be affected by adverse tax law changes

Any increase in the VAT rate applicable to sales of new homes is likely to limit the financial capacity of households looking to buy a new home by automatically leading to a rise in housing prices. Accordingly, any increase in VAT on new homes – either in the standard rate (20%) or the reduced rate for social and intermediate housing (5.5% and 10% respectively) – is likely to depress demand for new homes by raising purchase prices.

In addition, a higher tax rate or a less conducive fiscal framework for capital gains on the sale of property, and more generally any heightened restrictiveness of estate taxation – whether real or anticipated – may adversely affect decisions to purchase property by investors, or decisions to sell homes by households who are already owners and wish to acquire a new home. This effect therefore has an impact on demand for new homes.

The Group is also exposed to the risk that the French authorities may disqualify certain activities from offering investors tax relief (managed residences, for example, or PERL, which enjoys tax relief applicable to divisions of property ownership known as *démembrement*).

Lastly, increased tax pressure on households (rate hikes, closed loopholes, capped allowances, etc.), or even the anticipation of further tax increases (and constant tax changes in general), is liable to weigh on the decisions of investors, as well as households looking to sell their current home and buy a new one, both suffering from reduced liquidity as a result.

Nexity's other activities may also be affected by adverse changes in the tax environment. For example, Commercial real estate is dependent on changes in local tax regimes (levies for setting up offices, taxes on building and development, etc.).

Corporate tax changes could adversely affect the Group's earnings

A change in corporate tax rules (e.g. resulting in new taxes, higher taxes, or fewer tax allowances) could adversely affect the Group's net profit by increasing its tax expense.

Regulatory changes could adversely affect the Group's earnings

In conducting its business, the Group is required to ensure ongoing compliance with a range of regulations. Amendments to any of these regulations could have significant financial consequences for the Group (see Section 1.8 of this Registration Document, "Legislative and regulatory environment"). For instance, more stringent standards relating to building construction, environmental and consumer protection, social housing quotas, the issuance of building permits or any significant development in any of these standards, as well as tighter legal restrictions on offering regulated services (such as property management, rental management and brokerage) might have a negative impact on the Group's profitability.

Services activities are affected by the ALUR Act (on access to housing and new urban planning) enacted on 24 March 2014. The main measures taken in this act, in particular rent regulation (limited to the city of Paris at the date of publication of this Registration Document), appear likely to discourage buy-to-let investment and affect the profitability of the businesses performing rental or condominium management services (ban on billing rental fees to tenants, regulation of condominium management fees, client working capital accounts required to be managed in separate accounts, etc.).

The Group is exposed to risks associated with local authority governance

Operating as a real estate developer in France means having strong and lasting relationships with local authorities: the stability and predictability of decisions made by local assemblies and executives is a key factor in providing visibility on urban development within a given sector and ensuring that such decisions are reflected in urban planning documents.

On the one hand, various local elections (direct, as in municipal voting, or indirect, as in intermunicipal council designations) may mean that building permits take longer to be processed and granted, or that local urban planning projects (e.g. ZAC mixed-use development areas) are delayed or even undermined, possibly with adverse implications for the Group's new business potential in residential or commercial real estate, or the portion of it successfully brought to market.

On the other hand, the increasing complexity resulting from changes in local authorities' jurisdiction as regards the preparation and approval of regional and local development plans – in France's major urban areas and in the Greater Paris urban area in particular – can significantly lengthen the time taken to set up and deliver Nexity's development projects.

The Group faces significant competition in each segment of the real estate industry

In 2016, the Group was one of the main players in both development and services within the various real estate markets in France, where competition is fierce. Among the Group's competitors are national, regional and local players. Competition affects not only the acquisition of land and buildings, but also the prices of products and access to subcontractors. The resale market for apartments and houses is an additional source of competition for the Group's new-build residential development business. In Commercial real estate in particular, CPI (*contrat de promotion immobilière*) development contracts and delegations of project ownership (*maîtrise d'ouvrage déléguée*) are increasingly replacing Nexity's preferred operational framework, the VEFA off-plan agreement. This may lower business volumes and profit margins for the Group. Competitive conditions and pricing pressures may also influence the Group's other activities, such as services. If the Group were unable to respond effectively to this competition, the Group might lose market share, with an impact on profitability (see Section 1.6 of this Registration Document, "Competition").

2.2 RISKS ASSOCIATED WITH THE GROUP'S BUSINESS ACTIVITIES AND INDUSTRY

The Group's business growth depends on its ability to obtain external financing and could be affected by covenants included in its credit line agreements and bond

Nexity finances its residential and commercial real estate projects through a combination of bank loans, bonds and advance payments from clients, as well as using its own resources. The Group's need for financing may grow, particularly as a result of increases in working capital requirements for the Residential real estate division, due to business growth or slower than expected property sales, and for the Commercial real estate division, due to the development of projects settled only at delivery by investor clients or decreases in the amount of advance payments received from its clients in general.

Nexity also has loan obligations that are not attributable to any specific project or development ("corporate" credit arrangements). The Residential real estate corporate credit facility – the division's main source of bank financing (in the form of both loans and guarantees) – is due to expire in December 2018.

Were its internal resources not to provide it with sufficient funds to make its debt service payments, the Group would need to obtain alternative sources of external financing, which might be available on less favourable terms.

The Group's business would be adversely impacted if it could no longer obtain the guarantees required by industry regulations from banks or insurers.

The Residential real estate syndicated lending agreement and the bonds issued by the Group impose a number of constraints on the development of its business and require the Group to comply with certain financial covenants and ratios (which were all met at 31 December 2016). The Residential lending agreement prescribes when early repayment is mandatory, which would be the case, for instance, if the Group's shareholding in Nexity Logement and/or Foncier Conseil were to fall below 85%. Private placement bond covenants are outlined in Prospectus 13-015, dated 22 January 2013, and Prospectus 14-170, dated 29 April 2014, which are available in French on the AMF website, www.amf-france.org, and the Group's website, www.nexity.fr. In the event of a failure to comply with these commitments, the lenders are entitled to demand the early repayment of the amount outstanding under these credit line agreements and bonds, which the Group might not be in a position to make. The Group could also encounter difficulties in finding new financing to cover additional operating expenses or to honour its commitments.

Holders of convertible bonds (OCEANE), issued by Nexity on 13 May 2016 (press releases available on the Group's website, www.nexity.fr) may ask for early redemption in whole or in part, in cash, if at least 50% of the voting rights attaching to the Company's shares are directly or indirectly held by a single third party. In such a case, the Group could encounter difficulties in finding new financing to honour its commitment.

Furthermore, although the Group is not dependent on any single financial institution, a number of banking groups individually represent a significant portion of the Group's bank debt directly and/or as syndicate members for certain credit facilities.

However, the Group has tapped the corporate bond market to help meet its medium-term financing needs, enabling it to limit the amounts owed to – and thus its dependence on – banks.

The Group's future business activity depends on its ability to find attractive parcels of land

Nexity requires a sufficient supply of land parcels of suitable quality and size to meet its requirements for developing real estate in both its Residential and Commercial real estate divisions. The Group's future business activity and profitability may be significantly affected by increased competition (stimulated by competitive bidding on land, a common practice especially amongst local authorities, which substantially increases land costs); the risk of rapid market expansion (increasing numbers of projects involving payment in cash and a decreasing number of conditions precedent favourable to developers, such as pre-selling conditions or conditions for obtaining urban planning permits that cannot be appealed); lack of available land for sale on sites that meet the Group's standards and conform to applicable regulations; and tax conditions as well as any changes thereto that may influence landowners' decisions.

The Group is exposed to certain risks involved in real estate development projects

Real estate development – whether in the field of residential or commercial real estate – is subject to certain risks arising from the complexity of projects, applicable regulations, the large number of participants involved and the need to obtain various permits. During the project set-up phase in particular, Nexity is exposed to the risk of appeals against the planning permissions it needs to carry out work.

These risks include the possible discontinuation of projects on which the Group has incurred significant feasibility assessment costs. Such risks can be particularly high with respect to the Group's complex Villes & Projets urban regeneration projects, which require the coordination of many parties, several types of permits (often including authorisations to modify a local zoning plan) and a considerable lapse of time between the initial design and the implementation of a project. When certain projects are discontinued, the Group may have to pay withdrawal fees or renounce security deposits under the agreements used to secure land for those projects.

Moreover, while Nexity takes great care in selecting project participants and conducting detailed technical and market studies before launching projects, the Group may be exposed to risks such as budget overruns, extra costs due to delivery delays, unplanned additional work, construction accidents, lower-than-expected sales rates or subcontractors failing to honour their obligations, any of which could affect its profitability. In some cases, Nexity could be exposed to legal action concerning structural defects or problems affecting buildings it develops, despite the fact that most defects are likely to be covered by mandatory insurance or are primarily the responsibility of others involved in the construction process. Lastly, Nexity or its key managers could potentially

be the target of legal action pursuant to certain regulations, notably concerning undeclared labour, although the Group obtains assurance from its contracting parties that they do not employ any undeclared workers.

Nexity's risk management policy is based on prudential rules (see Sections 2.4.1 and 4.2 of this Registration Document, "Risk management policy" and "Report of the Chairman of the Board of Directors on the manner in which the work of the Board of Directors is prepared and organised and on internal control procedures") which, although strict, can be occasionally adapted in specific ways to accommodate the risk profile of certain development projects or land purchases. This enables, for example, the occasional targeted purchase of land for which full planning permission may not yet be granted (by way of exception to the Group's usual practice), but which offers considerable development potential at an attractive price.

The potential impact of the aforementioned risks on the Company's business and financial performance increases with large-scale individual projects, especially certain commercial real estate development or urban regeneration projects.

Pollution and soil quality problems could have a negative impact on the Group's financial position and ability to complete its development projects

Before acquiring any land or buildings, Nexity generally commissions an evaluation of the quality and pollution levels of the soil and subsoil, the history of the land at the site, and the presence of any asbestos in buildings to be refurbished or rebuilt. Nonetheless, the Group may still encounter environmental or soil quality problems during or after construction. Although the seller or most recent user of the land or building can typically be held liable for such matters, discovery of environmental or soil quality problems may result in serious delays as well as additional costs and may have significant financial consequences. Any change in the law relating to the ultimate responsibility for environmental cleanup might have a financial impact for the Group and/or limit its access to certain parcels of land. The Group has not had any significant legal action based on environmental claims brought against it in the past. Asbestos-related risks for development projects are marginal and are accounted for in offers to purchase land and buildings.

Aside from the specific issues raised above, Nexity is not exposed to any other environmental risks, given the nature of its activities. No provisions have been established in the Group's financial statements for environmental risks or guarantees.

Discovery of archaeological artefacts could result in delays or the suspension of construction on the land involved

Before acquiring any land or buildings, Nexity endeavours to ensure that such property is not subject to archaeological restrictions. Nonetheless, archaeological remains or objects may still be discovered during construction. Any such discovery may result in suspension of construction or in a change in the zoning rules for the site, either of which could have material adverse financial consequences for the project in question.

Regulations relating to the protection of endangered species may lead to delays in projects or require them to be re-examined

Particularly in connection with its large-scale and multi-year urban regeneration projects, Nexity may be affected by the discovery in specific areas of endangered species (flora or fauna), either because their presence was not initially detected or because they emerged at the site once the project was already under way. Regulatory protections for endangered species are becoming more stringent, especially since the adoption of the European Union's Birds and Habitats Directives, as well as the enactment in France of the "Grenelle II" environment law. As a result, in compliance with applicable regulations, the Group may be required to partially reconsider the schedule, planning or zoning of such projects and to incur unforeseen expenditures, thus suffering financial consequences.

The Group is exposed to risks relating to weather conditions

Weather conditions and natural disasters may prove detrimental to the Group's residential and commercial real estate development activities by causing physical damage or project delays.

The Group is exposed to certain risks relating to its foreign operations

Nexity has pursued selective expansion efforts in Europe, in certain segments of the real estate sector. The Group is exposed to the challenges of its international activities, notably in Italy and Poland, and principally on account of:

- the specific trends in the local markets concerned;
- risks related to a possible lack of understanding of local regulations or tax laws (no VEFA off-plan contracts in Italy and Poland);
- increased difficulty in recruiting high-quality personnel and managing operational units outside of the Group's home market;
- competition from local developers with greater knowledge of, and established reputations in, their home markets;
- risks related to currency exchange rate fluctuations in conducting business outside the eurozone (Switzerland and Poland); and
- inventory risk significantly higher than in the French market.

The Group is exposed to risks associated with construction costs

Nexity enters into contracts with non-Group companies for the construction of its buildings. Over the past several years the Group has seen construction costs rise, fuelled by increasingly demanding regulations relating to workplace safety and the environment, resulting in the introduction of new standards. The need in the future to comply with new building regulations, in addition to those already in application, is also likely to result in higher construction costs. The Group runs the risk of being unable to pass on the entirety of any increase in construction costs in the form of higher sale prices.

The Group is exposed to risks associated with the insolvency of or failure to honour obligations by subcontractors, suppliers and co-developers

In conducting its business, the Group works with a large number of subcontractors and suppliers. Although it is not dependent on any single subcontractor or supplier (see "Subcontractors and suppliers" in Section 1.5.1.9 of this Registration Document, "Project development and risk management"), the suspension of payments by one or more of these subcontractors or suppliers could affect the Group's business, specifically by causing delays and increasing costs. Should one or more subcontractors or suppliers be declared insolvent, the Group might have difficulty recovering claims under warranties. Similarly, the Group may suffer damage to its image in the event of a failure to honour obligations or other violations by its suppliers, its subcontractors or certain managers of residences it has marketed. Although the implementation of a policy promoting grouped purchases can lower costs, it might make the Group more dependent on certain suppliers.

The same counterparty risk exists for the Group when it engages in joint development operations. This risk is higher in cases – which are very limited and closely managed – where Nexity finances a guarantee in a greater proportion than its share of the capital of the joint venture.

The Group is exposed to certain risks involved in property management for individuals

Managing agents are most often appointed for one-year terms, usually subject to renewal at each annual general meeting of the condominium association. Rental management agreements are also signed for one-year terms, but they are usually renewed automatically.

Any significant attrition in the portfolio of managing agent or rental management agreements, not offset by the signing of new agreements, might adversely affect the results of the Group's Services business.

The Group is exposed to risks associated with the cost of insurance and the extent of cover offered

While the Group's mandatory insurance and the optional insurance cover that the Group considers necessary represent only a limited portion of its project costs, and despite placing risks with several insurers in order to avoid dependency on any one in particular, the Group still runs the risk of incurring significantly increased costs in relation to these policies. The Group also faces the risk of insufficient cover due to the establishment of a limit on cover and an expansion of the exclusion clauses in its insurance policies. Lastly, as insurance premiums are based on loss experience, any increase in losses could raise the premiums to be paid by the Group and/or have an impact on the level of risk coverage.

The Group is exposed to risks associated with information systems

The Group is exposed to the risk of the partial or total physical destruction of its information systems, which might cause an interruption in its data flows. To mitigate this risk, as part of its Business Continuity Plan, the Group has provided for the possibility of recovering its IT environment and obtaining a temporary workspace and equipment from a specialised provider so that its staff can continue to perform critical functions and use information systems. The Group is also exposed to the risk of its data being lost, stolen or otherwise compromised, whether it is stored locally or on remote third-party servers. As such, the Group takes special care to select high-quality external service providers, particularly for Software as a Service (SaaS).

The Group is exposed to risks associated with investments in digital projects and other innovative activities

In order to evolve in step with the increasing role that digital technology plays in its clients' everyday lives, the Group invests in keeping its selling practices and client experience up to date with the latest user expectations. IT and website developments as well as new solutions offerings may prove insufficiently suited to client needs and lead to market share loss and less business.

Similarly, digital technology's increasingly important role in the real estate services sector, which Nexity includes in its strategy as an opportunity, could accelerate and result in the deterioration or even the destruction of existing business models, including Nexity's. Although the Group invests in new technologies and innovation, monitors technological developments and uses a structured matrix of investment criteria for its new projects, such risks could affect the Group and its performance.

The Group is exposed to risks arising in the event of corporate acquisitions

Nexity's business strategy includes external growth (full acquisitions, partnerships and acquisitions of smaller stakes). The success of this strategy may be compromised by a lack of suitable acquisition targets, excessive valuations, or constraints stemming from competition law. Although Nexity audits, values and conducts strategic analysis and due diligence on all potential acquisitions, certain financial information and risks may be misjudged, which could adversely affect the Group. Nexity may also have difficulty integrating and growing a company it acquires, as well as establishing relations with its potential fellow shareholders, which may prevent it from achieving projected revenue, operating income or cash-flow targets and impair the value of goodwill. Nexity is in the process of structuring its "post-acquisition" procedures in order to improve control of the risk described in this section.

The Group may be exposed to the risk of attempted fraud

Like any business, Nexity is exposed to the risk of attempted fraud or embezzlement of funds, whether external or internal. This risk mainly – but not exclusively – affects the Group's service businesses (for private individuals or companies), which make large numbers of funds transfers, often for substantial amounts. Such attempts can be intended to cause direct financial loss for Nexity or to affect the Group's reputation and financial interests by targeting third-party funds managed by Nexity. In spite of preventive and awareness-raising measures, as well as the priority placed on fraud prevention within the internal control work programme, Nexity cannot completely eliminate this risk of fraud.

The Group is exposed to risks associated with the management of its human resources

As a services group, Nexity's business depends on its human capital. As such, if the Group were unable to identify, attract, train and retain skilled employees, its competitive position and financial performance could be adversely affected, especially given the competitive labour markets in which it operates.

Encouraging the professional development of each employee, fairly rewarding performance and retaining talent are therefore priority components of Nexity's human resources policy (see Section 5.3.1 of this Registration Document, "Human resources policy").

Moreover, Nexity depends on certain key executives, the loss of whose services could adversely affect the attainment of its business development targets. The senior management team has significant experience in the markets in which the Group conducts its business. In addition, certain of the Group's executives personally communicate its values and directly manage the Group's brand image. The departure of one or more of these key executives could have a significant adverse impact on the Nexity share price, the Group's business, its financial position, its prospects and the results of its operations.

Lastly, the changes in the structure of Nexity, announced by the Company on 23 January 2017, with the aim of reorganising Nexity's businesses on the basis of client group rather than business area, carry execution risks and the Group may not meet its objectives.

The Group is exposed to image and reputation risk

Because of the large number and diversity of Nexity's actual and potential clients (individuals, companies and investors, local authorities), the Group is exposed to image and reputation risk in the event of a serious weakness, whether real or alleged, in the quality of the services it delivers. Such risks are particularly prominent when the Group acts as a seller or operator on behalf of banking networks (as with Iselection, whose business comes largely from the Caisses d'Épargne network), in which cases there is a strategic relationship with the network that brings in the business. Image and reputation risk has been heightened by the implementation of the single Nexity brand under which the great majority of the Group's activities are now offered, insofar as any negative allegation in connection with one of Nexity's businesses is likely to reflect upon its other activities. The development of social media, blogs and discussion forums contributes to the increase in image risk with respect to the public and more particularly Nexity's online reputation. The Group has implemented specific measures to monitor its online reputation on an ongoing basis, and is able to identify any initiatives or comments that may have an uncontrollable, lasting impact on its image.

2.3 FINANCIAL RISKS

The Nexity group is exposed to the following financial risks:

- liquidity risk;
- interest rate risk;
- currency risk;
- equity risk; and
- bank insolvency risk.

They are presented in Notes 22.3 and 25.1 to the consolidated financial statements provided in Section 3.4 of this Registration Document.

2.4 RISK MANAGEMENT

2.4.1 Risk management policy

In order to prevent and effectively manage risks relating to its business, the Group has a policy of moderate appetite for risk, which it follows by ensuring its obligations are highly diversified, avoiding or strictly delimiting high-risk real estate assets, and avoiding speculative activities and those with high fixed costs. It also applies internal control procedures (see Section 4.2 of this Registration Document, "Report of the Chairman of the Board of Directors on the manner in which the work of the Board of Directors is prepared and organised and on internal control procedures"). The goal of this system is to identify and document the main risks to which the Group is exposed, and to make sure that appropriate risk management procedures are in place.

The Group has adopted an organisation characterised by the centralised control of risks and financial resource allocation at the Group level, or at the level of its main divisions, while granting its subsidiaries substantial autonomy regarding business matters and the management of projects and teams.

In addition to structural measures, the Group considers that it has a culture of risk management and control at the level of operational teams, even though this should be strengthened further.

Operating risks. Nexity has a Commitments Committee, whose members include Nexity's Chairman and CEO and/or its Deputy CEO until the end of 2016. All significant commitments entered into by the Group in residential or commercial real estate (barring certain exceptions) and in all external growth projects, projects for the development of new business lines or real estate investment alongside other parties, and disposal or divestment plans, must be approved in advance by this body based on an investment matrix. All necessary permits must be obtained before entering into any land purchase agreements (except in isolated cases, justified by occupancy of the property asset generating income in connection with a commercial real estate project or, in the Group's urban regeneration business, by the development potential of the parcel in question); any pollution and constructability studies must also be carried out in advance. The launch of construction work is conditioned upon a substantial amount of successful pre-selling (at least 40% of homes must be reserved before launching work on a residential project or a specific phase of a large residential project; commercial projects are almost

always pre-sold to investors or pre-let to end-users prior to the launch of construction work). In addition, any investment or divestment plan by the Group in excess of €50 million must be approved in advance by the Board of Directors.

Legal risks. As part of its risk management policy, the Group has put in place a specific due diligence procedure to help manage legal risks. Nexity's Legal department is an active participant in this process. For real estate programmes, this procedure includes the review by the Group's in-house counsel of all legal aspects of any significant project involved in the establishment of these programmes and of all documents relating to financing arrangements. Additionally, with respect to disputes, a provision is set aside as soon as the existence of the risk is confirmed (once a summons is served and depending on the analysis and measurement of the risk by the Group's Legal department).

2.4.2 Policy with respect to insurance

Insurance cover against risks

Specific insurance policies are taken out by the Group to provide cover against the main risks identified in its various business lines.

Insurance policies taken out with several insurers

Currently, five main insurers provide cover against the Group's risks, arranged through three main brokers. The aim of this diversified approach is to ensure continuous risk coverage, negotiate the best possible rates and build close relationships with brokers in terms of underwriting and claims management.

Today, the Group and its operating subsidiaries generally work with three brokers: Marsh SA, Gras Savoye and Deleplanque. The main insurers providing cover for the Group's professional liability are Allianz, SMA, Liberty and Zurich. SMA and Allianz also serve as the main insurers for builder's risk in the area of residential real estate, while SMA is the main insurer for this risk with respect to commercial real estate.

2.4.3 Main insurance agreements

The Group has taken out insurance cover against builder's risk (including two mandatory insurance policies) as well as insurance cover for professional liability and other risks.

Mandatory insurance

In accordance with regulations applicable in France to the residential and commercial real estate business activities described in Sections 1.5.1 and 1.5.2 of this Registration Document, "Residential real estate" and "Commercial real estate", Group companies take out mandatory insurance policies as required by the Law of 4 January 1978 to cover both the building under construction (*Dommages-Ouvrage*, equivalent to building damage insurance) and liability at the level of project management (*Constructeur Non Réalisateur*, or CNR, equivalent to site insurance for property developers), as well as supplemental ten-year contractor's liability insurance (*Contrat Collectif de Responsabilité Décennale*, or CCRD).

For the Group's residential real estate business, insurance policies – including those required by law – are taken out with two insurers through two brokers: with SMA through Deleplanque and with Allianz through Gras Savoye.

The *Dommages-Ouvrage*, CNR and CCRD insurance policies are subject to an annual rate review with SMA and Allianz so as to obtain a highly competitive premium rate in relation to rates available in the market, due in particular to the Group's establishment several years ago of an after-sales department. For the Group's commercial real estate business, *Dommages-Ouvrage*, CNR and CCRD policies are taken out individually for each project, mainly with the assistance of Marsh SA.

Ten-year project manager's guarantee insurance (*Assurance décennale Maîtrise d'œuvre*). Group companies that serve as project managers are covered by specific project manager's guarantee insurance policies. This type of insurance covers payment for repairs required to address defects arising over a ten-year warranty period in a building to which the Company contributed as a project manager, should its liability be invoked on the basis of a presumption established under Articles 1792 et seq. of the French Civil Code.

Ten-year guarantee insurance for *Aménageurs-Lotisseurs*. Group companies acting as *Aménageurs-Lotisseurs* (a separately defined group of site developers in France, who assemble sites, subdivide them into building plots and provide the necessary infrastructure) each take out a *Globale Aménageur* (site developer's all-risks) policy with SMA, including cover for the ten-year warranty they are required to provide by law (Articles 1792 et seq. of the French Civil Code) in the event of building defects arising after delivery.

For projects developed outside France, builder's risk insurance policies are taken out in each country through local brokers, providing cover that meets or exceeds the levels required under applicable laws.

Builder's risk insurance other than mandatory coverage

A builder's all-risk policy (*Tous Risques Chantier*, or TRC) providing protection against risks incurred during construction projects is taken out for each project without exception. Civil liability insurance for environmental damage may also be taken out to cover site clean-up risks if deemed necessary by risk analysis. Apart from the required liability insurance in connection with the ten-year structural defects warranty (*garantie décennale*) in France, the Group also takes out coverage for the proper operation guarantee (*garantie de bon fonctionnement*), consequential damage and, where deemed necessary, damage to existing property and contingent damages. Developer's public liability coverage and contractor's comprehensive general liability coverage are also taken out, where applicable.

Liability insurance

Liability insurance taken out by the Group covers the following areas:

Professional liability. Each Group company takes out its own coverage for operational and professional liability. In addition, an "umbrella plan" covers the liability of Group companies in excess of the primary coverage taken out by each entity, in varying amounts. This plan, adopted through a competitive bidding process at the end of 2014, consists of a first policy taken out with Liberty Mutual Insurance for a limit of cover equal to €30 million per loss and per year. This policy has an excess corresponding to the amount of cover offered by the underlying policies, or €300,000 if triggered initially. For projects taking place outside France, the Liberty policy either is triggered first or provides secondary coverage over and above existing local policies. This is supplemented by a second policy taken out with Zurich, with a limit of cover of €20 million per loss and per year.

Mandatory liability insurance for real estate brokers and property managers, in accordance with the Hoguet Act of 2 January 1970 (see Section 1.8 of this Registration Document, "Legislative and regulatory environment"). In 2013, a Group policy managed by Gras Savoye was set up with Allianz to cover the relevant subsidiaries in this business line. The umbrella policy taken out with Liberty provides an additional guarantee of €10 million with an excess of €50,000.

Directors' and officers' (D&O) liability. D&O liability is covered by two policies: one taken out with AIG Europe, with a coverage amount of €25 million, and the other taken out with Chubb as supplementary insurance, with a coverage amount of €10 million. This policy covers the personal liability of directors and officers as well as both French and foreign civil and criminal legal defence costs, whether de facto or de jure. There is no excess, except in the event of a claim involving non-US securities (€200,000).

Labour-management relations. The Group has taken out an employment disputes insurance policy with AIG Europe, which provides liability coverage for Group companies, their executives and employees as a result of any infringement in the performance of their duties of rules relating to labour-management relations. Cover provided under this policy amounts to €3 million per dispute and per year, with an excess of €60,000.

Other insurance coverage

The Group has two other programmes of insurance coverage:

- an insurance programme provided by Allianz and managed by Siaci Saint-Honoré, covering civil liability and damages for the Group's vehicles and employees' personal vehicles used for work purposes; and
- an insurance programme provided by Axa and managed by Marsh SA, covering damages and civil liability for owners and renters, for operating premises and property related to construction projects.

2.5 LEGAL AND ARBITRATION PROCEEDINGS

The Group endeavours to prevent disputes and litigation by putting in place framework agreements, regularly issuing legal information and delivering targeted training to employees appropriate to the business areas in which they work. Similarly, the Group works with specialist lawyers who regularly work on its affairs, thus ensuring that they have detailed knowledge of the Group. Finally, the Group has put in place an after-sales department which seeks to settle conflicts on an amicable basis (described in further detail in Sections 2.4.2 and 2.4.3 of this Registration Document, "Policy with respect to insurance" and "Main insurance agreements").

The Group is also involved in a number of litigation proceedings arising in the normal course of its business. Most disputes and litigation are covered by the Group's insurance policies and provisioned for at least the amount of any insurance excess.

Nexity considers that the provisions it has set aside in respect of litigation represent a reasonable level of cover.

There are no other government, legal or arbitration proceedings – including any pending or threatened proceedings of which the Group is aware – which are likely to have, or which have had within the last 12 months, a material impact on the Group's financial position or profitability.

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3.1 FINANCIAL POSITION AND PERFORMANCE

The financial data and indicators presented below are based on Nexity's operational reporting, with joint ventures proportionately consolidated.

2016 business activity

- Residential real estate reservations grow to a record 18,890 reservations, including 15,893 new home reservations in France (up 35% by volume and 29% by value);
- Nexity's market share in Residential real estate up 1.4 percentage points to 12.7%;
- Commercial real estate order intake: €356 million; and
- Development backlog: €4.0 billion (up 22%).

2016 financial performance

- Revenue: €3.07 billion (up 0.5%);
- Current operating profit target exceeded: €266 million (up 21% relative to 2015) and an operating margin of 8.7% (up 1.5 percentage points);
- Free cash flow generated: €168 million; and
- Net debt under control at €317 million (gearing: 20%[1]).

The Group's consolidated financial statements are prepared in accordance with IFRSs (International Financial Reporting Standards) and IFRIS IC (IFRS Interpretations Committee) interpretations as adopted within the European Union.

IFRS 11 *Joint Arrangements*, the application of which is mandatory as of 1 January 2014, states that joint ventures must be accounted for using the equity method (whereas before they could be proportionately consolidated). Nexity's joint ventures are mainly co-development vehicles in Residential and Commercial real estate. For operational reporting and management purposes, Nexity continues to apply proportionate consolidation to its joint ventures, which in its view provides a more accurate reflection of the Group's performance and risks as measured by revenue, operating profit, working capital and debt. The segment-specific presentations in this Registration Document are based on operational reporting data.

3.1.1 Significant developments

The following significant events took place in 2016:

- in Residential real estate: with 15,893 net reservations for new homes recorded in 2016 in France, in a very buoyant market, the Group saw a 35.4% rise in its reservations compared with 2015 (11,741 reservations), with expected revenue from reservations up 28.8%. With its international and subdivision operations, the Group achieved 18,890 reservations in 2016, up 32.7% from 2015;
- in Commercial real estate: new orders totalling €356 million were booked in 2016;
- external growth: the Group acquired companies with a total enterprise value of €214 million including Edouard Denis Développement and Primosud in residential real estate, Costame and individual property management firms in services, and an additional equity stake in Ægide (see Section 3.4.1 of this Registration Document, "Notes to the consolidated financial statements");
- financing: on 13 May 2016, Nexity issued a €270 million OCEANE[2] convertible bond with an annual coupon rate of 0.125%, redeemable at maturity in 6.5 years (January 2023), with a Nexity share conversion option at €64.30 per share, accompanied by the redemption of the 2014 OCEANE bonds:
  - 99.43% of the 2014 OCEANE bonds (maturing in January 2020) were redeemed for a total of €230.5 million. The remaining 0.57% of bonds, with a value of €1 million, were then converted into 26,027 Nexity shares based on a value of €43.34 per share;
  - the Group has thus lowered the nominal cost of financing its convertible bond debt (which accounted for about 25% of Nexity's total gross borrowings at 31 December 2016) from 0.625% to 0.125%, while also extending the term to maturity of its bond issues by three years and reducing the risk of dilution for its shareholders (initial conversion price for new OCEANE bonds: €64.30 per share, versus €43.34 for the previous bonds). The potential dilutive impact of the 2016 OCEANE issue is similar to that of the 2014

[1] Gearing: net debt / equity
[2] OCEANE: French acronym for "bonds that may be converted into or exchanged for new or existing shares"

OCEANE issue, i.e. around 7.4% at 31 December 2016 (see Note 22.1 to the consolidated financial statements in Section 3.4 of this Registration Document).

On 23 January 2017, the Group announced changes in its governance: the senior management team, led by Alain Dinin, Chairman and Chief Executive Officer, was strengthened with the appointment of three Deputy Chief Executive Officers and a Deputy Managing Director, responsible for Internal Clients, Individual Clients, Commercial Clients and Local Authority Clients. Hervé Denize announced he would step down from his positions as Deputy CEO and Director. This new, client-focused organisational structure will help the Group prepare its new real estate services platform and draw up a new 2018-2020 strategic plan.

3.1.2 Business activity

Residential real estate

For 2016, the retail market for new homes in France posted its best performance since 2007. Net reservations[1] in the full year reached 125,100 (up 21% relative to 2015), thanks to the various stimulus measures currently in force up to the end of 2017, low interest rates and a return to the market of first-time buyers.

After bottoming out in November 2016 (at an average of 1.31%), mortgage rates increased slightly, reaching an average of 1.34% in December.[2] Nexity expects this gradual increase in rates to continue. The current low level of rates remains a significant driver of housing demand (rates averaged 1.62% in 2016, compared with 2.12% in 2015).

Reservations (units and €m)	2016		2015	Change %
New homes in France	15,893	*	11,741	+35.4%
Subdivisions	2,518		2,202	+14.4%
International	479		292	+64.0%
Total reservations (number of units)	**18,890**		**14,235**	**+32.7%**
New homes in France	2,943	*	2,285	+28.8%
Subdivisions	197		166	+18.6%
International	79		42	+87.4%
Total reservations (€m incl. VAT)	**3,218**		**2,493**	**+29.1%**

* Including 842 Edouard Denis reservations totalling €138 million including VAT (over six months)

New homes

In 2016, the Group booked 15,893 net new home reservations in France, up 35% by volume and 29% by value year on year[3]. Based on initial estimates of the French market (around 125,100 reservations[5]), Nexity's market share reached an all-time high of 12.7%, compared with 11.3% in 2015.

Expected revenue from reservations increased sharply, up 29% to €3,218 million including VAT. The increase in the volume of reservations was even sharper, however, as a result of mix effects, including in particular an 11% drop in the average price of bulk sales and a sharp increase in reservations for homes in serviced residences (up 58% relative to 2015) and regions with a reduced VAT rate (up 58% relative to 2015), where unit prices are lower.

In the fourth quarter of 2016, net new home reservations in France totalled 5,201 units, up 23% by volume and 21% by value relative to Q4 2015 (on a like-for-like basis: up 10% by volume and up 9% by value); this slowdown in the growth rate was mainly driven by a high base effect in the fourth quarter of 2015.

BREAKDOWN OF NEW HOME RESERVATIONS BY CLIENT – FRANCE					
(number of units) – excluding Edouard Denis	2016		2015		Change %
Homebuyers	3,716	25%	2,555	22%	+45.4%
o/w: - first-time buyers	*2,841*	*19%*	*1,910*	*16%*	*+48.7%*
- other homebuyers	*875*	*6%*	*645*	*5%*	*+35.7%*
Individual investors	6,555	44%	5,046	43%	+29.9%
Professional landlords	4,780	32%	4,140	35%	+15.5%
Total new home reservations	**15,051**	**100%**	**11,741**	**100%**	**+28.2%**

[1] Source: Commissariat Général au Développement Durable
[2] Source: Observatoire Crédit Logement
[3] On a like-for-like basis: 15,051 reservations, up 28% by volume and 23% by value

Reservations made by first-time buyers were up 49% relative to 2015, buoyed by urban areas with a reduced VAT rate and the new PTZ interest-free loan scheme, which entered into force on 1 January 2016.

Reservations by individual investors also increased sharply in 2016 (up 30% relative to 2015), driven not only by historically low interest rates and investor appetite for the security of real estate investment but also by the Pinel scheme, which retained its appeal. This trend is set to continue, with the scheme extended until the end of 2017.

Reservations made by professional landlords grew more slowly (up 15% relative to 2015), accounting for 32% of all new business (compared with 35% in 2015).

Average sale price & floor area *	2016	2015	Change %
Average home price incl. VAT per sq.m (€)	3,834	3,843	-0.2%
Average floor area per home (sq.m)	55.7	55.7	0.0%
Average price incl. VAT per home (€k)	**213.6**	**214.1**	**-0.2%**

* Excluding bulk reservations, international operations, and reservations by Iselection, Edouard Denis and Primosud

Both average prices including VAT and average floor areas for homes reserved by Nexity's individual clients held steady over the course of the year.

Seeking to track the market recovery while remaining selective in its commitments, in 2016 Nexity launched a total of 13,976 units (8% more than in 2015)[1]. Unsold completed stock (103 units) as a proportion of the total supply for sale (5,661 units[2]) remained very low. The level of pre-selling booked at the start of construction work remained high, averaging 72% in 2016 (compared with 67% in 2015).

At end-December 2016, the business potential[3] for new homes was up 6% relative to end-2015, and stood at 36,367 units, equating to 2.4 years' revenue (41,813 units including external growth transactions completed in 2016, equating to 2.6 years' revenue).

Subdivision

Subdivision reservations totalled 2,518 units, up 14% relative to 2015, reflecting the upturn in the market for detached houses. The average price of net reservations made by individuals increased by 1.7% to €77.2k, while average subdivision size was relatively stable (down 0.8%) and the average price per square metre increased slightly (up 2.5%).

International

Nexity booked 479 international new home reservations in the year. There were 367 reservations in Poland (56% more than in 2015). In Italy, developments were sold at a satisfactory pace (112 reservations) following the implementation of restructuring and risk reduction measures at the end of 2014.

Commercial real estate

In 2016, €23.6 billion was invested in commercial real estate in France – still a high figure, albeit 8% lower than the €26 billion invested in 2015. Office space in the Paris region accounted for 74% of these volumes, including prime assets, which traded at an all-time low yield of 3.00%. The market for VEFA off-plan contracts for offices remained buoyant (at nearly €2.3 billion), down slightly from 2015 volumes but with strong growth in speculative deals, which accounted for 61% of transactions, as investors showed greater risk appetite and anticipated a shortage of high-quality supply in the rental market.

The rental market proved buoyant in the fourth quarter, with take-up in the Paris region totalling 670,000 sq.m, bringing full-year take-up (volume of rental transactions and user sales) to 2.4 million sq.m in 2016, up 7% from 2015.

Office space business outside the Paris region was very buoyant in 2016, particularly thanks to the wood-frame segment, which booked orders totalling €84 million, mainly outside the Paris region, including the off-plan sale of Block 12 of the Euratechnologies development to BNP Paribas REIM, representing a floor area of 6,000 sq.m in Lille. Thanks to its Ywood and Térénéo subsidiaries, Nexity is the French market leader in wood-frame properties, with a total of almost 40,000 sq.m delivered at 31 December 2016 (since 2011).

[1] Excluding Edouard Denis
[2] 6,773 units taking into account external growth transactions completed in 2016 (Edouard Denis and Primosud)
[3] Business potential includes the Group's current supply for sale, its future supply corresponding to project phases not yet marketed on purchased land, and projects not yet launched associated with land secured under options

New orders in 2016 totalled €356 million, thus exceeding the full-year target of at least €250 million, mainly thanks to the off-plan sale to the Yvelines region *Caisse d'Allocations Familiales* (family allowance fund) of a 6,700 sq.m property in Versailles (Yvelines), the off-plan sale of hotel space (to a fund managed by Amundi Immobilier) and the off-plan sale of office space (to a fund managed by LaSalle Investment Management) in the Perisight building in Clichy (Hauts-de-Seine), as well as the off-plan sale to Crédit Agricole Assurances of the 18,000 sq.m Online building in Rueil-Malmaison (Hauts-de-Seine), the largest order in the year.

Services

In Real estate services to companies, the floor area under management at end-December 2016 totalled 12.3 million sq.m, up 1% relative to end-2015.

In Real estate services to individuals, the portfolio of units under management totalled 898,000 units at 31 December 2016, slightly lower than at end-December 2015 (down 1.9%[1]). The brokerage business was particularly buoyant, with the number of provisional sale agreements signed up 6% from 2015. Nexity Studéa, which specialises in managing student residences, saw its occupancy rate increase to 89.6% (compared with 87.3% at end-2015).

The digital transformation in real estate services to individuals continued, notably including the introduction of new customer service tools (paperless property inspections, private interactive client spaces, etc.) and the development of connected agencies and disruptive offerings such as E-gérance (the first fully digital rental management offering).

In franchise operations, Century 21 and Guy Hoquet l'Immobilier signed 10% more provisional sale agreements than in 2015 in an exceptionally strong market for existing real estate in France[2]. After declining for several years, the number of franchised agencies picked up in the year (with 1,217 agencies at end-December 2016, compared with 1,206 at end-December 2015).

In 2016, Nexity strengthened its partnership with Ægide-Domitys, the market leader in senior independent living facilities with an integrated business model (covering both property development and operation). At 31 December 2016, Nexity owned 45.16% of Ægide-Domitys, with an option to acquire full control by 2018.

Urban regeneration (Villes & Projets)

At end-December 2016, Nexity's urban regeneration business (Villes & Projets) had land development potential of 531,000 sq.m[3], with the notable addition to the portfolio of the Bordeaux Belvédère development, with a floor area of 70,500 sq.m. Furthermore, in the commercial real estate segment, work began on the iconic project to recreate the neighbourhood around the Versailles-Chantiers railway station (Yvelines), the second-busiest station in the Paris region.

Innovation

In line with its strategic plan, in 2016 Nexity continued to invest in innovative projects focused on digital transformation, including in particular the following:

- Bien'ici – a next-generation property listings website in which Nexity has a 40% stake alongside a consortium of real estate professionals (*Consortium des Professionnels de l'Immobilier*) – continued to receive a growing number of membership requests from professionals wishing to place paid listings (with 5,800 member agencies at end-2016).
- Nexity continued to develop a digital management tool for connected homes, newly rebranded Eugénie. Following delivery of the first smart homes as part of a real estate development in Paris in 2015, a further four pilot developments will be fitted out in 2017; and
- on 22 February 2017, Nexity's Commercial real estate division unveiled the Nexity Lab demonstrator at its head office in Paris.

Nexity continues to invest around €20 million a year in digital technology and innovation, split between in-house digitisation projects and investment in new services through direct investments (Blue Office, Bien'ici, E-gérance, etc.) or through partnerships with start-ups (SpiceSoft, Lucibel, etc.) and investment in venture capital funds.

[1] On a like-for-like basis (excluding external growth and sales of property management business), the churn rate came in at 2.9%.
[2] Market estimated at 848,000 transactions, equating to growth of 5% – Commissariat Général au Développement Durable
[3] Floor areas are provided for information purposes only and may be subject to adjustment once administrative authorisations have been obtained.

External growth

The Group acquired companies with a total enterprise value of €214 million including Edouard Denis and Primosud in residential real estate, Costame and property management firms in services, and an additional equity stake in Ægide (see Section 3.4.1 of this Registration Document, "Notes to the consolidated financial statements").

3.1.3 Consolidated results

Revenue

Nexity generated revenue of €3,073 million in 2016, stable relative to 2015 (up 0.5%).

(in millions of euros)	2016	2015	Change %
Residential real estate	2,267,4	2,161,7	+4.9%
Commercial real estate	306.9	379.2	-19.1%
Services	494.1	503.8	-1.9%
Other activities	4.3	12.5	-65.7%
Total Group revenue*	**3,072,7**	**3,057,1**	**+0.5%**

* Revenue generated by the Residential and Commercial real estate divisions from VEFA off-plan sales and CPI development contracts is recognised using the percentage-of-completion method, i.e. on the basis of notarised sales and pro-rated to reflect the progress of incurred construction costs.

Residential real estate revenue totalled €2,267 million, up 5% year on year. This growth was mainly driven by the contribution from Iselection and PERL, whose revenue (recognised in full at the point when a notarised deed is signed) comes in more quickly than for Nexity-branded property development business. Furthermore, given restatements in the opening balance sheet and remeasurements of assets and liabilities to fair value as part of the purchase price allocation (PPA), revenue generated in the year by Edouard Denis made no contribution to Nexity's consolidated revenue, in spite of being consolidated since 1 July 2016.

In line with Nexity's forecasts, Commercial real estate revenue was down 19% relative to 2015 at €307 million, reflecting the construction schedules of ongoing developments. In 2015, revenue was boosted by significant contributions from major developments delivered in late 2015 and early 2016 (such as Eco Campus in Châtillon and Le Nuovo in Clichy, both in Hauts-de-Seine).

The Services division generated revenue of €494 million, down 1.9% relative to 2015. Stable revenue from property management for individuals (down 0.7%) and higher revenue from franchise networks (up 8.3%) partly made up for lower revenue from real estate services to companies and Nexity Studéa (due to the non-renewal of leases on loss-making residences).

Revenue from Other activities (€4.3 million, compared with €13 million in 2015) included sales to third parties of development rights acquired through Villes & Projets.

In IFRS terms, revenue to end-December 2016 totalled €2,975 million, up 3% relative to consolidated revenue for the year ended 31 December 2015 (€2,876 million). This figure excludes revenue from joint ventures, in accordance with IFRS 11, which requires joint ventures to be accounted for via the equity method instead of proportionately consolidated as they were previously.

Current operating profit

Nexity generated current operating profit of €266 million in 2016, up 21% from 2015 (€220 million). The current operating margin increased by 1.5 percentage points to 8.7%.

(in millions of euros)		2016	2015	Change %
Residential real estate		203.1	186.3	+9.0%
	% of revenue	*9.0%*	*8.6%*	
Commercial real estate		57.1	39.0	+46.5%
	% of revenue	*18.6%*	*10.3%*	
Services		44.8	35.4	+26.4%
	% of revenue	*9.1%*	*7.0%*	
Other activities		(38.5)	(40.6)	ns
Current operating profit		**266.5**	**220.1**	**+21.1%**
	% of revenue	***8.7%***	***7.2%***	

Current operating profit and profit margins increased in all Group divisions in financial year 2016.

In Residential real estate, current operating profit grew 9% year on year (up €16.8 million), reflecting good progress on new home and subdivision development projects. The division's current operating margin increased by 0.4 percentage points, returning to its normative level of 9.0% (compared with 8.6% in 2015).

In Commercial real estate, current operating profit totalled €57 million in 2016, compared with €39 million in 2015 (up 46%). The division's current operating margin was very high (18.6%), higher than its normative level, reflecting sound financial and technical management of ongoing projects as well as reversals of provisions on delivered projects.

The Services division generated current operating profit of €45 million, compared with €35 million in 2015, resulting in a sharp rise in its current operating margin to 9.1% (compared with 7.0% in 2015).

Current operating profit from property management for individuals rose by 22% to €32 million, resulting in a 1.9 percentage point increase in the current operating margin to 10.4%, helped by the restructuring of Nexity's real estate services to individuals business and strong growth in the brokerage business. The profitability of real estate services to companies continued to be affected by the reorganisation of Nexity Conseil et Transaction. Nexity Studéa's profitability improved sharply as a result of the strategy of repositioning its portfolio of student residences. Very strong profitability in the franchise networks was mainly driven by increased revenue, improving the absorption of fixed costs.

The operating loss from Other activities (€39 million in 2016, compared with €41 million in 2015) includes profit/(loss) from the holding company, research and overhead costs incurred by Villes & Projets, the development of incubated start-ups and digital projects[1], and IFRS expenses on share-based payments.

EBITDA

In 2016, Nexity generated total EBITDA of €305 million, compared with €260 million in 2015 (up 17%), giving an EBITDA margin of 9.9%, compared with 8.5% in 2015. The EBITDA margin rose in all business lines, notably in Commercial real estate (up from 10.2% to 18.5%) and Services (up from 9.2% to 11.2%). In Property management for individuals, it rose from 11.7% to 12.9%.

Operating profit

The Group's operating profit amounted to €266.5 million, versus €220.1 million in 2015. No impairment of goodwill was recognised in 2016.

[1] In 2016, digital projects and other innovative activities at Nexity gave rise to an accounting expense of €18 million, of which €13 million was recognised in "Other activities" and the rest was reported on a segment-by-segment basis in the income statements of the other divisions

Net profit

(in millions of euros)	2016	2015	Change in €m
Revenue	**3,072,7**	**3,057,1**	**15.5**
EBITDA	**304.7**	**259.8**	**44.9**
% of revenue	*9.9%*	*8.5%*	
Current operating profit	**266.5**	**220.1**	**46.4**
Net financial income/(expense)	(28.0)	(20.3)	(7.7)
Income taxes	(89.0)	(73.7)	(15.3)
Share of profit/(loss) from equity-accounted investments	(7.2)	(0.5)	(6.6)
Net profit	**142.3**	**125.6**	**16.8**
Non-controlling interests	(3.2)	(2.0)	(1.2)
Net profit attributable to equity holders of the parent company	**139.1**	**123.5**	**15.6**

The net financial expense came in at €28.0 million, compared with €20.3 million in 2015, mainly due to the impact of expenses arising from the redemption of the 2014 OCEANE bonds (€4.8 million).

The tax expense (€89.0 million) increased by €15.3 million as a result of the higher profit figure: the effective tax rate held more or less steady at 37.3% (compared with 36.9% the previous year).

Equity-accounted investments made a €7.2 million negative contribution (compared with a €0.5 million loss in 2015). The main components of this item are the contributions from Bien'ici, equity-accounted since 1 January 2016, and Ægide-Domitys.

Net profit attributable to equity holders of the parent company came in at €139.1 million for the period, compared with €123.5 million in 2015 (up 13%).

3.1.4 Economic uncertainties

The Group's sales activity and performance will remain subject to uncertainties arising from the potential impact of various risks inherent in its economic, legislative, fiscal and competitive environment, as set out in Section 2 of this Registration Document, "Risk factors", including:

- changes in the economic climate and context;
- a decline in the financial capacity of households and more difficult lending conditions;
- changes in property ownership and tax incentive schemes;
- changes in regulatory constraints or applicable tax law; and
- changes in interest rates.

3.2 CASH AND SHARE CAPITAL

The financial data presented below are based on Nexity's operational reporting, with joint ventures proportionately consolidated.

3.2.1 Cash and cash equivalents

(in millions of euros)	2016	2015
Cash flow from operating activities before interest and tax expenses	288.8	237.1
Cash flow from operating activities after interest and tax expenses	181.6	148.9
Change in operating working capital (excluding tax)	(27.8)	87.0
Changes in tax-related working capital, dividends from equity-accounted investments and other	37.1	4.2
Net cash from operating activities	190.9	240.1
Net cash from/(used in) operating investments	(23.3)	(19.6)
Free cash flow	167.6	220.5
Net cash from/(used in) financial investments	(57.1)	0.3
Dividend paid by Nexity SA	(120.5)	(108.4)
Net cash from/(used in) financing activities, excluding dividends	(112.0)	41.1
Change in cash and cash equivalents	**(122.0)**	**153.5**

Cash flow from operating activities before financial and tax expenses totalled €289 million, up €52 million relative to 2015 mainly as a result of the higher profit figure for the year.

The Group's working capital requirement (WCR) equals its total inventories and operating receivables net of write-downs, less operating payables, including changes in scope over the year.

(in millions of euros)	31 Dec. 2016	31 Dec. 2015	Change in €m
Residential real estate	759	589	170
Commercial real estate	(3)	(10)	7
Services	(63)	(64)	1
Other activities	2	10	(7)
Total WCR excluding tax	695	525	170
Corporate income tax	(3)	8	(11)
Total WCR	**692**	**533**	**159**

Operating WCR at 31 December 2016 was €695 million, €170 million higher than in December 2015, largely due to acquisitions in the year in Residential real estate (€134 million).

Cash flows from operations decreased slightly to €191 million (compared with €240 million in 2015) due to an increase in the operating WCR (excluding changes in the scope of consolidation).

Operating investments, particularly in IT, increased to €23 million, compared with €20 million in 2015.

Nexity's free cash flow in 2016 was €168 million, compared with €221 million the previous year, comfortably exceeding the dividend payout.

Cash flows used in financial investments totalled €57 million as a result of external growth and partnerships formed during the year (excluding commitments to buy out minority interests and existing debt on external growth transactions).

Net cash used in financing activities (€112 million) mainly reflected proceeds from the issue of 2016 OCEANE bonds net of the redemption of the 2014 OCEANE bonds[1], buyouts of minority interests and net repayments of bank borrowing.

[1] See press release of 10 May 2016

3.2.2 Financing

(in millions of euros)	31 Dec. 2016	31 Dec. 2015	Change in €m
Bond issues (incl. accrued interest and arrangement costs)	610.4	538.8	71.6
Loans and borrowings	374.9	350.2	24.7
Other financial borrowings and other financial receivables	7.7	11.7	(4.0)
Net cash and cash equivalents	(676.4)	(798.4)	122.0
Net debt	**316.6**	**102.3**	**214.3**

Net debt increased by €214 million, mainly as a result of external growth in the year (€214 million) and the net impact of refinancing the Group's OCEANE bonds (€31 million). Net cash flows from operations fully covered the increase in operating WCR, payment of the dividend and investments. At 31 December 2016, net debt equated to 20% of equity and around 1x EBITDA for the year.

At 31 December 2016, Nexity had authorisations from banks to borrow up to €1,030 million, including available facilities of €300 million on its corporate credit lines (undrawn). At 31 December 2016, the Group had drawn down €253 million of its authorised credit. At 31 December 2016, Nexity was in compliance with all of the financial covenants attached to its borrowings and credit lines.

3.3 TRENDS

3.3.1 Recent developments

No recent developments.

3.3.2 Forecasts and outlook

The term "backlog" refers to reservations that have been signed but are not yet reflected in revenue.

(in millions of euros, excluding VAT)	31 Dec. 2016	31 Dec. 2015	Change %
Residential real estate – New homes *	3,227	2,573	+25.4%
Residential real estate – Subdivisions	237	233	+1.6%
Residential real estate backlog	3,464	2,806	+23.4%
Commercial real estate backlog	544	487	+11.7%
Total Group backlog	**4,008**	**3,293**	**+21.7%**

* Including International, PERL, Iselection and Edouard Denis

At end-December 2016, the Group's backlog stood at €4,008 million, up 22% relative to end-2015 and equivalent to 19 months' revenue from Nexity's development activities[1].

In its 2016 annual results, the Group said it anticipated the following outlook for 2017[2]:

- Growth in Nexity's new home reservations in a French market expected to be stable in 2017 (125,000 reservations), with Nexity growing its market share by around 1 percentage point;
- Commercial real estate order intake in excess of €350 million in 2017;
- 2017 revenue growth of around 10%;
- Growth in current operating profit: €300 million in 2017, a year ahead of the business plan; €325 million in 2018; and
- Dividend per share payable in 2017 and 2018 increased to €2.40[3].

[1] Revenue basis – previous 12-month period
[2] Financial data and indicators based on Nexity's operational reporting, with joint ventures proportionately consolidated (see Section 3.1 of this Registration Document, "Financial position and performance")
[3] Pending the decision of Nexity's Board of Directors and approval at the Shareholders' Meeting

3.3.3 Statutory Auditors' report on the Company's profit forecast

Year ended 31 December 2016

To the Chairman and Chief Executive Officer,

In our capacity as Statutory Auditors and in accordance with Commission Regulation (EC) No. 809/2004, we hereby report to you on the profit forecast included in Section 3.3 of Nexity's 2016 Registration Document.

You are responsible for preparing the forecast and for the assumptions on which it is based, in accordance with the provisions of Commission Regulation (EC) No. 809/2004 and ESMA guidelines.

It is our responsibility, based on our work, to express an opinion as to whether the profit forecast has been properly compiled, pursuant to Annex I, item 13.2 of Commission Regulation (EC) No. 809/2004.

We conducted the work we deemed necessary in accordance with the professional guidelines issued by the French national institute of statutory auditors (CNCC) relating to this engagement. Our work included an assessment of the procedures implemented by Group management to compile the forecast, and verifications to ensure that the basis of accounting used for the forecast was consistent with the accounting policies used to prepare Nexity's historical financial information. We also gathered all the information and explanations that we deemed necessary in order to obtain reasonable assurance that the forecast had been properly compiled on the basis of the assumptions stated.

We remind you that given the inherently uncertain nature of profit forecasts, actual figures may differ significantly from the forecasts made, and we do not express any opinion as to the probability of the forecasts being achieved.

In our opinion:
- the forecast has been properly compiled on the basis stated;
- the accounting basis used to prepare the forecast is consistent with Nexity's accounting policies.

This report has been issued for the sole purpose of filing the Registration Document with the French securities regulator "Autorité des Marchés Financiers" and, where appropriate, for a public offering of Nexity's shares and/or debt securities (with a par value of less than €100,000) in France and other European Union countries in which the prospectus approved by the AMF has been filed. It may not be used for any other purpose.

Paris La Défense, 6 April 2017

The Statutory Auditors

KPMG Audit IS

Philippe Mathis
Partner

MAZARS

Olivier Thireau
Partner

Michel Barbet-Massin
Partner

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

3.4 CONSOLIDATED FINANCIAL STATEMENTS – 31 DECEMBER 2016

Consolidated statement of financial position

ASSETS

(in thousands of euros)	Notes	31/12/2016	31/12/2015
Non-current assets			
Goodwill	8	1,213,627	1,148,836
Other intangible assets	9	63,904	61,388
Property, plant and equipment	9	49,816	49,003
Equity-accounted investments	10	46,597	30,527
Other financial assets	11	42,256	43,238
Deferred tax assets	33	7,330	7,907
Total non-current assets		1,423,530	1,340,899
Current assets			
Inventories and work in progress	13	1,523,197	1,326,851
Trade and other receivables	14	435,156	385,618
Tax receivable	33	5,064	8,270
Other current assets	15	1,140,650	1,073,923
Other financial receivables	23	89,199	93,893
Cash and cash equivalents	24	631,823	744,267
Total current assets		3,825,089	3,632,822
Total assets		**5,248,619**	**4,973,721**

LIABILITIES AND EQUITY

(in thousands of euros)		31/12/2016	31/12/2015
Equity			
Share capital	17	274,045	270,945
Additional paid-in capital		778,546	915,255
Treasury shares	20		
Reserves and retained earnings		397,568	269,377
Net profit for the period		139,113	123,521
Equity attributable to equity holders of the parent company		1,589,272	1,579,098
Non-controlling interests	18	4,866	2,279
Total equity		1,594,138	1,581,377
Non-current liabilities			
Long-term borrowings and financial debt	22	728,419	632,044
Employee benefits	27.2	29,553	28,541
Deferred tax liabilities	33	54,153	37,690
Total non-current liabilities		812,125	698,275
Current liabilities			
Short-term borrowings, financial debt and operating liabilities	22	304,407	309,955
Current provisions	27.1	99,390	100,418
Trade and other payables		849,461	710,978
Current tax liabilities	33	8,550	339
Other current liabilities	16	1,580,548	1,572,379
Total current liabilities		2,842,356	2,694,069
Total liabilities and equity		**5,248,619**	**4,973,721**

Consolidated income statement

(in thousands of euros)	Notes	31/12/2016 12-month period	31/12/2015 12-month period
Revenue	28	2,975,430	2,875,898
Purchases		(1,933,077)	(1,926,265)
Personnel costs	29	(501,740)	(476,139)
Other operating expenses	30	(236,791)	(217,933)
Taxes (other than income tax)		(31,555)	(29,916)
Depreciation, amortisation and impairment of fixed assets		(23,301)	(25,003)
Current operating profit		248,966	200,642
Operating profit		248,966	200,642
Share of profit from equity-accounted investments	10	13,908	15,454
Operating profit after share of profit from equity-accounted investments		262,874	216,096
Financial expense	32.1	(39,184)	(30,489)
Financial income	32.1	11,687	10,552
Net financial income/(expense)		(27,497)	(19,937)
Pre-tax recurring profit		235,377	196,159
Income taxes	33	(85,864)	(70,050)
Share of profit/(loss) from other equity-accounted investments	10	(7,167)	(547)
Net profit		**142,346**	**125,562**
Attributable to equity holders of the parent company		139,113	123,521
Attributable to non-controlling interests		3,233	2,041
(in euros)			
Basic earnings per share	34	2.54	2.28
Diluted earnings per share	34	2.33	2.09

Consolidated statement of comprehensive income

(in thousands of euros)	31/12/2016 12-month period	31/12/2015 12-month period
Net profit	**142,346**	**125,562**
Remeasurement of derivative hedging instruments	(188)	1,821
Deferred tax	65	(627)
Foreign currency translation gains and losses	(66)	248
Gains and losses that may be recycled to net profit	**(189)**	**1,442**
Actuarial gains and losses on retirement benefits	633	1,081
Deferred tax on actuarial gains and losses	(218)	(372)
Gains and losses that may not be recycled to net profit	**415**	**709**
Total other comprehensive income (net of tax)	**226**	**2,151**
Total comprehensive income	**142,572**	**127,713**
Attributable to equity holders of the parent company	139,339	125,672
Attributable to non-controlling interests	3,233	2,041

Consolidated statement of changes in equity

(in thousands of euros)	Notes	Share capital	Additional paid-in capital	Treasury shares held	Reserves and retained earnings	Other comprehensive income	Equity attributable to equity holders of the parent company	Non-controlling interests	Total equity
Movements in 2015									
At 1 January 2015		**270,905**	**1,036,325**	**-**	**252,837**	**(1,354)**	**1,558,713**	**20,134**	**1,578,847**
Capital increase		40	(40)				-		-
Appropriation of 2014 earnings			(12,652)		12,652		-		-
Impact of IFRIC 21 adoption					1,333		1,333		1,333
Treasury shares					125		125		125
Share-based payments					10,789		10,789		10,789
Impact of acquisitions or disposals of minority interests after acquisition of control					(9,156)		(9,156)	(16,612)	(25,768)
Dividends paid by Nexity (€2 per share)			(108,378)				(108,378)		(108,378)
Total transactions with owners		40	(121,070)	-	15,743	-	(105,287)	(16,612)	(121,899)
Net profit for the period					123,521		123,521	2,041	125,562
Other comprehensive income	25					2,151	2,151		2,151
Total comprehensive income		-	-	-	123,521	2,151	125,672	2,041	127,713
Dividends paid by subsidiaries							-	(3,305)	(3,305)
Changes in scope							-	21	21
At 31 December 2015		**270,945**	**915,255**	**-**	**392,101**	**797**	**1,579,098**	**2,279**	**1,581,377**
Movements in 2016									
At 1 January 2016		**270,945**	**915,255**	**-**	**392,101**	**797**	**1,579,098**	**2,279**	**1,581,377**
Capital increase		2,076	(2,076)				-		-
Appropriation of 2015 earnings			(14,138)		14,138		-		-
2016 OCEANE equity component					23,083		23,083		23,083
Impact of 2014 OCEANE issue		1,024			(39,664)		(38,640)		(38,640)
Treasury shares					149		149		149
Share-based payments					13,331		13,331		13,331
Impact of acquisitions or disposals of minority interests after acquisition of control					(6,594)		(6,594)		(6,594)
Dividends paid by Nexity (€2.20 per share)			(120,495)				(120,495)		(120,495)
Total transactions with owners		3,100	(136,709)	-	4,444	-	(129,165)	-	(129,165)
Net profit for the period					139,113		139,113	3,233	142,346
Other comprehensive income						226	226		226
Total comprehensive income		-	-	-	139,113	226	139,339	3,233	142,572
Dividends paid by subsidiaries							-	(2,244)	(2,244)
Changes in scope							-	1,598	1,598
At 31 December 2016		**274,045**	**778,546**	**-**	**535,658**	**1,023**	**1,589,272**	**4,866**	**1,594,138**

Consolidated statement of cash flows

(in thousands of euros)	Notes	31/12/2016 12-month period	31/12/2015 12-month period
Net profit attributable to equity holders of the parent company		139,113	123,521
Net profit attributable to non-controlling interests		3,233	2,041
Consolidated net profit		142,346	125,562
Elimination of non-cash income and expenses:			
Elimination of depreciation, amortisation and provisions		15,326	21,411
Elimination of gains and losses on asset disposals		2,240	(5,532)
Elimination of the impact of changes in fair value		1,317	(3,802)
Elimination of net profit from equity-accounted investments		(13,908)	(15,454)
Elimination of net profit from other equity-accounted investments		7,167	547
Elimination of the impact of share-based payments		13,331	10,789
Cash flow from operating activities after interest and tax expenses		167,819	133,521
Elimination of net interest expense/(income)		25,727	22,220
Elimination of tax expense, including deferred taxes and tax credits		77,770	61,563
Cash flow from operating activities before interest and tax expenses		271,316	217,304
Change in operating working capital	12	(15,865)	88,962
Dividends received from equity-accounted investments	10	20,261	15,435
Interest paid		(15,224)	(16,430)
Net tax paid		(51,699)	(56,781)
Net cash from/(used in) operating activities		**208,789**	**248,490**
Acquisition of subsidiaries, net of cash acquired	3.5	(56,039)	(19,273)
Proceeds from sale of subsidiaries, net of cash divested	3.6	3,042	21,978
Other changes in scope		(354)	(2,628)
Purchase of property, plant, equipment and intangible assets		(25,286)	(19,821)
Purchase of financial assets		(10,473)	(4,922)
Proceeds from sale of property, plant, equipment and intangible assets		2,002	269
Proceeds from sale and redemption of financial assets		8,282	4,422
Net cash from/(used in) investing activities		**(78,826)**	**(19,975)**
Dividends paid to equity holders of the parent company		(120,495)	(108,378)
Dividends paid to minority shareholders of consolidated companies		(2,244)	(3,305)
Net disposal/(acquisition) of treasury shares		228	190
(Acquisitions)/disposals of minority interests with no gain or loss of control		(32,135)	(566)
Proceeds from issuance of bonds		303,802	75,413
Redemption of bonds		(364,531)	(62,274)
Increase in receivables and decrease in short-term financial debt		(3,262)	8,935
Net cash from/(used in) financing activities		**(218,637)**	**(89,985)**
Impact of foreign currency exchange rate changes on cash and cash equivalents		(259)	35
Change in cash and cash equivalents		**(88,933)**	**138,565**
Cash and cash equivalents, beginning of period		706,016	567,451
Cash and cash equivalents, end of period	24	617,083	706,016

3.4.1 Notes to the consolidated financial statements

Note 1 Information on the Company and key developments

1.1 Information on the Company

Nexity is an integrated real estate services group harnessing the entire spectrum of property know-how and skills to serve private individuals, companies, institutional investors and local authorities. Covering all segments of the property development and services markets, Nexity is one of the top players in French real estate and offers its clients a unique range of expertise and advice, products, services and solutions to meet their evolving needs.

Nexity is present throughout France and elsewhere in Europe.

The Group is organised around the following four operating divisions:

- Residential real estate, responsible for the development of new homes and subdivisions;
- Commercial real estate, mainly focused on the development of new or rehabilitated office buildings, high-rises, business parks, logistics facilities, retail property and hotels;
- Services, comprising services for individual clients (property management, student residence management) and for companies and investors (property management, real estate advisory and brokerage services), as well as the administration, coordination and development of real estate franchise networks; and
- Other activities, which include in particular Nexity's urban regeneration business (Villes & Projets), investment activities, innovative start-up ventures in the incubation phase, the Group's main digital projects and the holding company.

Nexity's shares are listed on Eurolist by NYSE Euronext Paris.

The Company's press releases and annual reports – including historical financial information about the Company and the consolidated financial statements – are available on the Company's website (www.nexity.fr). Copies may also be obtained from Nexity's head office at 19 rue de Vienne, TSA 50029, 75801 Paris Cedex 8 (France).

1.2 Key developments in the period

The following significant events took place in 2016:

- in Residential real estate: with 15,893 net reservations for new homes recorded in 2016 in France, in a very buoyant market, the Group saw a 35.4% rise in its reservations compared with 2015 (11,741 reservations), with expected revenue from reservations up 28.8%. With its international and subdivision operations, the Group achieved 18,890 reservations in 2016, up 32.7% from 2015;
- in Commercial real estate: new orders totalling €356 million were booked in 2016;
- external growth: the Group acquired companies with a total enterprise value of €214 million including Edouard Denis Développement and Primosud in residential real estate, Costame and property management firms in services, and an additional equity stake in Ægide (see Note 3.4);
- financing: on 13 May 2016, Nexity issued a €270 million OCEANE[1] convertible bond with an annual coupon rate of 0.125%, redeemable at maturity in 6.5 years (January 2023), with a Nexity share conversion option at €64.30 per share, accompanied by the redemption of the 2014 OCEANE bonds.
    - 99.43% of the 2014 OCEANE bonds (maturing in January 2020) were redeemed for a total of €230.5 million. The remaining 0.57% of bonds, with a value of €1 million, were then converted into 26,027 Nexity shares based on a value of €43.34 per share.
    - the Group has thus lowered the nominal cost of financing its convertible bond debt (which accounted for about 25% of Nexity's total gross borrowings at 31 December 2016) from 0.625% to 0.125%, while also extending the term to maturity of its bond issues by three years and reducing the risk of dilution for its shareholders (initial conversion price for new OCEANE bonds: €64.30 per share, versus €43.34 per share for the previous bonds). The potential dilutive impact of the 2016 OCEANE issue is comparable to that of the 2014 OCEANE issue, i.e. around 7.4% at 31 December 2016 (see Note 22.1).

On 23 January 2017, the Group announced changes in its governance: the senior management team, led by Alain Dinin, Chairman and Chief Executive Officer, was strengthened with the appointment of three Deputy Chief Executive Officers and a Deputy Managing Director, responsible for Internal Clients, Individual Clients,

[1] OCEANE: French acronym for "bonds that may be converted into or exchanged for new or existing shares"

Commercial Clients and Local Authority Clients. Hervé Denize announced he would step down from his positions as Deputy CEO and Director. This new, client-focused organisational structure will help the Group prepare its new real estate services platform and draw up a new 2018-2020 strategic plan.

3.4.1.1 GENERAL INFORMATION

Note 2 Principles and policies

2.1 Statement of compliance

The Nexity group's consolidated financial statements at 31 December 2016 have been prepared in accordance with International Financial Reporting Standards (IFRSs) and IFRS Interpretations Committee (IFRS IC) interpretations, as adopted by the European Union.

The accounting principles and methods used to prepare the consolidated financial statements for the year ended 31 December 2016 were the same as those applied for the previous accounting period ended 31 December 2015, except for the new standards, amendments and interpretations subsequently adopted by the European Union that became mandatory in 2016.

The Group does not plan to opt for early application of the standards and interpretations issued by the IASB as at 31 December 2016 and adopted by the European Union.

The Group has begun an impact study on IFRS 15 *Revenue Recognition*, which will become mandatory with effect from 1 January 2018. The application of this standard does not pose a challenge to the principle of revenue and profit recognition based on percentage-of-completion for real estate development operations in France under VEFA off-plan agreements and CPI development contracts. In VEFA situations, control of the asset is passed to the client over time as it is completed, and in CPI arrangements the developer cannot make any alternative use of the asset and has an enforceable right to payment for performance completed to date. Given the method used to hold work in progress in inventory, revenue should be recognised in line with all inventoriable costs, which will translate into a higher rate of revenue and margin recognition, the impacts of which have not yet been quantified.

Implementation of IFRS 16 *Leases* will become mandatory with effect from 1 January 2019. Implementing this standard could have a material impact on EBITDA, current operating profit, net financial income/(expense), non-current assets and the Group's net debt. Leased assets consist, on the one hand, of premises occupied and equipment used by Nexity employees, and on the other hand, of managed premises in connection with the student residence and shared office businesses. These leases are in the process of being inventoried and their impacts quantified. The amount of commitments under operating leases at 31 December 2016 is shown in Note 35.4.

Nexity does not expect any material impact from the application of IFRS 9 *Financial Instruments*, mainly because there are no derivatives designated as hedging instruments in its financial statements.

The consolidated financial statements were approved by the Board of Directors on 21 February 2017 and will be submitted to the shareholders for approval at the Shareholders' Meeting on 1 June 2017.

2.2 Estimates and assumptions

In the process of preparing the consolidated financial statements, the measurement of certain balance sheet and income statement items calls for the use of assumptions and assessments based, in particular, on budgets for property developments. These are used to measure the operating margin, non-current assets, provisions, inventory impairment, and accrued expenses. Other items also requiring the use of estimates based on assumptions regarding business plans, or changes in the rates applied, include provisions, goodwill, and put options granted to minority shareholders.

These assumptions, estimates and assessments are established and reviewed regularly on the basis of information available and the actual position of the Company on the date the financial statements are prepared, taking into consideration past experience and other relevant factors. Actual results may differ significantly from estimates due to changes in the underlying conditions and assumptions.

The assumptions, estimates and assessments used in preparing the financial statements for the period ended 31 December 2016 were made against a backdrop of strong growth in French real estate markets, expected to continue at a similar level in 2017. In the longer term, significant uncertainty surrounding political and tax changes, as well as expectations of interest rate rises, pose risks to the Group's activity levels and future margins.

2.3 Date of the financial statements

Group companies are consolidated on the basis of their financial statements for the 12-month period ended 31 December 2016.

Note 3 Scope of reporting and business combinations

3.1 Consolidation and reporting

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has power over the entity, has rights to variable returns from its involvement with the entity, and has the ability to affect those returns through its power over the entity.

In assessing control, potential voting rights that the Group is able in practice to exercise are taken into account.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Associates and joint ventures

Associates are entities in which the Group has significant influence, but not control, over financial and operating policies.

Joint ventures are entities over whose activities the Group has joint control, established by contractual agreement. Most joint ventures are property developments (residential or commercial) undertaken with another developer (co-developments).

The consolidated financial statements include the Group's share of the total recognised gains and losses of associates and joint ventures on an equity-accounted basis, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

Transactions eliminated on consolidation

The following are eliminated:

- intragroup receivables and payables; and
- intragroup balances and transactions (purchases, sales, dividends, profit, provisions recorded against consolidated companies, etc.).

3.2 Scope of reporting

The Group comprises 2,637 consolidated and equity-accounted companies. In its residential and Commercial real estate division operations, the Group generally creates a new vehicle for each development, which explains the large number of entities in the reporting scope.

Basis of reporting	Residential real estate	Commercial real estate	Services	Other activities	Total at 31/12/2016
Fully consolidated	**2,276**	**77**	**66**	**29**	**2,448**
Joint ventures	167	14	-	5	186
Associates	1	-	-	2	3
Equity-accounted	**168**	**14**	**-**	**7**	**189**
Total scope of reporting	**2,444**	**91**	**66**	**36**	**2,637**

The number of entities in the reporting scope increased by 407 between 31 December 2015 and 31 December 2016.

The 425 additions to the scope consisted of 192 entities set up mainly to run the Group's real estate developments and 233 entities acquired through external growth transactions (see Note 3.6).

The 18 exits from the scope were primarily vehicles associated with completed projects or, occasionally, entities sold to the client upon delivery of the project.

A list of the main consolidated companies is provided in Note 39.

3.3 Business combinations and goodwill

The Group recognises the identifiable assets acquired and liabilities assumed, measured at fair value, at the date on which control is transferred to the acquirer. The purchase price corresponds to the fair value, at the date of exchange, of the assets acquired and liabilities assumed. Where applicable, purchase price adjustments are measured at fair value at each balance sheet date. After 12 months have elapsed from the acquisition date, any subsequent changes to this fair value are recognised in profit or loss.

The purchase price is allocated by recognising the acquiree's identifiable assets and liabilities assumed at their fair value at that date. The positive difference between the purchase price and the fair value of the identifiable assets acquired and liabilities assumed constitutes goodwill. Where applicable, the purchase price may include the fair value of non-controlling interests if the Group has opted to apply the full goodwill method.

The Group has a period of twelve months from the acquisition date to finalise the recognition of operations relating to the companies acquired.

Costs that are directly attributable to the acquisition are expensed as they are incurred.

3.4 Additions to the scope

In 2016, additions to the scope represented a total purchase price of €90,306k and generated goodwill of €65,794k. Put options were granted to minority shareholders in the amount of €67,539k. Including net debt from acquisitions, external growth in 2016 represented an enterprise value of €213,652k.

POSITION AT 31 DECEMBER 2016

(in thousands of euros)	Notes	Residential real estate	Services	Total
Non-current assets	9	911	697	1,608
Other financial assets	11	666	462	1,128
Equity-accounted investments	10	13,087	-	13,087
Working capital requirement	12	145,395	454	145,849
Non-controlling interests	18	(209)	-	(209)
Current and non-current provisions	27.1	(2,236)	(264)	(2,500)
Deferred tax liabilities (net)	33	(11,096)	(109)	(11,205)
Total net operating assets		146,518	1,240	147,758
Net cash and cash equivalents	21	32,804	1,463	34,267
Loans and borrowings	21	(88,636)	(1,338)	(89,974)
Total net debt from acquisitions		(55,832)	125	(55,707)
Total net identifiable assets		**90,686**	**1,365**	**92,051**
Goodwill	8	53,078	12,716	65,794
Total net assets acquired		**143,764**	**14,081**	**157,845**

BREAKDOWN OF PURCHASE COST

(in thousands of euros)	Residential real estate	Services	Total
Purchase price	76,225	14,081	90,306
Put options granted to minority shareholders	67,539	-	67,539
Total	**143,764**	**14,081**	**157,845**

In residential real estate, the Group acquired two property developers: Edouard Denis Développement and Primosud. The Group increased its stake in Ægide to 45.16%.

- Edouard Denis: Nexity acquired 55% of Edouard Denis Développement on 10 June 2016. This acquisition will enable Nexity to continue developing its various lines of business in residential real estate. Edouard Denis retains a 45% stake and remains Chairman and will continue developing his brand.

  Edouard Denis Développement and its subsidiaries were incorporated into Nexity's consolidated financial statements with effect from 1 July 2016.

  These companies generated revenue of €169 million in 2016, with no impact on the Group's revenue or consolidated operating profit in 2016, given the effect of the purchase price allocation (PPA) with the application of IFRS 3 *Business Combinations*, which neutralises the portion of revenue and margins resulting from the remeasurement of inventory at fair value.

  The Group is covered by a liability guarantee of up to €11.2 million.

- Primosud: the Group acquired 65.01% of Prado Gestion on 14 October 2016. This deal helps strengthen Nexity's presence in the Provence region of France. The founders have retained a 35% stake and continue to support the company's development under its own brand.

  Prado Gestion and its subsidiaries were incorporated into Nexity's consolidated financial statements with effect from 31 December 2016 and did not contribute to the Group's profit in 2016. These companies generated revenue of €10 million in 2016.

  The Group is covered by a liability guarantee of up to €1 million.

For these two acquisitions, remeasurement of assets at fair value in the opening balance sheet resulted in an additional amount of €27,774k arising from remeasurement of inventory, generating a deferred tax liability of €9,258k. Given the rate at which the backlog and supply for sale are sold off, revenue and margins recognised by Nexity from that portion of inventory incorporated into the opening balance sheet are neutralised for the period over which inventory is sold off (between 12 and 24 months after the acquisition).

The value of goodwill arising on these two acquisitions, totalling €53,078k, is still provisional pending finalisation of work to sign off the opening balance sheet. This goodwill reflects the expertise and synergies expected from merging activities.

For these two acquisitions, Nexity has undertaken to eventually purchase the remaining shares.

- Ægide: on 26 October 2016, Nexity acquired 7% of Ægide SA from its founders, bringing Nexity's stake in the company to 45.16%, with the founding shareholders owning the remainder. In 2018, Nexity will have the option of becoming Ægide's majority shareholder.

  At 31 December 2016, Ægide-Domitys, the French market leader in senior independent living facilities, operated 59 residences representing almost 7,000 residential units.

In services, the Group acquired Costame and various individual property management firms:

- Costame: the Group acquired 100% of Costame and its subsidiaries Moreau Experts and Maestro Ingénierie on 18 October 2016. Costame is one of France's leading providers of technical solutions consulting for the real estate and construction sectors. This deal rounds out Nexity's offering in real estate services to companies, and will enable the Group to develop synergies with the activities of Nexity Property Management.

  Costame and its subsidiaries were incorporated into Nexity's consolidated financial statements with effect from 31 December 2016, and did not contribute to the Group's profit in 2016. These companies generated revenue of €4.1 million in 2016.

  The Group is covered by a liability guarantee of up to €1 million.

- Individual property management firms in France: in 2016, the Group acquired a number of firms in Paris and one in Aix-en-Provence for a total purchase price of €4.8 million. These acquisitions strengthen Nexity's positioning in strategic business sectors.

The value of goodwill arising on these acquisitions, totalling €12,716k, is still provisional pending finalisation of work to sign off the opening balance sheet. This goodwill reflects the expertise and synergies expected from merging activities.

3.5 Detail of acquisitions reported in the consolidated statement of cash flows

(in thousands of euros)	Acquisitions in 2016 (12-month period)	Acquisitions in 2015 (12-month period)
Purchase price	90,306	20,368
Cash of subsidiaries acquired	(34,267)	(1,095)
Acquisition of consolidated companies, net of cash acquired	**56,039**	**19,273**

3.6 Detail of disposals reported in the consolidated statement of cash flows

(in thousands of euros)	Disposals in 2016 (12-month period)	Disposals in 2015 (12-month period)
Sale price	3,042	21,978
Less cash of subsidiaries sold	-	-
Proceeds from sale of consolidated companies, net of cash divested	**3,042**	**21,978**

The disposal amount mainly corresponds to the sale of Ciloger shares (€19,900k in June 2015) and one-off disposals of goodwill in the property management business.

Note 4 Recognition of revenue and operating profit

Consolidated revenue comprises the Group's aggregate revenue from sales of real estate and the provision of services, after elimination of intra-Group transactions.

Services and Other activities

Revenue is recognised when transactions are closed and over the period that services are provided.

Residential and commercial real estate development

Revenue and profit from real estate development operations undertaken in the form of VEFA (off-plan) or CPI (development) contracts are recognised on sold products using the percentage-of-completion method in relation to construction costs. Partially completed operations at the end of the period are recorded using the percentage-of-completion method on the basis of the most updated estimates of the results of operations, discounted at year-end. The percentage of completion is determined on the basis of sales and marketing progress and estimated progress based on assessments of the amount of work completed at the date of the financial statements.

If results on completion cannot be determined reliably, revenue is only recognised on recoverable costs.

The operating margin for the Group's development activities includes all costs directly attributable to contracts:

- land acquisition costs;
- site development and construction costs;
- urban planning taxes and duties;
- preliminary contract costs, which are capitalised only if the probability of obtaining the contract is high;
- internal fees for operations contracting;
- directly allocated marketing and selling costs (in-house and external sales commissions, etc.); and
- financial expenses directly attributed to real estate development operations.

When the contract of sale results from the transfer of a VEFA contract acquired from a third-party developer, or from sales on pre-existing buildings, the proceeds are recognised at the time of the notarised deed. The development operations of PERL and Iselection mainly take this form.

Revenue and profit from real estate development operations undertaken in Italy and Poland are recognised at the time of sale, which cannot be prior to the building's completion.

Current operating profit

Current operating profit includes all operating profit items with the exception of items resulting from unusual, abnormal and infrequently occurring transactions. In particular, impairment of goodwill is not included in current operating profit.

Note 5 Alternative performance measures

EBITDA is used to measure operating cash flow generation (see Note 31 and Note 6.2 on operational reporting). EBITDA is equal to current operating profit before depreciation, amortisation and impairment of fixed assets, net changes in provisions, share-based payment expenses and the transfer from inventory of borrowing costs directly attributable to property developments, plus dividends received from equity-accounted investees whose operations are an extension of the Group's business.

The Group uses "working capital requirement" (abbreviated as WCR; see Note 12 and Note 7.4 on operational reporting) and net debt (see Note 21 and Note 7.3 on operational reporting) to analyse its financial structure.

Note 6 Segment information

6.1 Definition of segments

Operating segments (hereafter "divisions") are subgroups of companies or activities for which separate financial information is available and reviewed on a regular basis by company management with a view to allocating resources and assessing their economic performance.

The organisational structure for Nexity's business activities (as presented to the Group's company officers, who are the chief operating decision-makers) consists of the following divisions:

Residential real estate division

This division chiefly includes Nexity Logement, Foncier Conseil, Iselection, Nexity Holding Italia, Nexity Polska, project-specific entities, PERL, and Edouard Denis (with effect from 1 July 2016). Its areas of operation are as follows:

- residential real estate development; and
- development of subdivisions.

Commercial real estate division

This division is mainly made up of Nexity Immobilier d'Entreprise, Ywood, Térénéo and project-specific entities. Its primary areas of operation are:

- development of offices (new or rehabilitated), high-rises, retail property and hotels; and
- development of logistics and other commercial facilities.

Services division

This division consists mainly of Nexity Lamy and its subsidiaries, Nexity Studéa, Oralia and its subsidiaries, Century 21, Guy Hoquet l'Immobilier, Nexity Property Management and Nexity Conseil et Transaction. Its primary areas of operation are:

- Real estate services to individuals: rental management, property sales, managing agent services and student residence management;
- management, operation and development of franchise networks under the trade names Century 21 France and Guy Hoquet l'Immobilier; and
- Real estate services to companies: rental management, brokerage and advisory, and commercial property management.

Other activities

This division mainly includes the following activities:

- Villes & Projets and pre-development urban regeneration projects;
- equity interests in investment vehicles;
- the Nexity holding company; and
- innovative start-up businesses in the incubation phase, Nexity Blue Office and the Group's main digital projects.

Operational reporting

Segment reporting is based on the operational reporting that the Group uses for management purposes. In its operational reporting, Nexity applies proportionate consolidation to its joint ventures, which in its view provides a more accurate reflection of the Group's performance and risks as measured by revenue, operating profit, working capital and debt. Note 7 presents the condensed financial statements based on operational reporting data, with a reconciliation to the full statements.

Operating reporting data are analysed and commented on in the management report and the press release on annual results.

6.2 Income statement broken down by segment

AT 31 DECEMBER 2016

(in thousands of euros)	Residential real estate	Commercial real estate	Services	Other activities	**Operational reporting total**
Total revenue	2,267,404	306,879	496,286	4,349	3,074,918
Revenue from other divisions	-	-	(2,207)	(52)	(2,259)
Revenue	2,267,404	306,879	494,079	4,297	3,072,659
Operating expenses	(2,057,243)	(250,060)	(438,684)	(21,966)	(2,767,953)
EBITDA	210,161	56,819	55,395	(17,669)	304,706
Depreciation, amortisation and impairment of fixed assets	(1,939)	(63)	(12,630)	(8,669)	(23,301)
Net change in provisions	(314)	742	2,662	(1,263)	1,827
Share-based payments	(1,390)	(358)	(657)	(10,926)	(13,331)
Borrowing costs directly attributable to property developments, transferred from inventory	(3,413)	(5)	-	-	(3,417)
Current operating profit/(loss)	203,104	57,136	44,770	(38,527)	266,484
Operating profit/(loss)	203,104	57,136	44,770	(38,527)	266,484
Financial expense	(6,791)	(2,352)	(12,867)	(17,498)	(39,509)
Financial income	3,810	37	7,706	(55)	11,498
Net financial income/(expense)	(2,981)	(2,315)	(5,162)	(17,553)	(28,011)
Pre-tax recurring profit/(loss)	200,123	54,821	39,609	(56,080)	238,473
Income taxes	(74,654)	(20,450)	(14,776)	20,920	(88,960)
Share of profit/(loss) from equity-accounted investments	(1,052)	-	-	(6,115)	(7,167)
Net profit/(loss)	**124,417**	**34,370**	**24,833**	**(41,275)**	**142,346**
Attributable to equity holders of the parent company	121,194	34,370	24,801	(41,253)	139,113
Attributable to non-controlling interests	3,223	-	32	(22)	3,233

AT 31 DECEMBER 2015

(in thousands of euros)	Residential real estate	Commercial real estate	Services	Other activities	**Operational reporting total**
Total revenue	2,161,698	379,150	507,593	12,611	3,061,052
Revenue from other divisions	-	-	(3,835)	(85)	(3,920)
Revenue	2,161,698	379,150	503,758	12,526	3,057,132
Operating expenses	(1,972,398)	(340,382)	(457,415)	(27,164)	(2,797,360)
EBITDA	189,300	38,768	46,343	(14,639)	259,772
Depreciation, amortisation and impairment of fixed assets	(1,194)	(60)	(11,101)	(12,375)	(24,731)
Net change in provisions	4,404	594	171	(2,790)	2,379
Share-based payments	-	-	-	(10,789)	(10,789)
Borrowing costs directly attributable to property developments, transferred from inventory	(6,234)	(298)	-	-	(6,532)
Current operating profit/(loss)	186,275	39,004	35,413	(40,593)	220,099
Operating profit/(loss)	186,275	39,004	35,413	(40,593)	220,099
Net financial income/(expense)	(4,555)	(1,336)	(4,759)	(9,646)	(20,297)
Pre-tax recurring profit/(loss)	181,720	37,668	30,654	(50,239)	199,802
Income taxes	(67,024)	(13,893)	(11,306)	18,529	(73,693)
Share of profit/(loss) from equity-accounted investments	(1,342)	-	-	795	(547)
Net profit/(loss)	**113,355**	**23,775**	**19,348**	**(30,915)**	**125,562**
Attributable to equity holders of the parent company	110,333	23,775	19,289	(29,875)	123,521
Attributable to non-controlling interests	3,022	-	59	(1,039)	2,041

6.3 Balance sheet items broken down by segment

AT 31 DECEMBER 2016

(in thousands of euros)	Residential real estate	Commercial real estate	Services	Other activities	Inter-division eliminations and not segmented	**Operational reporting total**
Assets						
Non-current division assets	508,055	59,885	775,937	72,168	(19,655)	1,396,390
Deferred tax assets					8,092	8,092
Total non-current assets	508,055	59,885	775,937	72,168	(11,562)	1,404,483
Current division assets	2,484,470	441,948	877,554	753,220	(606,984)	3,950,207
Tax receivable					5,868	5,868
Total current assets	2,484,470	441,948	877,554	753,220	(601,116)	3,956,076
Total assets	**2,992,525**	**501,833**	**1,653,491**	**825,388**	**(612,678)**	**5,360,559**
Liabilities and equity						
Total equity					1,594,138	1,594,138
Non-current division liabilities	23,768	28,091	18,979	690,473	(3,339)	757,972
Deferred tax liabilities					56,010	56,010
Total non-current liabilities	23,768	28,091	18,979	690,473	52,671	813,982
Current division liabilities	1,667,014	359,904	1,151,142	388,613	(623,300)	2,943,373
Current tax liabilities					9,065	9,065
Total current liabilities	1,667,014	359,904	1,151,142	388,613	(614,235)	2,952,439
Total liabilities and equity	**1,690,782**	**387,995**	**1,170,121**	**1,079,086**	**1,032,575**	**5,360,559**
Working capital requirement	**759,102**	**(2,978)**	**(63,238)**	**2,105**	**(3,197)**	**691,794**

AT 31 DECEMBER 2015

(in thousands of euros)	Residential real estate	Commercial real estate	Services	Other activities	Inter-division eliminations and not segmented	**Operational reporting total**
Assets						
Non-current division assets	438,745	60,240	766,511	80,817	(36,576)	1,309,738
Deferred tax assets					10,038	10,038
Total non-current assets	438,745	60,240	766,511	80,817	(26,538)	1,319,775
Current division assets	2,042,345	521,818	891,203	895,982	(549,659)	3,801,688
Tax receivable					8,598	8,598
Total current assets	2,042,345	521,818	891,203	895,982	(541,061)	3,810,286
Total assets	**2,481,089**	**582,058**	**1,657,714**	**976,799**	**(567,599)**	**5,130,061**
Liabilities and equity						
Total equity					1,581,374	1,581,374
Non-current division liabilities	12,353	6,023	81,112	579,581	(18,480)	660,589
Deferred tax liabilities					39,494	39,494
Total non-current liabilities	12,353	6,023	81,112	579,581	21,014	700,083
Current division liabilities	1,422,385	466,922	1,129,155	397,361	(567,755)	2,848,067
Current tax liabilities					538	538
Total current liabilities	1,422,385	466,922	1,129,155	397,361	(567,218)	2,848,605
Total liabilities and equity	**1,434,738**	**472,945**	**1,210,267**	**976,942**	**1,035,171**	**5,130,063**
Working capital requirement	**588,941**	**(9,617)**	**(63,870)**	**9,559**	**8,061**	**533,072**

ASSET ACQUISITION COSTS AT 31 DECEMBER 2016

(in thousands of euros)	Residential real estate	Commercial real estate	Services	Other activities	**Operational reporting total**
Property, plant and equipment and intangible assets	2,682	25	9,638	12,941	25,286
Total	**2,682**	**25**	**9,638**	**12,941**	**25,286**

ASSET ACQUISITION COSTS AT 31 DECEMBER 2015

(in thousands of euros)	Residential real estate	Commercial real estate	Services	Other activities	**Operational reporting total**
Property, plant and equipment and intangible assets	3,088	41	9,157	7,535	19,821
Total	**3,088**	**41**	**9,157**	**7,535**	**19,821**

6.4 Revenue by geographic region

The Group operates internationally in Europe (Italy, Belgium, Poland and Switzerland). The Group's revenue from international operations in 2016 was only 1.2% of its total revenue (versus 1.8% in 2015).

FINANCIAL YEAR 2016

(in thousands of euros)	France	International	**Operational reporting total**
Residential real estate	2,245,066	22,338	2,267,404
Commercial real estate	303,868	3,011	306,879
Services	482,545	11,534	494,079
Other activities	4,297	-	4,297
Total revenue	**3,035,776**	**36,883**	**3,072,659**

FINANCIAL YEAR 2015

(in thousands of euros)	France	International	**Operational reporting total**
Residential real estate	2,121,082	40,616	2,161,698
Commercial real estate	378,249	901	379,150
Services	491,251	12,507	503,758
Other activities	12,526	-	12,526
Total revenue	**3,003,108**	**54,024**	**3,057,132**

Note 7 Condensed financial statements based on operational reporting

7.1 Statement of financial position based on operational reporting

ASSETS *(in thousands of euros)*	31/12/2016	Restatement of joint ventures	Operational reporting 31/12/2016	Operational reporting 31/12/2015
Non-current assets				
Goodwill	1,213,627	-	1,213,627	1,148,836
Other intangible assets	63,904	-	63,904	61,388
Property, plant and equipment	49,816	-	49,816	49,003
Equity-accounted investments	46,597	(18,534)	28,063	10,254
Other financial assets	42,256	(1,275)	40,981	40,256
Deferred tax assets	7,330	762	8,092	10,038
Total non-current assets	1,423,530	(19,047)	1,404,483	1,319,775
Current assets				
Inventories and work in progress	1,523,197	94,944	1,618,141	1,431,023
Trade and other receivables	435,156	3,157	438,313	411,673
Tax receivable	5,064	804	5,868	8,598
Other current assets	1,140,650	24,443	1,165,093	1,101,458
Other financial receivables	89,199	(58,154)	31,045	20,423
Cash and cash equivalents	631,823	65,793	697,616	837,111
Total current assets	3,825,089	130,987	3,956,076	3,810,286
Total assets	**5,248,619**	**111,940**	**5,360,559**	**5,130,061**

LIABILITIES AND EQUITY *(in thousands of euros)*	31/12/2016	Restatement of joint ventures	Operational reporting 31/12/2016	Operational reporting 31/12/2015
Equity				
Share capital	274,045	-	274,045	270,945
Additional paid-in capital	778,546	-	778,546	915,255
Treasury shares	-	-	-	-
Reserves and retained earnings	397,568	-	397,568	269,377
Net profit for the period	139,113	-	139,113	123,521
Equity attributable to equity holders of the parent company	1,589,272	-	1,589,272	1,579,097
Non-controlling interests	4,866		4,866	2,279
Total equity	1,594,138	-	1,594,138	1,581,376
Non-current liabilities				
Long-term borrowings and financial debt	728,419	-	728,419	632,047
Employee benefits	29,553	-	29,553	28,541
Deferred tax liabilities	54,153	1,857	56,010	39,494
Total non-current liabilities	812,125	1,857	813,982	700,082
Current liabilities				
Short-term borrowings, financial debt and operating liabilities	304,407	12,424	316,831	327,790
Current provisions	99,390	597	99,987	101,137
Trade and other payables	849,461	37,613	887,074	772,375
Current tax liabilities	8,550	515	9,065	538
Other current liabilities	1,580,548	58,934	1,639,482	1,646,763
Total current liabilities	2,842,356	110,083	2,952,439	2,848,603
Total liabilities and equity	**5,248,619**	**111,940**	**5,360,559**	**5,130,061**
Working capital requirement before tax	**668,994**	**25,997**	**694,991**	**525,016**
Working capital requirement after tax	**665,508**	**26,286**	**691,794**	**533,076**

7.2 Income statement based on operational reporting

(in thousands of euros)	31/12/2016	Restatement of joint ventures	Operational reporting 31/12/2016	Operational reporting 31/12/2015
Revenue	2,975,430	97,229	3,072,659	3,057,132
Purchases	(1,933,077)	(77,598)	(2,010,675)	(2,085,724)
Personnel costs	(501,740)	(18)	(501,758)	(476,160)
Other operating expenses	(236,791)	(1,484)	(238,275)	(219,611)
Taxes (other than income tax)	(31,555)	(611)	(32,166)	(30,807)
Depreciation, amortisation and impairment of fixed assets	(23,301)	-	(23,301)	(24,731)
Current operating profit	248,966	17,518	266,484	220,099
Operating profit	248,966	17,518	266,484	220,099
Share of profit from equity-accounted investments	13,908	(13,908)	-	-
Operating profit after share of profit from equity-accounted investments	262,874	3,610	266,484	220,099
Financial expense	(39,184)	(325)	(39,509)	(30,631)
Financial income	11,687	(189)	11,498	10,334
Net financial income/(expense)	(27,497)	(514)	(28,011)	(20,297)
Pre-tax recurring profit	235,377	3,096	238,473	199,802
Income taxes	(85,864)	(3,096)	(88,960)	(73,693)
Share of profit/(loss) from other equity-accounted investments	(7,167)		(7,167)	(547)
Net profit	**142,346**	**-**	**142,346**	**125,562**
Attributable to equity holders of the parent company	139,113	-	139,113	123,521
Attributable to non-controlling interests	3,233	-	3,233	2,041
(in euros)				
Basic earnings per share	2.54		2.54	2.28
Diluted earnings per share	2.33		2.33	2.09

7.3 Breakdown of net debt based on operational reporting

(in thousands of euros)	31/12/2016	Restatement of joint ventures	Operational reporting 31/12/2016	Operational reporting 31/12/2015
Bond issues	610,354	-	610,354	538,757
Long-term borrowings and financial debt	122,082	-	122,082	97,308
Short-term borrowings and financial debt	228,161	24,665	252,826	252,913
Loans and borrowings	960,597	24,665	985,262	888,978
Current accounts held as liabilities and related payables	57,488	(18,707)	38,781	32,135
Current accounts held as assets and related receivables	(89,199)	58,154	(31,045)	(20,423)
Other financial borrowings and other financial receivables	(31,711)	39,447	7,736	11,712
Cash and cash equivalents	(631,823)	(65,793)	(697,616)	(837,111)
Bank overdraft facilities	14,740	6,467	21,207	38,723
Net cash and cash equivalents	(617,083)	(59,327)	(676,409)	(798,388)
Total net debt	**311,803**	**4,786**	**316,588**	**102,302**

7.4 Breakdown of working capital requirement based on operational reporting

(in thousands of euros)	31/12/2016	Restatement of joint ventures	Operational reporting 31/12/2016	Operational reporting 31/12/2015
Current assets				
Inventories and work in progress	1,523,197	94,943	1,618,141	1,431,023
Trade and other receivables	435,156	3,156	438,313	411,673
Other current assets	1,140,650	24,443	1,165,093	1,101,458
Current liabilities				
Trade and other payables	(849,461)	(37,611)	(887,072)	(772,377)
Other current liabilities	(1,580,548)	(58,934)	(1,639,482)	(1,646,763)
Working capital requirement before tax	**668,994**	**25,997**	**694,991**	**525,014**
Tax receivable	5,064	804	5,868	8,598
Tax payable	(8,550)	(515)	(9,065)	(538)
Total working capital requirement	**665,508**	**26,286**	**691,794**	**533,075**

7.5 Breakdown of net financial income/(expense) based on operational reporting

(in thousands of euros)	31/12/2016 12-month period	Restatement of joint ventures	31/12/2016 Operational reporting	31/12/2015 Operational reporting
Interest expense	(31,433)	(366)	(31,799)	(30,185)
Interest income and income from sale of marketable securities	5,706	(200)	5,506	7,131
Cost of net financial debt	**(25,727)**	**(567)**	**(26,293)**	**(23,054)**
Other financial expenses	(7,751)	41	(7,710)	(446)
Other financial income	5,981	12	5,992	3,203
Other net financial income/(expense)	**(1,771)**	**53**	**(1,718)**	**2,757**
Total financial expenses	(39,184)	(325)	(39,509)	(30,631)
Total financial income	11,687	(188)	11,498	10,334
Total financial income/(expense)	**(27,497)**	**(513)**	**(28,011)**	**(20,297)**

7.6 Statement of cash flows based on operational reporting

(in thousands of euros)	31/12/2016 12-month period	Restatement of joint ventures	Operational reporting 31/12/2016	Operational reporting 31/12/2015
Net profit attributable to equity holders of the parent company	139,113	-	139,113	123,521
Net profit attributable to non-controlling interests	3,233	-	3,233	2,041
Consolidated net profit	142,346	-	142,346	125,562
Elimination of non-cash income and expenses:				
Elimination of depreciation, amortisation and provisions	15,326	(254)	15,072	21,321
Elimination of gains and losses on asset disposals	2,240	156	2,396	(5,532)
Elimination of the impact of changes in fair value	1,317	-	1,317	(3,802)
Elimination of net profit from equity-accounted investments	(13,908)	13,908	-	-
Elimination of net profit from other equity-accounted investments	7,167	-	7,167	547
Elimination of the impact of share-based payments	13,331	-	13,331	10,789
Cash flow from operating activities after interest and tax expenses	167,819	13,810	181,629	148,885
Elimination of net interest expense/(income)	25,727	566	26,293	23,054
Elimination of tax expense, including deferred taxes	77,770	3,095	80,865	65,206
Cash flow from operating activities before interest and tax expenses	271,316	17,471	288,787	237,145
Change in operating working capital	(15,865)	(11,959)	(27,824)	87,005
Dividends received from equity-accounted investments	20,261	(21,014)	(753)	2,668
Interest paid	(15,224)	(592)	(15,816)	(17,264)
Net tax paid	(51,699)	(1,762)	(53,461)	(69,477)
Net cash from/(used in) operating activities	**208,789**	**(17,856)**	**190,933**	**240,077**
Acquisition of subsidiaries, net of cash acquired	(56,039)	323	(55,716)	(19,273)
Proceeds from sale of subsidiaries, net of cash divested	3,042	-	3,042	21,766
Other changes in scope	(354)	(98)	(452)	(1,770)
Purchase of property, plant, equipment and intangible assets	(25,286)	-	(25,286)	(19,821)
Purchase of financial assets	(10,473)	51	(10,422)	(4,838)
Proceeds from sale of property, plant, equipment and intangible assets	2,002	-	2,002	269
Proceeds from sale and redemption of financial assets	8,282	(1,865)	6,417	4,376
Net cash from/(used in) investing activities	**(78,826)**	**(1,589)**	**(80,415)**	**(19,291)**
Dividends paid to equity holders of the parent company	(120,495)	-	(120,495)	(108,378)
Dividends paid to minority shareholders of consolidated companies	(2,244)	-	(2,244)	(3,305)
Net disposal/(acquisition) of treasury shares	228	-	228	190
(Acquisitions)/disposals of minority interests with no gain or loss of control	(32,135)	-	(32,135)	(566)
Proceeds from issuance of bonds	303,802	4,847	308,649	100,308
Redemption of bonds	(364,531)	(12,933)	(377,464)	(66,816)
Increase in receivables and in short-term financial debt	(3,262)	3,262	-	11,278
Decrease in receivables and increase in short-term financial debt		(8,777)	(8,777)	-
Net cash from/(used in) financing activities	**(218,637)**	**(13,601)**	**(232,238)**	**(67,289)**
Impact of foreign currency exchange rate changes on cash and cash equivalents	(259)	-	(259)	35
Change in cash and cash equivalents	**(88,933)**	**(33,046)**	**(121,979)**	**153,532**
Cash and cash equivalents, beginning of period	706,016	92,372	798,388	644,856
Cash and cash equivalents, end of period	617,083	59,326	676,409	798,388

3.4.1.2 NON-CURRENT ASSETS

Note 8 Goodwill

Goodwill reflects the expertise and synergies expected from acquired companies.

Goodwill is tested for impairment at least once a year and when there is an indication of impairment loss. To test for impairment, goodwill is broken down into cash-generating units (CGUs), which are groups of similar assets generating identifiable cash flows. An impairment test involves comparing the carrying amount of each CGU with the recoverable amount. The recoverable amount corresponds to the value in use, determined on the basis of the present value of expected future cash flows, which is the most suitable method considering the lack of recent comparable transactions. In the event of impairment the corresponding amount is recognised as an expense in the income statement.

An impairment loss recognised for a CGU is first allocated to the carrying amount of the goodwill associated with the CGU and then to the other non-monetary assets of the CGU in proportion to their carrying amounts.

An impairment loss of goodwill may not be reversed.

Goodwill is allocated to the following cash-generating units (CGUs): Residential real estate, Commercial real estate and Services. Given the growing connections between the two, the franchise networks CGU is now incorporated into the Services CGU.

(in thousands of euros)	31/12/2015	Acquisitions	Disposals	Adjustments during the allocation period	31/12/2016
Residential real estate	407,663	53,078	-	-	460,741
Commercial real estate	59,345	-	-	-	59,345
Services	681,828	12,716	(411)	(592)	693,541
Total goodwill	**1,148,836**	**65,794**	**(411)**	**(592)**	**1,213,627**

Acquisitions for the period, which generated goodwill of €65,794k, are described in Note 3.4.

After testing at the 2016 balance sheet date, no impairment losses were recognised.

The main assumptions used for testing are as follows:

The discount rate applied to future cash flows was calculated for each CGU by the same independent expert as in 2015. This rate corresponds to the weighted average cost of capital (WACC) after tax, which takes into account the cost of equity and the cost of debt. The income tax rate applied to debt takes into account the deduction limitation rule for financial expenses and the normal 28% tax rate, approved by the French parliament in 2016, for financial years from 2020 onwards. As in 2015, the cost of equity was determined by taking into account average financial market performance in 2016.

DISCOUNT RATE (WACC AFTER TAX)

	Residential real estate	Commercial real estate	Services
Rate used in 2016	6.5%	6.6%	6.1%
Rate used in 2015	6.2%	7.1%	5.9%

The impairment tests use the five-year business plan set out by Executive Management and approved by the Board of Directors in December 2016. This business plan involves differing growth assumptions depending on the business activity involved. These assumptions take into account current market conditions and foreseeable developments as well as the Group's assumptions about changes in the regulatory environment and competitive pressures on the markets where Nexity operates. Budgeted margin levels are consistent with the margin targets set by the Commitments Committee for commercial and residential real estate development projects, and with the margin improvement target for the business activities of the Services division.

Beyond the five-year plan, the perpetuity growth rate used to calculate the terminal value is 1.5% (the same rate as at 31 December 2015). This rate is lower than the average growth rate for business activities over the period of the business plan.

A sensitivity analysis of the preceding assumptions was conducted to measure the impact of the new criteria used for calculation, on the basis of changes deemed possible by Executive Management, within a reasonable range:

- discount rate: +1 point;
- growth rate: -0.50 points in the perpetuity growth rate;

- operating margin: -1 point in the margin on the terminal cash flow;
- corporate tax rate maintained at 34.43% over the period of the medium-term plan and the terminal cash flow.

Given the wide discrepancy between the discounted cash flow (DCF) value and the value to be tested, no impairment is indicated for the Residential real estate and Commercial real estate CGUs, using these pessimistic assumptions. Reaching the threshold for an indication of impairment by DCF would require a 79% decrease in the terminal cash flow for Residential real estate, and no terminal cash flow for Commercial real estate.

For the Services CGU, no potential impairment is shown with these downgraded assumptions. Reaching the threshold at which the DCF value would indicate an impairment would require a 23% decrease in the terminal cash flow, equal to a 3.5-point drop in the operating margin on revenue, or a discount rate of more than 7.5%.

Note 9 Other intangible assets and property, plant and equipment

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses. They consist mainly of software, including purchased packages as well as tools developed for internal use, and client relationships that may be recognised when accounting for business combinations in the Services business.

Amortisation is calculated on a straight-line basis over the estimated useful life of each intangible asset: between 1 and 7 years for software purchased or developed, and between 6 and 20 years for client relationships.

Property, plant and equipment is stated at acquisition or production cost less accumulated depreciation and impairment losses.

Property, plant and equipment is mainly composed of fixtures and fittings, office and computer equipment, and furniture.

Depreciation is calculated on a straight-line basis over the estimated useful life of each asset, generally between 3 and 10 years.

(in thousands of euros)	Gross	Depreciation, amortisation and impairment	31/12/2016	Gross	Depreciation, amortisation and impairment	31/12/2015
Other intangible assets	130,679	(66,776)	63,904	118,435	(57,047)	61,388
Property, plant and equipment	151,287	(101,471)	49,816	149,987	(100,984)	49,003
Total non-current assets	**281,967**	**(168,247)**	**113,719**	**268,422**	**(158,031)**	**110,391**

CHANGES IN THE PERIOD

(in thousands of euros)	31/12/2015	Movements, acquisitions and disposals	Net charges for the period	Changes in scope and other	31/12/2016
Other intangible assets	61,388	11,941	(10,898)	1,472	63,904
Property, plant and equipment	49,003	12,108	(12,445)	1,150	49,816
Total non-current assets	**110,391**	**24,049**	**(23,343)**	**2,622**	**113,719**

Changes in scope affecting intangible assets mainly include a client relationship in connection with the acquisition of individual property management firms in the amount of €1,209k before tax. This asset will be amortised on a straight-line basis over a period of 20 years.

Note 10 Equity-accounted investments

The Group's equity-accounted investments are initially recorded at acquisition cost including any goodwill generated. Their carrying amount is then increased or decreased to take into account the Group's share in any profit and loss generated after the acquisition date.

If the Group's share of the losses of an associate or joint venture exceeds the carrying amount of the investee, the carrying amount is reduced to nil and the recognition of further losses is discontinued unless the Group has a legal or constructive obligation to cover the losses or make payments in respect of said associate or joint venture.

If there is an indicator of impairment, a test is performed which compares the carrying amount of the investee to its recoverable amount.

CHANGE IN THE PERIOD *(in thousands of euros)*	31/12/2016	31/12/2015
Value of investments at beginning of financial year	30,527	45,990
Change in scope and foreign exchange gains and losses	19,471	(14,735)
Change in equity of equity-accounted investments	10,119	(200)
Share of profit/(loss) from investees with activities that are an extension of the Group's operating activities	13,908	15,454
Group share of profit/(loss) from other investees	(7,167)	(547)
Net dividends paid	(20,261)	(15,435)
Value of investments at financial year-end	**46,597**	**30,527**
o/w investees with activities that are an extension of the Group's operating activities	*18,533*	*20,273*
o/w other investees	*28,064*	*10,254*

"Investees with activities that are an extension of the Group's operating activities" are joint ventures. Most joint ventures are property developments (residential or commercial) undertaken with another developer (co-developments).

"Other investees" (a 45.16% stake in Ægide worth €27,195k, a 39.4% stake in Bien'ici and a 20% stake in the Lexin Alfortville project in Alfortville) are worth €28,064k.

Nexity sold its 45% stake in Ciloger in 2015.

Ægide

In October 2016, Nexity acquired an additional 7% stake in Ægide. In December 2016, Nexity subscribed to a €4,515k increase in the share capital. The amount of Nexity's interest rose from €14,218k at 31 December 2015 to €27,195k at 31 December 2016.

Ægide-Domitys, the French market leader in senior independent living facilities, which has 1,565 employees, manages 59 senior serviced residences representing almost 7,000 residential units. 24 residences are under construction and in the process of being marketed.

Ægide-Domitys had consolidated revenue of around €190 million in 2015.

In 2018, Nexity will have the option of becoming the majority shareholder of Ægide. Should this occur, Ægide-Domitys will constitute a separate services business within the Nexity group.

Note 11 Other financial assets

(in thousands of euros)	31/12/2015	Movements, acquisitions and disposals	Net additions in the period	Changes in scope and other	31/12/2016
Start-up investments	7,632	5,670	-	-	13,302
Companies in the process of being acquired or sold	5,608	(1,015)	-	-	4,593
Companies soon to be dissolved	2,084	-	-	37	2,121
Cash allocated to the liquidity contract	5,875	228	-	-	6,103
Deposits and guarantees	9,042	575	(48)	()	9,569
Investments in property developments	9,914	(2,608)	-	(4,794)	2,512
Loans for property acquisitions from Crédit Financier Lillois	2,768	1,266	-	-	4,034
Other	315	(99)	(47)	(147)	22
Total other financial assets	**43,238**	**4,017**	**(95)**	**(4,904)**	**42,256**

"Start-up investments" are investments in FPCIs (French private equity funds for professional investors) or direct investments in private companies, in business sectors such as digital technology that may offer future synergies or growth opportunities.

In 2015, "Companies in the process of being acquired or sold" included the remeasurement at fair value of the Swiss individual property management subsidiary, which was no longer consolidated as of 1 April 2015 and was sold off on 18 January 2016. At 31 December 2016, this item consisted of property management companies acquired at end-2016 and intended to be consolidated in 2017.

"Companies soon to be dissolved" means investments in private companies that have been used as vehicles for property developments that have been delivered.

"Cash allocated to the liquidity contract" designates the financial resources made available to the investment services provider (ISP) contracted to manage the liquidity of Nexity's publicly traded shares in accordance with the authorisations approved at the Shareholders' Meeting.

"Deposits and guarantees" are held by third parties, and mainly include security deposits on the office buildings leased and occupied by the Group and on the surety bonds obtained for property management and brokerage practices in real estate services. Deposits and guarantees relating to the completion of property developments are included in the calculation of the working capital requirement (WCR).

"Investments in property developments" refers to medium-term financing contributed by the Group to joint development operations.

"Loans for property acquisitions from Crédit Financier Lillois" came to €4,034k (including €315k maturing in less than one year) at 31 December 2016, compared to €2,768k (including €283k maturing in less than one year) at 31 December 2015.

Total other financial assets mainly mature in more than one year.

3.4.1.3 WORKING CAPITAL REQUIREMENT

Note 12 Breakdown of working capital requirement

(in thousands of euros)	Notes	31/12/2016	31/12/2015
Current assets			
Inventories and work in progress	13	1,523,197	1,326,851
Trade and other receivables	14	435,156	385,618
Other current assets	15	1,140,650	1,073,923
Current liabilities			
Trade and other payables		(849,461)	(710,979)
Other current liabilities	16	(1,580,548)	(1,572,379)
Working capital requirement before tax		**668,994**	**503,033**
Tax receivable	33	5,064	8,270
Tax payable	33	(8,550)	(339)
Total working capital requirement		**665,508**	**510,965**

CHANGE IN THE PERIOD

(in thousands of euros)	Change in the period
Working capital requirement before tax at 31/12/2015	**503,033**
Change in working capital requirement as per cash flow statement	15,865
Additions to the scope	145,849
Other changes in scope	9,680
Change in receivables and payables for fixed assets and similar items (included in trade payables)	(5,432)
Working capital requirement before tax at 31/12/2016	**668,994**

Note 13 Inventories and work in progress

"Inventories and work in progress" includes land recorded at acquisition cost, construction in progress (site development and construction costs), selling expenses assignable to contracts (in-house and external commissions) and finished products, recorded at production cost. Borrowing costs that may be allocated to real estate development projects are included in the cost of inventories.

Preliminary contract costs for real estate development programmes are included in the cost of inventories if the probability of securing the contract is high. If the contract is not obtained, the related costs are expensed.

When the net realisable value of inventories and work in progress is less than their cost, impairment losses are recorded.

(in thousands of euros)	Gross	Impairment	31/12/2016	Gross	Impairment	31/12/2015
Total inventories and work in progress	**1,570,852**	**(47,654)**	**1,523,197**	**1,375,923**	**(49,072)**	**1,326,851**

At 31 December 2016, inventories included borrowing costs of €3,061k, compared to €2,702k at 31 December 2015 (see Note 32.2).

Note 14 Trade and other receivables

Construction work in progress

Construction work in progress is stated at cost plus profit recognised to date, (less a provision for foreseeable losses) and progress billings issued.

Trade and other receivables

Trade and other receivables are stated at fair value upon initial recognition, then at amortised cost less allowances for uncollectible items.

(in thousands of euros)	Gross	Impairment	31/12/2016	Gross	Impairment	31/12/2015
Total trade and other receivables	**452,623**	**(17,467)**	**435,156**	**402,466**	**(16,848)**	**385,618**

The Group believes that its credit risk is not material as it essentially operates in a regulated business environment, which secures the payment of trade receivables.

Note 15 Other current assets

The Real estate services business enters into agreements with clients to perform services on their behalf as authorised agents. For this purpose, the Group holds client working capital accounts. As the authorised agent, the Group manages these client working capital accounts and reports them as separate accounts in its balance sheet under the line items “Other current assets” and “Other current liabilities”.

When client working capital accounts are not managed in separate accounts, the financial income generated by this business is directly recognised as revenue in the consolidated financial statements.

(in thousands of euros)	Gross	Impairment	31/12/2016	Gross	Impairment	31/12/2015
Suppliers – advances and deposits paid	53,277	(284)	52,993	55,775	(187)	55,588
Government receivables	271,948	-	271,948	284,859	-	284,859
Prepaid expenses	18,601	-	18,601	17,479	-	17,479
Other receivables	128,400	(4,437)	123,963	34,874	(2,986)	31,888
Cash held in client working capital accounts	673,146	-	673,146	684,109	-	684,109
Total other current assets	**1,145,371**	**(4,721)**	**1,140,650**	**1,077,096**	**(3,173)**	**1,073,923**

Note 16 Other current liabilities

(in thousands of euros)	31/12/2016	31/12/2015
Tax payable and social security contributions	265,122	258,064
Prepaid income and other accruals	33,601	42,165
Clients – advances and deposits received	582,101	564,732
Client working capital accounts	673,146	684,110
Reservation deposits held in escrow	26,578	23,308
Total other current liabilities	**1,580,548**	**1,572,379**

3.4.1.4 EQUITY

Note 17 Share capital

At 31 December 2016, the share capital of the parent company comprised 54,809,044 shares with a par value of €5 per share, compared with 54,189,017 shares at 31 December 2015. The 620,027-share increase in the number of shares in 2016 equates to the vesting of 594,000 free shares to Group employees (see details in Note 19) and 26,027 shares resulting from the conversion of 2014 OCEANE bonds.

Outstanding authorisations to the Board of Directors to increase the share capital are as follows:

Purpose of the authorisation	Date and duration of authorisation	Maximum nominal amount of capital increase [1]	Amount used and decision to use
ISSUES OF SHARES			
1. Issues with preemptive subscription rights Capital increase, with preemptive subscription rights, through the issue of shares or other securities providing access to the share capital	Shareholders' Meeting of 31 May 2016 (Resolution 21) 26 months, to 30 July 2018 Superseded the authorisation given at the Shareholders' Meeting of 20 May 2014 (Resolution 18)	25% of the share capital or €600m in debt securities [2]	Not used
2. Public issues without preemptive subscription rights Capital increase through the issuance of shares or other securities providing access to the share capital	Shareholders' Meeting of 31 May 2016 (Resolution 22) 26 months, to 30 July 2018 Superseded the authorisation given at the Shareholders' Meeting of 20 May 2014 (Resolution 19)	With priority rights: 25% of the share capital or €600m in debt securities [2] [3] [4] Without priority rights: 10% of the share capital or €300m in debt securities [2] [3] [4]	Not used
3. Private placement, without preemptive subscription rights, open to qualified investors (as described in Section II of Article L. 412-2 of the French Monetary and Financial Code) Capital increase through the issuance of shares or other securities providing access to the share capital	Shareholders' Meeting of 19 May 2015 (Resolution 30) 14 months, to 18 July 2016 Superseded by the resolution described in Point 4 below	€67m, not to exceed 20% of the Company's share capital in each 12-month period following the initial use of this authorisation	On 13 May 2016, 4,199,066 bonds were issued that may be converted or exchanged for new or existing shares (2016 OCEANEs). The total amount issued was €269,999,943.80. The initial conversion ratio of 1 share per 2016 OCEANE bond was adjusted to 1.047 shares per 2016 OCEANE bond following the distribution approved at the Shareholders' Meeting of 31 May 2016. The proceeds from the issue were allocated primarily to the redemption of the 2014 OCEANEs. The 2014 OCEANE bonds outstanding following this redemption were converted into shares on request, resulting in 26,027 new shares with a par value of €5 each (see Note 22.1).
4. Private placement, without preemptive subscription rights, open to qualified investors (as described in Section II of Article L. 412-2 of the French Monetary and Financial Code) Capital increase through the issue of shares or other securities providing access to the share capital	Shareholders' Meeting of 31 May 2016 (Resolution 23) 26 months, to 30 July 2018 Superseded the authorisation given at the Shareholders' Meeting of 19 May 2015 (Resolution 20)	10% of the share capital or €300m in debt securities [2] [3] [4]	Not used
5. Overallotment option	Shareholders' Meeting of 31 May 2016 (Resolution 24) 26 months, to 30 July 2018	Not to exceed 15% of the original issue described in Points 1, 2 and 3 of this table, and at the same price [2] [3] [4]	Not used

Purpose of the authorisation	Date and duration of authorisation	Maximum nominal amount of capital increase [1]	Amount used and decision to use
6. Capitalisation of reserves, earnings, premiums or other accounts	Shareholders' Meeting of 31 May 2016 (Resolution 25) 26 months, to 30 July 2018 Superseded the authorisation given at the Shareholders' Meeting of 20 May 2014 (Resolution 22)	25% of the share capital [5]	Not used
7. Issue in exchange for contributions of equity securities or other securities providing access to share capital through a public exchange offer initiated by the Company	Shareholders' Meeting of 31 May 2016 (Resolution 26) 26 months, to 30 July 2018 Superseded the authorisation given at the Shareholders' Meeting of 20 May 2014 (Resolution 23)	10% of the share capital [2] [3] [4]	Not used
8. Issue of shares or other securities in exchange for contributions in kind granted to the Company comprising equity securities or securities conferring access to the share capital	Shareholders' Meeting of 31 May 2016 (Resolution 27) 26 months, to 30 July 2018 Superseded the authorisation given at the Shareholders' Meeting of 20 May 2014 (Resolution 24)	10% of share capital at date authorisation used [2] [3] [4]	Not used
9. Restrictions on the authorisation to use the authorisations described in Points 1, 2, 4, 5, 6, 7 and 8 during a public takeover bid	Shareholders' Meeting of 31 May 2016 (Resolution 20) 26 months, to 30 July 2018	See the authorisations described in Points 1-8 above	Not used
ISSUES RESERVED FOR EMPLOYEES OR ELIGIBLE COMPANY OFFICERS			
10. Free awards of new or existing shares	Shareholders' Meeting of 31 May 2016 (Resolution 19) 14 months, to 30 July 2017 Superseded the authorisation given at the Shareholders' Meeting of 19 May 2015 (Resolution 23)	1% of share capital at date award decided by Board of Directors [5]	Allotment of 469,500 free shares at the Board meeting of 31 May 2016
11. Issues reserved for participants in Group company savings plans	Shareholders' Meeting of 31 May 2016 (Resolution 28) 26 months, to 30 July 2018 Superseded the authorisation given at the Shareholders' Meeting of 19 May 2015 (Resolution 32)	1% of diluted share capital at 31 May 2016 [5]	Not used
SHARE REPURCHASE AND REDUCTION IN SHARE CAPITAL			
12. Repurchase of own shares by the Company	Shareholders' Meeting of 31 May 2016 (Resolution 17) 18 months, to 30 November 2017 Superseded the authorisation given at the Shareholders' Meeting of 19 May 2015 (Resolution 21)	10% of the share capital, adjusted to reflect transactions affecting the share capital after 31 May 2016	See Note 20
13. Reduction in share capital via the retirement of treasury shares	Shareholders' Meeting of 31 May 2016 (Resolution 18) 18 months, to 30 November 2017 Superseded the authorisation given at the Shareholders' Meeting of 19 May 2015	10% of the share capital per 24-month period	Not used

[1] In the event of a capital increase, the limit is expressed as a percentage of the number of shares composing the share capital at the date of the Shareholders' Meeting, i.e. 31 May 2016. Where debt instruments are issued, the limit is expressed in euros.
[2] Where debt instruments are issued, the amount of debt issued may result in the Company's share capital increasing by the designated percentage (25% or 10%).
[3] This amount is counted against the maximum percentage of 25% or €600m for issues with preemptive subscription rights.
[4] Where shares or debt instruments are issued without preemptive rights or priority rights, the amount of the issue without priority rights is counted against the amount of the issue with priority rights and against the amount of the issues with preemptive rights.
[5] Separate ceiling from the ceilings set at the Shareholders' Meeting of 31 May 2016.

Note 18 Non-controlling interests

Non-controlling interests are mainly minority interests in the subsidiaries that are not wholly owned by the Group.

For certain entities, the Group has made undertakings to purchase the remaining stake that it does not own. In such cases, the minority stake is reclassified as a financial liability (see Note 22.2). The non-controlling interest is no longer recognised, and the entity's profit or loss is fully consolidated in the Group's financial statements.

Note 19 Free share award plans

Free shares may be granted to Group employees and senior executives by the Board of Directors, as authorised by a vote at a Shareholders' Meeting. Employee incentive plans offering free share awards, ongoing or ended in the period, are as follows:

Nexity plans (number of shares)	Awarded	Cancelled	Vested	Awarded, not cancelled and not vested	Vesting period end
December 2012 plan	342,000	28,000	314,000	0	Q1 2016
December 2013 plan 1	283,000	10,000	273,000	0	Q1 2016
December 2013 plan 2	217,000	34,000	-	183,000	Q1 2017
February 2014 plan	7,000	-	7,000	0	Q1 2016
December 2014 plan	331,000	6,000	-	325,000	Q1 2017
April 2015 plan	92,000	4,000	-	88,000	Q1 2018
October 2015 plan	11,000	-	-	11,000	Q1 2018
December 2015 plan	240,360	33,040	-	207,320	Q4 2017
May 2016 plan	469,500	2,000	-	467,500	Q2 2019
Total Nexity plans	**1,992,860**	**117,040**	**594,000**	**1,281,820**	

The Shareholders' Meeting has granted the Board the right until 30 July 2017 to allocate 1% of the share capital for the granting of free shares (conditional and with a minimum two-year vesting period). At 31 December 2016, a total of 469,500 free shares had been awarded under this authorisation.

The maximum potential dilution (as a percentage of share capital ownership) would be 2.3% if all free shares already awarded were to vest, and 2.4% if the calculation includes all possible free shares not yet awarded at 31 December 2016.

No free shares were awarded to Nexity's company officers.

Valuation of Nexity's free share plans

Share-based payments are recognised at the grant date at their fair value. Changes in value after the grant date have no effect on the initial measurement.

The calculated value of the shares is recognised as a payroll expense on a straight-line basis over the vesting period with a corresponding increase in equity.

The aggregate value is modulated to take into account the probability of the allocation conditions being met for each plan, based on the following criteria:

- length of service at the Company at the end of the plan; and
- where applicable, performance criteria (based on the aggregate operating margin and/or backlog for the entire plan period).

The aggregate value of Nexity's free share plans was €48,632k in 2016, representing an expense of €13,331k.

(in thousands of euros)	Dec. 12 plan	Dec. 13 plan 1	Dec. 13 plan 2	Feb. 14 plan	Dec. 14 plan	Apr. 15 plan	Oct. 15 plan	Dec. 15 plan	May 16 plan
Aggregate value	6,168	5,816	3,688	180	7,663	2,543	381	6,803	15,390
2016 expenses	317	289	1,229	0	3,951	963	191	3,401	2,993
Assumptions									
Share price at grant date (€)	25.8	25.0	25.0	29.9	29.1	37.7	38.8	39.6	48.4
Duration of option (years)	3	2	3	2	2	3	2	2	3
Dividend rate [1]	7.4%	8.0%	8.0%	6.8%	6.9%	5.3%	5.0%	5.0%	5.0%

[1] *Based on changes in the price of the underlying Nexity shares*

Note 20 Treasury shares

As authorised at the Shareholders' Meeting and implemented by the Board of Directors, the Group may find it necessary to hold treasury shares under a liquidity contract entered into with an investment services provider (ISP).

Nexity treasury shares are recognised at cost and presented as a deduction from equity. Any gains or losses from the disposal of treasury shares, determined using the first-in, first-out (FIFO) method, are directly recognised in equity and have no effect on profit or loss for the period.

(number of shares)	Authorised	Held at transaction date
Position at 31 December 2015	**5,418,902**	-
Purchase of shares		-
Implementation of arrangements agreed at Shareholders' Meeting of 31 May 2016	10% of the share capital adjusted for changes	
Position at 31 December 2016	**5,480,904**	-

At 31 December 2016, the Group did not hold any treasury shares (based on the transaction date).

3.4.1.5 DEBT AND FINANCIAL RISK FACTORS

Note 21 Breakdown of net debt

(in thousands of euros)	Notes	31/12/2016	31/12/2015
Bond issues	22	610,354	538,757
Long-term borrowings and financial debt	22	122,082	97,306
Short-term borrowings and financial debt	22	228,161	214,854
Loans and borrowings		960,597	850,916
Current accounts held as liabilities and related payables	22	57,488	52,831
Current accounts held as assets and related receivables	23	(89,199)	(93,893)
Other financial borrowings and other financial receivables		(31,711)	(41,061)
Cash and cash equivalents	24	(631,823)	(744,267)
Bank overdraft facilities	24	14,740	38,251
Net cash and cash equivalents		(617,083)	(706,016)
Total net debt		**311,803**	**103,839**

CHANGE IN THE PERIOD

(in thousands of euros)	31/12/2015	Net change in cash	Additions to the scope	Change in value of OCEANE bonds	Other	31/12/2016
Loans and borrowings	850,916	(92,864)	152,897	31,095	18,553	960,597
Other financial borrowings and other financial receivables	(41,061)	(3,261)	4,615	-	7,997	(31,711)
Net cash and cash equivalents	(706,016)	88,933	-	-	-	(617,083)
Total net debt	**103,839**	**(7,191)**	**157,511**	**31,095**	**26,549**	**311,803**

COMPONENTS OF NET DEBT RECOGNISED IN THE STATEMENT OF CASH FLOWS

(in thousands of euros)	Net change in cash
Proceeds from issuance of bonds	303,802
Redemption of bonds	(364,531)
Acquisitions of minority interests	(32,135)
Change in bank borrowings and acquisition-related debt	**(92,864)**
Change in other financial borrowings and other financial receivables	**(3,261)**
Change in cash and cash equivalents	**88,933**
Change in net debt	**(7,191)**

Note 22 Borrowings and financial liabilities

Borrowings are broken down into:

- long-term loans and borrowings (long-term portion of borrowings for non-current assets), which are classified as non-current liabilities; and
- short-term loans and financial and operating liabilities, which are classified as current liabilities.

Borrowings are stated at amortised cost, less attributable issuance costs, which are recognised gradually in net financial income or expense over the borrowing period on an effective interest basis.

Financial liabilities also include derivative instruments recognised as liabilities. Derivatives recognised as assets appear in Other financial receivables.

	31/12/2016		31/12/2015	
(in thousands of euros)	Non-current	Current	Non-current	Current
Bond issues	606,336	4,018	534,739	4,018
Loans and borrowings	122,082	228,161	97,306	214,854
Current account and equivalent liabilities	-	57,488	-	52,831
Bank overdraft facilities	-	14,740	-	38,251
Total borrowings and financial liabilities	**728,418**	**304,407**	**632,045**	**309,954**

22.1 Bond issues

At 31 December 2016, the reported nominal amount of bond issues (€641 million) differed from their consolidated value (€610.4 million), as a result of the restatement of the OCEANE equity conversion option component and the phasing of arrangement costs.

EURO PP NOTES

Issue date	Nominal amount *(in millions of euros)*	Annual interest rate	Maturity
24/01/2013	200.0	3.749%	27/12/2018
05/05/2014	25.0	3.252%	05/05/2020
05/05/2014	146.0	3.522%	05/05/2021

Under the terms of these issues, the Group is required to comply with the following covenants, which are calculated every six months on a twelve-month rolling basis:

	Year-on-year position every 6 months
Consolidated net debt / Consolidated equity	≤ 2
Consolidated net debt excluding programme-related debt[1] / Covenant EBITDA[2]	≤ 3
Covenant EBITDA[2] / Cost of net financial debt	≥ 2.5

[1] Programme-related debt is debt linked to commercial real estate developments marketed for lease or sale, and debt linked to real estate assets, taken out by Nexity or one of its subsidiaries, with no possibility of recourse against other members of the Group.
[2] Covenant EBITDA is equal to operating profit after neutralising the impact of borrowing costs transferred from inventory, cancelling out goodwill write-downs, adding back net operating charges to depreciation, amortisation and provisions, and subtracting reversals of operating provisions.

The Group was in compliance with these covenants at 31 December 2016.

OCEANEs (the French acronym stands for "bonds that may be converted or exchanged for new or existing shares")

OCEANE convertible bonds are recognised as follows:

Under IAS 32 *Financial Instruments: Presentation*, if a financial instrument has both a liability and an equity component, the issuer must account for these components separately according to their nature.

The liability component is measured on the issue date on the basis of contractual future cash flows discounted at the market rate (taking into account the issuer's credit risk) for an instrument that is similar but not convertible/redeemable for shares.

The value of the conversion option is calculated as the difference between the issue price of the bonds and the fair value of the liability component. This amount is recognised under consolidated reserves in equity and is used to calculate deferred tax.

Following initial measurement of the liability and equity components, the liability component is measured at amortised cost. The interest expense relating to the liability is calculated using the effective interest method and recognised in net profit or loss. The equity component is not revalued.

On 13 May 2016, Nexity carried out a 2016 OCEANE issue (maturing 1 January 2023) with a face value of €270 million. Of the proceeds from the issue, €230.5 million was used to redeem 99.43% of the 2014 OCEANE bonds, and €39.5 million was used to meet Nexity's general financing needs.

The redemption of the 2014 OCEANEs is reflected in Nexity's accounts by a financial expense of €4.8 million, accounted for mainly by fees and commissions and by a €39.7 million decrease in equity due to the change in the value, net of tax, of the 2014 OCEANE equity component.

The remaining 2014 OCEANE bonds (0.57%), measured at €1 million, were subsequently converted into 26,027 Nexity shares based on a value of €43.34 per share.

OCEANE CONVERTIBLE BOND ISSUE

Issue date	Nominal amount *(in millions of euros)*	Annual interest rate	Maturity	Number of bonds
2016 OCEANEs – 13/05/2016	270.0	0.125%	01/01/2023	4,199,066

The nominal unit value per 2016 OCEANE convertible bond was set at €64.30.

The rate was adjusted following the dividend distribution in June 2016. It is 1.047 shares for one bond (as opposed to one share for one bond at the date of issuance).

If all convertible bonds were converted, the dilution would be 7.4% (as a percentage of share capital ownership).

At 31 December 2016, after taking into account financial expense for the period, the equity component of this instrument amounted to €32,043k and its debt component to €237,957k.

22.2 Credit facilities

AUTHORISATIONS AND DRAWDOWNS

	31/12/2016				31/12/2015	
(in millions of euros)	Non-current borrowings	Current borrowings	Total drawdowns	Authorised	Drawn	Authorised
Non-allocated credit facility – Residential real estate	-	-	-	300.0	-	300.0
Non-allocated credit facility – Services		31.7	31.7	31.7	42.0	42.0
Facilities for the acquisition of real estate services companies	2.1	6.7	8.8	8.8	55.9	55.9
Put options granted to minority shareholders	120.0	-	120.0	120.0	75.2	75.2
Total corporate loans	**122.1**	**38.4**	**160.5**	**460.5**	**173.1**	**473.1**
Project-related loans		189.7	189.7	438.7	139.1	303.1
Total credit facilities	**122.1**	**228.1**	**350.2**	**899.2**	**312.2**	**776.2**

At 31 December 2016, put options granted to minority shareholders and credit drawdowns totalled €350.2 million out of total authorised credit facilities of €899.2 million negotiated with banks.

The Group has non-allocated credit facilities and credit facilities earmarked to fund real estate development programmes. Borrowings and financial liabilities are mainly denominated in euros and are at floating rates indexed to Euribor.

Generally, credit agreements require the borrower to comply with a number of covenants, particularly of a financial nature, as summarised below:

Non-allocated Residential real estate credit facility

For the Residential real estate division, Nexity Logement and Foncier Conseil have access to an unallocated credit facility taken out with a syndicate of banks and with a maximum amount of €300 million until December 2018. At 31 December 2016, no drawdowns had been made on this line of credit.

The credit agreement prescribes when early repayment is mandatory, which would be the case, for instance, if the Group's equity shareholding in Nexity Logement and/or Foncier Conseil were to fall below 85%.

Under the terms of this facility, the Group must maintain the same financial ratios as for its Euro PP issues, and Nexity Logement must comply with the following consolidated financial ratios measured every six months on a twelve-month rolling basis:

	Year-on-year position every 6 months
Nexity Logement consolidated net debt / Nexity Logement consolidated equity	≤ 2
Nexity Logement consolidated net debt / Nexity Logement consolidated EBITDA[1]	≤ 3
Nexity Logement consolidated EBITDA[1] / Nexity Logement cost of net financial debt	≥ 2.5

[1] Nexity Logement consolidated EBITDA is equal to operating profit after neutralising the impact of borrowing costs transferred from inventory, cancelling out goodwill write-downs, adding back net operating charges to depreciation, amortisation and provisions, and subtracting reversals of operating provisions (same definition as for covenant EBITDA in Note 22.1).

The Group was in compliance with these covenants at 31 December 2016.

Non-allocated Services credit facility

For the Services division, Oralia and its subsidiaries have credit facilities totalling €31.7 million, maturing in more than four years, to finance operating requirements. Term deposits are pledged as collateral for these facilities.

Facilities for the acquisition of real estate services companies

These loans (€8.8 million at 31 December 2016) were used to partially finance certain acquisitions of individual property management firms by Services, at Oralia in particular.

Put options granted to minority shareholders

- If minority shareholders have been granted put options covering their investment, their share in the net assets of subsidiaries is reclassified from non-controlling interests to financial debt in the consolidated balance sheet, whereby the amount recognised corresponds to the present value of the exercise price of the option.
- The Group recognises price fluctuations as adjustments to equity. The valuation of the options had no impact on the consolidated income statement.
- The liability is estimated on the basis of the price or price formulas specified in the agreements. When price formulas are based on a multiple of an income statement item after subtracting this liability, the amount of the option is estimated on the basis of projected income statement items and the value of the liability at the most likely date for the exercise of options.
- The maturity schedule of put options granted to minority shareholders is based on the probable date of performance of the contractual obligations. At 31 December 2016, they amounted to €120 million, mostly concerning PERL, Térénéo, Edouard Denis and Primosud.

Project-related loans

Residential real estate division

Programmes that generate revenue in excess of €20 million including VAT are financed by specific loans generally granted by members of the syndicate of banks having entered into the non-allocated credit facility for the Residential real estate division. Co-developments, foreign developments and developments by Iselection, PERL or Edouard Denis may also be financed by loans.

Commercial real estate division

In the Commercial real estate division, specific bank loans are set up for programmes that are not financed in instalments by the investor. The loans are usually secured by the transfer of investor receivables and the assignment of the associated bank guarantees.

Other activities

Project loans are set up to finance fixed assets or property assets acquired in connection with the Group's investment activities, and, where applicable, with the urban regeneration business (Villes & Projets).

22.3 Liquidity risk

AMORTISATION SCHEDULE

(in millions of euros)	Drawn 31/12/2016	Amortisation 2017	2018	2019	2020	2021	> 5 yrs
Bond issues	641.0	-	200.0	-	25.0	146.0	270.0
Non-allocated credit facility – Services	31.7	2.1	17.0	-	12.7	-	-
Put options and deferred payments in connection with acquisitions	120.0	-	14.2	24.2	4.1	77.4	-
Facilities for the acquisition of real estate services companies	8.8	6.7	0.8	0.0	0.7	0.5	-
Total corporate and bond debt	**801.5**	**8.8**	**232.0**	**24.2**	**42.5**	**224.0**	**270.0**
Project-related loans	189.7	61.7	100.6	3.1	3.3	21.0	-
Total amortisation		**70.5**	**332.6**	**27.3**	**45.8**	**245.0**	**270.0**
Total borrowings and financial liabilities	**991.2**	**920.7**	**588.1**	**560.8**	**515.0**	**270.0**	**-**

The other components of net debt shown in Note 21 are short-term items.

At 31 December 2016, 93% of loans drawn down will mature in more than one year, with 27% maturing in more than 5 years. The average maturity of debt outstanding at 31 December 2016 was 3.7 years.

22.4 Derivatives

The Group is exposed to market risk, particularly in terms of interest rates. The Group may use a number of derivative financial instruments to manage such risk (such as swaps, caps and collars). The purpose is to reduce, where appropriate, the fluctuations in cash flows related to changes in interest rates.

Derivative financial instruments are recognised at fair value in the balance sheet, based on external appraisals. The gain or loss on remeasurement of the derivative instruments to fair value is recognised in the income statement, unless the instruments are used for hedging purposes.

At 31 December 2016, the Group had no interest rate hedging derivatives in place.

There are no hedging relationships with the following instrument: a cap at a rate of 1.5% against Euribor 3-month on a portion (€150 million) of the €300 million unallocated Residential credit facility, ending 31 December 2018. At 31 December 2016, fair value was close to zero, with no impact on net financial income/(expense).

Note 23 Other financial receivables

(in thousands of euros)	Gross	Impairment	31/12/2016	Gross	Impairment	31/12/2015
Current accounts – assets and similar receivables	89,330	(152)	89,178	93,761	(143)	93,618
Total other financial receivables	**89,351**	**(152)**	**89,199**	**94,036**	**(143)**	**93,893**

Other financial receivables mainly consist of financing by the Group of joint ventures and associates.

Note 24 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and highly liquid investments, generally with maturities of three months or less, with immaterial risk of changes in value. This item includes reservation deposits held in escrow for clients of the Residential real estate division.

Highly liquid investments are measured to fair value at the date of the financial statements. They are recognised at the transaction date, with subsequent changes in value recorded in financial income and expenses.

Cash held in client working capital accounts by the Services division is recorded as a separate item under “Other current assets”.

(in thousands of euros)	31/12/2016	31/12/2015
Marketable securities – cash equivalents	220,163	613,363
Cash	385,082	107,596
Reservation deposits held in escrow	26,578	23,308
Total cash and cash equivalents	**631,823**	**744,267**

Residential real estate reservation deposits are placed in escrow accounts at the time of reservation (line item "Reservation deposits held in escrow"). The deposits are released when the property deeds are signed and witnessed by a notary.

The majority of cash and cash equivalents are invested in fixed-rate demand deposit accounts.

Aggregate cash and cash equivalents at the reporting date in the statement of cash flows were as follows:

(in thousands of euros)	31/12/2016	31/12/2015
Cash and cash equivalents	631,823	744,267
Bank overdraft facilities	(14,740)	(38,251)
Cash and cash equivalents	**617,083**	**706,016**
o/w available cash	*590,505*	*682,708*
o/w unavailable cash	*26,578*	*23,308*

Note 25 Financial risk factors

25.1 Interest rate risk

Exposure to interest rate risk

Bonds pay a fixed rate. The majority of the Group's bank borrowings are at floating interest rates.

The Group's cash is mainly invested in demand deposit and term deposit accounts with leading banks offering immediate or short-notice liquidity, and to a limited extent in UCITS funds applying a "standard money-market management" approach with portfolios favouring liquidity and a high level of security.

The cost of financing on debt drawn down by the Group was 3.2% in 2016 (3.3% in 2015).

The Group may set up interest rate hedging instruments using hedge accounting (where effective) to mitigate the effects of severe interest rate movements. Such instruments are entered into with top-ranking financial institutions.

Interest rate sensitivity analysis

At 31 December 2016, the portion of fixed-rate or hedged debt was approximately 76% of total debt.

The Group's exposure to interest rate risk excludes fixed-rate debt and debt hedged by financial instruments (swaps), but includes the following items with respect to net interest income:

- in terms of borrowings, all floating-rate loans and borrowings, whether or not hedged by interest rate caps and floors, and held-for-trading instruments;
- in terms of financial income, cash and cash equivalents and demand deposit accounts; and
- in terms of revenue generated by the Services division, the interest on cash held in client working capital accounts (except for separate accounts).

The Group is not exposed to long-term interest rate risk as regards its net financial expense because its floating-rate debt is mostly indexed to 3-month Euribor.

The following tables provide a simulation sensitivity analysis of a 50 basis point instantaneous rise in short-term interest rates (and symmetrically a 50 basis point instantaneous decrease in short-term interest rates) on the various items described above based on the Group's financial structure at 31 December 2016.

The simulation merely reflects the purely mathematical impact of a change in interest rates on the Group's financial assets and liabilities. It does not show the more pervasive influence of interest rate movements on the borrowing capacity of the Group's clients and the potential impact of such movements on the Group's business activity and performance.

INTEREST RATE SENSITIVITY ANALYSIS OF FLOATING-RATE DEBT INSTRUMENTS WITHIN NET DEBT AFTER HEDGING AND OF CASH AND CASH EQUIVALENTS HELD IN CLIENT WORKING CAPITAL ACCOUNTS

(in millions of euros)	Income statement impact after tax
Sensitivity analysis at 31 December 2016	
Impact of a 50-bp increase in short-term interest rates	2.1
Impact of a 50-bp decrease in short-term interest rates	(2.1)
Sensitivity analysis at 31 December 2015	
Impact of a 50-bp increase in short-term interest rates	1.7
Impact of a 50-bp decrease in short-term interest rates	(1.7)

25.2 Currency risk

The Group's exposure to currency risk is not material because it has no material operations outside the eurozone.

25.3 Bank insolvency risk

The Group maintains ongoing relationships with major banking groups, with respect to its financing arrangements (those for its operating activities as well as its corporate credit facilities), guarantees given or received, cash investments made, or the derivative instruments used in the context of hedging strategies. For this reason, and despite the fact that the Group spreads responsibilities for its banking needs among a number of banks, the Group may be exposed to counterparty risk in the event of default by a bank with which it maintains a relationship, particularly as the result of a systemic event. This risk is mitigated by raising funding on the bond market.

25.4 Equity risk

The Group does not hold any listed securities. However, within the scope of an existing liquidity contract, the Group may hold a small percentage of treasury shares. The Group thus deems itself not exposed to any material equity risk.

Note 26 Fair value of financial instruments by category

POSITION AT 31 DECEMBER 2016

		Accounting categories						Fair value measured on the basis of:			
Balance sheet items *(in millions of euros)*	Notes	Assets and liabilities at fair value through profit or loss	Hedging derivatives	Available-for-sale financial instruments	Loans and receivables	Liabilities at amortised cost	**Total carrying amount**	Prices quoted on an active market Level 1	Internal model using directly observable market data Level 2	Internal model without observable market data Level 3	**Total fair value**
Unconsolidated investments	11			7.6			**7.6**		7.6		**7.6**
Capitalised receivables	11				34.6		**34.6**		34.6		**34.6**
Derivative instruments held for trading	22.4						**-**				**-**
Hedging derivatives	22.4						**-**				**-**
Current accounts and other financial receivables	23				89.2		**89.2**	89.2			**89.2**
Cash and reservation deposits	24				411.7		**411.7**	411.7			**411.7**
Marketable securities	24	220.2					**220.2**	220.2			**220.2**
Total financial assets		**220.2**	**-**	**7.6**	**535.5**	**-**	**763.3**	**721.0**	**42.3**	**-**	**763.3**
Credit facilities	22					350.2	**350.2**		350.2		**350.2**
Bond issues	22					610.4	**610.4**		617.9		**617.9**
Current account liabilities	22					57.5	**57.5**		57.5		**57.5**
Bank overdraft facilities	22					14.7	**14.7**	14.7			**14.7**
Total financial liabilities		**-**	**-**	**-**	**-**	**1,032,8**	**1,032,8**	**14.7**	**1,025,6**	**-**	**1,040,4**

In the absence of an active market, the fair value of bonds has been determined using the risk-free interest rate and a stable risk premium.

At 31 December 2016, non-performance risk (debit value adjustment or DVA) and counterparty risk (credit value adjustment or CVA) on derivatives did not represent significant amounts for the Group and have not been recognised.

POSITION AT 31 DECEMBER 2015

		Accounting categories						Fair value measured on the basis of:			
Balance sheet items *(in millions of euros)*	Notes	Assets and liabilities at fair value through profit or loss	Hedging derivatives	Available-for-sale financial instruments	Loans and receivables	Liabilities at amortised cost	**Total carrying amount**	Prices quoted on an active market Level 1	Internal model using directly observable market data Level 2	Internal model without observable market data Level 3	**Total fair value**
Unconsolidated investments	11			8.2			**8.2**		8.2		**8.2**
Capitalised receivables	11				33.8		**33.8**		33.8		**33.8**
Derivative instruments held for trading	22.4	0.1					**0.1**	0.1			**0.1**
Hedging derivatives	22.4		0.2				**0.2**	0.2			**0.2**
Current accounts and other financial receivables	23				93.6		**93.6**	93.6			**93.6**
Cash and reservation deposits	24				130.9		**130.9**	130.9			**130.9**
Marketable securities	24	613.4					**613.4**	613.4			**613.4**
Total financial assets		**613.5**	**0.2**	**8.2**	**258.3**	**-**	**880.2**	**838.2**	**42.0**	**-**	**880.2**
Credit facilities	22					312.2	**312.2**		312.2		**312.2**
Bond issues	22					538.8	**538.8**		526.9		**526.9**
Current account liabilities	22					52.8	**52.8**		52.8		**52.8**
Bank overdraft facilities	22					38.3	**38.3**	38.3			**38.3**
Total financial liabilities		**-**	**-**	**-**	**-**	**942.0**	**942.0**	**38.3**	**891.9**	**-**	**930.1**

3.4.1.6 PROVISIONS

Note 27 Current and non-current provisions

27.1 Provisions

A provision is recognised in the balance sheet when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle that obligation.

If the effect of the time value of money is material, the provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

CHANGES IN PROVISIONS

(in thousands of euros)	**31/12/2015**	**Additions**	**Reversals: used**	**Reversals: unused**	**Changes in scope and other**	**31/12/2016**
Employee benefits	28,541	2,705	(1,174)	-	(519)	29,553
Total non-current provisions	28,541	2,705	(1,174)	-	(519)	29,553
Litigation	46,225	14,427	(7,271)	(6,625)	1,291	48,046
Tax and investment risk	2,297	161	(442)	(20)	-	1,996
Rental payment commitments	8,597	1,513	(3,122)	-	-	6,988
Employee benefits (short-term portion)	1,203	-	(115)	-	215	1,303
Provisions for risks and charges	42,096	17,618	(12,960)	(6,568)	871	41,057
Total current provisions	100,418	33,719	(23,910)	(13,213)	2,377	99,390
Total provisions	**128,959**	**36,424**	**(25,084)**	**(13,213)**	**1,858**	**128,943**

ANALYSIS BY TYPE OF EXPENSE

(in thousands of euros)	31/12/2015	Net change for operations	Net change for financing	Net change for tax	Changes in scope and other	31/12/2016
Employee benefits	28,541	1,531	-	-	(519)	29,553
Total non-current provisions	28,541	1,531	-	-	(519)	29,553
Litigation	46,225	531	-	-	1,291	48,046
Tax and investment risk	2,297	(42)	(68)	(191)	-	1,996
Rental payment commitments	8,597	(1,609)	-	-	-	6,988
Employee benefits (short-term portion)	1,203	(115)	-	-	215	1,303
Provisions for risks and charges	42,096	(1,910)	-	-	871	41,057
Total current provisions	100,418	(3,146)	(68)	(191)	2,377	99,390
Total provisions	**128,959**	**(1,615)**	**(68)**	**(191)**	**1,858**	**128,943**

Provisions are divided into current and non-current provisions:

- Non-current provisions include the long-term portion of provisions for employee benefits (see Note 27.2);
- Current provisions include:
  - provisions for disputes ongoing at the date of the financial statements. They are assessed based on the status of the legal proceedings under way and the estimated risk at the reporting date;
  - provisions for tax to cover risks resulting from tax audits. Any additional tax due is expensed in the period the reassessment is accepted. If contested, the risk may be provisioned;
  - provisions for risks relating to rental payment commitments for commercial leases given in respect of the student residence management business. This amount is determined on the basis of the historical occupancy rates of each residence;
  - the portion of non-current provisions due within one year; and
  - provisions for risks and charges including payables mainly related to ordinary operations.

27.2 Employee benefits

As regards the Group, employee benefits are provided through defined-benefit and defined-contribution plans. Obligations relating to these plans involve retirement and long-service benefits, less the fair value of any qualifying plan assets (defined-benefit plans). Estimates for these obligations, which are discounted to present value, are calculated annually on the basis of actuarial assumptions for life expectancy and rates of employee turnover and salary increases. The values obtained are subject to verification by an independent actuary using the projected unit credit method. Actuarial gains and losses on retirement benefits are recognised directly in other comprehensive income. Actuarial gains and losses on long-service benefits are recognised in profit or loss.

EMPLOYEE BENEFIT OBLIGATIONS (BALANCE SHEET)

(in thousands of euros)	31/12/2016	31/12/2015
Measurement of obligations		
Obligations at beginning of year	30,018	32,624
Net current service cost	2,244	2,278
Interest expense	533	484
Employee benefits paid	(842)	(1,226)
Plan amendment	385	(2,641)
Acquisitions	340	168
Expected obligation at year-end	**32,678**	**31,687**
o/w fair value at year-end	31,142	30,017
o/w actuarial (gains)/losses	1,536	1,670
Changes in assumptions	1,277	457
Experience adjustments	(2,813)	1,213
Changes in fair value of plan assets		
Fair value of assets at beginning of year	273	264
Return on plan assets and additional payments	13	9
Obligations at year-end	**286**	**273**
o/w fair value at year-end	286	273
o/w actuarial (gains)/losses	-	-
Reconciliation of financial position at year-end		
Present value of benefit obligation	31,142	30,017
Fair value of plan assets	(286)	(273)
Net benefit liability recognised in the balance sheet	**30,856**	**29,744**
o/w non-current provisions	*29,553*	*28,541*
o/w current provisions	*1,303*	*1,203*
Assumptions relating to obligations		
Discount rate at year-end	1.50%	1.90%
Salary increase rate at year-end	1.75%	1.75%

The plan assets are contributed in full when the contracts are signed. They mainly comprise shares in SICAVs, FCPs and listed shares.

The main assumptions used in calculating employee benefits are a retirement age of 62 for non-management staff and 64 for management staff, at the employee's initiative, an average staff turnover rate of 10% and a social security contribution rate of 45%. The mortality table applied is the INSEE 2010/2012 table. The discount rate is determined on the basis of the index rate for AA-rated corporate bonds in the eurozone.

EXPENSES IN THE PERIOD

(in thousands of euros)	31/12/2016	31/12/2015
Expense for the year		
Net current service cost	2,244	2,278
Interest expense	533	484
Plan amendment	385	(2,641)
Amortisation of unrecognised actuarial gains and losses	(903)	(590)
Return on plan assets and additional payments	(13)	(9)
Total expense recognised under operating profit	**2,246**	**(478)**
o/w net expense recognised for employee benefits	*1,404*	*(1,704)*
o/w expenses included under personnel costs	*842*	*1,226*
Change in gains and losses recognised directly in other comprehensive income	**(633)**	**(1,080)**
Actuarial gains and losses on retirement benefits	*(633)*	*(1,080)*
o/w changes in assumptions		
o/w experience adjustments	(633)	(1,080)

CHANGE IN THE PERIOD

(in thousands of euros)	31/12/2015	Gains and losses recognised directly in other comprehensive income	Recognised in the income statement	Changes in scope	31/12/2016
Employee benefits	29,744	(633)	1,404	340	30,856

SENSITIVITY OF PROVISIONS FOR EMPLOYEE BENEFITS TO RATE ASSUMPTIONS

(in thousands of euros)	Provisions for employee benefits
Provisions for employee benefits at 31 December 2016	**30,856**
Sensitivity analysis at 31 December 2016	
Impact of a 50-bp increase in the discount rate	(1,600)
Impact of a 50-bp decrease in the discount rate	1,740
Impact of a 50-bp increase in the salary increase rate	1,677

3.4.1.7 INCOME

Note 28 Revenue

(in thousands of euros)	31/12/2016 12-month period	31/12/2015 12-month period
Revenue before PPA	3,082,240	2,896,885
PPA	(106,810)	(20,987)
Total revenue	**2,975,430**	**2,875,898**

The adjustment generated by the PPA (purchase price allocation), pursuant to IFRS 3 *Business Combinations*, reflects the elimination of the portion of revenue arising on the fair value measurement of inventory for which deeds or promises of sale are entered into at the acquisition date. The adjustment is spread over 12 to 24 months according to the time it takes the inventory to be sold down, with the resulting impact in "Operating profit".

In 2016, a €106,810k adjustment was recognised on Edouard Denis (consolidated in July 2016). No adjustments were made to the financial statements of Primosud, which was not consolidated until 31 December 2016.

In 2015, a €20,987k adjustment was recognised on PERL (consolidated in July 2014) and Térénéo (consolidated in December 2014).

Note 29 Personnel costs

(in thousands of euros)	31/12/2016 12-month period	31/12/2015 12-month period
Salaries and withholdings	(484,229)	(463,824)
Tax credit on remuneration (CICE, etc.)	7,703	7,717
Employee profit-sharing	(11,883)	(9,243)
Expense related to share-based payments	(13,331)	(10,789)
Total personnel costs	**(501,740)**	**(476,139)**

The Group's average full-time-equivalent workforce was 6,879 people for the year ended 31 December 2016, versus 6,857 for the year ended 31 December 2015.

Note 30 Other operating expenses

(in thousands of euros)	31/12/2016 12-month period	31/12/2015 12-month period
Leases and rental expenses	(56,835)	(58,305)
Fees and commissions	(38,111)	(40,128)
Other external services	(139,050)	(127,410)
Other income	3,683	3,653
Other expenses	(8,293)	(3,962)
Gain/(loss) on disposal of consolidated shares	1,815	8,218
Total other operating expenses	**(236,791)**	**(217,933)**

Note 31 Breakdown of EBITDA

EBITDA is defined in Note 5, "Alternative performance measures".

(in thousands of euros)	31/12/2016 12-month period	31/12/2015 12-month period
EBITDA	**308,478**	**252,875**
Depreciation, amortisation and impairment of fixed assets	(23,301)	(25,003)
Net change in provisions	1,573	2,560
Share-based payments	(13,331)	(10,789)
Borrowing costs directly attributable to property developments, transferred from inventory	(3,439)	(6,234)
Dividends received from equity-accounted operating entities	(21,014)	(12,767)
Current operating profit	**248,966**	**200,642**

Note 32 Net financial income/(expense)

32.1 Analysis of financial income/(expense)

(in thousands of euros)	31/12/2016 12-month period	31/12/2015 12-month period
Interest expense	(31,433)	(29,578)
Interest income and income from sale of marketable securities	5,706	7,358
Cost of net financial debt	**(25,727)**	**(22,220)**
Other financial expenses	(7,751)	(912)
Other financial income	5,981	3,194
Other net financial income/(expense)	**(1,771)**	**2,282**
Total financial expenses	(39,184)	(30,489)
Total financial income	11,687	10,552
Total financial income/(expense)	**(27,497)**	**(19,937)**

32.2 Analysis of other financial income/(expense) by type

(in thousands of euros)	31/12/2016 12-month period	31/12/2015 12-month period
Other net financial expenses	(5,954)	(677)
Other net financial income	857	458
Net gain/(loss) on derivative instruments	(66)	(1,797)
Net financial impairment and provisions	(57)	5
Transfer of borrowing costs to inventories	3,449	4,294
Other net financial income/(expense)	**(1,771)**	**2,282**

"Other net financial expenses" include a non-recurring financial expense of €4.8 million relating to the redemption of the 2014 OCEANEs.

The percentage of borrowing costs to be included in the cost of assets is determined on the basis of the interest rates on the loans used to finance those assets (see Note 25.1).

ANALYSIS OF CHANGE IN INVENTORY VALUE OF BORROWING COSTS

(in thousands of euros)	31/12/2016 12-month period	31/12/2015 12-month period
Inventory value of borrowing costs at the start of the period	**2,702**	**4,642**
Transfer of borrowing costs to inventories	3,449	4,294
Borrowing costs transferred from inventory to operating profit and loss	(3,439)	(6,234)
Changes in scope	349	-
Inventory value of borrowing costs at the end of the period	**3,061**	**2,702**
As % of total inventories and work in progress	0.2%	0.2%

Note 33 Tax

33.1 Income taxes

(in thousands of euros)	31/12/2016 12-month period	31/12/2015 12-month period
Corporate income tax	(88,918)	(63,720)
Deferred tax	2,893	(5,976)
Additional tax on dividends	(31)	(95)
Net change in tax provisions	191	(260)
Total income taxes	**(85,864)**	**(70,050)**

33.2 Changes in balance sheet tax items

(in thousands of euros)	31/12/2015	Expense	Additional tax on dividends	Tax credits	Not recognised in the income statement	Net settlements	31/12/2016
Current tax							
Tax receivable	8,270						5,064
Tax payable	(339)						(8,550)
Total current tax	**7,931**	**(88,918)**	**(31)**	**8,286**	**17,547**	**51,699**	**(3,486)**
Deferred tax							
Assets	7,907						7,330
Liabilities	(37,690)						(54,153)
Total deferred tax	**(29,783)**	**2,893**			**(19,934)**		**(46,823)**

33.3 Tax analysis

Reconciliation of theoretical and actual tax rates in the consolidated income statement

(in thousands of euros)	31/12/2016	31/12/2015
Theoretical tax base		
Net profit	139,113	123,521
Goodwill impairment	-	-
Share of profit/(loss) from investees with activities that are an extension of the Group's operating activities	(13,908)	(15,454)
Share of profit/(loss) from other equity-accounted investments	7,167	547
Attributable to non-controlling interests	3,233	2,041
Income taxes	85,864	70,050
Pre-tax profit on activities	**221,469**	**180,705**
Theoretical tax rate used by the Group	34.43%	38.0%
Theoretical tax liability	**(76,252)**	**(68,668)**
Difference between theoretical tax and actual income tax	**(9,613)**	**(1,382)**
The difference is due to:		
Tax on equity-accounted flow-through entities	(3,320)	(3,183)
Effect of tax rates	1,706	7,106
Tax on non-taxable net income for the period	4,546	6,760
Tax on non-deductible or uncapitalised net expenses for the period	(11,519)	(12,847)
Impact of derecognition of bases for prior periods	(1,026)	782
Net difference	**(9,613)**	**(1,382)**

The differences observed between the tax expense based on the theoretical tax rate in France and the tax expense recognised for the financial year exist mainly for the following reasons:

As most equity-accounted investments are tax-transparent, their contribution to the income statement is presented pre-tax. The matching tax expense is included in the Group's tax expense.

In 2016, the impact of tax rates mainly consisted of a reduction taking into account adopted provisions of the 2017 Budget Act concerning a decrease in the normal corporate income tax rate to 28% with effect from 2020 for companies generating revenue in excess of €1 billion.

In 2015, the change reflected the deferred tax impact of the end of the 10.7% exceptional contribution with effect from 1 January 2016.

Non-taxable net income mainly comes from tax credits (particularly the CICE).

Non-deductible net expenses mainly correspond to expenses on share-based payments, limits on the deductibility of finance costs, and uncapitalised losses, mainly on foreign subsidiaries.

The Group's income tax rate (excluding tax on equity-accounted flow-through entities) was 37.3% as opposed to 37% in 2015. The 2016 rate was higher than the theoretical rate (34.43%), mainly on account of the impact of net non-deductible expenses and uncapitalised losses on foreign subsidiaries. The 2015 rate was lower than the theoretical rate (38%) on account of the impact of tax rates described above.

33.4 Deferred tax assets and liabilities by nature

Deferred taxes are generally recorded for all timing differences between the tax value and book value of assets and liabilities on the consolidated balance sheet, and are determined based on the liability method. The effects of changes in the tax rate are recorded in the income statement in the financial year in which the rate change is enacted by the French parliament.

Deferred tax assets resulting from these temporary differences, tax losses and tax credits that can be carried forward are only recognised if their future use is probable. This likelihood is assessed at the end of the financial year based on the forecast results of the tax entities concerned.

Deferred taxes are reported net on the balance sheet at Group tax consolidation level, and in the asset and liability columns of the consolidated balance sheet.

(in thousands of euros)	31/12/2016	31/12/2015
Employee benefits	8,839	8,281
Loss carryforwards	2,503	2,071
Portion of contract revenues earned	(56,871)	(44,114)
Other deferred provisions, income and expenses	(1,295)	3,980
Net deferred taxes	**(46,823)**	**(29,783)**
o/w deferred tax assets	7,330	7,907
o/w deferred tax liabilities	(54,153)	(37,690)

33.5 Tax amounts by type without tax base

(in thousands of euros)	31/12/2016	31/12/2015
Loss carryforwards	68,014	65,547
Other deferred provisions, income and expenses	32,628	53,918
Total amounts without tax base	**100,642**	**119,465**

Deferred taxes have not been calculated for these amounts as it is unlikely that they will be used and the timing of their use cannot be estimated reliably or is too distant in the future.

Note 34 Earnings per share

The calculation of basic earnings per share (EPS) is based on the net profit attributable to shareholders of the parent company and the average number of shares outstanding during the year, less the average number of treasury shares held during the year.

As regards free share allocations, the calculation of diluted earnings per share is based on the treasury stock method assuming that all dilutive options and other dilutive potential ordinary shares are exercised. Dilution is

attributable to the free share award plans described in Note 19. The average number of shares is calculated as the weighted average number of shares outstanding, which reflects the grant dates of plans during the period. The numbers of potentially dilutive shares only take into account plans valued at a price lower than the average share price during the period.

OCEANE bonds have a dilutive effect on diluted earnings per share when the interest expense recorded (net of tax) on the bonds is lower per bond than basic earnings per share. The weighted average number of shares is then increased by the weighted average number of convertible bonds and the profit or loss attributable to owners of the Company is adjusted for OCEANE-related financial expense (net of tax).

The maximum potential dilution if all OCEANE bonds were to be converted and all free shares allocated were to vest would be 9.4%.

(number of shares)	31/12/2016	31/12/2015
Number of shares at end of period	54,809,044	54,189,017
Average number of shares outstanding during the period	54,667,619	54,173,236
Dilutive effect of share plans using the treasury stock method	825,741	1,020,909
Dilutive effect of OCEANE bond issues	4,368,238	4,373,327
Average number of shares (diluted)	59,861,599	59,567,472

3.4.1.8 ADDITIONAL INFORMATION

Note 35 Off balance sheet commitments

35.1 Off balance sheet commitments related to the Group's scope of reporting

LIABILITY GUARANTEES

(in thousands of euros)	Total at 31/12/2016	Total at 31/12/2015
Liability guarantees received	189,589	172,680
Liability guarantees given	6,130	5,190

Liability guarantees received are related to the acquisition of companies. The increase in 2016 in liability guarantees received was a result of external growth transactions (see Note 3.4).

35.2 Off balance sheet commitments related to Group financing

The amount of granted credit facilities is indicated in Note 22.2.

Guarantees, collateral and pledges granted to banks in connection with certain lines of credit are described below:

Type of guarantee *(in thousands of euros)*	Inception date	Maturity date	Amount guaranteed	Total consolidated balance sheet item	% of item posted
Intangible assets:			**-**	**1,213,627**	
Property, plant and equipment:			**-**	**63,904**	
Financial assets:			**-**	**42,256**	
Inventories:			**17,993**	**1,523,197**	**1.2%**
First-lien mortgages on residential land and buildings in Italy		N/A	3,139		
Guarantee of syndicated bank loans and commitments granted to Nexity Logement and Foncier Conseil through the pledge of Foncier Conseil securities		N/A	0		
Pledging of securities by Oralia Investissement as collateral for a loan to acquire companies	18/10/2016	29/11/2022	1,500		
Pledging of securities by Costame as collateral for a senior loan	31/12/2016	31/07/2018	614		
Guarantee of loan granted to Neximmo 89 via a lender's lien over a building	13/06/2013	30/06/2017	11,000		
Guarantee of loan granted to Melisande Invest via a lender's lien over a building	23/06/2015	23/06/2020	1,740		
Cash and cash equivalents:			**31,740**	**631,823**	**5.0%**
Oralia term deposit pledges	26/11/2014	04/01/2021	31,740		
Ratio of total guarantees to total consolidated assets			**49,733**	**5,248,619**	**0.9%**

N/A: Not Applicable (according to completion of real estate development programmes)

35.3 Off balance sheet commitments relating to operating activities

The commitments given and received listed below include activities related to co-development projects and reflect operational reporting.

Commitments received

COMMITMENTS RECEIVED FOR RECURRING OPERATIONS *(in thousands of euros)*	Total at 31/12/2016	Total at 31/12/2015
Payment guarantees in respect of development contracts received from clients	371,865	538,423
Other commitments	1,075	6,737
Total commitments received	**372,940**	**545,160**

Payment guarantees in respect of development contracts primarily relate to the Commercial real estate division. They are issued by financial institutions and are calculated every six months on the basis of the aggregate outstanding amount still due from clients. The Group grants the client a corresponding performance bond (see below).

Other commitments mainly concern guarantees on various indemnity payments.

In the course of its ordinary business in France, the Group also receives retention bonds in lieu of holdback from contractors on construction projects (up to 5% of contract amount).

Commitments given

COMMITMENTS GIVEN FOR RECURRING OPERATIONS *(in thousands of euros)*	Total at 31/12/2016	Total at 31/12/2015
Residential real estate	*1,346,669*	*1,096,500*
Commercial real estate	*417,110*	*358,400*
Counter-guarantees for performance bonds	1,763,779	1,454,900
Counter-guarantees for deposit payment bonds	41,045	32,815
Other commitments given	252,617	308,306
Total commitments given	**2,057,441**	**1,796,021**

Performance bonds are issued on a case-by-case basis by financial institutions to clients buying property, in accordance with existing law. In exchange, Nexity grants financial institutions an irrevocable undertaking to mortgage the property and a commitment not to transfer or sell its shares in the company backing the development project.

The value of performance bonds is measured internally on a quarterly basis, before being reconciled and adjusted to the values set by the financial institutions based on changes in their commitments. Such a guarantee has never been exercised.

Deposit payment bonds are bank guarantees that may substitute cash payments on reacquisition agreements and promises to buy land and involve counter guarantees offered by Nexity to the banks issuing the guarantees (see section on bilateral commitments below).

Other commitments given include guarantees on deferred payments relating to land purchases and planning taxes and duties.

Bilateral commitments

In the course of its normal business, the Group enters into the following agreements:

- In order to secure land for future housing and land development, the Group signs unilateral and bilateral pre-acquisition agreements with landowners:
  - Under unilateral pre-acquisition agreements, the landowner agrees to sell the land. In exchange, the Group agrees to pay an indemnity, which the landowner may retain if the transaction falls through,
  - Under bilateral sales agreements, the landowner agrees to sell the land, and the Group agrees to buy it if the conditions precedent are fulfilled. The Group also agrees to pay an indemnity or penalty if it decides not to buy the land, despite the fulfilment of the conditions precedent,
  - When the pre-acquisition agreements are signed, the indemnities are either paid by the Group and kept in escrow by the notary or are given as bank guarantees;
- In order to market its real estate development and subdivision programmes, the Group signs reservation or pre-acquisition agreements with its clients:
  - The pre-acquisition agreements become deeds of sale if the conditions precedent are fulfilled (particularly if clients obtain financing to buy the property),
  - To reserve property, clients pay a deposit (or guarantee), which is returned if the sale falls through.
- Real estate agents and intermediaries from the Services division are also required to provide guarantees pursuant to the Hoguet Act, which sets forth regulations governing the profession, particularly with regard to the management of client working capital accounts. At 31 December 2016, the amount guaranteed came to €903,265k.

35.4 Schedule of contractual obligations

(in thousands of euros)	Total at 31/12/2016	At 31 December 2016		
		Less than 1 year	Between 1 and 5 years	More than 5 years
Premises occupied by Nexity	*140,029*	*49,614*	*77,166*	*13,249*
Premises managed by Nexity	*147,386*	*39,634*	*89,584*	*18,168*
Operating leases	287,415	89,248	166,750	31,417
Long-term borrowings and financial debt	732,436	-	493,070	239,366
Operating loans and borrowings	228,161	70,491	157,670	-
Performance bonds	1,764,079	915,502	845,735	2,842
Other off balance sheet commitments	252,617	102,937	145,300	4,380
Total contractual obligations	**3,264,708**	**1,178,178**	**1,808,525**	**278,005**

Operating leases for premises managed by Nexity are held by Nexity Studéa (residential management leases for student housing) and Nexity Blue Office (shared office leases).

Operating lease values shown in this table are not discounted and do not reflect assumptions concerning lease renewals or rent reviews. The corresponding expense in financial year 2016 was €113 million.

Note 36 Statutory Auditors' fees

Financial years: 2016 and 2015 [1]	KPMG				Mazars				Other audit firms			
	Amount excluding VAT		%		Amount excluding VAT		%		Amount excluding VAT		%	
(in thousands of euros)	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Statutory audit, certification, audit of individual and consolidated financial statements [2]												
Issuer: Nexity SA	500	468	21%	16%	410	430	32%	26%				
Fully consolidated subsidiaries	1,800	1,890	77%	81%	752	722	59%	66%	366	345	97%	80%
Services other than certification of financial statements												
Issuer: Nexity SA	2	145	0%	2%	27	25	2%	8%				
Fully consolidated subsidiaries	39	55	2%	1%	79		6%	-	12	86	3%	20%
TOTAL	**2,341**	**2,558**	**100%**	**100%**	**1,268**	**1,177**	**100%**	**100%**	**377**	**431**	**100%**	**100%**

(1) Services provided during the accounting period and expensed in the income statement.
(2) Including the services of independent experts and members of the audit firm's network, who were called upon in connection with the statutory audit.

Note 37 Information on related parties

37.1 Services between related parties

Ægide

Nexity has a 45.16% stake in Ægide, France's market leader in developing and managing senior independent living facilities. At 31 December 2016, the Ægide-Domitys group had 1,565 employees and managed 59 senior serviced residences, consisting of almost 7,000 residential units. 24 residences are under construction and in the process of being marketed.

The Group is co-developing several serviced residences for senior citizens with Ægide.

At 31 December 2016, Nexity had granted a €10 million current account advance to Ægide.

Co-development projects

The Group engages in numerous co-developments via special-purpose entities. In accordance with IFRS 11, those entities are accounted for using the equity method. Their results are reflected in the column entitled "Restatement of joint ventures" in Note 7.

37.2 Compensation of directors and executive officers

The compensation of directors and executive officers refers to the remuneration of the company officers responsible for running Nexity's business.

(in thousands of euros)	31/12/2016 12-month period	31/12/2015 12-month period
Short-term benefits	3,216	3,069
Post-employment benefits	N/A	N/A
Long-term benefits	N/A	N/A
Termination benefits (capped for 100% of the criteria)	6,026	5,921
Share-based payments	N/A	N/A

N/A: Not applicable

Nexity's company officers are not included in any free share award plans.

Following the end of his term of office as Deputy Chief Executive Officer and company officer at the beginning of 2017, Hervé Denize received €1,676k in severance benefits.

Note 38 Subsequent events

No significant events occurred between 31 December 2016 and the Board of Directors' meeting of 21 February 2017 convened to approve the financial statements for the period ended 31 December 2016.

Note 39 Main entities in the scope of reporting at 31 December 2016

FULLY CONSOLIDATED COMPANIES

Company name	Activity	SIREN	Legal form
NEXITY	**Holding company**	**444 346 795**	**SA**
AIX DURANNE	Residential property development vehicle	792 160 566	SCI
ALBERTVILLE LE PARC DE JADE	Residential property development vehicle	792 835 464	SCI
ARPAJON DOMAINES	Residential property development vehicle	790 042 618	SCI
ASNIERES ILOT 2	Residential property development vehicle	792 160 657	SCI
ASNIERES OLYMPE DE GOUGES	Residential property development vehicle	792 407 462	SCI
AURAY LES VOILES POURPRES	Residential property development vehicle	790 014 500	SCI
BESANCON LES SEPT COLLINES	Residential property development vehicle	798 745 048	SCI
BORDEAUX RUE BLANQUI	Residential property development vehicle	525 328 795	SNC
BEZONS LES RIVES DE SEINE	Residential property development vehicle	522 046 077	SCI
BOULOGNE PARC AA	Residential property development vehicle	537 375 388	SCI
CARRIERES CENTRALITE ILOT S3	Residential property development vehicle	438 724 163	SCI
CENTURY 21 FRANCE	Franchise networks – Real estate agencies	339 510 695	SAS
COLOMBES EUROPE GAGARINE	Residential property development vehicle	753 538 537	SCI
CORMEILLES LOT 2	Residential property development vehicle	489 219 311	SCI
COSTAME	Commercial real estate services holding company	533 670 790	SAS
COURTRY GAUDRIN DOMAINES	Residential property development vehicle	802 394 338	SCI
CREDIT FINANCIER LILLOIS	Financial institution	455 500 868	SA
EDOUARD DENIS DEVELOPPEMENT	Residential-division holding company	531 728 889	SAS
FINANCIERE GUY HOQUET L'IMMOBILIER	Franchise networks holding company	478 793 698	SAS
FINAPERL	Residential real estate development	500 752 415	SNC
FONCIER CONSEIL	Site development and subdivisions	732 014 964	SNC
GEORGE V GESTION	Nominal partnership	327 256 947	SAS
GUY HOQUET L'IMMOBILIER	Franchise networks – Real estate agencies	389 011 537	SA
HALLENNES PORTE DE WEPPES	Residential property development vehicle	790 498 513	SNC
HERBLAY ALOUETTES	Residential property development vehicle	539 954 065	SCI
HERBLAY LES BAYONNES	Residential property development vehicle	751 063 710	SCI
HOUILLES EDOUARD BRANLY	Residential property development vehicle	799 331 731	SCI
I INVEST	Residential real estate development	479 020 893	SAS
IMMOPERL	Residential real estate development	518 090 964	SNC
ISELECTION	Marketing and selling of residential developments	432 316 032	SAS
LA BAULE 1 PLACE VICTOIRE	Residential property development vehicle	492 155 817	SNC
LES DUNES DE FLANDRES	Residential-division holding company	408 888 659	SARL
LFP NEXITY SERVICES IMMOBILIERS	Commercial real estate services holding company	533 982 815	SAS
LOOS BIGO DANIEL	Residential property development vehicle	751 646 142	SNC
LOUVRES PLACE DE LA GARE	Residential property development vehicle	793 753 245	SCI
MAESTRO INGENIERIE	Real estate services to companies	754 088 623	SAS
MAROLLES COEUR DOMAINES	Residential property development vehicle	799 287 545	SNC
MARSEILLE DOCKS LIBRES	Residential property development vehicle	538 133 539	SNC
MARSEILLE CARDOT	Residential property development vehicle	790 325 245	SNC
MARSEILLE RUE CHANTERAC	Residential property development vehicle	750 941 429	SCI
MASSY PLACE DE L OPERA	Residential property development vehicle	798 053 328	SCI
MONTPELLIER CENTRAYRARGUES	Residential property development vehicle	751 553 439	SCI
MOREAU EXPERTS	Real estate services to companies	389 322 835	SAS
NEXIMMO 39	Franchise networks holding company	488 710 567	SAS
NEXIMMO 48	Commercial property development vehicle	492 715 362	SAS
NEXIMMO 71	Commercial property development vehicle	530 765 916	SAS
NEXIMMO 73	Commercial property development vehicle	530 495 449	SAS

FULLY CONSOLIDATED COMPANIES (CONTD.)

Company name	Activity	SIREN	Legal form
NEXIMMO 87	Commercial property development vehicle	752 286 484	SAS
NEXIMMO 90	Commercial property development vehicle	752 307 413	SAS
NEXITY BELGIUM	Holding company for Belgian operations	Belgium – Brussels 872 755 619	SA
NEXITY BLUE OFFICE	Innovation ventures – Management of shared offices	488 285 834	SAS
NEXITY CONSEIL ET TRANSACTION	Real estate services to companies	431 315 159	SAS
NEXITY FRANCHISES	Franchise networks holding company	488 710 740	SAS
NEXITY HOLDING ITALIA	Holding company for Italian operations	Italy – Turin 495 089 0964	SRL
NEXITY IMMOBILIER D'ENTREPRISE	Nominal partnership	332 335 769	SA
NEXITY LAMY	Real estate services to individuals – Property management for individuals	487 530 099	SAS
NEXITY LOGEMENT	Residential-division holding company	399 381 821	SAS
NEXITY POLSKA	Holding company for Polish operations	Poland – Warsaw 281 618	Sp. z o.o.
NEXITY PROPERTY MANAGEMENT	Real estate services to companies	732 073 887	SA
NEXITY STUDÉA	Real estate services to individuals – Student residence management	342 090 834	SA
ORALIA INVESTISSEMENTS	Holding company for real estate services to individuals	395 329 113	SA
ORALIA MANAGEMENT	Holding company for real estate services to individuals	395 190 051	SARL
ORALIA PARTENAIRES	Holding company for real estate services to individuals	397 581 984	SAS
PANTIN ZAC DU PORT	Residential property development vehicle	495 063 000	SNC
PARIS 14 GARE DE MONTROUGE	Residential property development vehicle	752 670 141	SCI
PARIS 17 BATIGNOLLES LOT 08	Residential property development vehicle	798 952 644	SCI
PARIS 19 RES TOURI GASTON TESSIER	Residential property development vehicle	807 432 273	SCI
PARIS 19 RES ETUD GASTON TESSIER	Residential property development vehicle	807 472 444	SCI
PARIS BOUCICAUT LOT D	Residential property development vehicle	790 325 955	SCI
PERL	Residential real estate development	438 411 035	SAS
PONTOISE CHEMIN DE LA PELOUSE	Residential property development vehicle	793 250 663	SCI
PRADO GESTION	Residential-division holding company	479 927 238	SAS
PRIMOSUD	Residential-division holding company	339 901 365	SAS
PUTEAUX VALMY	Residential property development vehicle	792 625 469	SCI
RICHARDIERE	Real estate services to individuals	682 009 121	SAS
ROMAINVILLE PAUL DE KOCK	Residential property development vehicle	794 012 195	SCI
ROSNY SOUS BOIS ZAC MARE HUGUET	Residential property development vehicle	793 127 309	SCI
SAINT JULIEN L'INDUSTRIES	Residential property development vehicle	450 766 407	SNC
SAINT NOM DOMAINES	Residential property development vehicle	789 511 987	SCI
SAINT OUEN PARVIS DES BATELIERS	Residential property development vehicle	794 012 195	SCI
SANTENY ROSERAIE DOMAINES	Residential property development vehicle	802 868 844	SCI
SCHILTIGHEIM RUE PERLE	Residential property development vehicle	810 424 143	SCI
STAINS 3 RIVIERES	Residential property development vehicle	537 972 275	SCI
TERENEO	Development of wood-frame offices	502 931 777	SAS
THEOULE SUR MER LA FIGUERETTE	Residential property development vehicle	805 072 238	SCI
VILLERON DOMAINES	Residential property development vehicle	793 003 328	SNC
VILLES & PROJETS	Urban regeneration	409 260 775	SNC
YWOOD GESTION	Nominal partnership	752 288 399	SAS

EQUITY-ACCOUNTED COMPANIES

Company name	Activity	SIREN	Legal form	% held
Associates				
ÆGIDE	Development and management of senior independent living facilities	401 397 765	SA	45.16
LEXIN ALFORTVILLE	Investments project vehicle	501 081 491	SAS	20.00
BIEN'ICI	Innovation ventures – Real estate listings website	488 073 412	SAS	39.90
Joint ventures				
LILLE RUE DE DOUAI	Residential property development vehicle	809 500 101	SCI	50.00
LILAS PAUL MEURICE	Commercial property development vehicle	800 417 677	SAS	50.00

3.4.2 Statutory Auditors' report on the consolidated financial statements

Year ended 31 December 2016

To the Shareholders,

In compliance with the assignment entrusted to us at your annual general meeting, we hereby report to you for the year ended 31 December 2016 on:

- the audit of the accompanying consolidated financial statements of Nexity (hereinafter "the Company");
- the justification of our assessments;
- the specific verifications required by law.

The consolidated financial statements are the responsibility of the Board of Directors of your Company. Our role is to express an opinion on the consolidated financial statements based on our audit.

1. Opinion on the consolidated financial statements

We conducted our audit in accordance with the auditing standards generally accepted in France. Those standards require that we plan and perform our work to obtain reasonable assurance that the consolidated financial statements are free from material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position, assets and liabilities and results of operations of all the consolidated entities, in accordance with the International Financial Reporting Standards adopted by the European Union.

2. Justification of our assessments

In accordance with the provisions of Article L.823-9 of the French Commercial Code relating to the justification of our assessments, we draw your attention to the following matters:

The accounting principles used by Nexity require a number of estimates and assumptions, notably with regard to:

- Revenue and profit from off-plan sales and real estate development contracts, which are measured on the basis of the Company's forecasts of real estate operations. In France revenue and profit from sales are accounted for on a percentage-of-completion basis, as outlined in Notes 2.2 and 4 of the notes to the consolidated financial statements;
- Impairment tests on goodwill and assets with indefinite lives, which are performed at least annually and whenever there is indication of impairment (Notes 3.3. and 8 of the notes to the consolidated financial statements).

Our work entailed examining the relevance of the assumptions used and verifying whether the assessments made by management when applying these accounting principles were reasonable.

These assessments were an integral part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion expressed in the first part of this report.

3. SPECIFIC VERIFICATION

We also verified the information provided in the Group management report, as required by law, in accordance with French generally accepted accounting principles.

We have no matters to report regarding its fair presentation and consistency with the consolidated financial statements.

Paris La Défense, 30 March 2017

The Statutory Auditors

KPMG Audit IS	MAZARS	
Philippe Mathis	Olivier Thireau	Michel Barbet-Massin
Partner	*Partner*	*Partner*

This is a free translation into English of the original report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and construed in accordance with, professional guidelines applicable in France.

3.5 PARENT COMPANY FINANCIAL STATEMENTS – 31 DECEMBER 2016

Balance sheet

ASSETS

(in thousands of euros)	Notes	31/12/2016 Gross	Depreciation, amortisation and impairment	Net	31/12/2015 Net
Intangible assets					
Concessions, patents and similar rights	6.1	84,633	(21,966)	62,667	62,031
Goodwill	6.1	-	-	-	20,516
Other intangible assets	6.1	7,575	-	7,575	3,410
Property, plant and equipment					
Property, plant and equipment	6.2	27,542	(9,777)	17,765	13,894
Assets in progress		-	-	-	-
Non-current financial assets					
Equity investments	6.3	2,065,506	(283,172)	1,782,334	1,705,859
Receivables from companies in which an equity interest is held		5,166	(4,181)	985	985
Other non-current investments		2,852	-	2,852	-
Loans	6.4	20,965	(155)	20,810	35,741
Other non-current financial assets	6.5	153,077	(119,692)	33,385	5,879
Non-current assets	6.6	2,367,316	(438,943)	1,928,373	1,848,315
Inventories and work in progress					
Prepayments on orders		145	-	145	137
Receivables					
Trade receivables	7.1	15,918	-	15,918	17,750
Other receivables	7.2	446,172	(34,687)	411,485	362,110
Sundry					
Marketable securities	7.3	164,711	-	164,711	472,921
Cash and cash equivalents	7.4	142,606	-	142,606	1,007
Accrued and deferred items					
Prepaid expenses	7.5	2,136	-	2,136	1,598
Current assets		771,688	(34,687)	737,001	855,523
Deferred expenses	7.6	2,620	-	2,620	3,590
Translation adjustment – assets		578	-	578	229
Total assets		**3,142,202**	**(473,630)**	**2,668,572**	**2,707,657**

LIABILITIES AND EQUITY

(in thousands of euros)	Notes	31/12/2016	31/12/2015
Equity			
Share capital	8.1	274,045	270,946
Share premiums		1,360,231	1,496,967
Legal reserve		26,788	26,788
Other reserves (including for purchases of original works)		-	-
Retained earnings		28	-
Profit/(loss) for the year		**(2,563)**	**(14,138)**
Regulated provisions		2,091	1,499
Total equity	8	1,660,620	1,782,062
Provisions		18,591	8,842
Total provisions	9	18,591	8,842
Borrowings			
Convertible bonds	10.1	270,000	180,000
Bond issues	10.1	375,018	375,018
Borrowings and debts with credit institutions		192	123
Sundry borrowings and financial liabilities	10.2	297,138	324,474
Operating payables			
Trade payables		13,081	12,366
Tax payable and social security contributions		22,056	17,962
Sundry payables			
Payables to fixed asset suppliers		5,984	15
Other payables		5,821	6,717
Accrued and deferred items			
Prepaid income		54	78
Total payables		989,344	916,753
Translation adjustment – liability		17	-
Total liabilities and equity		**2,668,572**	**2,707,657**

Income statement

(in thousands of euros)	Notes	31/12/2016	31/12/2015
Sales of goods purchased for resale			
Sales of finished goods			
Sales of finished services		89,179	85,084
Revenue		89,179	85,084
Self-constructed assets		3,313	478
Operating subsidies		-	1
Reversals of depreciation, amortisation and provisions and transfers of expenses		4,189	1,114
Other income		16	16
Operating income	11	96,697	86,693
Purchases of raw materials and other supplies		(19)	(22)
Other purchases and external expenses		(63,783)	(51,370)
Taxes other than on income		(2,229)	(2,162)
Wages and salaries		(27,340)	(22,687)
Social security contributions		(12,466)	(13,075)
Depreciation, amortisation and provisions			
Depreciation and amortisation of fixed assets		(7,433)	(8,092)
Provisions for impairment of fixed assets		-	(329)
Provisions for risks and charges		(610)	(1,172)
Other expenses		(752)	(370)
Operating expenses	12	(114,632)	(99,279)
Operating profit/(loss)	13	**(17,935)**	**(12,586)**
Income from equity interests		56,590	36,889
Income from other securities and non-current receivables		441	850
Other interest and similar income		12,996	8,244
Reversals of provisions and transfers of expenses		60,974	16,818
Translation gains		174	88
Net income on disposals of marketable securities		123	328
Financial income	14	131,298	63,217
Depreciation, amortisation and provisions for financial assets		(34,285)	(58,282)
Interest and similar expenses		(58,163)	(17,403)
Translation losses		-	-
Net expenses on disposals of marketable securities		-	-
Financial expense	15	(92,448)	(75,685)
Net financial income/(expense)	16	38,850	(12,468)
Pre-tax recurring profit/(loss)		**20,915**	**(25,054)**
Non-recurring income from management activities		-	-
Non-recurring income from capital transactions		2,884	574
Reversals of provisions and transfers of expenses		786	-
Non-recurring income		3,670	574
Non-recurring expenses from management activities		(637)	(837)
Non-recurring expenses from capital transactions		(59,006)	(304)
Non-recurring additions to depreciation, amortisation and provisions		(593)	(496)
Non-recurring expenses		(60,236)	(1,637)
Net non-recurring income/(expense)	17	**(56,566)**	**(1,063)**
Employee profit-sharing	18	(364)	-
Income taxes	19	33,452	11,979
Total income		231,665	150,484
Total expenses		(234,228)	(164,622)
Profit/(loss)	**20**	**(2,563)**	**(14,138)**

Statement of cash flows

(in thousands of euros)	Notes	31/12/2016	31/12/2015
Net accounting profit/(loss)		(2,563)	(14,138)
Elimination of non-cash income and expenses and of capital gains and losses:			
Elimination of depreciation, amortisation and provisions		(19,397)	50,539
Elimination of gains and losses on asset disposals		(769)	(80)
Elimination of capital loss on early redemption of OCEANE 2014 convertible bonds		51,074	
Other non-cash income and expense			
Losses on mergers of assets, net of gains		34,529	
Cash from operating activities before changes in working capital		62,874	36,321
Change in working capital requirements		(19,097)	2,580
Net cash from operating activities		43,778	38,901
Purchase of intangible assets		(8,368)	(3,993)
Purchase of property, plant and equipment		(8,530)	(2,438)
Purchase of / increase in equity interests		(130,469)	(27,544)
Increase in receivables relating to investments and other non-current financial assets		(114,877)	(52,839)
Disposal of property, plant and equipment and intangible assets		954	
Disposal of equity interests		939	232
Repayment of subsidiaries' share capital		9,004	
Decrease in receivables relating to investments and other non-current financial assets		127,698	79,178
Net cash from/(used in) investing activities		(123,649)	(7,404)
Capital increase		1,024	
Dividends paid		(120,495)	(108,378)
Increase in convertible bond debt		270,000	-
Increase in bond debt		-	-
Redemption/conversion of convertible bond debt		(231,074)	
Redemption of bond debt			
Net change in financial current accounts		(4,200)	215,680
Increase in deferred expenses		(1,715)	-
Net cash from/(used in) financing activities		(86,460)	107,302
Impact of foreign currency exchange rate changes on cash and cash equivalents		(349)	(55)
Change in cash and cash equivalents	24	**(166,680)**	**138,744**
Cash and cash equivalents, beginning of period		473,805	335,060
Cash and cash equivalents, end of period		307,125	473,805

3.5.1 Notes to the parent company financial statements

Note 1 Information on the Company and key developments

1.1 Information on the Company

Notes to the balance sheet, before appropriation of earnings, for the financial year ended 31 December 2016, showing a balance sheet total of €2,668,571,749.58, and to the income statement, showing a loss of €2,562,972.60.

The financial year covered the 12-month period from 1 January to 31 December 2016.

The notes and tables set out below form an integral part of the parent company financial statements.

The Company's press releases and annual reports – including historical financial information about the Company and the parent company financial statements – are available on the Company's website

(www.nexity.fr). Copies may also be obtained from Nexity's head office at 19 rue de Vienne – TSA 50029 – 75801 Paris Cedex 8 (France).

The Company is the Nexity group's parent holding company and controls the Group's main subsidiaries (see list of main subsidiaries in Note 30).

Nexity's shares are traded on Eurolist by NYSE Euronext Paris.

1.2 Key developments during the financial year

The following significant events took place in 2016:

External growth:

- On 3 February 2016, the Group acquired the minority interests in LFP Nexity Services Immobiliers, the holding company for real estate services to companies.
- Nexity acquired 55% of Edouard Denis Développement on 10 June 2016. This acquisition will enable Nexity to continue developing its various lines of business in residential real estate. Edouard Denis retains a 45% stake and remains Chairman and will continue developing his brand.
- The Group acquired 100% of Costame group (Moreau Experts) on 18 October 2016. This deal rounds out Nexity's offering in real estate services to companies, and will enable the Group to develop synergies with the activities of Nexity Property Management.
- On 26 October 2016, Nexity acquired 7% of Ægide from its founders, bringing Nexity's stake in the company to 45.16%, with the founding shareholders owning the remainder. In 2018, Nexity will have the option of becoming majority shareholder of Ægide, parent of Ægide-Domitys, market leader in the development and management of senior independent living facilities.

Legal restructuring:

- Universal transfers of assets from Saggel Holding and GCE SI, following which Nexity owns 100% of LFP Nexity Services Immobiliers, the holding company for real estate services to companies.

Financing:

- On 13 May 2016, Nexity issued a €270 million OCEANE[1] convertible bond with an annual coupon rate of 0.125%, redeemable at maturity in 6.5 years (January 2023), with a Nexity share conversion option at €64.30 per share, accompanied by the redemption of the 2014 OCEANE bonds.
- 99.43% of the bonds originally issued under the 2014 OCEANE programme (maturing in January 2020) were redeemed for a total of €230.5 million. The remaining 0.57% of bonds, with a value of €1 million, were then converted into 26,027 Nexity shares based on a value of €43.34 per share.
- The Group has thus lowered the nominal cost of financing its convertible bond debt (which accounted for about 25% of Nexity's total gross borrowings at 31 December 2016) from 0.625% to 0.125%, while also extending the term to maturity of its bond issues by three years and reducing the risk of dilution for its shareholders (initial conversion price for new OCEANE bonds: €64.30 per share, versus €43.34 for the previous bonds). The potential dilutive impact of the 2016 OCEANE issue is similar to that of the 2014 OCEANE issue (7.4% at 31 December 2016).

1.3 Subsidiaries and equity interests

Equity investments and premiums paid on mergers (*malis techniques*) increased from €1,726 million at 31 December 2015 to €1,809 million net at 31 December 2016, a net increase of €83 million, broken down as follows:

- €105 million from external growth transactions in the year;
- €25 million essentially arising from capital increases in subsidiaries;
- €47 million in financial reversals on equity investments, net of impairment;
- -€85 million in respect of mergers of the assets of Saggel Holding and GCE SI; and
- -€9 million in respect of repayment of share capital by Nexity Belgium.

[1] OCEANE: French acronym for "bonds that may be converted into or exchanged for new or existing shares"

3.5.1.1 GENERAL INFORMATION

Note 2 Accounting principles and policies

The parent company financial statements have been prepared in accordance with the French Commercial Code, Regulation 2014-03 of the Autorité des Normes Comptables (France's accounting standards board) on the *Plan Comptable Général* (French GAAP), and subsequent regulations in force.

In accordance with general rules governing the preparation and presentation of parent company financial statements, general accounting conventions have been applied in compliance with the principle of prudence and in accordance with certain basic assumptions: the going concern concept, the consistency of accounting principles from one year to the next, and the accrual basis of accounting.

The basic method used to measure items recorded in the financial statements is the historical cost method.

Note 3 Changes in methods

The presentation of the parent company financial statements and the measurement policies used have not been altered relative to the previous year.

Note 4 Estimates and assumptions

In the process of preparing the parent company financial statements, the measurement of certain balance sheet and income statement items calls for the use of assumptions and assessments based, in particular, on budgets for property developments. This applies in particular to the measurement of equity interests.

These assumptions, estimates and assessments are established and reviewed regularly on the basis of information available and the actual position of the Company on the date the financial statements are prepared, taking into consideration past experience and other relevant factors. Actual results may differ significantly from estimates due to changes in the underlying conditions and assumptions.

The assumptions, estimates and assessments used in preparing the financial statements for the period ended 31 December 2016 were made against a backdrop of strong growth in French real estate markets, expected to continue at a similar level in 2017. In the longer term, significant uncertainty surrounding political and tax changes, as well as expectations of interest rate rises, pose risks to the Group's activity levels and future margins.

Note 5 Accounting policies

5.1 Intangible assets and property, plant and equipment

Intangible assets and property, plant and equipment are measured at cost (purchase price plus incidentals) or transfer value. In addition, in accordance with the requirements laid down in Instruction BOI 4 I-1-93 (Section 32), the initial cost of assets forming part of a universal transfer of assets and liabilities is broken down into their gross value and any amortisation or depreciation.

Depreciation is calculated over the expected useful life of the asset either on a straight-line basis or using the reducing balance method:

• Software	1-7 years	Straight line
• Fixtures and fittings	7-9 years	Straight line
• Office equipment	1-5 years	Straight line
• IT equipment	1-5 years	Straight line
• Office furniture	8-10 years	Straight line

With effect from 1 January 2016, premiums paid on mergers (*malis techniques*), including those in existence at the beginning of the period, are allocated in the accounts – and no longer off the balance sheet – in accordance with Article 745-5 et seq. and Article 12 of Regulation 2015-06 of 23 November 2015 amending ANC Regulation 2014-03 on the *Plan Comptable Général* (French GAAP). Premiums paid on mergers shown in Nexity's financial statements are all allocated to shares tendered by the absorbed company and associated impairment charges; as such, they have been reclassified as other non-current financial assets (see Notes 6.5 and 6.6).

5.2 Non-current financial assets

Equity investments

Equity interests are measured using the rules for measuring the initial cost of assets. Assets acquired for consideration are recognised at cost, which consists of their purchase price plus directly attributable costs. Assets acquired by transfer are recognised at the value stated in the transfer agreement.

An impairment loss is recognised whenever the present value of the securities in question falls below their purchase cost. The resulting difference is covered by an impairment loss, followed by, if necessary, an impairment loss on receivables owed by the subsidiary, and finally a provision for risks.

The current value of securities is measured based on the proportion of equity held and the profitability outlook.

By exception to the principles governing the French general chart of accounts, reversals of impairment losses and provisions on equity interests are recognised as non-recurring income (expenses) when securities are disposed of, so that the full impact of the disposal is recognised in net non-recurring income (expenses).

Loans

Loans are measured at nominal value. They are assessed on a case-by-case basis. A provision for impairment is recognised whenever there is a significant risk of non-recovery.

Other non-current financial assets

Nexity treasury shares are recognised at cost, excluding expenses. If, at the end of the year, the average share price over the last month of the year is lower than the purchase price, an impairment loss is recognised to cover the difference. Gains and losses on disposal are recognised as non-recurring income (expenses) using the FIFO (first in, first out) method.

By exception to the principles governing the French general chart of accounts, reversals of impairment losses on treasury shares are recognised as non-recurring income (expenses) when shares are disposed of, so that the full impact of the disposal is recognised in net non-recurring income (expenses).

Premiums paid on mergers (*malis techniques*) allocated to shares tendered by the absorbed company are impaired whenever the current value falls below the combined value of the shares and the premiums allocated to them.

5.3 Receivables

Trade receivables

Trade receivables are measured at their nominal value. They are assessed on a case-by-case basis. An impairment loss is recognised whenever there is a significant risk of non-recovery.

Other receivables

Other receivables are measured at their nominal amount. They are analysed individually and impaired where appropriate.

Receivables acquired or transferred for a discounted value are measured at their purchase price or transfer value. The difference between the nominal value and the purchase price or transfer value is only recognised in the income statement where an additional amount has been collected over and above the balance sheet value. An impairment loss is only recognised in respect of the risk of non-recovery if the loss relative to the nominal value of the receivable exceeds the amount of the discount.

Receivables owed by indirect subsidiaries are not impaired where the risks associated with those subsidiaries are noted in the financial statements of their direct parents.

5.4 Marketable securities

Investment securities are recognised at cost. If, at the end of the year, their net asset value is less than their purchase price, an impairment loss is recognised to cover the difference. Gains and losses on disposal are recognised as financial income (expenses) using the FIFO (first in, first out) method.

5.5 Deferred expenses

Bank fees and sundry expenses in connection with the arrangement of borrowing facilities are recognised as finance costs over the term of the loan. Where a loan is repaid early, any such fees and expenses still outstanding are recognised as financial expenses in the year in which the loan is repaid.

5.6 Regulated provisions

Costs directly attributable to acquisitions of equity interests, included in their initial cost, are amortised for tax purposes over five years on a straight-line basis.

5.7 Provisions

In accordance with ANC Regulation 2014-03, provisions are measured at the amount corresponding to the best estimate of the outflow of resources required to settle the obligation. At the end of the year, this amount is estimated on the basis of the information that is known at the date at which the financial statements are drawn up.

3.5.1.2 BALANCE SHEET – ASSETS

Note 6 Non-current assets

6.1 Intangible assets

This item consists of the following:

- €62,667k of concessions, patents and similar rights net of amortisation composed of the Nexity brand (€56,417k) and various software used within the Group for €6,250k net of amortisation and impairment; and
- €7,575k in respect of other intangible assets, consisting of costs associated with IT projects under development.

6.2 Property, plant and equipment

Property, plant and equipment consists mainly of fixtures, fittings and furniture for the Group's head office as well as IT hardware. These assets are used by the Group's central departments and subsidiaries.

6.3 Equity investments

This item consists of shares in the Group's main operating subsidiaries. The main investments are listed in Note 30.

6.4 Loans

This item mainly consists of loans granted to subsidiaries and equity investments. It includes a €15,000k medium-term loan granted to Nexity Lamy, repayable in July 2017.

6.5 Other non-current financial assets

(in thousands of euros)	31/12/2016	31/12/2015
Security deposits paid	29	4
Resources allocated to the liquidity contract:		
Cash account	6,103	5,875
Treasury shares	-	-
Write-down of treasury shares	-	-
Premiums paid on mergers allocated to equity interests		
Gross value	146,945	-
Impairment	(119,692)	-
Total other non-current financial assets	**33,385**	**5,879**

The resources allocated to the liquidity contract with respect to Nexity shares on the stock market are managed by an investment services provider.

HOLDINGS OF NEXITY SHARES

(number of shares)	Authorised	Held (at transaction date)
Position at 31 December 2015	5,418,902	0
Total movements during the period:		
Acquisitions		2,409,554
Disposals		(2,409,554)
Implementation of arrangements agreed at Shareholders' Meeting of 31 May 2016	10% of the share capital adjusted for changes	
Position at 31 December 2016	**5,480,904**	0

6.6 Changes in non-current assets

(in thousands of euros)	31/12/2015	Acquisitions/ newly created assets	Reclassification and restructuring	Disposal, scrap, repayment	31/12/2016
Concessions, patents and similar rights	80,520	714	3,489	(90)	84,633
Goodwill	140,208		(140,208)		0
Other intangible assets	3,410	7,654	(3,489)		7,575
Intangible assets	224,138	8,368	(140,208)	(90)	92,208
Facilities, fixtures and fittings	11,279	21			11,300
Office and IT equipment and furniture	8,758	8,509		(1,025)	16,242
Tangible assets in progress	(0)				(0)
Property, plant and equipment	20,037	8,530	-	(1,025)	27,542
Equity investments	2,035,513	130,469	(91,345)	(9,131)	2,065,506
Receivables from companies in which an equity interest is held	5,309			(143)	5,166
Other non-current investments	-	2,000	852		2,852
Loans	35,896	4,018		(18,949)	20,965
Other non-current financial assets	5,879	108,859	146,945	(108,606)	153,077
Non-current financial assets	2,082,597	245,346	56,452	(136,829)	2,247,566
Total non-current assets	**2,326,772**	**262,244**	**(83,756)**	**(137,944)**	**2,367,316**

Equity interests: the main changes are as follows:

- €130,469k increase: acquisition of shares (€105,049k), capital increases to recapitalise loss-making subsidiaries (€397k) and subscription of companies' share capital (€25,023k);
- €91,345k in respect of reclassifications and restructuring: net eliminations of equity interests in respect of the mergers of Saggel Holding and GCE SI (€90,493k) and reclassifications of equity interests as "Other non-current financial assets" (€852k); and
- €9,131k decrease: divestment of securities and repayment of capital.
- Goodwill: until the end of 2015, this included €140,208k in premiums paid on mergers allocated off the balance sheet. With effect from 1 January 2016, these have been reclassified as "Other non-current financial assets" (see Note 5.1).

6.7 Depreciation, amortisation and impairment

Changes in the period

(in thousands of euros)	31/12/2015	Additions	Reversals	31/12/2016
Concessions, patents and similar rights (amortisation)	18,159	3,772	(90)	21,841
Concessions, patents and similar rights (impairment)	329		(205)	124
Intangible assets	**18,489**	**3,772**	**(295)**	**21,966**
Fixtures and fittings	2,510	1,304	-	3,814
Office and IT equipment and furniture	3,633	2,359	(29)	5,963
Property, plant and equipment	**6,143**	**3,663**	**(29)**	**9,777**
Total depreciation, amortisation and impairment	**24,632**	**7,435**	**(324)**	**31,743**

Depreciation and amortisation for the period are mainly calculated on a straight-line basis.

Note 7 Current assets

7.1 Trade receivables

Trade receivables mainly consist of intra-Group receivables linked to the invoicing of operating income.

7.2 Other receivables

(in thousands of euros)	31/12/2016	31/12/2015
Supplier receivables	35	19
Employees and social agencies	297	171
Government – corporate income tax and VAT	5,803	7,039
Group financial current accounts and Group share of profit	401,744	373,411
Impairment losses on Group current accounts	(34,687)	(27,315)
Group current accounts for tax consolidation purposes	26,952	8,246
Group sundry receivables	9,371	360
Sundry receivables	1,970	179
Total other receivables	**411,485**	**362,110**

7.3 Marketable securities

This item, totalling €164,711k in respect of the Group's cash investments, mainly consists of interest-bearing bank accounts.

7.4 Cash and cash equivalents

Cash and cash equivalents totalling €142,606k mainly consist of current bank account balances.

7.5 Prepaid expenses

Prepaid expenses consisted of costs to be incurred in the following period, amounting to €2,136k.

7.6 Deferred expenses

Deferred expenses consist of bond issue arrangement fees spread over the term of the bond.

(in thousands of euros)	31/12/2015	Increases	Depreciation and amortisation	31/12/2016
Deferred bond issue expenses	3,590	1,715	(2,685)	2,620

3.5.1.3 BALANCE SHEET – LIABILITIES AND EQUITY

Note 8 Equity

8.1 Share capital

At 31 December 2016, the Company's share capital consisted of 54,809,044 shares with a par value of €5 each, compared with 54,189,017 shares at 31 December 2015. The 620,027-share increase in the number of shares in 2016 equates to the vesting of 594,000 free shares to employees of the Group and related companies and 26,027 shares resulting from the conversion of 2014 OCEANE bonds.

8.2 Diluted share capital

The maximum potential dilution if all OCEANE bonds were to be converted and all free shares allocated were to vest would be 9.4% (as a percentage of share capital ownership).

8.3 Changes in equity

(in thousands of euros)	Share capital	Share premiums	Legal reserve	Retained earnings	Profit/(loss) for the year	Regulated provisions	Share capital
At 1 January 2016	270,945	1,496,968	26,788	-	(14,138)	1,499	1,782,061
Appropriation of earnings		(14,138)			14,138		-
Distribution		(120,523)		28			(120,495)
Changes in share capital	2,970	(2,970)					-
Conversion of convertible bonds	130	894					1,024
Additions to regulated provisions						592	592
Profit/(loss) for the year					(2,563)		(2,563)
At 31 December 2016	**274,045**	**1,360,231**	**26,788**	**28**	**(2,563)**	**2,091**	**1,660,620**

Note 9 Provisions

		Increases	Reductions		
(in thousands of euros)	31/12/2015	Additions in the year	Provisions used	Provisions not used	31/12/2016
Provisions for litigation	605	405	(250)		760
Provisions for foreign exchange losses	229	332			561
Provisions for taxes	1,720		(20)	(85)	1,615
Other provisions	6,288	12,237	(2,870)		15,655
Total provisions	**8,842**	**12,974**	**(3,140)**	**(85)**	**18,591**

Other provisions mainly cover risks related to the net worth of certain subsidiaries, notably real estate development companies.

Note 10 Payables

10.1 Bond issues

(in thousands of euros)	Issue date	Nominal amount	Maturity	Interest rate
2016 convertible bond issue	13/05/2016	**270,000**	1 January 2023	Fixed rate: 0.125% per annum
Bond issue	24/01/2013	200,000	27 December 2018	Fixed rate: 3.749% per annum
Bond issue	05/05/2014	25,000	5 May 2020	Fixed rate: 3.252% per annum
Bond issue	05/05/2014	146,000	5 May 2021	Fixed rate: 3.522% per annum
Accrued interest		4,018		
Subtotal: bond issues		**375,018**		
Total		**645,018**		

Regarding the convertible bond issue, the face value of each of the 4,199,066 bonds issued is €64.30. The conversion rate is 1.047 shares per bond. In the event that all convertible bonds are converted, the maximum potential dilution would be 7.4% (as a percentage of share capital ownership).

Regarding the other bond issues, the Group has notably undertaken to meet various consolidated financial ratios measured every six months on a 12-month rolling basis. The Group was in compliance with these covenants at 31 December 2016.

10.2 Sundry borrowings and financial liabilities

This item mainly consists of current account advances from direct and indirect subsidiaries as part of the Group's central cash management arrangements, amounts due to subsidiaries in connection with the Group's tax consolidation arrangements and shares of losses payable.

3.5.1.4 INCOME STATEMENT

Note 11 Operating income

(in thousands of euros)	31/12/2016	31/12/2015
Brand licensing fees	23,925	16,715
Support fees	17,624	18,866
IT fees	20,629	23,520
Rental payments under subletting agreements and services relating to premises	15,485	16,008
Provision of personnel	7,219	6,088
Other operating costs re-invoiced by the Group	4,297	3,887
Subtotal: revenue	89,179	85,084
Reversals of provisions for operations and other income	455	1,033
Expense transfers	3,658	-
Self-constructed assets	3,313	478
Other income	92	98
Total operating income	**96,697**	**86,693**

Note 12 Operating expenses

(in thousands of euros)	31/12/2016	31/12/2015
Salaries and social security contributions	(39,806)	(35,761)
Rental payments and charges	(18,873)	(18,783)
Professional fees	(7,263)	(4,821)
Additions to depreciation and amortisation	(7,433)	(8,092)
Additions to impairment losses	-	(329)
Additions to provisions	(610)	(1,172)
Other overheads	(40,647)	(30,321)
Total operating expenses	**(114,632)**	**(99,279)**

Note 13 Analysis of operating profit

The Company generated revenue of €89,179k in 2016, compared with €85,084k in 2015. Revenue mainly consists of amounts invoiced to other Group companies.

99.6% of revenue is generated in France.

Operating expenses net of reversals of provisions totalled €114,632k in 2016, compared with €99,279k in 2015, and consisted of costs related to the Group's central departments and the holding company's overheads. The increase in other overheads mainly arose on the Group's digital projects (a portion of which is recognised under "Self-constructed assets").

Operating profit/(loss) amounted to a loss of €17,935k, compared with a loss of €12,586k in 2015.

Note 14 Financial income

(in thousands of euros)	31/12/2016	31/12/2015
Dividends and share of profit	54,999	33,946
Reversals of impairment losses and provisions	60,974	16,818
Gains arising on mergers of assets	4,680	
Interest on financial current accounts and loans to subsidiaries	10,348	12,037
Net gain on disposals of marketable securities	123	328
Other financial income	174	88
Total financial income	**131,298**	**63,217**

Reversals of impairment losses and provisions mainly relate to the universal transfer of assets of Saggel Holding and the revaluation of equity interests and current account balances.

Note 15 Financial expense

(in thousands of euros)	31/12/2016	31/12/2015
Additions to impairment losses and provisions	(31,600)	(57,372)
Additions to amortisation of deferred expenses (borrowings)	(2,685)	(910)
Share of losses	(1,405)	(2,841)
Losses arising on mergers of assets	(39,209)	
Interest and fees on bond issues	(15,548)	(14,559)
Interest and fees on bank loans	(1)	(3)
Subsidies and waivers granted	(2,000)	-
Total financial expenses	**(92,448)**	**(75,685)**

Additions to impairment and provisions relate to potential impairment losses on equity interests or inter-company current accounts with subsidiaries.

Note 16 Analysis of financial income/(expense)

Net financial income/(expense) amounted to an expense of €38,850k in 2016, compared with an expense of €12,468k in 2015.

Net financial income/(expense) for 2016 may be broken down as follows:

- €53,594k in dividends and shares of profit received from Group subsidiaries and investments (compared with €31,105k in 2015);
- a €6,981k expense in respect of additions to and reversals from inter-company current accounts and equity interests based on projected earnings of subsidiaries, gains and losses arising on the mergers of GCE SI and Saggel Holding, and subsidies and write-offs of receivables (compared with an expense of €40,466k in 2015); and
- a €7,763k expense on cash and cash equivalents (compared with income of €3,103k in 2015), consisting of €18,233k in interest expenses on bank borrowings and intercompany current account advances from subsidiaries, less €10,471k in net income on investment securities and interest income on intercompany current account advances to subsidiaries. Financial expenses in 2016 include a non-recurring charge in respect of the redemption of 2014 OCEANE convertible bonds, consisting of €3,408k in bank fees and deferred expenses.

Note 17 Analysis of net non-recurring income/(expense)

The net non-recurring expense of €56.566k mainly reflects the following:

- a loss of €51,074k corresponding to the premium paid on early redemption of the 2014 OCEANE convertible bonds (equating to the difference between the redemption price of €230 million and the par value of €179 million); and
- a loss of €6,047k corresponding to compensation paid out in respect of the early termination of an IT equipment lease.

Note 18 Employee profit-sharing

The Company belongs to a distinct unit for employee representation purposes (known in France as a "UES", for *unité économique et sociale*). As such, employee profit-sharing for the UES is calculated by each company contributing to the amount to be shared. With effect from 1 January 2016, profit-sharing payable to employees of the UES is allocated to the expenses of each company employing eligible employees. Previously, only those companies in the UES that contributed to profit-sharing bore this cost.

As a result, expenses for the year include items relating to 2015 profit-sharing paid to Company employees in 2016 and estimated profit-sharing for 2016 (payable in 2017) totalling €364k.

Note 19 Income taxes

As the parent company, the Company has opted to apply the tax consolidation option laid down in the provisions of Article 223A of the French General Tax Code. Consequently, the Company is solely liable for corporate income tax in respect of all 146 companies included in the consolidated tax group.

The Group works on the principle that the option of being consolidated for tax purposes should be financially neutral for each consolidated subsidiary throughout the consolidation period.

Income shown under "Corporate income tax", totalling €33,452k (compared with €11,979k in 2015), mainly consists of the amount of corporate income tax, the social security contribution of 3.3% and the contribution of 3% on the dividends of each consolidated subsidiary less corporate income tax (including additional contributions) calculated for the Group as a whole.

For tax purposes, the dividend paid out by the Company in June 2016 from the "Contribution premiums" account is considered a return of capital (*remboursement d'apport*) and is thus not subject to the 3% dividend tax.

A breakdown of tax at the various levels of profit is as follows:

(in thousands of euros)	31/12/2016	Tax	
	Income statement	Tax at the theoretical rate (34.43%)	Other taxes
Pre-tax recurring profit/(loss)	20,915	(7,201)	
Net non-recurring income/(expense)	(56,566)	19,476	
Employee profit-sharing	(364)	125	
Income taxes	33,452	12,400	21,052
Total	**(2,563)**		

Other taxes consist of other tax contributions and the impact of the tax saving generated by the consolidated tax group.

Note 20 Net profit

The Company's net profit/(loss) came to a loss of €2,563k (compared with a loss of €14,138k in 2015).

3.5.1.5 ADDITIONAL INFORMATION

Note 21 Breakdown of regulated provisions, provisions and impairment losses by type

(in thousands of euros)	31/12/2015	Additions	Reversals	Reclassification and restructuring	31/12/2016
Special depreciation for tax purposes	1,499	564			2,063
Exceptional amortisation	-	28			28
Regulated provisions	1,499	592	-	-	2,091
Provisions for litigation	605	5	(250)	400	760
Provisions for foreign exchange losses	229	332			561
Provisions for taxes	1,720		(105)		1,615
Other provisions	6,288	12,237	(2,870)		15,655
Provisions	8,842	12,574	(3,225)	400	18,591
Impairment losses on concessions, patents and similar rights	329		(205)		124
Impairment losses on goodwill	119,692			(119,692)	-
Impairment losses on equity interests	329,654	5,675	(52,157)		283,172
Impairment losses on receivables from investments	4,325		(144)		4,181
Impairment losses on loans	155				155
Impairment losses on other non-current financial assets	-			119,692	119,692
Other impairment losses	27,314	13,962	(6,589)		34,687
Impairment	481,469	19,637	(59,095)	-	442,011
Total	**491,809**	**32,803**	**(62,320)**	**400**	**462,693**
Additions to and reversals of operating provisions		610	(455)		
Additions to and reversals of financial provisions		31,600	(60,976)		
Non-recurring additions to and reversals of provisions		593	(786)		
Additions and reversals for corporate income tax			(105)		

Note 22 Maturity of receivables and payables

22.1 Receivables

	Gross	Maturity	
(in thousands of euros)	31/12/2016	Up to one year	Over one year
Receivables from companies in which an equity interest is held	5,166	-	5,166
Loans	20,965	15,058	5,907
Other non-current financial assets	153,077	-	153,077
Trade receivables	15,918	15,918	
Other receivables	446,172	446,172	
Prepaid expenses	2,136	2,136	
Total receivables	**643,434**	**479,284**	**164,150**
Amount of loans granted during the year	3,671		
Amount of repayments received during the year	18,549		

22.2 Payables

	Gross	Maturity		
(in thousands of euros)	31/12/2016	Up to one year	Between one and five years	Over five years
Convertible bonds	270,000	-	-	270,000
Bond issues	375,018	4,018	371,000	-
Borrowings and debts with credit institutions	192	192		
Trade payables	13,081	13,081		
Tax payable and social security contributions	22,056	22,056		
Payables to fixed asset suppliers	5,984	5,984		
Group and associates	297,138	297,138		
Other payables	5,821	5,821		
Prepaid income	54	54		
Total payables	**989,344**	**348,344**	**371,000**	**270,000**
Borrowings taken out during the year	270,000			
Borrowings repaid during the year	180,000			

Note 23 Accrued and deferred items

23.1 Breakdown of accrued income

(in thousands of euros)	31/12/2016
Other non-current financial assets	198
Trade receivables	5,168
Other receivables	263
Cash and cash equivalents	110
Total accrued income	**5,739**

23.2 Breakdown of accrued expenses

(in thousands of euros)	31/12/2016
Bond issues	4,018
Trade payables	11,765
Tax payable and social security contributions	16,534
Other payables	781
Borrowings and debts with credit institutions	34
Total accrued expenses	**33,132**

Note 24 Analysis of the statement of cash flows and change in net debt

At 31 December 2016, the Company's net cash position stood at €307,125k (compared with €473,805k at 31 December 2015), down €166,680k, mainly as a result of the following:

- €43,778k in cash flows from operating activities, mainly including dividends received (€54,998k) offset by an increase in the working capital requirement (€19,097k);
- a cash outflow of €123,649k for investing activities, mainly consisting of €130,469k in respect of external growth and increases in the share capital; and
- a cash outflow of €86,460k for financing activities, mainly including payment of the dividend (€120,495k) and the redemption price of the 2014 OCEANE bonds (€231,074k), offset by issuance of the 2016 OCEANE bonds (€270,000k).

The Company's net debt stood at €250,660k (compared with €27,259k in 2015). This corresponds to the amount of bonds (€645,018k) less gross cash (€307,126k) and loans and receivables (€87,232k).

Note 25 Off balance sheet commitments

25.1 Commitments given

Linked to the day-to-day operation of Group subsidiaries:

As the Nexity group's parent company, the Company guarantees or cross-guarantees certain commitments entered into by its subsidiaries in the normal course of business.

(in thousands of euros)	31/12/2016	31/12/2015
Performance bonds	211,963	184,389
Other guarantees on property developments	68,602	134,177
Loan guarantees	27,785	25,760
Liability guarantees	4,390	4,390
Other commitments	3,963	29,719
Total	**316,703**	**378,435**

Other commitments given

In connection with its tax consolidation agreements, the amount of tax losses liable to be used by consolidated subsidiaries would represent a tax expense of €75.0 million for the Company.

25.2 Commitments received

The Company has been granted liability guarantees for a total amount of €27.5 million in respect of the acquisition of PERL, Oralia Partenaires, Edouard Denis Développement and Costame in 2014 and 2016.

25.3 Employee benefit obligations

Pensions

Pension obligations total €2.4 million. They are measured according to IAS 19 (revised).

The main assumptions used in calculating employee benefits are a retirement age of 62 for non-management staff and 64 for management staff, at the employee's initiative, an average staff turnover rate of 10% and a social security contribution rate of 45%. The Company uses the INSEE 2008/2010 mortality table; the year-end discount rate was 1.50% and the year-end salary increase rate was 1.75%.

25.4 Deferred tax and tax position on unrealised capital gains

Deferred tax: temporarily non-deductible provisions and liabilities will generate a total of €19,547k in tax savings for the companies over the accounting periods of the reversals.

Tax position on unrealised capital gains: unrealised deferred capital gains would incur an €18,798k increase in tax expense for the companies if the assets concerned were sold.

Note 26 Workforce

The Company had an average employee headcount of 280 people in 2016, versus 252 in 2015. The 2016 workforce includes 13 employees seconded to subsidiaries.

Note 27 Free share plans

During the financial year, 594,000 new free shares vested. At the year-end, unvested free shares across all plans totalled 1,281,820 shares.

Vesting of free shares is subject to conditions of continuing employment at the end of the plan and, where applicable, performance criteria (based on the operating margin and/or aggregate backlog for the entire plan period).

The following table shows a summary of plans in effect at the year-end:

Nexity plans (number of shares)	Awarded	Cancelled	Vested	Awarded, not cancelled and not vested	Vesting period end
December 2012 plan	342,000	28,000	314,000	-	Q1 2016
December 2013 plan 1	283,000	10,000	273,000	-	Q1 2016
December 2013 plan 2	217,000	34,000	-	183,000	Q1 2017
February 2014 plan	7,000	-	7,000	-	Q1 2016
December 2014 plan	331,000	6,000	-	325,000	Q1 2017
April 2015 plan	92,000	4,000	-	88,000	Q1 2018
October 2015 plan	11,000	-	-	11,000	Q1 2018
December 2015 plan	240,360	33,040	-	207,320	Q4 2017
May 2016 plan	469,500	2,000	-	467,500	Q2 2019
Total Nexity plans	**1,992,860**	**117,040**	**594,000**	**1,281,820**	

Moreover, the Shareholders' Meeting has granted the Board the right until 30 July 2017 to allocate 1% of the share capital for the granting of free shares (conditional and with a minimum two-year vesting period). A total of 469,500 free shares have been awarded under this authorisation.

The maximum potential dilution would be 2.3% (in terms of the percentage of share capital ownership) if all free shares already awarded were to vest, and 2.4% if the calculation includes all possible free shares not yet awarded.

For all plans granted since the Macron Act (which includes all share allotment plans agreed at shareholders' meetings since 8 August 2015), the employer's contribution is payable the month following the month in which the shares vest. This contribution is recognised as a provision in the accounts of those companies employing the staff members in question upon allotment and over the vesting period.

Note 28 Information on related parties

Total compensation of €3,216k was paid to Nexity's company officers in 2016.

Directors' fees allocated to members of the Board of Directors totalled €280k for the 2016 financial year.

Ægide

Nexity has a 45.16% stake in Ægide, which specialises in developing and managing senior independent living facilities. Nexity granted a current account advance to Ægide, which amounted to €10,000k on 31 December 2016.

Note 29 Subsequent events

No significant events occurred between 31 December 2016 and the Board of Directors' meeting of 21 February 2017 convened to approve the financial statements for the period ended 31 December 2016.

Note 30 List of key subsidiaries and equity interests

Name	Share capital	% holding	Gross value of shares	Loans and advances	Revenue
Registered office	Shareholders' equity other than share capital	Dividends received	Net value of shares	Guarantees	Profit/(loss)
(in thousands of euros)					
1 – Subsidiaries					
1.1 – French subsidiaries (more than 50%)					
NEXITY LOGEMENT	6,562	100.00%	969,558	0	1,424
19 rue de Vienne – TSA 60030 – F-75801 Paris Cedex 8	430,066	32,810	969,558	0	114,354
ISELECTION	2,578	100.00%	154,688	0	52,289
400 promenade des Anglais – F-06600 Nice	19,099	0	119,746	0	7,808
PERL	3,568	79.82%	112,342	2,311	164,560
115 rue Réaumur – F-75002 Paris	53,907	0	112,342	0	7,244
EDOUARD DENIS DEVELOPPEMENT	32,625	55.00%	55,433	15,034	2,500
2 rue Leday – Le Nouvel Hermitage – F-80100 Abbeville	418	0	55,433	0	100
NEXITY IMMOBILIER D'ENTREPRISE	150	99.68%	32,992	0	18,867
19 rue de Vienne – TSA 50029 – F-75801 Paris Cedex 08	(8)	0	140	0	(1,338)
NEXITY LAMY	219,388	100.00%	258,632	175,255	214,489
19 rue de Vienne – TSA 10034 – F-75801 Paris Cedex 8	(53,223)	0	240,132	0	8,740
ORALIA PARTENAIRES	33,098	100.00%	87,597	15,155	7,540
94 quai Charles de Gaulle – F-69006 Lyon	5,918	0	87,597	0	(266)
NEXITY FRANCHISES	37	100.00%	21,088	29,093	0
19 rue de Vienne – TSA 50029 – F-75801 Paris Cedex 08	(10,069)	0	0	0	(850)
NEXIMMO 39	88,016	64.15%	61,374	0	0
19 rue de Vienne – TSA 50029 – F-75801 Paris Cedex 08	(28,561)	0	40,174	0	2,998
LFP NEXITY SERVICES IMMOBILIERS	14,564	100.00%	42,752	1,182	0
19 rue de Vienne – TSA 50029 – F-75801 Paris Cedex 08	34,160	0	42,752	2,125	473
COSTAME	2,756	100.00%	9,280	0	444
14 rue Ernest Psichari – F-75007 Paris	1,218	0	9,280	0	888
1.2 – Foreign subsidiaries (more than 50%)					
NEXITY HOLDING ITALIA	30,010	100.00%	50,010	6,744	N/A
Corso Galileo Ferraris 110 – 10129 Turin (Italy)	N/A	0	19,233	0	N/A
NEXITY BELGIUM	5,983	99.99%	7,058	0	0
53-55 rue Vilain XIIII – 1000 Brussels (Belgium)	385	0	5,773	0	(511)

Name Registered office	Share capital Shareholders' equity other than share capital	% holding Dividends received	Gross value of shares Net value of shares	Loans and advances Guarantees	Revenue Profit/(loss)
(in thousands of euros)					
2 – Participating interests (10% to 50%)					
ÆGIDE	6,028	45.16%	22,902	10,033	N/A
42 avenue Raymond Poincaré – F-75116 Paris	N/A	687	22,902	-	N/A
3 – Other subsidiaries not listed in §1					
French			131,499	38,454 (2)	
	(1)	15,133	25,699	274,868 (3)	
Foreign			42,930	4,629 (4)	
			27,634	2,858 (5)	
4 – Participating interests not listed in §2					
French			3,834	6,339 (7)	
	(6)	6,337	2,912	1,392 (8)	
5 – Other interests (less than 10%)					
French			1,538	7,488 (9)	
			1,028		
6 – Summary information					
French subsidiaries			1,937,234	276,484	
		47,943	1,702,853	274,868	
Foreign subsidiaries			99,998	11,373	
			52,640	2,858	
Interests held in French companies			28,274	23,860	
		7,024	26,842	1,392	
Interests held in foreign companies			-	-	
		-	-	-	
			2,065,506	**311,717**	
TOTAL		**54,967**	**1,782,334**	**279,118**	

3.5.2 Statutory Auditors' Report on the parent company financial statements

Year ended 31 December 2016

To the Shareholders,

In compliance with the assignment entrusted to us at your annual general meeting, we hereby report to you for the year ended 31 December 2016 on:

- the audit of the accompanying financial statements of Nexity (hereinafter "the Company");
- the justification of our assessments;
- the specific verifications and information required by law.

The financial statements are the responsibility of the Board of Directors of your Company. Our role is to express an opinion on the financial statements based on our audit.

1. OPINION ON THE FINANCIAL STATEMENTS

We conducted our audit in accordance with the auditing standards generally accepted in France. Those standards require that we plan and perform our work to obtain reasonable assurance that the financial statements are free from material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at 31 December 2016 and of the results of its operations for the year then ended, in accordance with French generally accepted accounting principles.

2. JUSTIFICATION OF OUR ASSESSMENTS

In accordance with the provisions of Article L.823-9 of the French Commercial Code relating to the justification of our assessments, we draw your attention to the following matter:

- equity investments are measured at acquisition cost and impaired when their current value is lower than their acquisition cost (Note 5.2 to the parent company financial statements).

We verified the consistency of the items used to estimate present value and the resulting assessments.

These assessments were an integral part of our audit of the financial statements taken as a whole, and therefore contributed to the opinion expressed in the first part of this report.

3. SPECIFIC VERIFICATIONS AND INFORMATION

We also performed the specific verifications required by French law, in accordance with professional standards applicable in France.

We have no matters to report regarding the fair presentation and consistency with the financial statements of the information provided in the Board of Directors' management report and in the documents addressed to shareholders with respect to the financial position and financial statements.

With regard to the information provided pursuant to the provisions of Article L.225-102-1 of the French Commercial Code on the remuneration and benefits paid to corporate officers and the commitments made for their benefit, we have verified the consistency of the information with the accounts or data used to prepare the financial statements and, where appropriate, with the information gathered by your Company from companies controlling it or controlled by it. Based on our work, we hereby certify the true and fair presentation of these disclosures.

As required by law, we verified that the information regarding investments and controlling interests and the identity of the shareholders and voting rights holders have been provided in the management report.

Paris La Défense, 30 March 2017

The Statutory Auditors

KPMG Audit IS	**MAZARS**	
Philippe Mathis	Olivier Thireau	Michel Barbet-Massin
Partner	*Partner*	*Partner*

This is a free translation into English of the original report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and construed in accordance with, professional guidelines applicable in France

3.6 ADDITIONAL ITEMS

3.6.1 Maturity of trade payables

Under the terms of France's Economic Modernisation Act (LME) of 4 August 2008, suppliers must be paid within a maximum of 45 days of the month-end or 60 calendar days.

Trade payables totalled €13.1 million at 31 December 2016, compared with €12.4 million at 31 December 2015. A maturity schedule of trade payables is as follows:

TRADE PAYABLES

(in thousands of euros)	2016	2015
Payable by 31/01 of following year	1,083	1,108
Payable by 28/02 of following year	18	188
Payable after 28/02 of following year	-	-
Invoices not received	11,765	10,762
Other	216	308
Total	**13,081**	**12,366**

The items not yet payable mainly consist of invoices not received, several disputed invoices and invoices pending approval.

3.6.2 Non-deductible expenses

In 2016, the Company recognised €66,370 in expenses covered by Article 39.4 of the French General Tax Code.

3.6.3 Dividend policy

When it released its 2016 annual results, the Company stated that it intended to propose the payment of a dividend of €2.40 per share (compared with €2.20 per share in 2015) at the Shareholders' Meeting called to approve the 2016 financial statements and that it was considering proposing, at the Shareholders' Meeting called to approve the 2017 financial statements, the payment of a further dividend of €2.40 per share.

The Company cannot guarantee the amount of dividends that will actually be paid. The amount of the dividend in respect of each year is assessed in line with the Company's earnings, financial position and any other factors deemed relevant by the Board of Directors.

DIVIDENDS PAID OVER THE PAST FIVE FINANCIAL YEARS

Financial year	2015 paid in 2016	2014 paid in 2015	2013 paid in 2014	2012 paid in 2013	2011 paid in 2012
Number of shares	54,783,017	54,189,017	54,037,984	53,296,045	52,834,045
Dividend per share (€)	2.20 [2]	2.00 [2]	2.00 [1]	2.00 [1]	2.00 [2]
Total amount paid out (in €)	120,522,637	108,378,034	108,075,968	106,592,090	105,668,090

[1] For eligible payees, this dividend amount is eligible for the 40% income tax exemption laid down in Article 158-3-2° of the French General Tax Code.

[2] For tax purposes, this dividend amount in its entirety constitutes a return of capital (*remboursement d'apport*).

3.6.4 Proposed appropriation of 2016 earnings and dividend

It is proposed that the shareholders at the Shareholders' Meeting:

- charge the loss for the year, totalling €2,562,972.60, to the "Retained earnings" account for €27,518.80 and the "Contribution premiums" account for €2,535,452.80;
- note, after appropriation of the loss for the year, that the balance of the "Retained earnings" account is equal to 0 and the balance of the "Contribution premiums" account is €674,900,427.49;
- decide to pay a dividend of €2.40 per share to the shareholders, totalling €132,732,105.60; and
- deduct this amount in its entirety from the "Contribution premiums" account, the balance of which would thus be reduced to €542,168,321.89.

The distribution of the amounts deducted from the "Contribution premiums" account, totalling €132,732,105.60, equating to €2.40 per share, is eligible to be treated as a return of capital (*remboursement d'apport*) under the French General Tax Code.

If, when these amounts are paid out, the Company should hold any of its own shares in treasury, the amount of any payments not paid out in respect of those shares would be allocated to "Retained earnings".

The entirety of the amounts distributed to shareholders who are natural persons resident in France for tax purposes is considered a return of capital, as provided by Article 112-1° of the French General Tax Code, and is thus not taxable. In addition, as a return of capital, it is also not subject to the various French social security contributions (CSG, CRDS) or the mandatory withholding of 21%.

The amounts to be paid out would be paid on or after 8 June 2016.

Shareholders' equity after the proposed appropriation and dividend would total €1,527,888,089.95.

3.6.5 Statutory limitation period

Any dividends not claimed within five years of their payment date are forfeited to the French state.

3.6.6 Table of Nexity's results over the past five financial years

Financial year-end date Length of financial year (months) *(in euros)*	31/12/2016 12	31/12/2015 12	31/12/2014 12	31/12/2013 12	31/12/2012 12
YEAR-END CAPITAL					
Share capital	274,045,220	270,945,085	270,904,935	267,882,920	264,170,225
Number of ordinary shares	54,809,044	54,189,017	54,180,987	53,576,584	52,834,045
Maximum number of new shares issuable:					
in respect of conversion rights	4,368,238	4,373,327	4,153,207		
in respect of subscription rights	1,281,820	1,462,360	1,154,000	1,463,070	1,769,094
OPERATIONS AND RESULTS					
Pre-tax revenue	89,179,253	85,083,930	82,299,111	80,855,851	76,511,403
Profit before tax, profit-sharing, depreciation, amortisation and provisions	(54,945,583)	24,403,410	57,178,787	133,294,783	177,025,494
Income taxes	33,451,509	11,979,247	10,894,359	22,910,785	27,343,025
Employee profit-sharing	(363,753)				
Net additions to depreciation, amortisation and provisions	19,294,854	(50,541,018)	(85,739,296)	(43,797,643)	(96,302,077)
Net profit/(loss)	(2,562,973)	(14,138,362)	(17,666,150)	112,407,925	108,066,442
Distributed profit [1]	132,732,106	120,522,637	108,378,034	108,075,968	106,592,090
EARNINGS PER SHARE					
Profit after tax and profit-sharing and before depreciation, amortisation and provisions	(0.39)	0.67	1.26	2.92	3.87
Profit after tax, profit-sharing, depreciation, amortisation and provisions	(0.05)	(0.26)	(0.33)	2.10	2.05
Dividends distributed	2.40 [2]	2.20	2.00	2.00	2.00
WORKFORCE					
Average headcount	280	252	222	214	206
Salaries and wages	27,340,009	22,686,450	20,250,200	18,736,892	19,631,676
Amount paid in employee benefits (social security, social and cultural activities, etc.)	12,337,467	10,282,026	9,210,724	8,813,271	8,519,240

[1] Based on the number of shares outstanding at the date of the Shareholders' Meeting (without deducting the number of any treasury shares not paying a dividend)
[2] Subject to approval at the Shareholders' Meeting of 1 June 2017

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4.1 ADMINISTRATIVE AND SENIOR MANAGEMENT BODIES

4.1.1 Board of Directors

A brief description of the main provisions of the Company's Articles of Association and Board rules and regulations can be found in Sections 4.2.3, 6.7.8 and 6.7.9 of this Registration Document.

The directors can be reached at the Company's head office: 19 rue de Vienne – TSA 50029 – 75801 Paris Cedex 08 – France.

4.1.1.1 Composition of the Board of Directors at 21 February 2017

The table below shows the members of the Company's Board of Directors at 21 February 2017, as well as, for each of these members, their main positions in the Company, their main outside activities, where material, as well as their other offices and positions held over the five years preceding 31 December 2016.

Name of person or company	Date first co-opted or appointed	Date of term expiry	Main position in the Company	Offices and positions held at other companies over the past five years
Alain Dinin 66 years old French national	28/09/2004 Renewed on 19/05/2015	At the conclusion of the Shareholders' Meeting at which the shareholders are asked to approve the financial statements for the year ending 31/12/2018	Chairman and CEO of the Company Chairman of the Investment Committee	**Current appointments:** **Outside the Group:** • Director of ORF (Observatoire Régional du Foncier en Île-de-France), director and member of the Executive Committee of the FPI (Fédération des Promoteurs Immobiliers France), • Chairman and Member of the Supervisory Board of New Port SAS. **In the Group:** • Chairman of the Board of Directors and director of Crédit Financier Lillois SA, • Director of Nexity Immobilier d'Entreprise SA (from 10/12/2016), • Director of SAS Edouard Denis Développement (from 10/06/2016), • Chairman and member of the Supervisory Board of Oralia Partenaires SAS, • Co-manager of Clichy Europe 4 SARL, • Legal representative of Nexity, which chairs Nexity Franchises SAS and Lilas Paul Meurice SAS, • Legal representative of Nexity, which serves as Deputy Chairman, CEO and director of Eco Campus à Châtillon SAS, which chairs Mercedes SAS, • Permanent representative of Nexim 1 SAS on the Boards of Directors of Ufiam SA and Ressources et Valorisation SA, • Director of Nexity Logement SAS, Weroom SAS, PERL SAS and Oralia Investissements, • Permanent representative of Nexity Logement SAS on the Board of Directors of Féréal SA, • Permanent representative of George V Gestion SAS on the Board of Directors of Chantiers Navals de l'Esterel SA. **Outside France:** • Chairman of the Supervisory Board of Nexity Polska 303 Spolka Akcyjna (Poland) and NP 7 Spolka Akcyjna (Poland), • Permanent representative of SIG 30 Participations on the Board of Directors of City Garden Real Estate (Belgium), • Representative of Nexity SA on the Boards of Directors of Nexibel 2, Nexibel 3, and Nexibel 5. **Expired appointments:** • Director of Isodev SA, • Deputy Chairman and member of the Supervisory Board of Saggel Holding SA (expired on 14/03/2016), • Permanent representative of Saggel Holding SA on the Board of Directors of LFP Nexity Services Immobiliers SAS, • Chairman of the Board of Directors of Nexity Immobilier d'Entreprise (until 20/06/2014), • Member of the Strategic Advisory Board of SKEMA Business School,

Name of person or company	Date first co-opted or appointed	Date of term expiry	Main position in the Company	Offices and positions held at other companies over the past five years
				• Consigliere and Presidente di consiglio di Amministrazione of Livraghi 18 SRL (Italy) (until 19/11/2012), • Director and member of the Remuneration and Appointments Committee at Crédit Foncier de France (until 31/01/2012), • Permanent representative of Nexity, on the Boards of Directors of Nexibel 1 (Belgium) (until 10/12/2015) and Nexity IG (Belgium) (until 10/12/2015), • Director of Nexity Holding Italia (Italy) (until 12/12/2013), Nexity España (Spain) (until 25/09/2013), Club Méditerranée SA (until 23/02/2015), DS Participations SA (until 31/12/2014) and Nexibel 6 (Belgium) (until 10/12/2015), • Permanent representative of George V Gestion on the Board of Directors of SAS George V Région Nord (until 19/09/2013), • Director and Chairman of the Board of Directors of Sesto Edison 1 and Sesto Edison 2 (Italy) (until 10/07/2015).
Luce Gendry 67 years old French national	21/02/2012	At the conclusion of the Shareholders' Meeting at which the shareholders are asked to approve the financial statements for the year ending 31/12/2019	Deputy Chairman Senior Independent Director Chairman of the Audit and Accounts Committee Member of the Investment Committee	**Principal position:** • Senior Advisor at Rothschild et Cie Banque. **Current appointments:** • Chairman of the Supervisory Board of IDI[1], • Director of FFP[1] and member of the Finance and Audit Committee, • Director of Sucres et Denrées, **Outside France:** • Chairman of Cavamont Holdings. **Expired appointments:** • Director of Foncière INEA[1] (until June 2014), • Director of SFR Group[1] and Chairman of the Finance and Audit Committee (until November 2016).
Bruno Catelin 51 years old French national	01/01/2017	31/12/2020	Director representing the employees Member of the Remuneration and Appointments Committee	**Expired appointments at the end of 2016:** • Deputy treasurer of the Works Council, • Employee representative.
Jean-Pierre Denis 56 years old French national	23/07/2015	At the conclusion of the Shareholders' Meeting at which the shareholders are asked to approve the financial statements for the year ending 31/12/2019	Director Member of the Audit and Accounts Committee Member of the Investment Committee	**Current appointments:** • Chairman of Crédit Mutuel Arkéa, • Chairman of Fédération du Crédit Mutuel de Bretagne, • Director of Caisse de Crédit Mutuel du Cap Sizun, • Chairman of SAS Château Calon Ségur, • Director of Kering[1], • Director of Altrad Investment Authority, • Director of Paprec Holding, • Director of Avril Gestion, • Director and treasurer of Ligue de Football Professionnel. **Expired appointments:** • Chairman of Arkéa Capital Partenaire (until 23/03/2013), • Director of Glon Sanders Holding (until 01/08/2013), • Chairman of the Supervisory Board of New Port SAS (from 09/01/2015 to 30/06/2015), • Director of Soprol (until 20/03/2015).

[1] Listed company

Name of person or company	Date first co-opted or appointed	Date of term expiry	Main position in the Company	Offices and positions held at other companies over the past five years
Charles Henri Filippi 64 years old French national	15/12/2016	At the conclusion of the Shareholders' Meeting at which the shareholders are asked to approve the financial statements for the year ending 31/12/2018	Director Chairman of the Remuneration and Appointments Committee	**Current appointments:** • Director of Orange[1], L'Oréal[1], Piasa, Association des Amis et Mécènes de l'Opéra Comique (AMOC), Adie, • Member of the Governance and Social and Environmental Responsibility Committee of Orange[1], • Member of the Audit Committee of L'Oréal[1], • Member of the Appointments and Governance Committee and Chairman of the Human Resources and Remuneration Committee of L'Oréal[1]. **Outside France:** • Member of the International Advisory Board of Abertis. **Expired appointments:** • Member of the Supervisory Board of Femu Qui (term ended 2015), Euris (term ended 2014), Viveris Reims SA (term ended 2012), • Non-voting Board member of Nexity SA (term ended 2014), • Chairman of Association des Amis de l'Opéra Comique (term ended 2015), • Director of Centre National d'Art de Culture Georges Pompidou (term ended 2013).
Jérôme Grivet 55 years old French national	23/07/2015	At the conclusion of the Shareholders' Meeting at which the shareholders are asked to approve the financial statements for the year ending 31/12/2019	Director Member of the Audit and Accounts Committee Member of the Investment Committee	**Current appointments:** • Deputy Managing Director – Group Finance and member of the Executive Committee of Crédit Agricole SA[1], • Director of Crédit Agricole Assurances, Caceis, Caceis Bank France, Korian[1], • Member of the Supervisory Board of Fonds de Garantie des Dépôts, • Permanent representative of Predica on the Board of Directors of Foncière des Régions SA[1]. **Expired appointments:** • Chairman of CA Life Greece, • Chairman of Fonds Stratégique des Participations, permanent representative of Predica. • CEO of Crédit Agricole Assurances, • Director of CAAGIS, • Non-voting Board member of Crédit Agricole Immobilier, La Médicale de France and Aéroports de Paris[1], • Vice-Chairman of Crédit Agricole Vita SpA, • Director and Chairman of the Board of Directors of Spirica and Dolcea Vie, • Permanent representative of Predica on the Supervisory Boards of CA Grands Crus and CAPE, • Director of Pacifica, CA Indosuez Private Banking, Union des Banques Arabes et Françaises, LCL Obligation Euro, CA Cheuvreux and Cedicam, • Permanent representative of Crédit Agricole Assurances on the Board of Directors of CACI, • Officer of the Executive Committee of FFSA, • Vice-Chairman and director of FFSAM and Crédit Agricole Assurances Italia Holding SpA, • President of Groupement Français des Bancassureurs, • Permanent representative of Predica, which serves as a non-voting Board member of Siparex Associés, • Member of the Supervisory Board of Korian[1], • Vice-Chairman of Bes Vida, • Deputy Managing Director and member of the Executive Committee of Crédit Agricole CIB, • Managing Director of CLSA BV and Stichting CLSA Foundation, • Permanent representative of Crédit Agricole CIB on the Board of Directors of Fletirec, • Chairman and CEO of the Mescas, • Director and Vice-Chairman of Newedge Group.

[1] Listed company

Soumia Belaidi Malinbaum 54 years old French national	24/03/2015	At the conclusion of the Shareholders' Meeting at which the shareholders are asked to approve the financial statements for the year ending 31/12/2016	Director Member of the Audit and Accounts Committee Member of the Remuneration and Appointments Committee	**Current appointments:** • Director of Lagardère SCA[1] and member of the Appointments Committee. **Expired appointments:** • Director and Chairman of the Audit Committee of France Média Monde.
Agnès Nahum 56 years old French national	19/05/2015	At the conclusion of the Shareholders' Meeting at which the shareholders are asked to approve the financial statements for the year ending 31/12/2018	Director Member of the Audit and Accounts Committee	**Current appointments:** • Chairman of the Management Board of Access Capital SA. **Outside France:** • Director of Access Capital Partners SA (Belgium), Access Capital Partners II (Guernsey) Ltd, Elyseum Holding SA (Belgium), Access Capital Partners Finland Oy, Access Capital Advisors Finland Oy, ACP Yksi Oy (Finland), SMF I Rahasto Oy (Finland), SPEF I Oy (Finland) and SPEF Kaksi Oy (Finland), ACL Sarl (Luxembourg), ACL 2 Sarl (Finland), Castle (Finland).
Magali Smets 43 years old French national	31/05/2016	At the conclusion of the Shareholders' Meeting at which the shareholders are asked to approve the financial statements for the year ending 31/12/2019	Director Member of the Audit and Accounts Committee	**Current position** • Director General of Union des Industries Chimiques. **Expired appointments:** • Chairman of Areva Energies Renouvelables (from 21/12/2015 to 01/06/2016), • Chairman and Chief Executive Officer and Chairman of the Board of Directors of Cedec (from 14/02/2013 to 01/06/2016), • Permanent representative of Cedec on the Board of Directors of Areva TA (until 01/06/2016), • Permanent representative of Areva on the Board of Directors of Areva TA (until 29/09/2015).
Jacques Veyrat 54 years old French national	23/05/2013	At the conclusion of the Shareholders' Meeting at which the shareholders are asked to approve the financial statements for the year ending 31/12/2016	Director Member of the Remuneration and Appointments Committee Member of the Investment Committee	**Current appointments:** • Chairman of Impala SAS, • Member of the Supervisory Board of Eurazeo[1], • Director of Fnac[1], HSBC France, • Non-voting Board member of Louis Dreyfus Armateurs, Sucres et Denrées, and Direct Énergie. **Expired appointments:** • Director of Imerys[1], • Chairman of Louis Dreyfus Holding and Louis Dreyfus SAS.

[1] Listed company

4.1.1.2 Directors who have stepped down since 1 January 2016

Hervé Denize informed the Board of Directors that he would step down from his positions as director and Deputy CEO as of 1 January 2017.

Details are given below of the main position he held until stepping down, as well as offices and positions held at other companies over the past five years, to 31 December 2016.

Hervé Denize, 63 years old – French national	
Date first co-opted or appointed	First appointed on 28/09/2004, renewed on 19/05/2015
Date of term expiry	Ended 01/01/2017
Main position in the Company – Ended 01/01/2017	• Deputy Chief Executive Officer • Member of the Investment Committee
Offices and positions held at other companies over the past five years	**Current appointments:** **Outside the Group:** • Co-manager of SCI Avenir and SCI Futur Antérieur, • Member of the Supervisory Board and Chief Executive Officer of New Port SAS. **In the Group:** • Permanent representative of Nexity on the Board of Directors of Ægide, • Chairman, CEO and director of SA Chantiers Navals de l'Esterel and Oralia Investissements SA, • Chairman of SAS Nexim 4, SAS Neximmo 12, SAS Neximmo 19, SAS Sari Investissements, SAS Nexity Lamy, SAS Lamy Assurances, SAS Sofap-Helvim – Société Française d'Accession à la Propriété, SAS Multys Solutions, SAS Richardière, SAS Euriel Invest and SAS Oralia Partenaires, • Director of Nexity Immobilier d'Entreprise SA, Weroom SAS, PERL SAS and Edouard Denis Developpement SAS (from 10/06/2016), • CEO (non-director) of SA Crédit Financier Lillois (CFL), • Member of the Supervisory Board of Nexity Conseil et Transaction (formerly SAS Keops), • Manager of SARL Oralia Management and SARL Oralia Assurances, • Permanent representative of Nexity on the Boards of Directors of SA Nexity Property Management and SA Guy Hoquet l'Immobilier, • Representative of Nexity, which chairs SAS Lilas Paul Meurice, • Representative of Nexity Franchises, which chairs the Board of Directors of Financière Guy Hoquet l'Immobilier SAS, • Representative of Nexity Lamy on the Boards of Directors of SA Nexity Studéa and the association Centre de Formation pour les Compétences et les Emplois dans l'Immobilier, • Permanent representative of Neximmo 39 on the Board of Directors of Century 21 France SAS, • Representative of Neximmo 78, which chairs LFP Nexity Services Immobiliers SAS (from 18/10/2016), • Representative of Neximmo 78, which serves as Deputy CEO of SAS Costame (as of 18/10/2016) and SAS Moreau Experts (from 18/10/2016), • Permanent representative of Nexity Franchises on the Board of Directors of SAS Financière Guy Hoquet l'Immobilier, • Legal representative of SAS Nexim 4, which chairs SAS Canton 1, • Legal representative of Sari Investissements, which chairs SAS Neximmo 5 and SAS Massena Paris 13ème, • Legal representative of Sari Investissements, which manages SNC Nexitim, SCI Parc des Lumières 2, SCI Parc de Gonesse, SCI Parc de Sénart, SNC Le Bourget Parc de l'Espace, SNC Actilogis Fos Distriport, SNC Parc du Sans-Souci, SNC Coudray Actilogis, SNC du Parc des Chesnes, SNC Mormant Logistique, SNC Marly Logistique, SNC Parc des Lumières 5, SNC Veurey Express, SNC du Pic de Belledonne, SNC Mesnil en Thelle Logistique, SNC Urban East Color East, SNC du Chemin De Paris, SNC Urban East Eden, SNC Urban East Voiries, SNC Urban East Jean Zay, SNC Florides 1, SNC des Terrasses des Bruyères, SCI Gonesse Activités, SCI Saint Laurent Logistique, SNC Sari – Société d'Aménagement Régional Industriel, SNC Opteam East, SNC Urban East Services 1, SNC Urban East Services 2, SNC Urban east Guy Blache 2, SNC du Parc des Chênes 3, SNC Urban East Guy Blache 1, SNC Bègles Fraîcheur and SNC Florides 3, SNC Urban East Chaplin 1 (from 04/11/2015), and SNC Urban East Guy Blache 3 (from 25/01/2016), • Legal representative of Sari Investissements, which co-manages SCI Clichy Europe 3, SNC Versailles Chantiers Aménagement, SCI Paris Berthelot, SCI Parc de Gerland Ilot N°3 and SCI Parc de Gerland Ilot N°4, • Permanent representative of SAS Cofipa on the Board of Directors of SAS George V Gestion, • Permanent representative of George V Gestion on the Board of Directors of SA Féréal, SA Ressources et Valorisations, SA Compagnie Foncière Financière et Immobilière (CFFI), • Permanent representative of SAS Nexity Logement on the Board of Directors of SA Nexity Consulting, • Permanent representative of Nexity Régions I on the Board of Directors of SAS Nexity Logement,

Hervé Denize, 63 years old – French national

- Legal representative of Nexity Lamy, which serves as Chairman of SAS Cabinet Pierre Bérard (from 02/06/2015), SAS Actineuf (from 08/04/2016), SAS Anamath Holding (from 30/05/2016), SAS Immobilier Gestion Consultant (from 30/09/2016), SAS Solution Immobilier (from 22/12/2016), SAS Agence Ménilmontant (from 22/12/2016),
- Legal representative of Nexity Lamy, which serves as CEO of SAS Nexity E-gérance (from 15/04/2015),
- Legal representative of Sofap-Helvim – Société Française d'Accession à la Propriété SAS, which manages SNC de Sainte Maxime, Société Immobilière Le Naudet Lambda-Omega, SNC Les Arpents de Bondoufle and Société Civile de Construction Vente SCI Challenge,
- Legal representative of Neximmo 19, designated as the liquidator of SAS Nexim 6.

Outside France:

- Representative of SIG 30 Participations on the Board of Directors of Nexibel 2, Nexibel 3 and Nexibel 5 (Belgium).
- Director of Weroom Limited (United Kingdom) (from 14/11/2016),
- Director of Agenxity SRL (Italy) (from 23/02/2015).

Expired appointments:

- CEO of SAS Iselection (until 16/06/2016),
- Chairman of SAS Régie Immobilière Pondeveaux (until 14/01/2015),
- Chairman and member of the Supervisory Board of Saggel Holding SA (until 14/03/2016),
- Co-manager and liquidator (until 02/03/2015) of SARL Hommes et Matières,
- Chairman and CEO and director of SA DS Participations (until 31/12/2014),
- Chairman and Chief Executive Officer of Nexity Residenziale Italia SpA (Italy) (from 06/02/2015 to 12/12/2015),
- Manager of SARL Agence Ménilmontant (from 30/05/2016 to 22/12/2016),
- Co-manager of SNC Nexity Reim (now Harvestate Asset Management) (until 16/06/2014) and Neximur (Belgium) (until 31/12/2014),
- Chairman and member of the Supervisory Board of Century 21 France SAS (until 25/06/2013),
- Permanent representative of Nexity on the Board of Directors of LFP Nexity Services Immobiliers SAS (until 20/04/2016),
- Director of Nexity España (Spain) (until 25/09/2013),
- Legal representative of Sari Investissements, which served as Chairman of Nexicom 3 SAS (until 04/10/2012), Neximmo 10 SAS (until 23/10/2013), Neximmo 32 SAS (until 23/10/2013), Nexicom 2 (until 31/03/2014) and Bien'ici (formerly Insoon SAS and Nexicom 1 SAS) (until 12/04/2016),
- Legal representative of Sari Investissements, which managed SNC Danton Promotion (until 18/03/2011), SNC Lieusaint Parc du Levant A2 (until 29/11/2011), SNC Iris Lyon Saint Priest (until 25/01/2011), SNC Marseille Joliette (until 25/03/2011), SNC Deatoris Lyon Saint Priest (until 25/01/2011), SNC du Parc d'Atton (until 29/11/2011), SCI Salon Logistique (until 29/11/2011), SAS L'écrin (until 23/10/2013), SCI Beziers Logistique (until 23/10/2013), SCI Montélimar Actilogis (until 23/10/2013), SCI Parc des Lumières (until 23/10/2013), SNC Parc Paul Berliet (until 23/10/2013), SNC Montélimar Actilogis (until 23/10/2013), SNC du Parc des Lumières 4 (until 23/10/2013), SNC Parc Actilogis de l'Isle d'Abeau (until 23/10/2013), SNC Orléans Nord Activités (until 23/10/2013), SNC Orléans Nord Logistique (until 23/10/2013), SNC Voroize Express (until 23/10/2013), Orléans Nord Logistique 2 (until 23/10/2013), SNC Orléans Nord Logistique 3 (until 23/10/2013), SNC Orléans Nord Express 1 (until 23/10/2013), SNC Orléans Nord Express 2 (until 23/10/2013), SNC Longvic Logistique (until 23/10/2013), SNC Nîmes Actilogis (until 29/12/2014), SNC Parc de la Plaine de l'Ain III (until 29/12/2014), SNC Montélimar Actilogis 2 (until 29/12/2014), SNC Sennecey Logistique (until 29/12/2014), SNC Orléans Nord (until 29/12/2014), SNC Parc des Eoliennes (until 29/12/2014), SNC Persan Actilogis (until 29/12/2014), SNC Actilogis 1 de L'Isle d'Abeau (until 22/10/2015), SCI Fos Actilogis (until 22/10/2015), SCI Parc de Lisses (until 22/10/2015), SNC du Parc des Chesnes 2 (until 02/10/2015) and SNC Chaponnay Logistique (until 02/10/2015),
- Legal representative of Sari Investissements, which co-managed SNC PB 31 Promotion (until 19/12/2013), SCI Cristalespace (until 22/10/2013), SCI Reille Montsouris 98 (until 22/10/2013), SCI Clichy Europe (until 22/10/2014) and SCI Bordeaux Bastide 1 (until 29/10/2015),
- Legal representative of Sari Investissements, designated as the liquidator of SCI Bordeaux Bastide 1 (from 29/10/2015 to 18/12/2015),
- Legal representative of Neximmo 19, designated as the liquidator of SNC Aubert Egalité, SNC Lieusaint Parc du Levant A2 and SNC Carrières Embarcadère (until 24/12/2014),
- Legal representative of Nexity Lamy, which chaired SAS Francialpes Immo (until 21/11/2013), SAS Cabinet Jacquin (until 23/11/2012), SAS Prestimmo (until 23/11/2012), SAS Investim (from 15/11/2012 to 23/11/2012), SAS Sygestim (until 31/12/2014) and SAS Régie Immobilière Deliry (until 31/12/2014),
- Permanent representative of Nexity Lamy on the Board of Directors of SA Lamy International (until 26/08/2013),
- Director of SAS Apollonia (until 24/09/2013) and Nexibel 6 (Belgium) (until

Hervé Denize, 63 years old – French national	
	10/12/2015), • Chairman of SAS Neximmo 16 (until 23/10/2013), Neximmo 17 (until 23/10/2013), SAS Pellissier-Ronzino (until 31/12/2014), • Manager of SNC Quai d'Arenc (until 23/10/2013), • Permanent representative of SIG 30 Participations, which served as a director and chaired the Board of Nexity IG (Belgium) (until 10/12/2015), • Permanent representative of SIG 30 Participations on the Board of Directors of Nexibel 1 (until 10/12/2015), • Legal representative of Sari Investissements, which chairs SAS Massena Paris 13ème, which co-managed SNC Promotions M7 (until 22/10/2015), • Permanent representative of George V Gestion on the Board of Directors of SAS George V Région Nord (until 19/09/2013).

The following directors' terms of office expired in the course of 2016. The following table shows their main positions in the Company until the date given for their resignation as well as their other offices and positions held over the five years preceding 31 December 2016.

Stanislas Augem, 62 years old – French national	
Date first co-opted or appointed	30/09/2014
Date of term expiry	Ended 31/12/2016 (retired)
Main position in the Company	• Director representing the employees • Member of the Remuneration and Appointments Committee
Offices and positions held at other companies over the past five years	**Current appointments: none** **Appointments having expired** on 2 October 2014: • Chairman and member of the Supervisory Board of FCPE Nexity Actions, • Standing member of the Works Council of UES Nexity Promotion Construction, • CFE-CGC trade union representative at UES Nexity Promotion Construction, • Standing employee representative at the Nord branch of UES Nexity Promotion Construction, • Standing member of the Nexity group Works Council.

Anne-Marie de Chalambert, 73 years old – French national	
Date first co-opted or appointed	26/10/2004
Date of term expiry	Expired on 31/05/2016
Main position in the Company	Following offices and positions ended 31/05/2016: • Director • Member of the Investment Committee • Member of the Remuneration and Appointments Committee.
Offices and positions held at other companies over the past five years	**Current appointments:** • Chairman of AMCH SASU, • Director of Société Foncière Lyonnaise (SFL) (listed company), • Director of Mercialys SA (listed company). **Expired appointments:** • Permanent representative of Generali Vie on the Supervisory Board of Foncière des Régions, • Deputy Chairman of the Fédération des Sociétés Immobilières et Foncières, • Manager of SCI Generali Logistique and SCI Saint-Ouen C1, • Chairman of Saint-Ouen C1 SAS, • France Manager for Assicurazioni Generali SPA, • Permanent representative of Generali Assurances IARD on the Board of Directors of SILIC, • Permanent representative of Generali Vie on the Supervisory Board of Foncière des Logements, • Manager of the Société Civile du Golf de Morfontaine.

Miguel Sieler, 67 years old – French national	
Date first co-opted or appointed	10/05/2005
Date of term expiry	Resigned on 12/12/2016
Main position in the Company	• Director • Chairman of the Remuneration and Appointments Committee • Member of the Audit and Accounts Committee
Offices and positions held at other companies over the past five years	**Current appointments:** • CEO of Neovacs SA (listed company), • Chairman of Stratoz SAS. **Expired appointments:** • Chairman of the Board of Directors of Wittycell SAS (until 01/07/2014), • Chairman of the Management Board of Bayer SAS, • Member of the Supervisory Board of Bayer CropScience SA, • Director of Bayer CropScience France, Bayer Environmental Science, Ethypharm SA and the Fondation Maison de la Chimie, • Chairman of the Supervisory Board of Bayer Santé, Bayer Santé Familiale, Bayer Classics and Haarmann & Reimer, • Member of the Board of Directors of Bayer Immobilier and Bayer Diagnostics, • Deputy Chairman of the Supervisory Board of Buna France and Borchers France, • Chairman of the Supervisory Board and member of the Supervisory Board of Lanxess Elastomeres, • Member of the Supervisory Board of Lanxess SAS, Chairman of Plasmaprime SAS.

4.1.1.3 Non-voting Board members

Pascal Oddo and Gérard Bayol serve as non-voting Board members.

The main positions held outside the Company by **Pascal Oddo** (65 years old, French national) are as follows:

- Member of the Supervisory Board of LBO France Gestion SAS;
- Chairman of Vasgos SAS;
- Permanent representative of Vasgos SAS, member of the Supervisory Boards of Gravotech Holding and Consolis Holding, Geoxia, Financière Jumbo and Boxer Holding;
- Chairman of the Supervisory Board of New Port SAS; and
- Director of MMC (Maison Michel Chapoutier).

The main positions held outside the Company by **Gérard Bayol** (63 years old, French national) are as follows:

- Director of Ægide SA;
- Permanent representative of Crédit Mutuel Arkéa, which serves as a director of Polylogis and HLM Coopérer pour Habiter SA, and a non-voting Board member of Spirit Entreprise; and
- Representative of Crédit Mutuel Arkéa, which serves as a non-voting Board member of New Port SAS.

4.1.2 Senior management

At March 31, 2017, the Company's senior management consisted of the members of the Group's Executive Committee and Management Committee.

Executive Committee

- **Alain Dinin**, Chairman and CEO of Nexity as of September 2004, began at the George V group (Groupe Arnault) in 1979 as a controller and subsequently held various other positions before becoming Chief Executive in 1985. He served as CEO of CGIS (Vivendi) from 1995 to 2000, then Deputy Chairman, Chairman of the Management Board and finally Chairman and CEO of Nexity. He has also been a member of the Executive Bureau of the Fédération des Promoteurs Immobiliers de France since 1998. He is a graduate of the École Supérieure de Commerce de Lille (now called SKEMA Business School).
- **Julien Carmona**, Deputy Managing Director in charge of Internal Clients (which comprises the Nexity group's main functional departments, such as finance, legal, general secretariat, human resources and internal communications, digital and IT systems, strategy) since January 2017. After starting his career with the French Ministry for the Economy and Finance, then with BNP Paribas, he successively served as Economics Advisor to the President of the French Republic (2004-2007), member of the Management Board and Chief Financial Officer of Caisse Nationale des Caisses d'Épargne (CNCE) which became BPCE (2007-2009), and Chief Operating Officer and member of the Executive Committee at SCOR SE (2009-2012). He joined Nexity

in January 2014. He is an *inspecteur des finances* (state finance inspector) and a graduate of the École Normale Supérieure in Paris and the École Nationale d'Administration (ENA).

- **Bruno Corinti**, Deputy Managing Director in charge of Commercial Clients and Local Authority Clients since January 2017, was originally a programme manager at France Construction (Bouygues group), and then Programme Director at Cogedim from 1987 to 1989. In 1989, he joined SAE Immobilier, where he worked successively as Programme Director, Marketing and Commercialisation Director, and finally Director of the Northern and Eastern France business units. He then served as Deputy Managing Director at Sofracim before becoming CEO of Eiffage Immobilier and then Regional Director for the Paris Region and Central France at Eiffage Construction. He joined Nexity in 2005 as Deputy Managing Director of the Residential real estate division. He holds an advanced degree (DESS) in business and tax law.
- **Jean-Philippe Ruggieri**, Deputy Managing Director in charge of individual clients since January 2017. Before, he has been Managing Director of the Residential real estate division since 2014; he had been Deputy Managing Director of this division since 2006. He was previously Managing Director of Nexity Consulting and Nexity Patrimoine. He was Sales Director and then Managing Director of Ruggieri Immobilier Toulouse from 1994 to 2001. He began his career as an operations manager at Sogeprom in 1992. He is a graduate of the École Supérieure de Commerce de Toulouse.
- **Frédéric Verdavaine**, Deputy Managing Director of Nexity and Chairman of Real estate services to individuals since January 2017. He was previously Managing Director of Real estate services to individuals since September 2014, began his career in 1993 in the strategy and company organization field, first with Quaternaire as an organisational consultant, then as an assistant to La Redoute's director of human resources. From 2002 to 2007, he worked for Johnson Diversey, where he served as Deputy Managing Director with responsibility for France and Vice President of Human Resources with responsibility for Southern Europe. After a first experience in the real estate sector as Managing Director of GHI, from 2007 to 2011 he served as Managing Director of Nord de France Immobilier (NDFI), operator of the Nord Pas-de-Calais region's leading real estate agency network. A graduate of the Institut de Haute Finance Internationale, he also holds an undergraduate degree in economics, a master's in human resources development and an MBA from the advanced business studies centre (CPA) at HEC Paris.

As announced in the press release of 13 March 2017, **Véronique Bédague-Hamilius** will join the Group and its Executive Committee as General Secretary as of 10 April 2017. Véronique Bédague-Hamilius began her career at the French Ministry of Finance in 1990. Where she held several positions in the Budget Directorate and then as a member of the Finance Minister's staff. She was an economist at the International Monetary Fund in Washington between 1994 and 1997. She joined the City of Paris as Finance Director in 2002 before being named its Director General of Services in 2008. She was Chief of Staff for the French Prime Minister's from 2014 to 2016. A graduate of the École Nationale d'Administration (ENA), she also holds degrees from Sciences Po Paris and ESSEC business school.

Management Committee

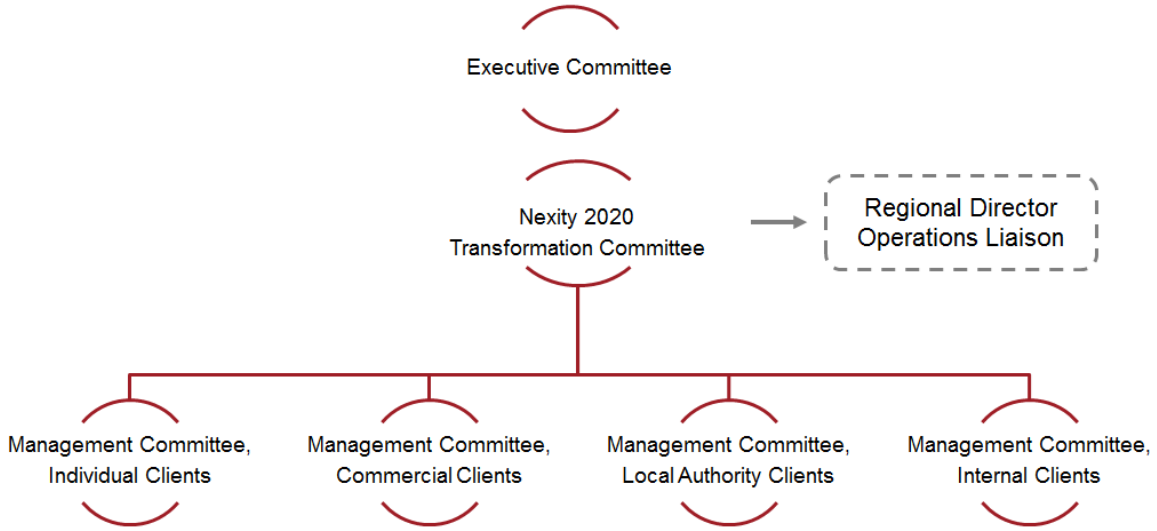
At March 31, 2017, the Management Committee is comprised of the members of the Executive Committee and the following senior executives:

- **Christophe Auger**, Strategy and Development Director since 2016, joined Nexity in 2013 as head of acquisitions. He began his career in 2000 as project manager within the Strategy and Development Department at Crédit Lyonnais, then at Crédit Agricole SA in 2004, then SODICA (Crédit Agricole Corporate Finance Midcaps) in 2006 before becoming Department Head. He is a graduate of Université Paris Dauphine and holds a Master's degree in management science, and is a member of the Société Française des Analystes Financiers (SFAF).
- **Frédéric Augier** has been Director of Digital Technology and Information Systems since September 2014, after having served as Managing Director of Real estate services to individuals since 2012. He was previously Managing Director of the Networks and Client Relations division and coordinated the Nexity Demain corporate project, after serving as Deputy Managing Director of the Distribution division. Before joining Nexity in 2006, he was originally Evian's marketing manager for Germany and Austria from 1993 to 1995, then senior consultant at Bossard Consultants until 1998. He subsequently served as strategic marketing manager and advisor to the Chairman of E. Leclerc until August 2006. He is a graduate of EM Lyon Business School (École de Management de Lyon).
- **Laurent Bizeur**, Managing Director of Nexity's Commercial real estate division since 2015, began his career in 1987 with Groupe Maisons Familiales as head of market operations. He subsequently served as Treasurer at Immobilier sur Mesure (ISM) and then joined Compagnie Immobilière Phénix, where he was initially Director of Management Audit and Cash Management, before being appointed as a special consultant reporting directly to the Chairman. He joined Nexity in 1996 as Company Secretary of Nexity Entreprises

before being appointed its Managing Director. He next served as Chief Financial Officer, then Deputy Managing Director of the Commercial real estate division. A graduate of the École des Hautes Études Commerciales du Nord (EDHEC) in Lille, he holds a postgraduate degree (DESS) in financial markets.

- **Blandine Castarède**, Director of Communications and Brand Strategy, joined the Group in May 2011. She began her career in 1989 at Carré Noir, where she specialised in brand communications for corporate accounts, then took a position at Publicis Consultants in 2001. In 2009, she became Corporate Secretary of Génération France, a political, economic and social think tank.
- **Bertrand Coté**, Chairman and CEO of the Nexity Property Management since September 2012, began his career with Saint-Gobain. He subsequently worked at Suez Environnement before joining Sodexo, where he was head of facility management business development. In 2009, he was appointed Deputy CEO of Exprimm, the maintenance and facility management subsidiary of Bouygues Construction. He is a graduate of the École Normale Supérieure in Saint-Cloud.
- **Jean-Marie Fournet**, Chairman and Chief Executive Officer of Ægide-Domitys, began his career in government within the Directorate General for Taxes. He joined real estate group Pierre 1er in 1986 as Chief Financial Officer and then became Deputy Chief Executive Officer in 1992. In 1995, he organised the takeover of Ægide (real estate services company within Pierre 1er) with other Pierre 1er executives, and with his two associates Frédéric Walther and Didier Jaloux founded Domitys, of which he became Chairman. In 2015, he was elected Chairman of the Serviced Residences for Seniors division at SYNERPA (Syndicat National des Établissements et Résidences Privés pour Personnes Âgées).
- **Eric Lalechère**, Chief Financial Officer since 1 January 2017, was previously Deputy Chief Financial Officer as of 2006. He worked as a management auditor at Spie Batignolles before taking up a similar position at Nexity in 1989. He then served as Chief Financial Officer of Foncier Conseil and was Chief Executive Officer of Général Foy Investissement until 2000. He subsequently served as Chief Financial Officer of Groupe George V and of the Commercial real estate division, before being named Consolidation and Budget Director. He is a graduate of the École Supérieure de Commerce de Paris (ESCP).
- **Valérie Mellul**, Chairman and CEO of Nexity Conseil et Transaction since 2015, joined the Group in 2010 as Director of Human Resources. She previously worked from 2005 to 2009 as Director of Human Resources Development at the PPR group and then HR Director at the FNAC. She started as an HR analyst at Xerox until 1996, then worked as HR development manager at Yoplait and then Carrefour before becoming HR Director at NRJ Group in 2000. She then took a position as HR Director at BT Global Services in 2001. She holds a master's in economics from Université de Paris I and a postgraduate degree (DESS) in employee management.
- **Anne Mollet**, Strategic Marketing Director since 2009 and Corporate Sustainability Director since 2015, began her career as a real estate marketing consultant at Immobilier & Territoires Conseil from 1997 to 2002. She joined the Group in 2003, holding several different positions within the Residential real estate division's strategic marketing and studies department until 2009. She holds advanced degrees (DESS) in law relating to urban planning, development and construction, and in business management (CAAE), specialising in strategy and marketing, and is a graduate of the Collège des Hautes Études en Environnement et Développement Durable, a business management programme focused on sustainable development and the environment in partnership with the École Centrale Paris, ESCP and AgroParisTech.
- **Jean-Luc Poidevin**, Managing Director of Major Urban Projects, joined Nexity in 2004 to lead the Villes & Projets urban development business. He began his career in 1983 at the SCET (a subsidiary of the Caisse des Dépôts et Consignations). From 1988 to 1993, he held various positions in the Sari-Seeri group before becoming Deputy Managing Director of Sari Régions and Chief Executive of Sari Régions Conseil. From 1993 to 2000, he was Director of Development at the EPAD (Établissement Public d'Aménagement de La Défense), and from 2000 to 2004, he was Executive Director of the EPAMSA (Établissement Public d'Aménagement du Mantois Seine-Aval). He holds an advanced degree (DESS) in local administrative law.

In order to promote efficiency and align with the new strategy announced by the Group, the Executive Management Committee was replaced in April 2017 by four management committees, one for each type of client, with the Executive Committee still serving as Nexity's main decision-making body, as shown in the diagram below:



4.1.3 Disclosures relating to the Board of Directors and senior management

To the Company's knowledge there are no family ties linking any members of the Board of Directors to one another or to members of Senior Management.

To the Company's knowledge, over the last five years, no members of the Board of Directors or current main directors of the Company:

(i) have been convicted of fraud;

(ii) have been involved in a bankruptcy, sequestration or compulsory liquidation;

(iii) have been charged or been the object of an official public sanction by a statutory or regulatory authority (including designated professional organisations), and

(iv) have been banned from acting as a member of an administrative, management or supervisory body of a listed company or from being involved in the management or running of a listed company.

Miguel Sieler, who presented his resignation to the Board of Directors on 12 December 2016, was charged with misuse of company assets by the Nanterre correctional court on 22 November 2016 for deeds with no direct or indirect link to the Company. Mr Sieler has informed the Company that he has appealed against this conviction.

4.1.4 Conflicts of interest involving the Company's managers and directors

To the Company's knowledge, there are no potential conflicts between the private interests of the members of the Board of Directors and their duties toward the Company.

Directors have the duty to inform the Board of any conflicts of interest – even future or potential – in which they find or might find themselves, and must abstain from voting on related matters.

The Senior Independent Director reviews all conflicts of interest, whether discovered independently or having been brought to his or her attention by the Board member(s) involved, and reports on them to the Board.

In addition, the Board has adopted a charter relating to the procedure for entering into related-party agreements as provided for by Articles L. 225-38 et seq. of the French Commercial Code. This charter is available on the Company's website.

4.2 REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS ON THE MANNER IN WHICH THE WORK OF THE BOARD IS PREPARED AND ORGANISED AND ON INTERNAL CONTROL PROCEDURES

4.2.1 Statement on corporate governance

This report is drawn up with reference to the AFEP/MEDEF corporate governance code for listed companies (AFEP/MEDEF Code), with which the Company has declared that it complies.

The work of the Board of Directors is also governed by the Board's internal rules and regulations, last modified on 23 January 2017. These reiterate that directors are required to maintain discretion and confidentiality and that, for all transactions in securities, they must comply with the Guide to the Prevention of Insider Trading adopted by the Company. The internal rules and regulations and the Guide to the Prevention of Insider Trading are available on the Company's website.

4.2.2 Preparation of this report and monitoring of internal control processes

In accordance with Article L. 225-37 of the French Commercial Code, the Chairman of the Board of Directors is required to give an account of the manner in which the Board's work is prepared and organised, and of the internal control and risk management procedures put in place within the Group.

This report has been presented to the Audit and Accounts Committee and the Remuneration and Appointments Committee (with respect to the assessment of the Board's work and directors' independence), and was approved by the Board of Directors on 21 February 2017. It was prepared on the basis of contributions from a number of Group departments, including in particular the Finance, Legal, Risk Management and Internal Control Departments.

Furthermore, internal control work carried out in 2016 was reviewed at several meetings involving executive management, the Finance Department and the Internal Control Department as well as during Audit and Accounts Committee meetings held over the course of the year. This work involved carried out by the Risk Management Department, responsible for identifying risks to which the Group may be exposed, and by the Internal Control Department, responsible for analysing and helping to manage risks. All of these procedures are described in more detail in the second part of this report. The Group's internal control procedures are tailored to the specific characteristics of its various real estate business lines (see Section 4.2.4 of this report). Changes in the Group's businesses are incorporated into procedures as they arise.

4.2.3 Organisation of the Board's work

4.2.3.1 Board of Directors

The Company is a French public limited company (*société anonyme*) with a Board of Directors.

At 31 December 2016, the Board of Directors had eleven members, including a director representing the employees (pursuant to Article L. 225-27-1 of the French Commercial Code). Since 23 January 2017 – the date at which the Board of Directors took note of Hervé Denize's decision to step down from his position as Deputy Chief Executive Officer of the Company – the Board has had ten members.

Directors are appointed for four-year terms, with the expiry of terms organised to allow for staggered renewals:

- The terms of office of two directors expire at the conclusion of the 2017 Annual Shareholders' Meeting called to approve the financial statements for the year ending 31 December 2016: Jacques Veyrat and Soumia Belaidi Malinbaum.
- The terms of office of three directors expire at the conclusion of the 2019 Annual Shareholders' Meeting called to approve the financial statements for the year ending 31 December 2018: Alain Dinin, Agnès Nahum and Charles-Henri Filippi, who was co-opted on 15 December 2016 to replace Miguel Sieler, who resigned with effect from 12 December 2016, for the remainder of the latter's term of office.
- The terms of office of four directors expire at the conclusion of the Annual Shareholders' Meeting called in 2020 to approve the financial statements for the year ending 31 December 2019: Luce Gendry, Magali Smets, Jérôme Grivet and Jean-Pierre Denis.
- Following the retirement of Stanislas Augem with effect from 31 December 2016, Bruno Catelin was appointed, with effect from 1 January 2017, as the director representing the employees by the Works Council of UES Nexity Promotion Construction for a four-year term from this date.

A single Works Council representative participates in Board meetings, in accordance with the provisions of Article L. 2323-65 of the French Labour Code. Benoît Chuquet was appointed in this capacity on 1 July 2015 for a period expiring upon the election of employee representatives during 2019.

Furthermore, the Company's Articles of Association allow for the Board of Directors to receive assistance from up to three non-voting members. As business leaders with recognised expertise, the Board's non-voting members share their insights and latest thinking on a number of issues with its voting members. They fulfil an advisory role and their opinions are not binding for the Board. The participation of non-voting members thus provides balance between the number of directors and ensures diversity of experience that enriches the operation of the Board. Pascal Oddo's term of office was renewed on 31 May 2016 for three years, to expire at the conclusion of the Annual Shareholders' Meeting called to approve the financial statements for the year ending 31 December 2018. Gérard Bayol was co-opted on 23 July 2015 and his appointment was ratified at the Shareholders' Meeting held on 31 May 2016. His term will expire at the conclusion of the Annual Shareholders' Meeting called to approve the financial statements for the year ending 31 December 2017.

The Board of Directors' activities are governed by its internal rules and regulations along with existing laws and regulations and the Company's Articles of Association.

The internal rules and regulations stipulate that, apart from the specific duties attributed to the Board by legal and regulatory provisions (the "law") and the Company's Articles of Association, the Board of Directors reviews and gives prior approval for any significant actions to be undertaken by the Company, and in particular:

- the Company's strategic direction and any actions that fall outside the strategy announced by the Company; and
- acquisitions or disposals of equity interests or assets in material amounts liable to alter the Company's balance sheet structure, including any acquisition or disposal of equity interests or assets of an amount greater than or equal to €50 million.

Directors receive all relevant information and documents needed to perform their duties and prepare for Board meetings. The Board of Directors also undertakes controls and checks as it sees fit, and may obtain copies of any document it deems useful in fulfilling its role. In addition, prior to any meeting, Board members may request any additional documents that they deem useful.

The Board met eight times during the financial year ended 31 December 2016. Attendance at Board meetings is considered highly satisfactory. Individual attendance rates at meetings of the Board of Directors and its various committees are detailed below.

Name	Attendance rate			
	Board	Audit and Accounts Committee	Remuneration and Appointments Committee	Investment Committee
Stanislas Augem	100%	N/A	100%	N/A
Anne-Marie de Chalambert (until 23 May 2016)	100%	N/A	100%	100%
Jean-Pierre Denis	100%	100%	N/A	100%
Hervé Denize	100%	N/A	N/A	100%
Alain Dinin	100%	N/A	N/A	100%
Charles-Henri Filippi (from 15 December 2016)	N/A	N/A	N/A	N/A
Luce Gendry	100%	100%	N/A	100%
Jérôme Grivet	100%	100%	N/A	0%
Soumia Belaidi Malinbaum	100%	N/A (from 15 December 2016)	100% (from 31 May 2016)	N/A
Agnès Nahum	88%	N/A (from 15 December 2016)	N/A	N/A
Miguel Sieler (until he stepped down on 12 December 2016)	100%	100%	100%	N/A
Magali Smets (from 31 May 2016)	100%	N/A (from 26 October 2016)	N/A	N/A
Jacques Veyrat	100%	N/A	83%	100%

N/A: Not applicable

In particular, over the course of the year, the Board of Directors:

- approved the financial statements for the year ended 31 December 2015, the 2016 interim financial statements and revenue for the first and third quarters of 2016;
- approved the agenda and convened a Combined Shareholders' Meeting to approve the financial statements for the year ended 31 December 2015, ratify the co-optation of two directors and one non-voting Board member, renew the terms of office of three directors, elect one new director, renew the term of office of a non-voting Board member, renew certain financial authorisations granted to the Board of Directors that had expired, and amend the Articles of Association to simplify Article 6, "Transfers", and bring them into compliance with certain legal and regulatory provisions;
- co-opted a director;
- reviewed and approved the Group's 2017 budget;
- reviewed the Group's 2018-2021 medium-term plan;
- regularly reviewed the Group's financial position and changes in its debt, discussed appropriate financing arrangements or the extension and adaptation of existing financing arrangements and reviewed and approved management forecasts;
- sub-delegated its authority to the Chairman and Chief Executive Officer to (i) issue, on 10 June 2016, bonds convertible into or exchangeable for new or existing shares in the amount of €269,999,943.80 ("OCEANE 2016") in particular to finance the redemption of the bonds convertible into or exchangeable for new or existing shares, issued on 20 June 2014 in the amount of €179,999,991.38 after exercise of the overallotment option ("OCEANE 2014"), and (ii) adjust the share conversion or exchange ratios of the OCEANE 2014 and OCEANE 2016 bond issues;
- discussed gender equality within the Group;
- discussed key plans involving acquisitions, disposals and partnerships;
- approved the remuneration of the Chairman and Chief Executive Officer and the Deputy CEO, and apportioned directors' fees among the members of the Board of Directors;
- authorised the signature of regulated agreements;
- authorised the issuance of guarantees;
- decided on the allotment of free shares and recognised the vesting of a portion of these free shares, as well as increases in the share capital resulting from the vesting of these shares or OCEANEs 2014 conversion requests;
- decided to implement a new share buyback programme; and
- updated the Board's internal rules and regulations and discussed the assessment of the Board's work.

Moreover, the Board of Directors is permanently kept informed, using all possible means, of the Company's financial position and commitments as well as all significant events and activities concerning the Company.

4.2.3.2 Chairman of the Board of Directors and Chief Executive Officer

Since the Company's conversion into a *société anonyme* in 2004, the office of Chief Executive has been held by the Chairman of the Board of Directors.

This approach, which is frequently employed among SBF 120 companies, has always appeared best suited to the Company's image and needs. It also enables the Company to respond quickly and effectively to the challenges it faces and to ensure that the Group's activities are coordinated efficiently in light of its organisational structure. This operating method is in keeping with the prerogatives of the various corporate bodies, and in particular those relating to the Board of Directors and the work of its specialised committees.

The Chairman is elected by the Board of Directors from amongst its individual members for a duration not exceeding the electee's term of office. The Chairman must be under 72 years of age. If the Chairman reaches this age limit while in office, he or she will be deemed to have resigned on conclusion of the next Annual Ordinary Shareholders' Meeting. The Board of Directors determines the Chairman's remuneration. It may also dismiss the Chairman at any time.

The Chairman organises and directs the Board's activities and reports on them at Shareholders' Meetings. The Chairman oversees the proper functioning of the Company's corporate bodies and specifically ensures that the directors are in a position to fulfil their duties.

The Chairman and Chief Executive Officer is vested with the broadest possible powers to act in all circumstances on behalf of the Company. He exercises his powers within the confines of the corporate purpose and subject to

any powers expressly assigned by law to the shareholders or the Board of Directors. He represents the Company in its dealings with third parties.

At the recommendation of the Chief Executive Officer, the Board had also appointed a Deputy CEO. The Deputy CEO notified the Board of Directors of his decision to step down from his positions as Deputy CEO and director with effect from 1 January 2017, which was noted by the Board on 23 January 2017. In accordance with the introduction of new governance structures within the Group (see Section 4.1.1 of this Registration Document, "Board of Directors"), he was not replaced.

4.2.3.3 Vice-Chairman and Senior Independent Director

If deemed necessary, the Board of Directors may also appoint one or more Vice-Chairmen chosen from among the independent directors, for a term of office that may not exceed that of their appointment as directors.

Luce Gendry has served in this position since 17 February 2015.

The Vice-Chairman may convene Board meetings should the Chairman be unable to do so.

In the absence of the Chairman of the Board of Directors, the Vice-Chairman may also chair Board meetings.

The Vice-Chairman is also the Senior Independent Director. His/her duties, responsibilities, resources and prerogatives are described in the internal rules and regulations of the Board of Directors. In this capacity, he/she coordinates meetings of independent directors, supervises the formal assessment of the work of the Board of Directors and is the point of contact for Board members in the event of a conflict of interest.

4.2.3.4 Diversity within the Board of Directors

At 31 December 2016, the Board had four female and seven male members. Female members therefore made up 40% of the Board at this date. In accordance with the AFEP/MEDEF Code, the director representing the employees is not included when calculating the percentage of female Board members.

Following the resignation of a director, this figure has increased to 44% since 23 January 2017.

4.2.3.5 Changes during the financial year

The following table presents an overview of changes made in Board membership over the course of the financial year contributing to Board diversity.

Director	Appointment date and method	Increased diversity
Magali Smets	Elected at the Shareholders' Meeting of 31 May 2016	Gender diversity Independence
Charles-Henri Filippi	Co-opted on 15 December 2016 by the Board of Directors	Independence

In addition, with effect from 1 January 2017, Bruno Catelin replaced Stanislas Augem as the director representing the employees.

4.2.3.6 Independent directors

The criteria for directors' independence laid down in the Board's internal rules and regulations are aligned with the following criteria set out in the AFEP/MEDEF Code, under which an independent director may not:

1. be an employee or executive company officer of the Company or any company consolidated by the Company, or an employee or executive company officer of a parent company, i.e. any company that has sole or joint control over the Company, or any company consolidated by such a parent company, and may not have been such at any time during the previous five years;
2. be an executive company officer of an entity in which the Company holds a directorship, whether directly or indirectly, or in which an employee designated as such or an executive company officer of the Company (in office at any time during the last five years) serves as a director;
3. be a customer, supplier, corporate banker or investment banker who is material to the Company or for a significant part of whose business the Company accounts;
4. be a close relative of a company officer;
5. have been an auditor of the Company at any time during the last five years;

6. have been a member of the Company's Board of Directors for more than twelve years at the start of his or her current term of office. A director is no longer considered independent after twelve years.

The following table presents an overview of each director's position with regard to the aforementioned independence criteria.

	Independence criterion number					
Name	**1**	**2**	**3**	**4**	**5**	**6**
Alain Dinin	No	No	✓	✓	✓	✓
Luce Gendry	✓	✓	✓	✓	✓	✓
Bruno Catelin (from 1 January 2017)	No	✓	✓	✓	✓	✓
Jean-Pierre Denis	✓	✓	No	✓	✓	✓
Hervé Denize	No	No	✓	✓	✓	✓
Charles-Henri Filippi	✓	✓	✓	✓	✓	✓
Jérôme Grivet	✓	✓	No	✓	✓	✓
Soumia Belaidi Malinbaum	✓	✓	✓	✓	✓	✓
Agnès Nahum	✓	✓	✓	✓	✓	✓
Magali Smets	✓	✓	✓	✓	✓	✓
Jacques Veyrat	✓	✓	✓	✓	✓	✓

The table below summarises the position of directors whose terms of office expired in the course of 2016.

Stanislas Augem (to 31 December 2016)	No	✓	✓	✓	✓	✓
Anne-Marie de Chalambert (until 23 May 2016)	✓	✓	✓	✓	✓	✓
Miguel Sieler (to 12 December 2016)	✓	✓	✓	✓	✓	No

At its meeting held on 16 February 2017, the Remuneration and Appointments Committee discussed the criteria for director independence. The Committee analysed each director's circumstances in light of these criteria, particular as regards the materiality of any business relationships that they may have with the Company.

Having conducted a review at its meeting of 21 February 2017, the Board of Directors decided, in the light of both its own analysis and that resulting from the application of the independence criteria laid down in the AFEP/MEDEF Code, and for the purposes of good governance, to continue to consider Jacques Veyrat as not being independent, particularly due to his investment activities. The Board further concluded that the following five directors could be considered independent: Luce Gendry, Soumia Malinbaum, Agnès Nahum, Magali Smets and Charles-Henri Filippi. The percentage of independent directors on the Board of Directors is thus 56%[1]. On the basis of the criteria presented above, the Board noted that none of the independent directors had any material business relationships with the Company or the Group. Furthermore, all of the above directors declared that they had not identified any conflicts of interest between their activities and their duties to the Company and/or any of its other directors.

4.2.3.7 Specialised committees of the Board

The Board rules allow the Board to set up one or more permanent or temporary committees to facilitate the Board's work and contribute effectively to its decision-making process.

The Board of Directors has formed three Committees: the Audit and Accounts Committee, the Remuneration and Appointments Committee and the Investment Committee.

These committees are responsible for studying matters that the Board of Directors or its Chairman may submit to them, analysing and preparing the Board of Directors' work concerning these matters, and reporting their findings to the Board of Directors in the form of summaries, proposals, information or recommendations.

Committees established by the Board of Directors have a strictly advisory role.

Audit and Accounts Committee

On 31 December 2016, the Audit and Accounts Committee consisted of six directors appointed by the Board of Directors, none of whom is an executive company officer. In 2016, membership was as follows: Luce Gendry (Chairman), Jérôme Grivet, Jean-Pierre Denis and Miguel Sieler up to his resignation on 12 December 2016. Magali Smets was appointed as a member of the Committee from 26 October 2016 and Agnès Nahum and Soumia Malinbaum were appointed from 15 December 2016.

[1] Percentage calculated in accordance with the AFEP/MEDEP Code, which stipulates that shareholders representing the employees should not be included in the calculation.

The Audit and Accounts Committee performs the audit committee functions described under Article L. 823-19 of the French Commercial Code. The Committee may call on external experts if it so wishes. The Statutory Auditors are invited to all the Committee's meetings. Its main duties in accordance with or addition to those established by law are as follows:

Concerning the parent company and consolidated financial statements and internal control:

- (i) to review the interim and annual parent company and consolidated financial statements, including notes, as well as the Management Report where applicable, and (ii) to render an opinion where applicable;
- to ensure that the regulatory accounting practices used in preparing the parent company and consolidated financial statements are appropriate and properly applied;
- to verify the accounting treatment of significant transactions;
- to review significant off balance sheet commitments;
- to ensure that the Group has in place internal procedures for collecting and controlling financial and accounting information that ensure the quality and reliability of the Group's accounts, internal and external audits, and management's responses;
- to review the scope of consolidation;
- to review all financial and accounting matters; and
- to present to the Board of Directors any finance- or accounting-related observations it considers worthwhile.

Concerning external audits:

- to submit recommendations to the Board on the selection of the Statutory Auditors (audit firms and networks);
- to analyse and give an opinion on the nature of their duties, fees, scope and timetable of activities, recommendations and action taken;
- to review all finance- and accounting-related matters submitted by the Chairman of the Board, as well as any matters concerning independence or conflicts of interest that might be brought to its attention; and
- to approve, in accordance with the provisions of Article L. 822-11-2 of the French Commercial Code, the services provided by the Statutory Auditors or their networks other than the auditing of financial statements and other mandatory duties of the Statutory Auditors in accordance with applicable regulations to ensure that these do not include any prohibited services.

Concerning financial disclosures:

- to review draft financial press releases (interim and annual financial statements, quarterly updates on revenue and business activity).

At its meeting of 21 February 2017, the Board of Directors noted that all of the Committee's members had expertise in finance or accounting. Luce Gendry, Soumia Malinbaum, Agnès Nahum and Magali Smets meet the criteria for independence set out in the AFEP/MEDEF Code. As such, two-thirds of the Committee's members are independent directors.

- Luce Gendry began her career in the Générale Occidentale group as Company Secretary and then Chief Financial Officer. She later joined the Bolloré group as Deputy Managing Director before moving to Banque Rothschild, where she was a managing partner until mid-2011. She is now Senior Advisor at Rothschild et Compagnie Banque, Chairman of the Supervisory Board of IDI, director of FFP (Peugeot family group), and Chairman of Cavamont Holdings Ltd (a family trust).
- Jérôme Grivet is Deputy Managing Director – Group Finance at Crédit Agricole SA. He began his career as an inspector of finance for a number of French ministries and then served in several positions at Crédit Lyonnais and the Crédit Agricole group.
- Jean-Pierre Denis is Chairman of Crédit Mutuel Arkéa. He began his career as an inspector of finance and subsequently served in various positions, including deputy secretary-general during the first term in office of French President Jacques Chirac. He then held various executive management positions at Dalkia, Veolia and OSEO (now BPI France).
- Magali Smets is Director General of Union des Industries Chimiques (U.I.C.). She began her career in 1999 as a consultant and active member of the Energy practice at McKinsey & Company. In 2001, she joined the Strategy Department of Alstom Transmission & Distribution, later becoming Chief Strategy Officer of Areva Transmission & Distribution. Ms Smets joined Areva's representative office in Brussels in 2007 and became its manager in 2011, advocating the company's positions before the EU institutions. In January 2013, she became Director, reporting to the Chairman, and Executive Secretary of Areva's Management Board, before she became Areva's Chief Strategy Officer in 2015.

- Soumia Belaidi Malinbaum has been Managing Director of Business Development at KEYRUS Group since 2008. Between 1991 and 2006 she was the founder, Chairman and Chief Executive Officer of Specimen; Sales Director France for Hommes et Techniques de l'Informatique (HTI); and an Account Manager in financing and leasing at International Brokerage Leasing (IBL).
- Agnès Nahum has been Co-Founder and Managing Partner of the Access Capital Partners investment fund (fund of independent European small-cap and mid-cap funds) since December 1998. Previously she was Senior Vice-President of Business Development at BNP Paribas Private Equity, Business Development Director at Financière Saint Dominique and Head of Investment and Development at MAAF.

The Committee may request any and all accounting or financial documents it deems necessary to carry out its duties.

The Audit and Accounts Committee met four times in 2016 in the presence of the Deputy Managing Director for Finance, Strategy and Digital Transformation, the Deputy CFO and the Head of Audit and Internal Control. The Statutory Auditors attended all of the meetings. The Audit and Accounts Committee notably reviewed the approved financial statements for the year ended 31 December 2015, the interim financial statements to 30 June 2016 and revenue for the first and third quarters of 2016. The Committee regularly monitored the progression of work conducted by the Internal Control and Internal Audit Department, the application of internal control procedures within the Group and the findings of the various internal audits carried out during the year, and followed up on actions in response to recommendations. In addition, it met once with the Statutory Auditors with executive management not in attendance. As part of the reform of statutory audit regulations (Article L. 822-11 of the French Commercial Code), the Committee was also consulted on the procedures for approval of services provided by the Statutory Auditors other than their audit duties. These procedures were incorporated in the internal rules and regulations of the Board of Directors on 23 January 2017.

Remuneration and Appointments Committee

The Remuneration and Appointments Committee consists of four members appointed by the Board of Directors. These members are: Charles-Henri Filippi, elected Chairman on 23 January 2017 having been appointed as a member of 15 December 2016 to replace Miguel Sieler, Chairman until his resignation on 12 December 2016; Jacques Veyrat, who was Acting Chairman of the Committee up until 23 January 2017; Soumia Malinbaum, appointed to replace Anne-Marie Chalambert; and Stanislas Augem, replaced as director representing the employees by Bruno Catelin with effect from 1 January 2017. The majority of the Committee's members are therefore independent directors.

The Remuneration and Appointments Committee's duties are as follows:

- to review and submit proposals on remuneration paid to company officers, particularly as regards (i) variable compensation, by proposing rules to the Board on the determination of variable compensation based on company officers' performance during the preceding financial year and the Company's and Group's medium-term strategy, and monitors compliance with those rules; and (ii) all benefits in kind, share subscription and purchase options and free share awards received from all Group companies, as well as provisions for retirement and any other benefits;
- to propose to the Board the total amount of directors' fees to be put to the vote at Shareholders' Meetings;
- to propose to the Board rules for allocating directors' fees and individual amounts to be paid to the directors accordingly;
- to offer the Board its opinion on general policy for awards of share subscription and/or purchase options and/or free shares as well as share option and free share award plans put forward by Group senior management in light of applicable rules and recommendations; to inform the Board of its proposals regarding share purchase or subscription options or free share awards, including the reasons for and consequences of this proposal; and
- to review all matters submitted to it by the Chairman of the Board pertaining to the above matters or to increases in the share capital restricted to employees.

The duties of the Remuneration and Appointments Committee when acting in its capacity as Appointments Committee are as follows:

- selection of new directors: the Committee is tasked with making proposals to the Board after reviewing in particular the Board's membership in light of the composition of and changes in share ownership as well as gender equality, finding and evaluating potential candidates, and assessing the appropriateness of reappointments; and
- succession planning for executive company officers: under the Company's risk prevention policy, the Committee prepares a succession plan to ensure that it is in a position to propose succession options to the Board in the event of unforeseen vacant positions.

The Remuneration and Appointments Committee met six times in 2016 and discussed director independence, remuneration paid to company officers, the implementation of free share plans and the vesting of such shares, the capital increase plan reserved to employees, and the apportionment of directors' fees. The Remuneration and Appointments Committee presented the following remuneration principles for Nexity's executive company officers to the Board of Directors, which approved them: annual fixed and variable remuneration based entirely on meeting quantitative targets for current operating profit and business indicators, in accordance with a scale, together with deferred variable remuneration based on meeting a multi-year target for current operating profit. The Remuneration and Appointments Committee also reviewed the proposed update to the Board's internal rules and regulations, changes to the Guide to Prevention of Insider Trading and the gender equality report.

Finally, the Committee reviewed applications for the vacated director positions and proposals to ratify and renew the appointments of non-voting Board members. In more general terms, the Committee reviewed the composition of the Board of Directs and of its various committees and the appointment of members and made its recommendations to the Board.

Remuneration and benefits paid to senior executives are described in further detail in Section 4.5 of the Registration Document, "Executive remuneration and benefits".

Investment Committee

Up to 31 December 2016, the Investment Committee consisted of six members, including two company officers, appointed by the Board of Directors, it being noted that Anne-Marie de Chalambert was a member of the Committee up until the expiry of her term of office on 31 May 2016.

Following the resignation of Hervé Denize from his positions as Deputy CEO and director, the Committee consisted of five members, including one company officer.

These members are Alain Dinin, Luce Gendry, Jacques Veyrat, Jean-Pierre Denis and Jérôme Grivet.

The Investment Committee's duty is to render opinions on the acquisition or transfer of equity interest or assets in material amounts liable to modify the Company's balance sheet structure, including any acquisition or transfer of equity interest or assets amounting to a value of €50 million or more.

The Investment Committee meets at least once a year. If no investment projects are presented to the committee during a given year, it meets as a strategic committee to review the Business Plan, on which occasion it may be extended to include other directors.

The Investment Committee met once in 2016 in the form of a strategic committee open to all directors.

4.2.3.8 Non-voting Board members

The Board of Directors is assisted in its work by two non-voting members, Pascal Oddo and Gérard Bayol, serving in an advisory capacity.

Non-voting Board members may be selected from among the shareholders (natural or legal persons) or elsewhere. Non-voting members attend Board meetings but cannot vote in decisions. They serve as general advisors to the directors, who are under no obligation to heed their opinions or recommendations. Non-voting Board members are bound by the same confidentiality obligations as the directors, and may be dismissed at any time by vote at an Ordinary Shareholders' Meeting.

4.2.3.9 Assessment of the Board's operating procedures

The Board's internal rules and regulations stipulate that once a year the Board shall devote an item on the agenda to a discussion of its operating procedures with the aim of making them more efficient. At the meeting in question, the Board carries out a self-assessment under the supervision of the Senior Independent Director; the task of coordinating this assessment may be entrusted to one of the Board's members as necessary. The Board's internal rules and regulations also require that a formal assessment be conducted every three years, where applicable with the assistance of an outside consultant.

An assessment was carried out in 2015 by a specialist firm. The directors decided at the Board meeting of 15 December 2016 to proceed with this assessment using an adjusted version of the standard questionnaire drawn up by AFEP.

At the Board meeting held on 21 February 2017, the Senior Independent Director and the Board Secretary together presented the report on the assessment of the Board's work, which resulted in a very positive overall assessment, particularly as regards the following points:

- **On an overall view**: the Board of Directors believes that its organisation and operation are adequate for the fulfilment of its duties.
- **Operation, role and duties of the Board of Directors**: the directors value the Board's organisation and the quality of information made available to them. They are satisfied with the length and frequency of Board meetings and have a strong attendance record at both Board meetings and meetings of Board Committees. They are particularly satisfied with the openness of debate and the quality of discussions within the Board. They consider that they are free to express their opinions.

  Directors welcome the creation of a strategic seminar, and look forward to the next such meeting.

  They consider that meeting agendas are comprehensive and that requests are given due consideration. Minutes reflect the debates and are sent out in due time.

  The amount of directors' fees and the rules for allocating them (based entirely on attendance and apportioned between Board and Committee meetings) are considered reasonable.

  With regard to the governance approach, which is discussed on the Board, the directors consider that the governance approach should be maintained unchanged and that, in spite of the roles of Chairman and Chief Executive Officer being combined, there is an appropriate balance of powers within the Board. They nevertheless welcome the presence of a Senior Independent Director who could, if necessary, intervene in the event of a conflict of interest.
- **Composition of the Board and terms of office**: the composition of the Board is considered appropriate in light of the Company's ownership structure and the diversity of its business. The directors believe they have the experience and expertise needed to perform their duties and say they are satisfied with the selection process in place for recruiting new members. They consider that the composition of the Board of Directors is satisfactory overall, and highlight its positive aspects, particularly in terms of equality. As a result, the composition of the Board of Directors is now considered highly satisfactory.
- **The Board's specialised committees:** The operating procedures, composition and contribution of these committees are deemed highly satisfactory.
- The Board's discussion of this assessment also gave rise to a number of **suggested improvements.** These themes will be taken into account in the preparation of the work schedule for the Board and its committees in 2017.

4.2.3.10 Information referred to in Article L. 225-100-3 of the French Commercial Code

This information is mentioned in Sections 4.5, 6.4, 6.5 and 6.7 of this Registration Document: "Remuneration and benefits paid to senior management", "Information on share capital", "Key shareholders" and "Requirements under the Articles of Association".

4.2.3.11 Compliance with the AFEP/MEDEF Code

No exceptions had been identified at the date of this report.

4.2.4 Internal control and risk management arrangements

4.2.4.1 Objectives of risk management and internal control

Risk management refers to a permanent set of arrangements that enable management to identify, assess and contain any risks that could harm the Group's staff, assets, environment, reputation or ability to achieve its objectives. Risk management forms an integral part of all Group processes (business lines and support functions); in particular, it provides assistance in decision-making. It aims to raise awareness and involve all employees through a shared vision of the key risks faced by the Group.

The Group's internal control system is defined by executive management and other managers and implemented by Group staff. It complements the risk management system, since it serves to identify and analyse risks while playing an active role in addressing them, in particular through the implementation of controls.

Internal control encompasses a range of resources, behaviours, procedures and actions that:

- help the Group manage its activities, operate effectively and make efficient use of its resources; and
- must enable the Group to appropriately assess significant operational, financial and compliance risks.

More specifically, the system aims to obtain reasonable assurance with respect to:

- compliance with laws and regulations;

- the application of instructions and guidelines laid down by the Group's executive management;
- the proper functioning of the Group's internal processes; and
- the reliability of financial disclosures.

Internal control is therefore not limited to a set of procedures or to accounting and financial processes alone.

4.2.4.2 Risk management and internal control: general organisation and environment

Principles of action and conduct

The business areas in which the Group operates require its teams to have a strong local presence in order to provide tailored solutions that meet its clients' expectations. To help our teams respond swiftly to our clients' needs while managing any risks related to the Group's businesses, from real estate development and transactions through to real estate services, the following organisational approach has been put in place:

- decentralised operational responsibilities devolved to the managers of each operational unit; and
- centralised responsibilities related to financial and legal matters, human resources and IT systems, which are devolved to the Group's functional senior management (in conjunction, where applicable, with functional departments within the relevant divisions or subsidiaries).

In order for this organisational approach to function correctly, certain clear principles of action and conduct must be followed:

- all staff must strictly comply with the Group's general regulations, notably with regard to commitments relating to developments (see "Procedures for authorising commitments" in Section 4.2.4.3 of this Registration Document) as well as financial, accounting and management information (see "Procedures related to financial and accounting information" and "Procedures for the preparation and approval of the consolidated financial statements" in Section 4.2.4.3 of this Registration Document);
- all staff must have access to and comply with the Group's code of conduct; The purpose of this code of conduct is to remind directors and employees of the Group of all the rules and procedures governing the conduct of their professional activities and the legal and ethical framework in which they work;
- staff in positions of responsibility must act transparently and fairly toward their colleagues in the hierarchy at the operational level and toward the central functional departments of divisions and the holding company; an integral part of the responsibilities of operational leaders is to be able to make decisions alone when they fall within their field of expertise, but to address any difficulties encountered with help from their managers or functional departments within the Group's divisions and the holding company, where necessary; and
- managers of operational units are responsible for communicating the aforementioned principles to their teams using the most appropriate means and setting an example; this responsibility cannot be delegated to functional departments;

These principles are reflected in the Group's organisation through regular meetings of:

- the Executive Committee, consisting of the Group's key senior executives, and the Executive Management Committee, consisting of the members of the Executive Committee and the heads of the Group's main functional departments; and
- the executive committees of divisions, subsidiaries and functional departments consisting of the managers concerned.

Organising and preparing financial information

The heads of operational units define their strategy and the resources needed to implement it. Once these elements have been approved by the Group's executive management, they are monitored and their performance is measured, mainly by the Group's Finance Department.

Financial information is established based on:

- monitoring physical and management indicators (notably those related to sales activity, and to the structuring of new development projects for the Group's real estate development businesses); and
- accounting information, which allows the financial accounts to be drawn up and signed off and provides the information needed to produce the consolidated financial statements.

Organisation and objectives of the Internal Control and Internal Audit Department

The Group's Internal Control and Internal Audit Department reports directly to executive management. It assists management in assessing and updating the Group's internal control systems. In addition to its Director, it employs ten auditors and controllers.

The key principles laid down in the reference framework recommended by the AMF (Autorité des Marchés Financiers, the French financial markets authority) and its implementation guidelines for risk management and internal control of accounting and financial information are used by the Internal Control and Internal Audit Department to ensure a consistent, uniform approach across the Group and facilitate compliance with the French Financial Security Act (known as the LSF – *Loi de Sécurité Financière*).

As such, the Internal Control and Internal Audit Department, in conjunction with the Group's executive management and operational management, endeavours more specifically to:

- promote an organisational approach based on clearly defined responsibilities, with appropriate resources and skills, supported by suitable and reliable information systems and appropriate practices, tools and operating methods or procedures;
- assess whether relevant, reliable information is properly distributed and enables each member of staff to perform his or her duties;
- work with the Risk Management Department put in place a system to identify and analyse identifiable key risks relating to the Group's business and objectives, and to ensure that procedures are in place to manage those risks;
- check that control activities are in place that are commensurate with the issues specific to each process and designed to ensure that all necessary measures are adopted to manage any risks liable to affect the achievement of objectives; and
- continuously monitor risk management and internal control arrangements and regularly review their operation to ensure that rules and procedures are properly implemented within the Group, that those rules and procedures keep abreast of changes in regulatory constraints, and to safeguard against key risks while providing high-quality financial information.

To perform its duties as effectively as possible, the Internal Control and Internal Audit Department consists of two distinct teams:

The Internal Control team

This team is responsible for defining and updating the Group's methodology as regards internal control arrangements. More specifically, it uses continuous monitoring to identify changes to business lines, cross-functional services and events within the Group that could affect risk management and internal control arrangements, such as the reorganisation of a business or the implementation of a new IT system. The team ensures that these changes and events are properly taken into account in the selected approach.

It helps employees design risk management and internal control systems and be aware of any required improvements, with the aim of ensuring that risks are correctly identified, putting in place the control activities needed to reasonably cover those risks and facilitating the implementation and communication of procedures over the long term by formally documenting them and choosing the most appropriate means of communication for each entity.

The team encourages feedback, notably by checking that recommendations made by the internal audit team are properly taken into account by working with the managers concerned to define action plans and a rollout schedule.

The internal control team reports on its progress and any issues calling for attention or improvement to the Group's executive management at least monthly; these reports are also included in the Audit and Accounts Committee's quarterly bulletins.

The Internal Audit team

This team works with subsidiaries and cross-functional departments to check and assess employees' knowledge and the proper use of the risk management and internal control arrangements in place. It draws up a provisional audit plan, which is signed off by executive management and submitted to the Audit and Accounts Committee.

It carries out regular audits in accordance with a work programme based on documentation describing risk management and internal control arrangements and preliminary interviews with managers of the Group or the audited entity.

At the request of the Group's executive management, the team may also carry out special assignments relating to any issue or event that requires analysis, specific assessment or feedback.

The internal audit team occasionally calls on external support through specialised consulting firms when it needs specific expertise (such as in the field of IT security) or additional resources.

Recommendations made following audits are provided to the management of the audited entity, who sign them off and put in place corrective action plans. The internal audit team is not directly involved in implementing these plans.

Audit reports are sent to the entity's management, the Group's executive management, the Statutory Auditors and the internal control team.

Progress made on the audit plan and a summary of recommendations are monitored at least monthly by the Group's executive management and presented quarterly to the Audit and Accounts Committee.

Organisation and objectives of the Risk Management Department

The Risk Management Department reports to the Company Secretary. Its objectives are to strengthen the overall approach to risk management and analysis, promote a culture of risk management throughout the Group and propose further opportunities to address risks, such as the use of insurance.

The Risk Management Department works with the Internal Control and Internal Audit Department to draw up a risk-mapping methodology adapted to Nexity. It oversees risk mapping and is involved in monitoring the implementation of action plans to manage identified risks.

The Risk Management Department checks that the Group's current insurance policies provide optimal coverage of the risks that Nexity has chosen to transfer to the insurance market and, whenever possible and appropriate, implements Group-wide insurance programmes that cover all its subsidiaries.

4.2.4.3 Suitability of risk management and internal control procedures in light of risk factors

All risk factors are described in Section 2, "Risk factors", of this Registration Document filed with the Autorité des Marchés Financiers (www.amf-france.org and www.nexity.fr).

Risk management and internal control procedures

Executive management is responsible for risk management and internal control systems. It must ensure that these systems are appropriate to the Group's business and any changes in it, as well as organisational and environmental changes.

These systems are managed in particular through the Executive Committee, the Executive Management Committee, the Commitments and Purchasing Committees and, where applicable, special committees.

Executive management ensures that information is properly and regularly relayed to the Board of Directors and the Audit and Accounts Committee.

Furthermore, it is supported by the Risk Management Department and the Internal Control and Internal Audit Department in ensuring that a consistent risk identification and internal control methodology is implemented across all the Group's businesses and in assessing its implementation.

The methodology adopted provides for the monitoring of the Group's key processes and operating methods.

It is designed firstly to ensure that each operational process or support function is understood and its implementation and associated organisational arrangements are analysed. It goes on to identify and assess any operational, financial, compliance and fraud risks.

Supported by both local management and operational staff, the internal control team endeavours, more specifically, to:

- identify or define control activities in place and estimate the extent to which the associated risks are covered;
- assess the traceability of existing internal control arrangements, in particular so as to subsequently verify their implementation and operational effectiveness;
- identify and assess the extent to which the process is formalised, in particular via internal organisational memoranda, written procedures and existing operating methods;
- produce a formal risk matrix for each process, notably referencing risks, control activities and responsibilities, assessing the significance of each risk according to its potential impact and probability of occurrence, and

reflecting the extent to which the process has been formalised as well as the maturity of internal control arrangements; and

- propose, where applicable, recommendations regarding the design of internal control systems.

Documenting processes by formalising or updating written procedures in accordance with analyses and recommendations established beforehand is the final element of the internal control system, ensuring its long-term viability and that all employees concerned fully understand and buy into the system.

The internal audit team regularly audits compliance with these procedures.

The approach includes monitoring of the system and procedures to ensure that coverage of the Group's scope is regularly updated, notably when a new business is integrated, a procedure changes or a risk is re-assessed.

Lastly, the risk mapping process currently underway will round out this system by:

- eventually providing an overview of the Group's key risks and how they are managed;
- making it easier to track these risks through reporting tools; and
- helping determine priorities, particularly as regards changes needed to ensure proper risk coverage.

The scope of risk mapping currently covers the Group's corporate, real estate development and real estate services activities. It will eventually cover the activities of the franchise networks, the urban regeneration activities of Villes & Projects, and all cross-functional services.

The scope of internal control covers all the Group's operational and functional businesses identified as priority areas. These businesses have been selected based on the scale of their inherent risks, the complexity of their organisation, the need to ensure continuity in the internal control arrangements applied to them and the proportional weight they carry in the Group's financial statements.

Other businesses not included in the scope of internal control are not required to follow the Group's methodology but may be assisted by the Group's internal control team in making improvements to their own internal control procedures. The businesses in question are international businesses and businesses in the incubation stage, as well as associates, the latter being those companies over which the Group exercises only significant influence. These businesses may also be audited.

The documentation drawn up describes, in particular, control activities and tasks to be carried out, key risks to be covered, the involvement of various internal and non-Group stakeholders and information channels used by each process. The degree of complexity of the business, its organisation and its significance within the Group determine the level of detail with which each process is described and the communication method used, in order to meet the aforementioned objectives. Documentation may thus include flow charts, risk matrices, narratives and procedures. This documentation is made available to employees through the Group intranet (for central documentation) and through subsidiaries' servers (for more specific documentation). The Group's executive management and internal control team ensure that managers are aware of and make use of this documentation through meetings, presentations given at seminars and reminders at Management Committee meetings.

The Group's scope and documentation are monitored with the support of a network of trusted representatives of business lines and support services and division managers. This monitoring effort has notably enabled the Residential real estate business to supplement its processes and controls by implementing a new tool for processing paperless invoices and rolling out across the business a process for payment by wire transfer.

In line with the defined approach, which ensures that compliance with the described procedures is verified, the Group is also supported by the internal audit team, which is tasked with checking that these arrangements are properly implemented.

Procedures related to real estate development business lines (Residential real estate and Commercial real estate)

Each subsidiary's Development Department is responsible for identifying potential new land, an essential element of future real estate development projects. Its activities are supervised by the executive management of both the subsidiary and the division, which analyse the risks associated with restoring land development potential.

In studying its projects, the Group takes the utmost care during preliminary studies to identify and quantify development-related risks as precisely as possible, as well as any potential additional costs and legal or technical risks incurred.

This procedure concludes with a presentation to the Commitments Committee, which ensures that all risks related to the development and land acquisition are properly managed (see Section "Procedures for authorising commitments").

In addition, the commitment procedures are strict and designed to limit the risks inherent in real estate development activities.

Land acquisitions are contingent upon adequate coverage being in place for any risks liable to jeopardise the project's feasibility or profitability, such as:

- the absence of a building permit free of all third-party claims;
- any pollution and ground quality problems; and
- the discovery of archaeological remains.

For this reason, provisional sale agreements for land or buildings contain conditions precedent that allow the purchase to be called off. These agreements are subject to a preliminary review by the Legal Department, which checks that any potential risks are properly covered. The Development Department of the subsidiary concerned monitors the fulfilment of these conditions.

The Commitments Committee, followed by the Purchasing Committee for land acquisitions for Residential real estate, checks compliance with these criteria before any binding agreements are entered into and the purchase is completed.

All exceptions must be addressed by another means that reduces exposure to these risks. For example:

- the absence of a definitive building permit free of all third-party claims before land is acquired may be justified on an exceptional basis, notably by occupation of the asset generating revenue;
- pollution risk may be limited by insisting that decontamination work is carried out before any permanent agreement is entered into, or through a detailed technical analysis providing assurance as to any decontamination costs that might need to be borne.

Commercial risk related to the absence of real demand for each real estate product that the Group wishes to offer is also managed by complying with the following principles:

- in Commercial real estate, the investor's commitment must be secured or the project must be pre-marketed before construction work begins, with the exception of small developments in regions other than Paris where the commercial risk remains limited; and
- In Residential real estate, land acquisitions are only completed once the results of the pre-marketing phase have been reviewed. Notable criteria taken into account are reservation rates, home types and whether clients have provided a security deposit and proof of financing method.

Furthermore, the powers necessary to complete acquisitions or sales, or to grant requests to issue completion bonds (which are a precondition for sales to clients under off-plan (VEFA) contracts, notably for Residential real estate) are granted once compliance with these criteria has been verified.

Lastly, in Residential real estate, the launch of the phase during which clients sign deeds of sale and construction work begins is contingent on the Regional Director's approval.

Managing costs is a key component of the success of any development. During the preparation phase, soil studies and measurements provide reasonable assurance of the construction budget.

This data is corroborated by experience gained through previous developments. Comparing this data with a wide range of ratios adapted to each business line and each product also allows it to be checked for consistency and helps detect any potential anomalies using an evaluation grid. These elements, which serve to validate the cost price (notably the construction cost), are signed off by each subsidiary's management.

During the construction phase, works contracts are avoided such that actual construction costs can be signed off and any potential budget overruns identified. Regular budget meetings between operational teams and the management control department help ensure that any potential cost overruns are quickly addressed.

The choice of companies is subject to a selection process overseen by the subsidiary's Technical Director. The selection is based on multi-criteria choices, which include not only the price but also the company's references and reliability, as well as any prior experience it may have had with the subsidiary. To this end, the tool introduced for rating companies and consultants involved in developments allows access to company financial and legal information. The Group is also careful to avoid being dependent on a small number of suppliers.

In construction projects, the Group takes care to deal with competent service providers who contribute their experience and expertise in order to comply with all regulations concerning construction and site conduct while also adhering to safety standards, laws and regulations. The Group checks with its contractors that they have valid insurance in place appropriate to the projects or sites in which they are involved, as well as documentary evidence of tax and social security returns to deter and prevent the use of undeclared workers.

By providing standard contracts and having the Legal Department approve any special clauses, the Group secures its contracts and limits litigation risk.

To check that the project is proceeding correctly, the programme director monitors progress with the help of contractors. This monitoring is mainly based on checking the work schedule, conducting site visits, consulting site reports and approving work reports. In order to verify that the provisional delivery date is realistic and to limit the number of issues to be resolved when the subcontractors deliver the work, the Production Quality Department assesses all projects at four months and one month before delivery. Calls for payment are made to clients as construction progresses and as work is paid for, thereby limiting the working capital requirement. Each subsidiary then ensures that client payments are correctly collected up until delivery.

Procedures related to the Services businesses

Real estate services

For the Group's property management for individuals businesses, responsibility for control of procedures related to rental management, condominium management services, rentals and brokerage is shared between contract managers, agency managers and regional managers, with the support of a regional team leader.

The operational organisation is based on a shared information system which:

- simplifies contract management, for example by helping users prepare for condominium association meetings and keep track of key deadlines, facilitates the following up on customer requests as well as the management of visits to building; and
- automates certain tasks such as managing calls for payment and debiting.

The network is managed by:

- Regional Directors who lead agencies and monitor their performance;
- directors of business lines in charge of helping the network define and roll out new offerings and changes to processes within each business; and
- an Organisational Department, which assists project owners with each division's projects and ensure that training in sector-specific tools is provided.

Three main management bodies meet regularly:

- an Operational Management Committee, responsible in particular for the network's commercial and operational performance, consisting of executive management; Regional Directors; business line directors; the heads of the Finance, Legal, Human Resources, Marketing and Major Private Investors Departments; and Nexity Solutions Assurances;
- a Corporate Committee tasked with coordinating central resources for the entire Services business, consisting of executive management and the heads of the Finance, Human Resources, Information Systems, Legal and Organisational Departments; and
- a Technical Committee, responsible for the evaluation and coordination of implementation of business changes such as changes to regulations. This brings together the Business Lines, Legal, Marketing and Organisational Departments.

A dashboard of the main metrics gives the management team daily visibility on the three business areas and on customer relationships.

The management control team prepares monthly business monitoring reports, which are reviewed by the Regional Directors and the executive management of each business. In particular, these reports help monitor revenue trends and the number of new and expiring contracts.

A risk report is available and updated daily within the information system. This report tracks key risks relating to the management of client working capital accounts, such as accounts receivable and uncleared suspense accounts, by region and agency.

The Services business also manages funds on behalf of its clients as part of its condominium management and property management services. These businesses are structured and regulated by law in order to ensure the financial protection of clients. In particular, funds managed by the company on behalf of third parties are covered by a guarantee granted by a guarantee fund, which has regular on-site audits carried out by an external firm.

Figures are reconciled on a monthly basis to compare cash balances with accounting balances and analyse any anomalies. A monthly bank reconciliation report is drawn up for the Regional Directors, providing them with an overview of these reconciliations over time and any remaining discrepancies.

The Group also relies on audits carried out by the internal audit team and the Statutory Auditors.

Franchise networks

Potential franchisees are preselected by the development teams at Century 21 or Guy Hoquet l'Immobilier and submitted for review and approval by the subsidiary's Review Committee. Upon approval, the franchise agreement is signed by the head of the subsidiary. The future franchisee's file is subsequently monitored by teams responsible for overseeing franchisee integration and training. Affiliated agencies are then subject to regular on-site inspections to ensure that they:

- comply with contractual clauses;
- comply with labour law and regulations, such as the Hoguet Act, which govern their business; and
- maintain a strong financial position.

Recommendations made following these controls are subject to regular monitoring, changes to the schedule of regular inspections where appropriate, and even the implementation of an alert procedure in the event of significant shortcomings at the affiliated agency in question.

A monthly report provides an overview of key performance indicators.

Procedures related to other activities

The Villes & Projets urban regeneration business may work with local authorities as a planner or project manager. The Commitments Committee's prior approval is required before any significant commitments are entered into; for development projects, this applies to all binding provisional land sale agreements and all development concession agreements. Subsequently, a committee also meets for subsidiaries acting as developers for the project, in accordance with the conditions cited in the section entitled "Procedures related to real estate development business lines".

The urban regeneration business monitors the projects in its portfolio and regularly reports to the Group's executive management on the commercial and financial progress of these projects.

Procedures for authorising commitments

The following require prior approval by a Group Commitments Committee:

- any legal undertaking or significant cumulative spending commitment arising from one of the Group's development projects (in real estate development – see the section entitled "Procedures related to real estate development business lines" – or other activities);
- all provisional sale agreements or final deeds to acquire land ultimately intended for real estate development or urban regeneration;
- all external growth transactions and asset disposals;
- all take-ups and renewals of leases; and
- any new business development requiring financial and operational investment.

This Committee is chaired by the Group's Chairman and Chief Executive Officer and/or, until 31 December 2016, Deputy CEO. The other participants are the Chief Financial Officer and the Legal Affairs Director (except for projects that form part of the Residential real estate division's usual business, which are nevertheless covered by a prior written memorandum issued by the Legal Affairs Director), the Managing Director of the division concerned and, where applicable, the project managers. The Committee meets at least twice a month for developments within the Residential real estate division and on a project-by-project basis for developments within each of the other divisions, based on a structured presentation of the planned development and the types of commitments requested.

The Committee is responsible for signing off the management of risks arising from the development and its financial profitability.

Specific powers are then granted on a case-by-case basis to the heads of operational units to sign major contracts with third parties, resulting from the agreement given by the Commitments Committee, following approval by the Group's Finance and Legal Departments.

The membership of committees is adjusted in line with the commitment risk arising from each development. It is determined on the basis of criteria relating to land value, number of units, type of provisional sale agreements, amount of preliminary contract costs, whether or not there is a co-developer and whether a bulk sale is to be undertaken.

Procedures for defining and implementing the Individual Clients strategy

With a focus on offering innovative products that are in step with the changing needs and expectations of the individual client market, a Strategic Clients Committee defines and coordinates offerings, the commercial approach and client relations for the real estate development and services business lines. This committee consists of the Group's executive management and the senior management of the Residential real estate and Real estate services to individuals businesses.

An Operational Individual Clients Committee ensures that the strategy defined is properly implemented by defining fundamental aspects of sales management and checking that performance meets targets.

This committee thus ensures that appropriate marketing, communication and sales resources are in place, for example by:

- making available a customer relationship management (CRM) tool;
- developing training methods for sales representatives; and
- coordinating and supporting sales teams in the field.

Procedures related to financial and accounting information

The Group's Finance Department is responsible for producing, analysing and ensuring the reliability of the Group's financial disclosures. In coordination with the Consolidation Department and the Management Control Department, it is tasked in particular with:

- drawing up, approving and analysing the Group's interim and annual consolidated financial statements and provisional reporting (budget review and multi-year business plan); and
- defining and monitoring the accounting principles used within the Group.

Procedures for drawing up and approving the consolidated financial statements

The Group's consolidated financial statements are drawn up in accordance with international financial reporting standards (IFRSs). The Consolidation Department establishes a timetable and period-end instructions for the preparation of the interim and annual financial statements for the divisions' Finance Departments.

The consolidated financial statements are drawn up by the Consolidation Department on the basis of accounting information provided by each operating subsidiary's accounts department. They are first approved at operating subsidiary level under the responsibility of the head of each subsidiary before being presented to the Group's Finance Department, accompanied by analysis and comments.

The consolidated financial statements reflect the Group's operational reporting and include proportionately consolidated joint ventures: this method of presentation provides a more accurate measure of the Group's performance in terms of revenue, operating profit, working capital and debt.

In accordance with IFRS 11 *Joint Arrangements*, the Consolidation Department then restates joint ventures in the summarised financial statements using the equity method, but the segment information presented in the consolidated financial statements reflects the Group's operational reporting.

The tax computation is checked by the Group's Tax Department. Detailed monitoring is carried out covering the following specific areas: provisions for contingencies and losses, deferred taxes and off balance sheet commitments.

The annual financial statements are audited by the Statutory Auditors, while the interim financial statements are subject to a limited review. The Statutory Auditors share their observations regarding the interim and annual financial statements with the Audit and Accounts Committee before presenting them to Nexity's Board of Directors.

The Audit and Accounts Committee makes sure the Group has allocated appropriate resources to ensure the quality and reliability of the financial statements. Nexity's Board of Directors signs off the consolidated financial statements.

The Group's Accounting Department uses equivalent procedures to sign off Nexity's parent company financial statements.

Budget procedures

The budget procedure is the same across all the Group's divisions and their subsidiaries. It involves three key components each year: the initial budget for year Y+1 in November of year Y, followed by two budget reviews, in May and October/November. The initial budget and the reviewed budgets are established using the same process as that used to produce the consolidated financial statements.

When the initial budget is established, the Managing Director of each of the Group's businesses presents his or her strategy, a multi-year business plan and the projected annual budget together with the latest reviewed budget for the current year.

Once approved by the Group's executive management, the initial budget, established by the Finance Department based on the budget proposals put forward by the various divisions, is presented to Nexity's Board of Directors. It is then used to set quantitative and qualitative targets for the heads of operational units, which serve as the basis for assessing their performance.

Financial reporting

The Group's divisions have management control systems suited to their businesses. Specific budget control tools are in place in the Residential real estate and Commercial real estate divisions.

Performance against budget is tracked via a report submitted monthly or quarterly (depending on the business concerned) to the executive management of each division, the Finance Department and the Group's executive management.

The most significant elements within each division are subject to specific monitoring. This covers the following:

- in real estate development, monitoring of the operating margin and project progress, Residential real estate sales (number of reservations per week), new orders and promises to buy land in Commercial real estate;
- in Services, the portfolio of units and commercial space under management within the property management business; and
- in franchise networks, the number of affiliated agencies and sales activity.

Based on this information, the Management Control Department then prepares a monthly summary for the Group's executive management.

Communication of financial results

The Annual Financial Report (included in the Registration Document) is drawn up jointly by the Finance and Legal Department and submitted to executive management followed by the Audit and Accounts Committee before being signed off by the Board of Directors.

Drafts of press releases related to the financial statements and quarterly sales are drawn up by the Finance Department and approved by executive management before being submitted to the Audit and Accounts Committee and finally signed off by the Board of Directors.

Quality of financial disclosures

The quality of financial disclosures is ensured in large part by the quality of the IT tools used to process this information. The consolidated financial statements are prepared using a single software package that automatically retrieves data from the individual company accounts for the majority of consolidated companies. Practical notes setting out management rules, which are accessible to all Group employees via the Group's intranet, also help ensure that information is thoroughly circulated and accounting processes are kept consistent.

Off balance sheet commitments

Within the Group, the process is mainly based on a total limitation on authorisations to enter into commitments liable to give rise to an off balance sheet liability; these commitments are centrally monitored for each division. This approach helps reduce the risk of off balance sheet liabilities not being identified, favours appropriate monitoring and ensures that each type of commitment is measured consistently.

Procedures related to litigation risk and insurance

Litigation risk

The Group's Legal Department, in conjunction with the Managing Directors and legal heads of the Group's various divisions, continuously monitor and report on litigation and disputes concerning Nexity and its operational units.

Summary monitoring reports are produced regularly and no less than once a year. The status of key ongoing litigation included in these reports that could have a significant legal and financial impact on the Group is formally presented to the Group's executive management, in the presence of divisional management and the heads of the Finance, Risk Management, and Internal Control and Internal Audit Departments.

Insurance

The purpose of the insurance control system is to ensure compliance with regulations relating to mandatory coverage under builder's risk insurance and builder's professional liability insurance for the Group's real estate businesses.

The Group's Risk Management Department is responsible for identifying insurable risks and implementing the coverage policy for those risks. The risk identification process takes into account information related to the progress of disputes supplied by Legal Departments in their half-yearly monitoring reports. Reporting to the Corporate Secretary, the Risk Management Department manages this process and supervises all teams tasked with managing insurance policies.

Regarding "*Dommages-Ouvrage*" (equivalent to building damage insurance) policies in connection with real estate development for new homes, the Group has set up an after-sales department that aims to maintain insurance premiums at current levels by increasing excesses and covering any repair costs within the limit of this excess amount.

In-house training on construction insurance and builders' professional liability insurance is delivered to operational staff, notably through e-learning modules.

Procedures related to financing and cash

The Group's bank financing and financial commitments

Bond issues are subject to approval by the Board of Directors on the basis of information prepared by the Finance Department, which is then tasked with overseeing such issues, in coordination with the Legal department within the limits of powers delegated to the Chairman.

Within the Group, all new borrowing facilities, whether in cash or by signed undertaking, and all new guarantee commitments are subject to prior review and approval by the Group's Finance Department. Documentation pertaining to new borrowing facilities or related guarantees issued by the Group is subject to a joint review by the Group's Finance and Legal Departments, which monitor compliance with financial and legal commitments entered into in connection with "corporate" borrowing facilities.

Cash and cash equivalents

Payment methods are managed centrally by each division's Finance Department, while most cash flows are subject to daily cash pooling, managed centrally by Nexity's Cash Management and Financing Department.

The interest rate hedging policy is defined by the Group's Finance Department and subsequently implemented and managed by the Cash Management and Financing Department.

This organisation ensures that the Group's financial commitments and uses are continually monitored.

The Group's cash position is reported daily to the Chairman and Chief Executive Officer, the Deputy CEO (until 31 December 2016) and the Deputy Managing Director for Finance and Strategy. The Group's Finance Department produces a monthly analysis of changes in cash for the current month and until the end of the financial year, following monthly meetings held with divisional heads of finance.

Recruitment and remuneration procedures

All recruitment is subject to a request procedure and must be signed off in advance by the Group's Human Resources Department. Approval must be obtained from the Group's executive management in cases where remuneration would exceed a certain threshold.

Annual changes in remuneration are approved by the Group's executive management on the basis of proposals put forward by divisional Managing Directors or functional managers together with the Group's Human Resources Department.

Project management and information systems management procedures

In order to support the implementation of the Group's digital transformation strategy, "*Nexity, Tous Connectés*", the Digital Innovation Department directs the Group's digital innovation efforts, reporting directly to Group executive management, while providing support functions relating to organisation and information systems. It coordinates a committee whose role is to ensure that project parameters are correctly defined. The committee consists of representatives of all business lines and key support functions. The Digital Innovation Department monitors progress across the project portfolio.

To understand and meet users' needs in each business line, specialised IT managers for each business are responsible for developing and maintaining tools within their scope.

Infrastructure is centrally managed in order to ensure its consistency and performance.

An IT security manager provides additional expertise and helps IT managers respond to changes in technology and rapidly develop the Group's IT systems.

Procedures related to associates

Associates are entities over which the Group exerts significant influence, but not control, relating to financial and operating policies.

To monitor internal control-related measures adopted by key associates, the Group ensures that there is at least one Group representative on the accounts committees and/or boards of directors or supervisory boards of these companies.

4.2.4.4 Assessment of and key changes to the risk management and internal control system in 2016

The Group continuously applied the aforementioned Group procedures throughout the financial year.

Over the course of 2016, as part of its monitoring, the internal control team helped keep existing documentation up to date, notably in relation to the Residential real estate business and its support functions, and monitored recommendations resulting from audits.

It also took part in various projects within the Group, providing methodological support for the design and formalisation of internal control systems, notably by:

- supporting the Nexity Property Management subsidiary in strengthening its risk analysis and introducing a procedure to tackle money laundering and the funding of terrorism;
- reviewing internal control systems for the Group's digital activities as part of the reorganisation of the Digital Innovation Department and the overhaul of its processes; and
- assisting operational staff in designing processes for administering the home design simulator.

In addition, the Risk Management Department helped the Digital Innovation Department draw up and test a plan for the transfer of IT activities.

As regards improving the risk management system, a risk mapping exercise has been completed for Iselection, the Nexity Polska development subsidiary, the Human Resources Department and the Customer Relations Centre. The resulting risk maps should receive final sign-off in 2017. The main risks identified for these activities will then be incorporated into the existing corporate risk scorecard.

In addition, internal audit work and the resulting recommendations are now based on the risk handbook prepared in 2015 and shared across the whole Group.

In 2016, internal audit was concentrated on the French subsidiaries and Polish subsidiary of the Residential real estate business, the management of purchasing references for this same business area, the management of the Group's IT equipment and the analysis of transaction profitability in Real estate services to individuals.

4.2.4.5 Outlook for 2017

The Internal Control and Internal Audit Department and the Risk Management Department are now combined in a single department.

In 2017, the Group plans to continue improving its approach to risk management and internal control, notably to take account of:

- acquisitions made over the past three years;
- changes in processes, such as future digital developments and new offerings;
- stronger requirements in terms of tackling money laundering and the funding of terrorism and possible changes in regulations, notably those introduced under the French law 2016-1691 of 9 December 2016 on transparency, anti-corruption and the modernisation of economic life;
- the implementation of action plans resulting from internal audit recommendations; and
- any other requirement identified during the internal control process.

More specific measures concerning risk prevention and management will be introduced to:

- strengthen the evaluation methodology for the treatment of risk in order to allow more regular monitoring of the coverage of critical risks; and
- continue to draw up or improve business continuity and recovery plans, in particular covering the Group's main two sites (Solstys in Paris and Romarin in Lille).

To this end, the department will draw on its periodic meetings with Group management and managers of the various business lines.

4.3 REPORT OF THE STATUTORY AUDITORS ON THE REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS ON THE MANNER IN WHICH THE WORK OF THE BOARD OF DIRECTORS IS PREPARED AND ORGANISED AND ON INTERNAL CONTROL PROCEDURES

Year ended 31 December 2016

To the Shareholders,

As Statutory Auditors of Nexity and in compliance with Article L.225-235 of the French Commercial Code, we hereby report to you on the report prepared by the Chairman of your company, in accordance with the provisions of Article L.225-37 of the French Commercial Code, for the year ended 31 December 2016.

It is the Chairman's responsibility to prepare and submit a report to the Board of Directors on the internal control and risk management procedures implemented by the company and to include the other disclosures required by Article L.225-37 of the French Commercial Code, particularly in terms of corporate governance measures.

It is our responsibility:

- to report to you on the information contained in the Chairman's report on internal control and risk management procedures relating to the preparation and processing of financial and accounting information, and
- to attest that the report contains the other disclosures required by Article L.225-37 of the French Commercial Code, it being specified that we are not responsible for verifying the fairness of those disclosures.

We conducted our audit in accordance with the auditing standards generally accepted in France.

Information on the internal control and risk management procedures relating to the preparation and processing of financial and accounting information

Those standards require that we perform the necessary procedures to assess whether the information presented in the Chairman's report gives a true and fair view of the internal control and risk management procedures relating to the preparation and processing of financial and accounting information. These procedures consisted mainly in:

- gaining an understanding of the internal control and risk management procedures relating to the preparation and processing of accounting and financial information on which the information presented in the Chairman's report is based, and existing documentation;
- gaining an understanding of the work involved in the preparation of the information and existing documentation;
- determining whether any significant weaknesses in the internal control procedures relating to the preparation and processing of accounting and financial information that we may have encountered during our engagement have been properly disclosed in the Chairman's report.

On the basis of our work, we have no matters to report on the disclosures concerning Nexity's internal control and risk management procedures relating to the preparation and processing of accounting and financial information contained in the report prepared by the Chairman of the Board of Directors in accordance with Article L.225-37 of the French Commercial Code.

Other disclosures

We hereby attest that the report by the Chairman of the Board of Directors includes the other disclosures required by Article L.225-37 of the French Commercial Code.

Paris La Défense, 30 March 2017

The Statutory Auditors

KPMG Audit IS	**MAZARS**	
Philippe Mathis	Olivier Thireau	Michel Barbet-Massin
Partner	*Partner*	*Partner*

This is a free translation into English of the original report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and construed in accordance with, professional guidelines applicable in France.

4.4 RELATED-PARTY TRANSACTIONS

Reports relating to 2014 and 2015 are incorporated by reference.

Note 37 in Section 3.4 of this Registration Document, "Consolidated financial statements", sets out information on related parties.

Regulated agreements are presented in the Statutory Auditors' report below.

There are no other significant transactions with related parties.

4.4.1 Report of the Statutory Auditors on related-party agreements and commitments

Year ended 31 December 2016

To the Shareholders,

As the Statutory Auditors of your Company, we present our report on related-party agreements and commitments.

It is our responsibility to inform you, on the basis of the information provided to us, of the terms and conditions, the purpose and benefits to the Company of the agreements and commitments brought to our attention or which we encountered during our engagement. It is not our role to determine whether they are beneficial or appropriate or to ascertain whether any other agreements and commitments exist. It is your responsibility, under the terms of Article R. 225-31 of the French Commercial Code, to assess the merit of these agreements and commitments with a view to approving them.

It is also our responsibility to provide you, where appropriate, with the information required by Article R. 225-40 of the French Commercial Code relating to the execution, during financial year 2016, of the agreements and commitments already approved by shareholders at their annual general meetings.

We conducted the work we deemed necessary in accordance with the professional standards issued by the French national institute of statutory auditors relating to this engagement. Our work entailed verifying that the information provided was consistent with the documents from which it was derived.

Unless expressly specified otherwise, amounts are presented in thousands of euros.

1. AGREEMENTS AND COMMITMENTS SUBMITTED FOR APPROVAL AT THE ANNUAL GENERAL MEETING

AGREEMENTS AND COMMITMENTS APPROVED DURING THE FINANCIAL YEAR

In accordance with Article L.225-40 of the French Commercial Code, we have been informed of the following agreements and commitments previously approved by the Board of Directors.

1.1 Agreements effective from financial year 2017

Persons concerned

Company	Alain Dinin	Hervé Denize
	in his capacity as:	*in his capacity as:*
Nexity	Chairman and Chief Executive Officer	Deputy Chief Executive Officer until 01/01/2017
Oralia Partenaires	Chairman and member of the Supervisory Board	Chairman
PERL	Director	Director
Guy Hoquet l'Immobilier	N/A	Permanent representative of Nexity Director
Weroom	Director	Director

N/A: Not Applicable

Terms and conditions:

At its meeting on 15 December 2016, the Board of Directors approved new service agreements, and agreed to the renewal of an agreement for 2017 with the subsidiaries mentioned below under identical terms and conditions.

The agreements enable Nexity to optimise resource allocation within the Group by allocating and re-invoicing the expenses borne to provide services and brand licensing to its subsidiaries.

At its meeting on 15 December 2016, the Board of Directors set the annual amounts applicable for financial year 2017 as follows:

Company	Type	Assistance agreements
Oralia Partenaires	A	395
PERL	A	312
Guy Hoquet l'Immobilier	A	166
Weroom	R	94
Total		**967**

N/A: Not Applicable
R: Renewal
A: Rider

1.2 Agreements effective from financial year 2016

Persons concerned

Company	Alain Dinin	Hervé Denize
	in his capacity as:	*in his capacity as:*
Nexity	Chairman and Chief Executive Officer	Deputy Chief Executive Officer until 01/01/2017
Édouard Denis Développement	Director from 10/06/2016	Director from 10/06/2016

Terms and conditions:

At its meeting on 26 October 2016, the Board of Directors approved a service agreement with Edouard Denis Développement, in which Nexity holds a 55% stake.

The agreement enables Nexity to optimise resource allocation within the Group by allocating and re-invoicing the expenses borne to provide support services and brand licensing to its subsidiaries.

Until 31 December 2016, the amount due for these services was €230 thousand. As of financial year 2017, the amount will be €460 thousand. The amount due for subsequent financial years will be set at the start of each year in a contract rider.

1.3 Tax consolidation agreements

Persons concerned

Company	Alain Dinin	Hervé Denize
	in his capacity as:	*in his capacity as:*
Weroom	Director	Director
Guy Hoquet l'Immobilier	N/A	Permanent representative of Nexity, director
Financière Guy Hoquet l'Immobilier	N/A	Representative of Nexity Franchises, which serves as President and Chairman of the Board of Directors
Oralia Partenaires	Chairman and member of the Supervisory Board	Chairman
Oralia Investissements	Director	Chairman, Chief Executive Officer and director
Oralia Management	N/A	Manager of the SARL

N/A: Not Applicable

Terms and conditions:

At its meeting on 12 April 2016, the Board of Directors approved the tax consolidation agreements with Weroom, Oralia Partenaires, Oralia Investissements, Oralia Management, Financière Guy Hoquet L'Immobilier and Guy Hoquet L'Immobilier.

The agreements include a clause specifying that if a subsidiary leaves the tax consolidation group for any reason, this could not give rise to a claim on the parent company.

1.4 Exclusive agency agreement granted to Arkéa Banque Entreprises et Institutionnels relating to the partnership with Ægide

Persons concerned

Company	Jean-Pierre Denis
	in his capacity as:
Nexity	Director
Arkéa	Chairman of the Board of Directors of Crédit Mutuel Arkéa, which serves as a member of the Supervisory Board of Arkéa

Terms and conditions:

At its meeting on 21 July 2016, the Board of Directors approved an exclusive agency agreement with Arkéa Banque Entreprises et Institutionnels ("Arkéa") in connection with Nexity's acquisition of an additional interest in Aegide's share capital. Under the agency agreement, Arkéa will assist Nexity in negotiating and signing a shareholder agreement with the founding shareholders (the "Founders").

The term of the agency agreement is nine months. If the planned transaction is successful, Arkéa will receive remuneration of €300,000.

1.5 Joint and several guarantee covering repayment of the Palatine Arkéa loan by JMF Conseil relating to the partnership with Ægide

Persons concerned

Company	Jean-Pierre Denis
	in his capacity as:
Nexity	Director
Arkéa	Chairman of the Board of Directors of Crédit Mutuel Arkéa, which serves as a member of the Supervisory Board of Arkéa

Terms and conditions:

At its meeting on 26 October 2016, the Board of Directors approved a joint and several guarantee covering repayment of a Palatine Arkéa loan by JMF Conseil.

To enable the transactions to be undertaken relating to the planned partnership with the Founders, who jointly hold the share capital of JMF Conseil, the latter had to obtain the release of the pledge granted to Banque Palatine (the "Palatine Pledge") as repayment for a previous loan. Consequently, JMF Conseil repaid the loan with a new €20 million loan from Banque Palatine and Arkéa, which is due to be repaid by 30 September 2018.

As consideration for the transactions, Nexity will jointly and severally guarantee repayment of the Palatine Arkéa loan by JMF Conseil. As a counter guarantee, the securities accounts in which the Ægide shares held by JMF Conseil and the Founders are registered will be pledged to Nexity.

The joint and several guarantee, and all documentation relating to the partnership, were signed on 26 October 2016.

2. AGREEMENTS AND COMMITMENTS ALREADY APPROVED BY THE SHAREHOLDERS' MEETING

2.1 AGRREMENTS AND COMMITMENTS APPROVED IN PRIOR FINANCIAL YEARS, WHICH CONTINUED TO APPLY DURING THE FINANCIAL YEAR

Pursuant to Article R. 225-30 of the French Commercial Code, we have been informed that the following agreements and commitments, already approved by the shareholders at their annual general meetings in prior years, continued to apply during the financial year.

2.1.1 Agreements effective from 2016

Persons concerned

Company	Alain Dinin	Hervé Denize
	in his capacity as:	*in his capacity as:*
Nexity	Chairman and Chief Executive Officer	Deputy Chief Executive Officer until 01/01/2017
Oralia Partenaires	Chairman and member of the Supervisory Board	Chairman
PERL	Director	Director
Guy Hoquet l'Immobilier	N/A	Permanent representative of Nexity Director
Weroom	Director	Director

N/A: Not Applicable

Terms and conditions:

At its meeting on 16 December 2015, the Board of Directors approved new service agreements redefining the scope and content of services provided to the subsidiaries mentioned below.

The agreements enable Nexity to optimise resource allocation within the Group by allocating and re-invoicing the expenses borne to provide services and brand licensing to its subsidiaries.

Annual amount excluding taxes (in thousands of euros)

Company	Service agreements
Oralia Partenaires	330
PERL	233
Guy Hoquet l'Immobilier	160
Weroom	94
Total	**817**

2.1.2 Tax consolidation agreements

Persons concerned

Company	Alain Dinin	Hervé Denize
	in his capacity as:	*in his capacity as:*
Weroom	Director	Director
Guy Hoquet l'Immobilier	N/A	Permanent representative of Nexity, director
Financière Guy Hoquet l'Immobilier	N/A	Representative of Nexity Franchises, which serves as President and Chairman of the Board of Directors
Oralia Partenaires	Chairman and member of the Supervisory Board	Chairman
Oralia Investissements	Director	Chairman, Chief Executive Officer and director
Oralia Management	N/A	Manager of the SARL

N/A: Not Applicable

Terms and conditions:

Tax consolidation agreements were signed by various Boards of Directors:

- on 28 April 2015 with Oralia Partenaires, Oralia Investissements and Oralia Management;
- on 27 March 2014 with Weroom;
- on 30 March 2011 with Financière Guy Hoquet l'Immobilier and Guy Hoquet l'Immobilier.

These agreements include a clause specifying that if a subsidiary leaves the tax consolidation group, for any reason, this could not give rise to a claim on the parent company. These agreements were replaced by the agreements indicated in paragraph 1.3.

2.1.3 Partnership with the La Française Group

Persons concerned

Company	Hervé Denize
	in his capacity as:
Nexity	Deputy Chief Executive Officer until 01/01/2017
Saggel Holding	Chairman and member of the Supervisory Board until 14/03/2016 Permanent representative of Nexity
Nexity Property Management	Director

N/A: Not Applicable

Terms and conditions:

At its meeting on 27 October 2015, the Board of Directors approved an agreement under which UFG PM renewed its revenue guarantee for Nexity Property Management.

The agreement is in connection with Nexity's plan to purchase all of UFG PM's interests in LFP NSI. In conjunction with the agreement, La Française Asset Management (LFAM) entered into a new property agency agreement (the "New Agency Agreement") with Nexity Property Management (NPM). The New Agency Agreement will replace the agreement initially granted to NPM (the "Initial Agency Agreement") in connection with the transactions provided for in the Memorandum of Understanding signed by La Française and Nexity in 2011 (the "Memorandum of Understanding").

Under the terms of the Memorandum of Understanding, the Initial Agency Agreement included a revenue guarantee granted by UFG PM to NPM, until 31 December 2017 (the "Guarantee"). The Guarantee was itself counter-guaranteed by La Française Group via a demand guarantee (the "Demand Guarantee"). The Memorandum between Nexity and its subsidiaries and the parities used for the planned transactions were conditional on the Initial Agency Agreement, the Guarantee and the Demand Guarantee.

With Nexity, La Française Group and La Française Real Estate Managers, UFD PM has agreed to renew its guarantee commitment to NPM (the "Renewed Guarantee"). La Française Groupe has also agreed to renew its counter-guarantee commitment through a renewed demand guarantee (the "Renewed Demand Guarantee"). The beneficiary of these agreements, in particular the Guarantee and Renewed Demand Guarantee, is NPM, with Nexity.

All of the above transactions were subject to the condition precedent of approval by the French Competition Authority. Approval was obtained on 15 December 2015 and the shares were purchased in the first quarter of 2016.

2.1.4 Property development project in Châtillon (92) - commitments and collateral

Persons concerned

Company	Alain Dinin	Hervé Denize
	in his capacity as:	*in his capacity as:*
Nexity	Chairman and Chief Executive Officer	Deputy Chief Executive Officer until 01/01/2017
Eco-Campus à Châtillon SAS	Legal representative of Nexity, which itself serves as CEO, Vice-Chairman and director of Eco-Campus à Châtillon SAS, itself Chairman of Mercedes SAS.	Legal representative of Nexity, which itself serves as CEO, Vice-Chairman and director of Eco-Campus à Châtillon SAS, itself Chairman of Mercedes SAS.

Terms and conditions:

At its meeting on 29 October 2013 the Board of Directors approved several commitments by the Company that modified or complemented those previously approved at its meeting on 16 July 2012, in connection with the property development project in partnership with Interconstruction Group in Châtillon (92), which contributed to Group revenue and profit. The commitments were as follows:

- contribution to the joint venture between the two groups and its subsidiary, of sufficient amounts (not exceeding €20,200 thousand) to enable them to fulfil their obligations relating to the project. To date, the contributions have not been called up;
- issuance of additional collateral (pledges of securities accounts and second lien subordinated loans) to the banks financing the project. The subordinated loans, which amounted to €7,500 thousand at 31 December 2015, were fully repaid at 31 March 2016. Over the financial year, €38 thousand were invoiced and collected for loan-related interest and expenses.

At 31 March 2016, all loans had been repaid and guarantees released.

2.1.5 Commitment concerning Mr Alain Dinin, Chairman of the Board of Directors and Chief Executive Officer

Method for calculating termination benefits (severance pay)

At its meeting on 24 March 2015, your Board of Directors approved, subject to the renewal of Mr Alain Dinin's appointment as Chairman and Chief Executive Officer, the following commitment.

In the event that he is dismissed during his term of office (except for serious or gross misconduct as defined by analogy with French labour law jurisprudence), that his appointment is not renewed upon expiry of the current term, or that he resigns due to a difference of opinion with the Board on Company strategy, and after the Board has discussed and established the objective reasons for the disagreement and its impact on his duties and responsibilities as a company officer, Mr Alain Dinin shall be entitled to receive:

- severance pay equal to the higher of:
  - 1.5 times the average annual gross remuneration (including the variable portion) paid to him by the Company during the three years preceding his effective departure date;
  - €1,900 thousand;
- a non-compete payment as consideration for compliance with the non-compete obligation for a one year period. The non-compete payment corresponds to half the average annual gross remuneration (including the variable portion) paid by the Company during the three years preceding his effective departure date. The duration of the non-compete obligation may be extended by one year at the Company's request, subject to an additional payment of the same amount. The Board of Directors may waive the non-compete payment.
- The total amount, including the non-compete payment, may not exceed 24 months' fixed and variable remuneration.

Severance pay shall be subject to the following performance criteria:

- the average share price during the six months preceding his termination of office shall be at least equal to the average share price in the six months preceding the shareholders' vote on the principle of severance pay at their annual general meeting;
- consolidated current operating profit (under comparable accounting standards) over the two years preceding his termination of office, as approved by shareholders at their annual general meeting, should be in line with the forward-looking financial information reported to the market for the same period.

Severance pay shall be limited to the following amounts, based on performance levels:

- if target consolidated current operating profit (under comparable accounting standards) is met but the share price criteria is not, 65% of the amount shall be awarded;
- if the share price condition is met but consolidated current operating profit (using comparable accounting standards) is below target, 35% of the amount shall be awarded.

Severance pay shall only be due in the event of his definitive departure from the Group (and not only his termination of office in the company concerned) and if the Company generates consolidated current operating profit (under comparable accounting standards) in the last financial year giving rise to the approval of the financial statements by shareholders at their annual general meeting preceding the company officer's termination of office.

2.1.6 Commitment concerning Mr Hervé Denize, Deputy Chief Executive Officer

Method for calculating termination benefits (severance pay)

At its meeting on 24 March 2015, your Board of Directors approved, subject to the renewal of Mr Hervé Denize's appointment as Deputy Chief Executive Officer, the following commitment.

In the event that he is dismissed during his term of office (except for serious or gross misconduct as defined by analogy with French labour law jurisprudence), that his appointment is not renewed upon expiry of his current term of office, or that he resigns due to a difference of opinion with the Board on Company strategy, and after the Board has discussed and established the objective reasons for the disagreement and its impact on his duties and responsibilities as company officer, Mr Hervé Denize shall be entitled to receive:

- severance pay equal to the higher of:
  - 1.5 times the average annual gross remuneration (including the variable portion) paid to him by the Company over the three years preceding the effective date of his departure;
  - €1,110 thousand;

- a non-compete payment as consideration for compliance with the non-compete obligation for a one year period. The non-compete payment corresponds to half the average annual gross remuneration (including the variable portion) paid by the Company during the three years preceding his effective departure date. The duration of the non-compete obligation may be extended by one year at the Company's request, subject to an additional payment of the same amount. The Board of Directors may waive the non-compete payment.
- The total amount, including the non-compete payment, may not exceed 24 months' fixed and variable remuneration.

Severance pay shall be subject to fulfilment of the following performance criteria:

- the average share price during the six months preceding his termination of office should be at least equal to the average share price in the six months preceding the shareholders' vote on the principle of severance pay at their annual general meeting;
- consolidated current operating profit (under comparable accounting standards) over the two years preceding his termination of office, as approved by shareholders at their annual general meeting, should be in line with the forward-looking financial information reported to the market for the same period.

Severance pay shall be limited to the following amounts, based on performance levels:

- if target consolidated current operating profit (under comparable accounting standards) is met but share price criteria is not, 65% of the amount shall be awarded;
- if the share price condition is met but consolidated current operating profit (under comparable accounting standards) is below target, 35% of the amount shall be awarded.

Severance pay shall only be due in the event of his definitive departure from the Group (and not only his termination of office in the company concerned) and if the Company generates consolidated current operating profit (under comparable accounting standards) in the financial year giving rise to the approval of the financial statements by shareholders at the annual general meeting preceding the corporate officer's termination of office.

At its meeting on 23 January 2017, the Board of Directors unanimously approved Mr Hervé Denize's severance pay. The payment of €1,675,850 (representing 18 months' average remuneration over the past three years), was calculated by strictly applying the principles decided upon by the shareholders at their annual general meeting on 19 May 2015, in compliance with the corporate governance rules of the AFEP/MEDEF Code.

The Board of Directors noted that the conditions for receiving severance pay had been met, and that the performance conditions for receiving the payment had been satisfied. However, the Board of Directors noted that the conditions for receiving payment of the multi-year variable remuneration had not been met, and they also decided not to award him the non-compete payment provided for in the event of his termination of office.

Paris La Défense, 30 March 2017

The Statutory Auditors

KPMG Audit IS	**MAZARS**	
Philippe Mathis	Olivier Thireau	Michel Barbet-Massin
Partner	*Partner*	*Partner*

This is a free translation into English of the original report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and construed in accordance with, professional guidelines applicable in France.

4.5 EXECUTIVE REMUNERATION AND BENEFITS

4.5.1 Nexity's executive remuneration policy in 2016

In determining and presenting its executive remuneration, the Company applies the AFEP/MEDEF Code (available from www.medef.fr).

4.5.2 Remuneration and benefits paid to executive company officers in 2016

Remuneration paid to executive company officers of Nexity in respect of 2016 is broken down as follows:

	Financial year 2016 [1]		Financial year 2015 [1]	
Alain Dinin *(in euros)*	Amount due [2]	Amount paid [3]	Amount due [2]	Amount paid [3]
Remuneration for company officer duties				
Fixed remuneration	650,000	650,000	650,000	650,000
Annual variable remuneration [4]	1,384,500	1,300,000	1,300,000	1,304,000
Multi-year variable remuneration *(see below)*	None	None	None	None
Total remuneration	**2,034,500**	**1,950,000**	**1,950,000**	**1,954,000**
Directors' fees				
Nexity	None	None	None	None
Other controlled companies	None	None	None	None
Total directors' fees	**0**	**0**	**0**	**0**
Other remuneration				
Benefits in kind (vehicle, accommodation, etc.)	None	None	None	None
Value of options awarded during the financial year	None	None	None	None
Value of free shares awarded during the financial year	None	None	None	None
Total	**2,034,500**	**1,950,000**	**1,950,000**	**1,954,000**

[1] Amounts due or paid by Nexity or the companies it controls as per Article L. 233-16 of the French Commercial Code.

[2] Remuneration **awarded** to an executive company officer in respect of his or her duties during the year, **regardless of payment date**.

[3] Total remuneration **actually paid during the year** to an executive company officer in respect of his or her duties.

[4] In 2016, based 70% on the amount of current operating profit and 30% on the backlog level, according to a matrix signed off by the Board of Directors and prepared on the basis of the outlook built into the Group's budget.

In 2016, Alain Dinin's variable remuneration amounted to 213% of his fixed remuneration.

	Financial year 2016 [1]		Financial year 2015 [1]	
Hervé Denize *(in euros)*	Amount due [2]	Amount paid [3]	Amount due [2]	Amount paid [3]
Remuneration for company officer duties				
Fixed remuneration	450,000	450,000	450,000	450,000
Annual variable remuneration [4]	731,400	669,300	669,300	673,000
Multi-year variable remuneration *(see below)*	None	None	None	None
Total remuneration	**1,181,400**	**1,119,300**	**1,119,300**	**1,123,000**
Directors' fees				
Nexity	None	None	None	None
Other controlled companies	None	None	None	None
Total directors' fees	**0**	**0**	**0**	**0**
Other remuneration				
Benefits in kind (vehicle, accommodation, etc.)	None	None	None	None
Value of options awarded during the financial year	None	None	None	None
Value of free shares awarded during the financial year	None	None	None	None
Total	**1,181,400**	**1,119,300**	**1,119,300**	**1,123,000**

[1] Amounts due or paid by Nexity or the companies it controls as per Article L. 233-16 of the French Commercial Code.

[2] Remuneration **awarded** to an executive company officer in respect of his or her duties during the year, **regardless of payment date**.

[3] Total remuneration **actually paid during the year** to an executive company officer in respect of his or her duties.

[4] In 2016, based 50% on the amount of current operating profit, 20% on the backlog level and 30% on the amount of current operating profit for the Services business, according to a matrix signed off by the Board of Directors and prepared on the basis of the outlook built into the Group's budget.

In 2016, Hervé Denize's variable remuneration amounted to 163% of his fixed remuneration.

Alain Dinin and Hervé Denize receive no remuneration from other group companies in respect of their duties at Nexity.

Executive company officers	Employ-ment contract	Supple-mentary pension scheme	Compensation or benefits due or potentially due following termination or reassignment	Compensation for non-compete clause
Alain Dinin Chairman and Chief Executive Officer Date office taken up: 28/09/2004 Date office expires: Date of the Shareholders' Meeting at which shareholders are asked to approve the financial statements for the 2018 financial year, which should be held in 2019	NO	NO	YES	YES
Hervé Denize Deputy Chief Executive Officer Date office taken up: 28/09/2004 Date office expires: 01/01/2017	NO	NO	YES	YES

Multi-year variable remuneration

At its meetings of 28 April 2015 and 12 April 2016, the Board of Directors had decided that a multi-year variable remuneration equal to the average annual fixed and variable remuneration over the term of office could be granted to both company officers. On 21 January 2017, the Board of Directors took note of Hervé Denize's decision to step down from his position as Deputy Chief Executive Officer of the Company; the Board also noted that the terms for payment of his multi-year variable remuneration had not been fulfilled. At present, only Alain Dinin, Chairman and Chief Executive Officer, is eligible to receive this multi-year variable remuneration. For the latter, this multi-year variable remuneration may be granted subject to meeting a target corresponding to a cumulative level of current operating profit over the 2016, 2017 and 2018 financial years. Having raised the targeted level of current operating profit at its meeting of 30 March 2017, the Board of Directors decided that there was no longer any rationale for regularly updating this level and thus set a target presented, in accordance with Article L. 225-37-2 of the French Commercial Code, in the report of the Board of Directors submitted for shareholder approval at the Shareholders' Meeting called to approve the financial statements for the year ended 31 December 2016.

This remuneration will be paid at 100% if the level of current operating profit achieved exceeds the aforementioned target. No payment will be due if the current operating profit target is not met at a minimum of 80%. From 80%, the remuneration will be granted proportionally, but is capped at 110%. This remuneration may only be received in the event of continued service in the current position until the term of office expires (apart from exceptional circumstances, such as illness or injury).

At the same time, the recipient undertakes to receive no remuneration, for the entirety of their term of office, in respect of top-up pensions, service contracts, share subscription options, free shares or increases in their remuneration while in office.

In accordance with Article L. 225-37-2 of the French Commercial Code, the principles and guidelines used to determine this multi-year variable remuneration will be submitted for shareholder approval at the Shareholders' Meeting of 1 June 2017.

End-of-service benefits

Alain Dinin and Hervé Denize are entitled to end-of-service benefits should their duties as company officers be terminated. At the Shareholders' Meeting of 19 May 2015, the shareholders voted to approve a severance package in accordance with AFEP/MEDEF recommendations and based on:

- performance criteria linked to share price performance: the average share price for the six months preceding termination is at least equal to the average for the six months preceding the vote at the Shareholders' Meeting of 19 May 2015;
- consistency with forecast financial information disclosed to the market: current operating profit for the two years preceding the termination and having been approved at a Shareholders' Meeting is consistent with the projections disclosed for the same period; and
- the Company's achievement of positive current operating profit for the past year, whose financial statements have been approved at the Shareholders' Meeting preceding the termination of the company officer's appointment.

If these criteria are met in full, the end-of-service benefits will be as follows:

(a) For Alain Dinin, Chairman and Chief Executive Officer:

- a payment equal to one half of the average yearly gross remuneration (of all types, including variable remuneration) paid to him by the Company during the three years preceding his effective date of departure, subject to a one-year non-compete obligation. The length of the non-compete obligation may be extended for another year at the Company's request, in exchange for payment of additional remuneration in the same amount;
- an end-of-service payment equal to the higher of (i) one and a half times the average yearly gross remuneration (of all types, including variable remuneration) paid to him by the Company during the three years preceding his effective date of departure and (ii) the sum of €1,900,000;
- the total, including non-compete payments, may not exceed 24 months' fixed and variable remuneration;

(b) For Hervé Denize, Deputy Chief Executive Officer:

- a payment equal to one half of the average yearly gross remuneration (of all types, including variable remuneration) paid to him by the Company during the three years preceding his effective date of departure, subject to a one-year non-compete obligation. The length of the non-compete obligation may be extended for another year at the Company's request, in exchange for payment of additional remuneration in the same amount;
- an end-of-service payment equal to the higher of (i) one and a half times the average yearly gross remuneration (of all types, including variable remuneration) paid to him by the Company during the three years preceding his effective date of departure and (ii) the sum of €1,110,000;
- the total, including non-compete payments, may not exceed 24 months' fixed and variable remuneration.

These end-of-service benefits will not be payable if the senior executive in question has committed gross negligence or wilful misconduct.

On 23 January 2017, the Board of Directors took note of Hervé Denize's decision to step down from his position as Deputy Chief Executive Officer of the Company as of 1 January 2017. Hervé Denize informed the Board of Directors that he had also given up his position as a director as of 1 January 2017, and resigned from his employment contract, which had re-entered into force due to the termination of his duties as a company officer.

At its meeting on 23 January 2017, the Board of Directors unanimously voted to approve a severance payment for Hervé Denize. The amount of this severance payment, €1,675,850 (representing 18 months of his average remuneration over the past three years), was calculated by strictly applying the principles decided upon at the Shareholders' Meeting held on 19 May 2015, and in compliance with the corporate governance rules of the AFEP/MEDEF Code. On the recommendation of the Remuneration and Appointments Committee, the Board of Directors noted that the conditions for receiving a severance payment had been met, and that the performance conditions for receiving a severance payment had been satisfied.

However, the Board of Directors noted that the conditions for receiving the payment of the multi-year variable remuneration had not been met, and furthermore did not wish to award him the non-compete payment provided for in the event of the termination of his appointment as a company officer. The variable portion of Hervé Denize's remuneration for 2016 was determined at the Board of Directors' meeting on 21 February 2017 approving the Company's 2016 financial statements.

For 2017, he will not receive any other remuneration in respect of his positions as Deputy Chief Executive Officer and director.

Hervé Denize does not receive any free shares or share purchase or subscription options, and he does not have a supplementary pension plan.

At the request of the Chairman of the Company, Hervé Denize has agreed to carry out a short assignment with him to ensure a smooth transition to the management team appointed on 23 January 2017.

4.5.3 Remuneration and benefits paid to other Board members in 2016

Apart from directors' fees, the other members of the Board of Directors received no remuneration in respect of 2016, either from the Company or from any other Group company, with the exception of the director representing the employees, who does not receive other remuneration in addition to his salary.

The total amount of directors' fees was set at €280,000 at the Shareholders' Meeting in May 2005 and has not changed since that date.

The rules for allocating directors' fees among directors were set at the Board of Directors' meeting of 16 February 2016 (with no changes with respect to the rules set in the previous year). Directors' fees are allocated

among the directors according to their appointment(s) on the various committees and take into account the work done by each committee. They are paid according to their actual participation in Committee and Board meetings (with no allowance for absences).

The Chairman and Chief Executive Officer, the Deputy Chief Executive Officer and the director representing the employees do not receive directors' fees.

In accordance with these allocation rules, the total amount of directors' fees due to all members of the Board of Directors in 2016, in consideration of their terms of office within the Company, came to €280,000, of which €125,602 was paid out during the year. The sum of €177,400 was also paid out in 2016 for the remaining directors' fees due in respect of financial year 2015.

In 2015, the total amount of directors' fees due to all members of the Board of Directors in 2015, in consideration of their terms of office within the Company, also came to €280,000.

TABLE OF DIRECTORS' FEES AND OTHER REMUNERATION RECEIVED BY NON-EXECUTIVE COMPANY OFFICERS AND NON-VOTING BOARD MEMBERS [1]

Non-executive company officers		Financial year 2016		Financial year 2015	
(in euros)		Amount due	Amount paid	Amount due	Amount paid
Stanislas Augem	Directors' fees	None	None	None	None
Director representing the employees, appointed on 30 September 2014, whose remuneration is exclusive of directors' fees. Retired on 31 December 2016.	Other remuneration [2]	115,847	115,847	46,800	46,800
Gérard Bayol	Directors' fees	9,289	9,751	4,951	0
From his appointment on 23 July 2015	Other remuneration	None	None	None	None
Martine Carette	Directors' fees	None	901	3,301	18,811
Until she stepped down on 17 February 2015	Other remuneration	None	None	None	None
CE Holding Promotion	Directors' fees	None	8,854	21,454	33,991
Represented by Marguerite Bérard-Andrieu until she stepped down on 14 September 2015	Other remuneration	None	None	None	None
Anne-Marie de Chalambert	Directors' fees	15,924	36,906	36,306	33,991
	Other remuneration	None	None	None	None
Bernard Comolet	Directors' fees	None	901	3,301	21,871
Until she stepped down on 17 February 2015	Other remuneration	None	None	None	None
Jean-Pierre Denis	Directors' fees	31,406	21,603	13,203	1,200
From 19 May 2015 as a non-voting Board member until 23 July 2015, when he was co-opted as a director	Other remuneration	None	None	None	None
Christine Fabresse	Directors' fees	None	3,602	13,202	26,011
Until he stepped down on 27 May 2015	Other remuneration	None	None	None	None
Charles-Henri Filippi	Directors' fees	None	None	None	2,850
Until he stepped down on 21 July 2014	Other remuneration	None	None	None	None
Luce Gendry	Directors' fees	49,100	53,609	48,409	42,152
	Other remuneration	None	None	None	None
Jérôme Grivet	Directors' fees	30,079	24,602	11,002	0
From his appointment on 23 July 2015	Other remuneration	None	None	None	None
Soumia Belaidi Malinbaum	Directors' fees	26,540	22,953	18,153	4,800
From her appointment on 28 April 2015	Other remuneration	None	None	None	None
Agnès Nahum	Directors' fees	19,905	22,053	14,853	2,400
From her appointment on 19 May 2015	Other remuneration	None	None	None	None
Pascal Oddo	Directors' fees	11,943	9,902	9,902	4,800
	Other remuneration	None	None	None	None
Miguel Sieler	Directors' fees	44,676	58,861	58,861	47,252
	Other remuneration	None	None	None	None
Magali Smets	Directors' fees	11,943	4,800	None	None
From her appointment on 31 May 2016	Other remuneration	None	None	None	None
Jacques Veyrat	Directors' fees	29,195	23,704	23,104	27,871
	Other remuneration	None	None	None	None
Total	**Directors' fees**	**280,000**	**303,002**	**280,000**	**268,000**
	Other remuneration	**115,847**	**115,847**	**46,800**	**46,800**

[1] By Nexity or the companies it controls as per Article L. 233-16 of the French Commercial Code

[2] Including retirement benefits in 2016

4.5.4 Pensions and other benefits

At 31 December 2016, there were no contractual agreements (apart from those recognised in employee benefit obligations) in connection with pensions or related benefits for the members of the Board of Directors or executive management.

4.6 INTERESTS OF EXECUTIVE COMPANY OFFICERS AND MEMBERS OF THE BOARD OF DIRECTORS IN THE COMPANY'S SHARE CAPITAL

The directors and executive company officers are required to hold all the shares they own in registered form.

With regard to the executive company officers, the number of shares they hold represents for each of them several years' worth of remuneration; it has therefore not appeared necessary to the Board of Directors to set a minimum shareholding threshold. At 31 December 2016, Nexity's executive company officers held shares as shown in the table below:

Company officers	Number of shares [1]	Percentage of the share capital
Alain Dinin [2]	1,312,832	2.40%
Hervé Denize [2]	357,879	0.65%

[1] Statements made to the AMF and/or the Company
[2] And related persons, excluding indirect shareholding via New Port

The concert group between Crédit Mutuel Arkéa, New Port and other directors was created in January 2015 and brings together Group directors around Alain Dinin, Chairman and Chief Executive Officer.

At 31 December 2016, Alain Dinin owned 10.4% of New Port, which held 6.8% of the Group's shares. Alain Dinin therefore indirectly owns 0.7% of Nexity, in addition to his shareholding mentioned above.

At 31 December 2016, members of the Board of Directors directly held shares as shown in the table below:

Members of the Board of Directors	Number of shares [1]	Percentage of the share capital
Bruno Catelin	63	ns
Jean-Pierre Denis	500	ns
Charles-Henri Filippi	3,000	ns
Luce Gendry	3,005	ns
Jérôme Grivet	200	ns
Soumia Belaidi Malinbaum	300	ns
Agnès Nahum	200	ns
Magali Smets	200	ns
Jacques Veyrat	250	ns

[1] Statements made to the AMF and/or the Company

4.7 TRANSACTIONS IN SECURITIES INVOLVING MEMBERS OF THE BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Name	Capacity	Transaction type	Financial instrument	Number of securities	Average unit price (in euros)
Alain Dinin (and related persons, excluding New Port)	Chairman and Chief Executive Officer	Sale	Shares	391,055	43.77
		Acquisition		378,828	43.07
Hervé Denize	Deputy Chief Executive Officer	Sale	Shares	29,500	46.17
Julien Carmona	Deputy Managing Director	Acquisition	Shares	2,000	41.40
Jean-Philippe Ruggieri	Deputy Managing Director Residential real estate	Sale	Shares	3,215	42.31
Luce Gendry (and related persons)	Director	Acquisition	Shares	1,155	42.03
Soumia Belaidi Malinbaum	Director	Acquisition	Shares	100	41.87
Magali Smets		Acquisition	Shares	200	44.80

Source: statements made to the AMF and/or the Company

4.8 STOCK OPTIONS AND FREE SHARES AWARDED TO COMPANY OFFICERS

4.8.1 Share subscription and share purchase option plans (stock options)

No share subscription or purchase option plans are in force for company officers.

4.8.2 Issues of free shares

Nexity's company officers do not receive any free share award plans. Alain Dinin has waived his entitlement to such a plan since 2006, as did Hervé Denize from 2009.

5 CORPORATE SOCIAL RESPONSIBILITY

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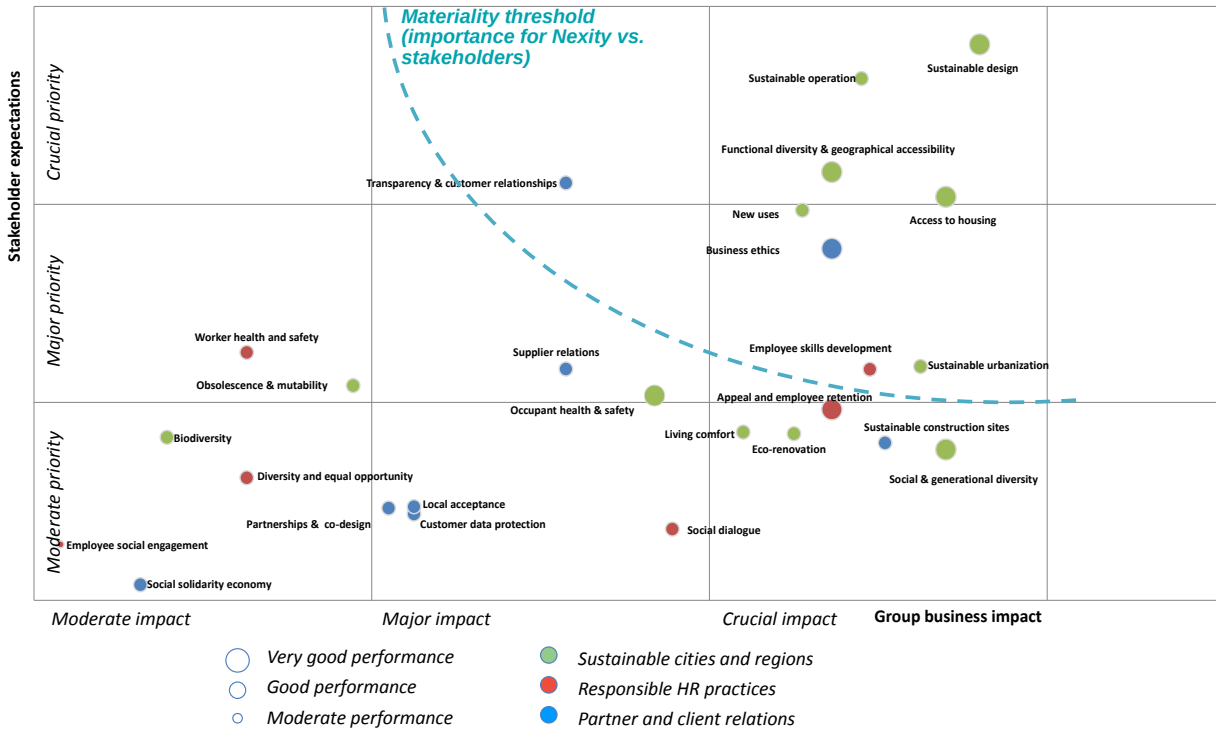
Nexity's sustainable development strategy is underpinned by the desire to demonstrate and continually improve the usefulness of the Group's business activities for society. With the aim of meeting and exceeding the expectations of its stakeholders, Nexity makes sure that its approach takes into account all major social and environmental issues, including access to housing, the emergence of the sharing economy, the digitisation of exchanges, but also climate change and energy performance, among others. Today, the Group envisions its usefulness to society as founded on three pillars: producing affordable and high-performance homes, delivering offices that create value, and working to boost the attractiveness of regions and all city districts and help them implement circular economy strategies.

In order to deliver relevant solutions tailored to markets, the Group offers innovative products and services, developed with the assistance of a very active ecosystem of partners (including incubators and start-ups). For the sake of consistency and to unite all employees, Nexity has put in place and continues to develop an internal organisational structure, a human resources strategy, and methods and tools all designed to deliver excellence in the area of corporate social and environmental responsibility.

5.1 SUSTAINABLE DEVELOPMENT STRATEGY

On the strength of its materiality assessment (an assessment of the relevance of its social and environmental challenges), in 2016 Nexity rolled out its sustainability strategy, paying particular attention to the nine topics deemed most relevant to its business. These nine issues, shown in the upper right corner of the matrix, are of considerable importance both to the stakeholders surveyed and to members of management, who feel that they have or will have a fundamental impact on the Group's business. In the course of this work, Nexity opened an initial dialogue with the key stakeholders of its ecosystem (clients, employees, financial analysts, trade associations and non-profit organisations, etc.). The Group intends to maintain this approach with the aim of building an informed and constructive dialogue with all stakeholders so as to better understand and meet their needs and expectations.



5.1.1 Development of a materiality matrix to help meet the needs and expectations of the Group's stakeholders

This matrix illustrates the interdependence between the Group and all of its stakeholders. Created in 2015, it will be updated on a regular basis. It enables the Group to improve its management of these issues, with the aim of gradually extending responsibility throughout the entire value chain. In order to carry out this work under

the best conditions possible, the Group sought the assistance of an outside consultant who used the following methodology:

Methodology used to prioritise issues

- a project definition phase, including the formation of an internal steering committee;
- selection of stakeholders on the basis of their legitimacy and critical input;
- review of documentation, both internally (strategic directions, Group culture, etc.) and externally;
- initial exhaustive, yet unranked and unweighted, listing of issues carried out by the Executive Management Committee members, followed by their scoring of these issues (importance, level of control) on the basis of a range of impacts: financial, regulatory, investor confidence, client retention, employee satisfaction and company reputation;
- definition of an assessment and prioritisation methodology suited to the Group's culture and values by the steering committee;
- consultation of internal and external stakeholders: 19 interviews conducted with eight different stakeholders, together with 1,187 questionnaires completed by stakeholders, including employees; and
- analysis of findings and establishment of the final materiality matrix.

Materiality threshold

The materiality matrix revealed nine strategic issues tied to key expectations of stakeholders that also have a significant impact on the Group's business activities. These issues concern all of Nexity's business lines and include not only those relating to sustainable planning, design and operations, but also to the functional diversity and geographic accessibility of buildings. The matrix reaffirms the Group's primary commitment to society: guaranteeing access to housing in light of new uses and societal transformations. It also shows the importance given to business ethics and client relations, not to mention continuing efforts in the area of skills development for the Group's employees as the principal ambassadors of our strategy.

Key lessons of the matrix

The positioning of points on the right-hand side of the matrix shows that executive management is aware of the importance of the impact of sustainable development on its business activities in the medium and long term. All expectations considered vital by stakeholders are also considered vital by the members of the Executive Management Committee. However, a number of areas for improvement have been identified, such as the following:

- a strengthened reporting and communication system;
- a better ranking of priorities;
- better assistance provided to users;
- a reinforcement of synergies between entities; and
- offerings developed jointly with clients and better tailored to their needs.

In order to support and demonstrate Nexity's usefulness, the added value it offers to society in serving its main categories of clients – individuals, companies and investors, and local authorities – the Group delivers innovative solutions in each of its business lines with a view to:

- producing affordable, high-performance homes;
- delivering offices that create value; and
- working to ensure the attractiveness of communities and support the circular economy.

5.1.2 Producing affordable high-performance homes

Given the steady march of urbanisation, the barriers to home ownership and the ageing of the population, a growing proportion of households are finding their access to housing more and more limited. To make life in cities accessible to everyone, Nexity is working in six areas:

- access to housing;
- social and functional diversity;
- a range of housing solutions for every stage of life;
- high-performance buildings;

- control of occupancy costs, with energy-efficient condominium renovation and greater transparency in client relations; and
- new mobility solutions.

Access to housing

As a developer of social housing programmes, Nexity is currently the leading partner of social housing operators in its sector in France (see "Social housing" in Section 1.5.1.1 of this Registration Document, "New homes"). In 2016, 24% of homes developed by Nexity were reserved by social housing operators, representing a total of 3,632 homes (excluding Edouard Denis).

More generally, through its offering of homes at controlled prices (see "Keeping construction costs under control" in Section 1.5.1.1 of this Registration Document, "New homes"), the Group facilitates access to home ownership for first-time buyers, who accounted for 28% of its individual clients in 2016. This type of marketing requires specific expertise in the area of sales but also legal matters, which is a speciality of Nexity's teams.

Social and functional diversity

Nexity develops housing programmes that aim to bring diversification to communities, addressing both social and functional aspects, which are essential factors to improve quality of life and ensure the long-term viability of neighbourhoods. Nexity is France's leading private developer in areas eligible for VAT at a reduced rate (ANRU urban regeneration zones, QPV priority urban zones and an area of 300 metres around these zones), where it has sold a total of 18,000 homes since 2006. In 2016, 56.5% of these Nexity clients were first-time buyers. Since 2013, the Group has also developed 13,438 sq.m of retail space for its commercial clients in these same zones. In 2016, Nexity won the bid to develop the Belvédère neighbourhood located within the ZAC Garonne-Eiffel mixed development zone in Bordeaux as joint developer. With a buildable floor area of 140,000 sq.m, this mixed development will host offices, homes, retail premises, services, business premises, a hotel, an apartment hotel for business clients and an emergency accommodation centre for people living in situations of extreme social vulnerability, as well as cultural and events facilities.

Housing solutions for every stage of life

From student to senior residences, Nexity offers made-to-measure solutions for clients as their housing needs evolve.

As the leading private player in the French student housing market, Nexity is mindful of the need to provide quality housing. Covering a different stage of life and its associated housing needs, Nexity responds to senior citizens' differing levels of autonomy and financial resources by offering both mixed-age social residences and serviced residences thanks to its partnership with the Ægide-Domitys group.

High-performance, energy-efficient and low-carbon buildings

In all the areas where it operates, Nexity's buildings offer a high level of energy performance and superior indoor air quality. A growing number of developments therefore present performances exceeding France's RT 2012 energy efficiency requirements. The Group's approach leads it to favour innovative and efficient construction methods rather than sophisticated equipment, thus meeting both the objective of delivering long-term comfort for occupants and the need to optimise occupancy costs (see Section 1.7 of this Registration Document, "Sustainable development at Nexity").

Occupancy cost control with energy-efficient renovation for condominiums

Through its Real estate services to individuals business, Nexity offers and implements energy-efficient renovation solutions for condominiums that help reduce occupancy costs – a critical factor in maintaining clients' long-term economic solvency and comfort. In 2015, Nexity formally affirmed this commitment by signing the official French charter on the energy-efficient renovation of condominiums, launched in line with the recommendations of the *Plan Bâtiment Durable*, France's sustainable building plan. The Group has also agreed to guarantee the occupancy costs of condominium owners in connection with energy performance contracts (see "Upgrading energy efficiency" in Section 1.5.3.1 of this Registration Document, "Real estate services to individuals").

Occupancy cost control and transparency in client relations

Nexity's commitment to its condominium clients in terms of the transparency of common charges is a key aspect of its managing agent services. For condominium owners, benefits include access at any time online to all financial and administrative documents relating to their properties and a solution for keeping common charges under control, which involves the selection of service providers following a competitive bidding process, in agreement with the condominium board and with special rates made possible through the use of Nexity's

preferred suppliers. Through its rental property management business, Nexity offers its owner clients not occupying their properties a set of online tools designed to guarantee transparency (for the tracking of financial details and all aspects of the rental arrangement in the event of a tenant replacement via mynexity.fr).

New mobility solutions

To reduce the demand for parking spaces, thus limiting the related construction and operating costs, Nexity is supporting the development of pooled and shared parking facilities, an emerging social phenomenon. Nexity currently offers a local car-sharing solution for exclusive use by residents of six of its condominiums in the Paris region. Recognising that private parking facilities constitute a major economic challenge, due to their construction costs and often less than optimal occupancy rates, in 2015 Nexity entered into a partnership with Zenpark, France's premier shared parking operator, and now offers parking space owners in its properties the opportunity to share their spaces for additional uses, in order to optimise their costs (see Section 1.9.1 of this Registration Document, "Research and development"). Since the partnership began in 2015, Nexity has proposed 29 development projects including this service in the Paris region and major French cities. In 2016, for existing residences, an agreement to make around thirty parking spaces available was signed for a student residence in the Paris region.

5.1.3 Delivering offices that create value

With 40% of available office space consisting of premises requiring refurbishment and unsuited to users' expectations, Nexity, concerned with the need to maintain functional diversity in cities, is working to bring together the conditions for optimal and flexible service activities by providing:

- rehabilitated office buildings with controlled occupancy costs;
- solutions in line with the new ways of working of commercial building users; and
- resource-efficient premises suited to the new relationships with work.

Office buildings with controlled occupancy costs

Nexity has considerable expertise in the renovation of office buildings to improve their longevity and boost their value for investors. Since 2000, a total of around 400,000 sq.m of office space has undergone major renovation works.

Functional diversity within cities and districts is only possible if the price per square metre of commercial space is optimised and operating costs are manageable. Thanks to the innovative, accessible and environmentally friendly construction processes used by its subsidiaries Ywood and Terénéo, Nexity provides specific solutions to keep costs under control for large corporates and SMEs alike (see Section 1.9.1 of this Registration Document, "Research and development").

To ensure sustainability of operation for corporate users, Nexity has introduced the first overall occupancy cost guarantee incorporating an energy performance guarantee right from delivery of the building (see Section 1.5.3.3 of this Registration Document, "Real estate services to companies").

Solutions in response to the new ways of working of commercial building users

The digital revolution and the emergence of the collaborative culture, among other developments, have led Nexity to rethink the ways in which its office buildings are used. Nexity runs working groups and organises seminars and workshops with large corporate users to better understand this new user culture and ensure that it is reflected in the space planning and new building design business (see Section 1.5.2.1 of this Registration Document, "Growth strategy for the Commercial real estate division"). Planted areas now play a key role in workspaces, attesting to these changes. This includes, for example, the "Manufacture Design" tropical garden created by Saguez & Partners in Saint-Ouen, designed as a meeting place.

Resource-efficient buildings suited to the new relationships with work

In 2014, with greater flexibility and more mobile working being encouraged by companies, Nexity was inspired to launch Blue Office, a shared office space solution. For its Commercial Clients, Nexity offers the possibility of implementing mobile working solutions in offices located at the heart of residential areas. Nexity thereby offers its clients a way to improve employee well-being by decreasing the number of commutes, at the same time helping to reduce associated emissions. It can also give rise to a more optimal use of commercial space depending on the needs of users.

5.1.4 Working to ensure the attractiveness of communities and support the circular economy

Through its business activities, Nexity has an impact on the attractiveness of communities. To ensure that this impact is a positive one, Nexity is committed to carrying out its projects in accordance with the three main priorities described below.

Reinventing districts

Nexity works to redesign entire districts within dense urban areas by integrating them into the existing urban fabric, respecting the area's characteristics and anticipating the potential for further development of the area. By offering made-to-measure and flexible responses for each project, from the design phase through to realisation, and then in the procedures for managing future districts, Nexity works to ensure the attractiveness and well-being of these districts today, but also their resilience over time, so that the city and its districts evolve successfully and remain attractive for years to come. Wherever necessary, Nexity brings to bear its considerable expertise in the rehabilitation of brownfield sites, anticipating their new uses. In particular, this includes large-scale land decontamination activities, transforming environmental liabilities into value-creating land for companies and local authorities. In urban regeneration projects, the Group acts as a bridge between public and private interests, working as a genuine partner for all stakeholders.

Owing to its strong presence in districts targeted for urban regeneration (see "Reduced-rate VAT zones: ANRU urban regeneration zones and priority urban planning districts (QPVs)" in Section 1.5.1.1 of this Registration Document, "New homes"), Nexity aims to better integrate these areas into the rest of the city, promoting functional diversity through its developments. For example, a large majority of the urban development projects carried out by Nexity's Villes & Projets subsidiary blend residential and commercial uses. In addition to its role as an urban developer, Nexity is committed to creating social ties: residential real estate teams for the *Docks Libres* project in Marseille have taken a truly civic-minded approach in order to involve local residents in the project. Furthermore, the Provence subsidiary is a member of the *Les Entreprises pour la Cité* network, which aims to combat discrimination and promote access to employment and equal opportunity.

Enhancing and protecting local communities

Nature in the city

Apart from protecting local biodiversity, a regulatory prerequisite for any building starts, Nexity works to reintroduce nature into cities through urban agriculture projects by planting vegetation or installing beehives. Of the six office developments completed between 2015 and 2016 in the Paris region, representing a total floor area of 158,820 sq.m, 22,519 sq.m has been planted with vegetation (in the ground, on the roof, on the facade), equal to 14% of the completed floor area.

These developments include Le Nuovo in Clichy, for which Nexity worked with an ecologist in order to obtain BREEAM certification (Very Good).

Nexity has also redeveloped the former Les Magasins Généraux site in Pantin (floor area of 19,226 sq.m) and obtained Biodivercity certification thanks to a 1,000 sq.m planted roof, with 80 cm of topsoil covering the entire area in order to provide optimum conditions for plants and fruit trees. Employees will therefore benefit from a connected and planted open-air working environment and events organised in partnership with biodiversity non-profit Noé.

At the Châtillon eco-campus, Nexity has taken the innovative step of extending the 1.5 hectares of landscaped grounds and 30,000 plants, including a landscaped basin, right up to the facade of the building, with 2,300 sq.m of planting.

An "educational" beehive has been installed at the Ywood development – the *Docks Libres* site in Marseille, where Nexity's regional head office is based. A key player in community life, Nexity welcomes visits from schools as part of efforts to raise awareness about biodiversity by observing and understanding how a beehive works. Employees can take part in harvesting honey.

Exemplary projects

During the construction phase, to ensure the comfort of local residents, Nexity's across-the-board application of the principles laid down in the Group's Environmentally Responsible Construction Sites Charter helps minimise the local impact of construction sites in terms of noise, water, air and soil pollution (see Section 1.7.3 of this Registration Document, "Environmentally responsible construction sites").

Pooling and reusing resources for a circular economy

Nexity seeks to reduce communities' consumption of energy and other resources by exploring circular economy solutions. In 2016, Nexity structured its circular economy strategy for 2025 around three main commitments. These three priorities were included in a white paper published by AFEP in 2017. In addition to the Group's carbon target-related goals (see Section 5.2.4 of this Registration Document, "Environmental and climate initiatives"), Nexity's main aim is to "optimise construction site waste management between now and 2020". Initial pilot projects aim to support the recycling of 70% of construction site waste, encouraging sorting of waste at the source and selecting waste management centres. For example, whenever a building is demolished, the Group takes care to recycle waste and used materials either on site or at nearby sites, thus limiting transport within the local area (see Section 1.7.3 of this Registration Document, "Environmentally responsible construction sites").

In support of the Group's targets in terms of reducing greenhouse gas (GHG) emissions, Nexity is aiming to reduce its energy consumption and develop renewable energies between now and 2025, in particular by developing energy solidarity at the level of each block (energy loop, renewable energies production, etc.), using biosourced and/or recycled materials and even encouraging responsible travel (car sharing, bicycle sharing).

With respect to fluid management, Nexity has joined forces with the start-up Stimergy to recover the heat produced by data centre servers to supply a number of the Group's residences with domestic hot water. A prototype launched at a student residence in Grenoble in 2016 was able to cover around 20% of domestic hot water requirements during its six months in operation (see Section 1.9.1 of this Registration Document, "Research and development").

5.2 CSR PERFORMANCE IN KEEPING WITH NEXITY'S LEADERSHIP ROLE

The Group's aim is to be recognised as an exemplary corporate citizen by all its stakeholders – clients, investors, analysts, local authorities, civil society, etc. – in terms of workforce-related, societal and environmental performance. Outside the Group, Nexity participates in think tanks and working groups (C3D, OID, AFNOR, AFEP on the circular economy, etc.) on sustainability issues so as to make a proactive and pragmatic contribution both within the sector and nationwide. On the basis of better understanding of expectations and faced with growing demand for greater transparency, the Group wants to move beyond the mere exercise of conformity and further enhance the relevance of its reporting, reflecting:

- better alignment of CSR issues with strategic goals, thus promoting sustainable financial performance;
- employees regarded as essential to the success of this project; and
- a high level of commitment to reducing its GHG emissions.

5.2.1 CSR governance

Since 2015, the Corporate Sustainability and Strategic Marketing Departments have been merged to reflect the integration of sustainability concerns within the business lines. The dual-function department has 15 employees who collaborate on the development of innovative products and services that are more environmentally and socially responsible.

The Corporate Sustainability and Strategic Marketing Department reports directly to the Group's Chairman and Chief Executive Officer. Nexity's Board of Directors is informed of the Group's sustainable development policy.

5.2.2 An approach to CSR serving economic performance over the long term

Business ethics and client relations

Ethical concerns are paramount for Nexity: they are key to maintaining confidence and building healthy, long-lasting relations with stakeholders. As a participant engaged in communities and regions, the Group sees this challenge as an imperative and therefore ensures that preventive measures, guidelines and controls are in place to guard against practices not consistent with principles of integrity and fairness in business relationships. For both individuals and the Group as a whole, this involves compliance with competition rules and purchasing procedures, exercising reasonable diligence, proper business conduct and transparency. Nexity's stakeholders expect the Group and its employees to achieve high standards of ethical and socially responsible behaviour in business activities, thus guaranteeing its sustainability and economic performance.

Since Nexity's reputation rests not only on the quality of its products and services, but also on the confidence of its clients, partners and employees, the Group's Legal Department was charged in 2015 with the development of

a Code of Conduct setting out the Group's values, its shared convictions and best practices, which has now been made available to all employees (this code may be viewed on the Group's website.

The Code of Conduct reiterates all the rules and procedures that staff must follow in their day-to-day work to ensure that the Group meets its ethical and legal commitments. It covers both internal relationships within the Group (personal respect and safety, protecting the Group's image, conflicts of interest, etc.) and external relationships (treating clients and business partners fairly, complying with competition law, corruption, etc.).

Responsible procurement and supplier relations

Nexity's demands of its suppliers in terms of social and environmental requirements are formulated by each of its subsidiaries and cover primarily:

- combating all forms of undeclared labour for all subsidiaries;
- continuing its work on integrating health criteria into the specifications for residential property developments: material labels, ecolabels, absence of substances deemed controversial by the Procurement and Services unit in the Group's Production and Cost Control Department, and control of Group costs;
- communicating the Environmentally Responsible Construction Sites Charter, which is now contractual for 100% of companies working on residential real estate programmes. This includes requirements in terms of managing water and energy consumption and managing site waste; and
- the requirements of environmental standard ISO 14001 for the subdivisions business of the Foncier Conseil subsidiary involve an ongoing review of the choice of service providers used.

In 2016, a cross-functional working party was put together to identify best practices and coverage of CSR risks within the supply chain for finishing products used by the Residential real estate business. An internal reference framework for the social and environmental assessment of companies and products has been developed and implemented for each product category. A CSR questionnaire is now sent out to all suppliers before any products are supplied and this information is added to the CSR assessment of suppliers and their products. In 2016, the amounts concerned by this responsible selection exercise came to around €100 million.

Innovation and joint projects with partners (see Section 1.9.1, "Research and development")

As a key player in imagining, planning and bringing sustainable cities to life, the Group joined forces in late 2015 with other industry leaders to work on DataCity, an experimental incubation programme initiated by NUMA (an accelerator for start-ups linked to digital innovation) and the Paris City Council. DataCity is aimed at entrepreneurs offering solutions to urban problems using big data (new mobility solutions, energy self-sufficiency, installations, etc.). Nexity took part in the 2015/2016 programme, which resulted in experimenting with the services of start-up Openergy. This company offers energy pooling solutions at block level. Nexity reaffirmed its commitment to DataCity in 2016, selecting nine start-ups to respond to the challenges of the city of the future.

Since 2015, Nexity has partnered with Paris&Co and the Paris City Council, alongside other real estate players, to create an innovation platform built around an incubation programme to promote the sustainable city. This hybrid platform aims to stimulate the development of innovative urban solutions to combat climate change. In 2016, Nexity renewed its involvement in Paris&Co.

Assessing Nexity's performance

Nexity's sustainable development performance is assessed by non-financial rating agencies and by a growing number of investors whose investment decisions now include ESG (environmental, social and governance) criteria. As part of its continual improvement approach, Nexity notably considers the results of any such assessment shared with the Group to improve its non-financial performance.

Carbon Disclosure Project (CDP)

Since 2011, Nexity has chosen to participate in CDP, demonstrating its commitment to fighting climate change. The CDP is the world's largest database of GHG emissions. It is a consortium of 827 institutional investors managing nearly $100 billion of climate assets that aims to help these institutional investors with their investment decisions. In 2016, the Group was rated A-, an improvement on the previous year, for the performance (mitigation and adaptation to climate change) and transparency (exhaustiveness and quality of responses) of its carbon policy. Nexity is among the companies having received the highest scores from CDP (only 25% of responding companies have reached the "A" or "A-" performance bands, thus achieving "Leadership" status).

Gaia Index

The Gaia Index is used to determine French listed companies' (small- and mid-caps) commitment to sustainable development. Through its proactive approach, Nexity has steadily risen up the index rankings since 2010 and in 2016 was ranked 7th overall (compared with 14th in 2015) among the 230 companies evaluated and 6th out of the 85 companies with annual revenues in excess of €500 million.

5.2.3 Commitments to employees

Because employee well-being is paramount, Nexity aims to guarantee the best possible working conditions for all its staff. Quality of life at work is a priority for the Group, which also undertakes to raise awareness of CSR issues among employees and to offer related training to boost their pride in Nexity's achievements. In addition, the partnerships with non-profit organisations formed by the Group aim to reinforce Nexity's civic engagement.

Quality of life at work

Nexity's Human Resources Department is working on a number of initiatives to promote a better work-life balance, through support for employees who are working parents and a mobile working solution.

To alleviate the difficulties experienced by parents in finding adequate childcare, Nexity has entered into a three-year partnership with the Babilou group for the reservation of childcare places and related services (see Section 5.3.1.5 of this Registration Document).

Furthermore, Nexity has made the conscious choice to facilitate the development of mobile working arrangements by offering the Group's Blue Office solution to its employees, particularly those experiencing difficulties commuting to and from work (see Section 1.5.6.1 of this Registration Document, "Nexity Blue Office").

Raising awareness of sustainability issues and related training

Nexity is fully committed to its social and civic responsibility toward its employees. The challenges of sustainable development and the policies implemented by the Group to this end are the focus of a sustained awareness campaign aimed at its personnel, including:

- since 2013, a sustainability e-learning module has been offered to all employees, including in particular new recruits, to raise awareness of social and environmental issues in the real estate sector and unite staff around the Group's sustainable development policy; and
- many other tools are used to raise awareness among employees, including the Group's intranet, its in-house magazine and various themed and corporate events such as Sustainable Development Week (competitions, videos, collecting/sorting/recycling campaigns, etc.).

To provide employees with operational support in this area, the Group also offers a number of collaborative tools such as practical design guides (covering "BBC" low energy consumption criteria, low-carbon programmes and healthier living spaces), technical information sheets and the following e-learning modules:

- an e-learning module focusing on Bilan Carbone® assessments of property developments, offered since 2014 to the Group's operational staff responsible for independently verifying the carbon footprint of their developments using a specialised in-house tool: Carbon Cube (see Section 1.7.3 of this Registration Document, "Environmentally responsible construction sites"). In 2016, 129 Bilan Carbone® assessments were carried out for real estate programmes put before the Purchasing Committee and 91 assessments were carried out for completed real estate programmes;
- an e-learning module on energy efficiency renovations, offered to all condominium managers from 2012 onwards to help them provide better advice and support to their clients (enhancing property values through renovation, increasing their purchasing power thanks to energy savings and improved control over occupancy costs, and improving comfort by choosing the right energy solutions). This module is due to be updated in 2017.

Apart from dedicated sustainability training, since 2011 Nexity has offered training aimed at developing staff employability (see Section 5.3.2.12 of this Registration Document, "Training"). A total of almost 84,000 training hours were delivered in 2016 to ensure that employee skills keep pace with business developments. Training is offered on priority areas for the Group (management, client relations, sustainable development, project management and digital culture) through either face-to-face or distance-learning sessions.

Partnerships with non-profit organisations and solidarity initiatives

In 2016, Nexity introduced "Uniday", a company solidarity day pilot project giving employee volunteers the chance to get involved in a local charity for one day during their working hours.

Launched in three regions of France (Paris region, Marseille and Toulouse), Uniday involved 115 employees working with six charities – including Fondation Abbé Pierre, Mains d'Oeuvres and Veni Verdi – providing their support for projects relating to three themes:

- access to housing;
- urban ecology / biodiversity in the city; and
- social and generational diversity.

This meaningful shared project, outside the usual working framework, has also helped to unite employees and encourage links to the local community and a cross-functional approach between business lines.

Lastly, since the start of 2017, the Nexity Foundation has been in the process of being created. Its main aim will be to support socially, culturally, scientifically or environmentally useful projects all over France that help to make the city a better place to live for everyone.

5.2.4 Environmental and climate initiatives

The "carbon trajectory": a new long-term target for Nexity

In the wake of COP 21 and 22, Nexity has taken action to outline a carbon trajectory in line with the commitments of its business sector, supporting a scenario of a +2°C rise in global temperatures, in keeping with the commitments made by France within the framework of the Paris Agreement. This has led the Group to make an initial estimate of its material impacts, in addition to assessments of the impact of its administrative sites alone carried out since 2009 (see below).

2016: initial estimate of the material impacts of the Group's activities

On the basis of sector benchmarks for greenhouse gas emissions relating to real estate production, Nexity has made an initial estimate of its material impacts. This estimate will be reviewed and refined but constitutes an initial basis for determining the scale of the challenge facing the Group in terms of climate change.

The sector benchmarks used (HQE, CSTB, ADEME) propose considering emissions of around 1 tonne of carbon dioxide equivalents (tCO_2e) per square metre, taking account of construction and operating phases, over a period of 50 years.

For Nexity, for square metres completed in 2016, this gives the following orders of magnitude:

- around 800,000 tCO_2e for the residential development business;
- around 69,000 tCO_2e for the commercial real estate business (completion of 59,522 sq.m concrete + 15,745 sq.m wood); and
- 20,000 tCO_2e for administrative sites.

Nexity group targets

In 2016, Nexity has set itself ambitious targets in terms of reducing greenhouse gas emissions by 2030:

- Residential real estate: 30% reduction in tonnes of CO2 equivalent emissions per home completed (vs 2015);
- Commercial real estate: 21% reduction in tonnes of CO2 equivalent emissions per square metre of floor space delivered (vs 2015); and
- Administrative sites: 35% reduction in tonnes of CO2 equivalent emissions per employee (vs 2014).

Nexity has also been a signatory of the *Paris Action Climat* charter since 2015, and in 2016 formulated and signed quantified commitments for the Paris region.

Administrative sites as exemplars of the Group's commitments

Nexity recognises that the administrative buildings it occupies in connection with its business activities have a non-negligible impact on the environment. In selecting sites for its developments, the Group thus takes into account their location and seeks to maximise their energy performance. Since 2014, the Group has brought together staff from key sites and relocated them in more energy-efficient buildings in Paris and elsewhere in France. This initiative has resulted in a significant reduction in greenhouse gas emissions.

GHG assessment and initiatives to reduce carbon emissions

Environmental management of administrative sites

Out of a desire to minimise its environmental impact, the Group has adopted a policy of attenuating and adapting to climate change. This policy entails measuring and identifying the main sources of GHG emissions, taking into account the Company's internal activities. In order to meet and exceed regulatory requirements, the Group has put in place a new computerised reporting system to support the management of the procedures involved in collecting and consolidating information from its sites.

Nexity has been measuring GHG emissions at all of its administrative sites since 2009. In 2012, the Group voluntarily subjected itself to Article 75 of the Grenelle II Act by publishing its first review of GHG emissions across the entire scope of its French operations.

Assessment scope

Nexity's GHG emissions are assessed across more than 300 Group sites in operation in France as at 1 January of the reporting period (see Section 5.4 of this Registration Document, "Note on methodology pertaining to disclosures of workforce, environmental and societal information"). These assessments help to target the elements that produce the most carbon emissions in order to better adapt the Group's actions and minimise its environmental impact. Starting with its first review, completed in 2009, Nexity has taken concrete action to reduce this impact, enabling the Group to significantly lower its GHG emissions.

In 2014, Nexity has decided to improve the assessment of its carbon footprint, taking account of a broader reporting scope than in previous years. The GHG emissions assessment carried out by Nexity in 2016, using the same methodology, highlighted the progress made over the last two years. In 2016, GHG emissions amounted to 20,026 tCO_2e, thus decreasing by 14% per employee compared with 2014 (22,731 tCO_2e).

Emission source	CO_2 emissions (tCO_2e)				Comments (explanation for the change)
	2016		2014		
Direct GHG emissions	**3,706**	**19%**	**3,139**	**14%**	
Direct emissions from stationary combustion sources (consumption of natural gas for heating)	286	1%	204	1%	All Nexity sites have been taken into account
Company car fuel consumption	3,163	16%	2,935	13%	Consumption more or less stable, despite an increase in the number of employees between 2014 and 2016
Direct fugitive emissions (air conditioning refrigerant leakage)	257	1%	N/A	0%	Information not available in 2014
Indirect GHG emissions	**828**	**4%**	**1,014**	**4%**	
Electricity consumption	612 (0.09/FTE)	3%	793 (0.12/FTE)	3%	Reduction in consumption despite an increase in the number of employees between 2014 and 2016
Steam consumption	216	1%	221	1%	Consumption broadly similar (no major change at sites between 2014 and 2016)
Other indirect emissions, of which:	**15,492**	**77%**	**18,578**	**82%**	
Paper and consumable office supplies	1,475	7%	1,828	8%	Reduction due to Nexity's digitisation policy
Recycled wastepaper	3.6	0%	2.8	0%	Increase in the proportion of recycled paper
Business travel	2,478	12%	3,443	15%	Reduction mainly due to the reduction in kilometres travelled by plane
Commuting	6,222 (0.92/FTE)	31%	8,405 (1.28/FTE)	37%	Reduction mainly due to increased use of public transport
TOTAL DIRECT AND INDIRECT EMISSIONS	**20,026 (3/FTE)**		**22,731 (3.5/FTE)**	**-12% -14%**	
Number of FTE employees	**6,768**		**6,591**	**3%**	

Lastly, in the interests of transparency, Nexity wishes to provide information relating to the following indicators, included in the Group's reporting each year and taken into account when carrying out its GHG footprint analysis:

Types of consumption taken into account in the GHG footprint analysis	2016	
Electricity	10,190,529	kWh
Steam	1,110,000	kWh
Natural gas	1,163,768	kWh GCV
Water	18,803	m^3

5.3 WORKFORCE – HUMAN RESOURCES

5.3.1 Human resources policy

Nexity's human resources teams are responsible for developing the skills and human capital needed by the Group to meet its short-, medium- and long-term objectives also set by senior management.

As an employer, Nexity aims to support the development of each and every one of its employees throughout their careers within the Group.

In 2016, Nexity's human resources policy was organised around five main priorities:

- supporting every employee from the start of the induction process, in order to move forward together and assess progress;
- digitising a comprehensive system for two-way communication and exchange;
- engendering and promoting professional development for each employee;
- fairly compensating everyone's individual and collective performance while maintaining solidarity; and
- adapting our organisational structures to promote a better work-life balance.

5.3.1.1 Supporting every new employee from the start of the induction process, in order to move forward together and assess progress

A new induction experience

The Group's induction process was reviewed in 2016.

Centred around four key elements (Discover / Discuss / Explore / Support), the new Nexity integration process highlights different ways of learning (digital, face to face, collaborative), right up to the induction day, which takes place at the head office. The induction day has been given a new format in order to allow for maximum interaction with management and other employees present, thanks to team-based discoveries and challenges.

One of the new aspects also lies in the fact that the process has been designed to encourage the creation of an internal network. All of the content and activities are designed to action the collaborative dimension and working together.

Seven induction seminars were held in 2016, allowing 307 new employees to benefit from this day-long event.

Annual performance appraisals

Annual performance appraisals are a valuable opportunity to share information, clarify aspects of an employee's role and responsibilities and discuss objectives relating to a role. It should support the employee's development so that he or she can attain the level of expertise and performance expected in his or her role. It also helps managers better manage their teams' performance and results.

An appraisal tool helps to promote fruitful dialogue, more clearly present expected skills and performance and strengthen commitment by drawing up a formal individual growth plan with associated actions. The aim of this Mutual Engagement Interview (MEI) is to review the year just ended, determine specific targets in line with the strategic priorities of the Group and the work unit, draft an individual growth plan and discuss the employee's goals and his or her individual mobility aims. It also includes a section dedicated to work organisation management.

Following the reform of professional training on 5 March 2014, making work-related interviews compulsory, the MEI was reviewed in 2016. It has been simplified and is now structured as follows:

- an assessment section to assess targets and skills and set targets for the coming year, while also providing an individual development plan for the employee; and
- a "professional plans" section to find out the employee's aspirations and direct them in their professional plans.

This new appraisal tool helps to improve career management and ensure better performance management.

Relations with educational institutions and integration of young people

In 2016, Nexity hosted 217 work-study students and 384 interns across all its establishments in France. Through internships, work-linked training arrangements and the employment of recent graduates, Nexity aims to encourage the integration of young people within the Group and, more generally, facilitate their entry into the labour market.

In 2016, Nexity took advantage of numerous opportunities to meet and exchange with students.

Nexity thus participated in several recruitment events bringing together applicants for positions in property development and real estate services, including *Forum Groupe IGS*, *Job Dating ESPI*, *Forum ESTP*, *Forum des Métiers de l'Immobilier* and *Forum Paris Pour l'Emploi 2016*.

Nexity's relationships with educational institutions especially target schools preparing graduates for the real estate development and real estate services professions. For example, the partnership with *École Spéciale des Travaux Publics* (ESTP) was renewed in 2016, including in particular the mentoring of 14 selected students by 14 Nexity employees. Students participating in the mentoring programme will attend conferences and breakfasts at Nexity's head office, as well as the launch of Nexity's *Grand Projet* (a case study over several months proposed in the final-year real estate specialisation option).

This partnership complements the partnership, already in place for several years, with ESPI, which offers its students degree programmes in the fields of real estate development and real estate services to companies and individuals.

Nexity is also a partner of the Web School Factory's innovation cluster: Innovation Factory.

Continuing the partnership with IMSI (part of the IGS group), Nexity Real estate services to individuals business has selected 18 students on work-based training programmes who have joined Nexity's agencies in Paris and its region to be trained in managing agent, brokerage or rental management services.

Nexity has also continued working with the *Télémaque* and *Nos Quartiers Ont des Talents* ("Local talent") associations to take action to promote equal employment opportunities.

Nexity sponsors students and graduates by helping them improve their job applications, prepare for interviews, clarify their career choices and build a professional network.

Retaining top talent

As part of its efforts to retain talented employees, in 2015 the Group put in place a new career development programme targeted at employees identified using objective criteria during annual talent review meetings.

This new programme begins with a skills assessment day designed to reveal the participants' strengths and areas for improvement. The findings of these assessments are used to prepare individualised professional development plans lasting no longer than twelve months with a view to building the skills of the selected employees and furthering their careers.

This tailor-made programme was renewed in 2016 and will continue in 2017.

5.3.1.2 Digitising a comprehensive system for two-way communication and exchange

In an ever-changing world, for a company that is permanently reinventing itself, internal communication needs to promote this new culture of innovation and flexibility, helping to reshape ways of working and encouraging interaction between business lines.

In 2016, internal communication contributed to the commitment of each employee by means of three complementary focuses:

- digitising the ecosystem for two-way communication and exchange;
- strengthening rituals and ties between executive management, teams, managers and employees in order to achieve ever greater cross-functionality and sharing of experience; and
- enabling managers to facilitate innovation and teamwork.

The fit between these three priorities and their effectiveness were praised as strengths of the employee experience in the 2016 Nexity opinion survey.

5.3.1.3 Engendering and promoting professional development for each employee

The annual Mutual Engagement Interview (MEI) method implemented across the entire Group, grounded in a set of mutual commitments, helps assess skills, evaluate performance, anticipate career developments and draw up training plans.

In order to fill vacant positions and respond to employees' career development wishes expressed during annual appraisals and validated by line managers, Nexity provides all staff with access to a jobs board. This system was created to facilitate exchanges and build bridges between the Group's subsidiaries. In 2016, this system allowed 125 employees to move into a new position in France: 29 transferred to a different division within the Group and 96 moved to another company in the same division.

The Group's ongoing training programmes help meet the career development needs of every employee (see Section 5.3.2.12 of this Registration Document, "Training"). Business line training is structured around "business academies" designed to strengthen early integration, stimulate ongoing learning, promote in-house expertise (with in-house experts contributing to the content and presentation of some sessions) and help build bridges between business lines.

The Group's talent retention programme builds skills and furthers the professional development of employees identified due to their strong performance (see Section 5.3.1.1 of this Registration Document, "Retaining top talent").

5.3.1.4 Fairly compensating everyone's individual and collective performance while maintaining solidarity

Nexity's remuneration policy aims to recognise and reward Group employees for their contributions, taking into account both individual and collective performance, while guaranteeing fairness and promoting solidarity.

Apart from the fixed and/or variable remuneration granted to each employee, the Group's objective is to reward all staff with a component of remuneration recognising their collective performance and including a full set of benefits in a spirit of solidarity. Measures adopted in 2016 are in keeping with the continued application of this policy.

Salary reviews: a structured and uniform process based on the recognition of contributions and performance

Remuneration is reviewed at least annually through a structured process that is applied by all Group entities. This ensures that reward principles are applied consistently and fairly across the Group, and consists of a dual review of each employee's situation by line management and Human Resources Management.

Nexity recognises and rewards individual performance using a selective approach designed to recognise each employee's contribution (individual variable remuneration). But a component of remuneration also serves to recognise and reward collective performance depending on the economic results achieved and the efforts brought to bear by each Group company, with the possibility of profit-sharing and incentive payments, and by Nexity more generally through the Group savings plan, whose level of employer matching contributions is tied to results, and an active employee shareholding policy.

Nexity seeks to ensure that effort is fairly rewarded. Remuneration decisions are based on a factual and objective assessment of each individual's contribution, and all forms of discrimination are prohibited.

The Group also seeks to safeguard the principle of solidarity, with specific attention paid each year to employees on the lowest incomes.

Employee savings: applying the principle of mutual benefit

On 26 March 2015, Nexity reached a unanimous agreement with all employee representative partners to set up a Group-wide employee savings plan for all employees. This innovative approach allows all employees, irrespective of the entity to which they belong, to receive employer matching contributions.

Nexity's employees are now able to enrol in:

- the Group savings plan (PEG) with its six mutual funds, including the "Nexity Actions" equity fund; and
- the Group collective retirement savings plan (PERCOG) with its six mutual funds.

All Group employees can therefore build up their savings, assisted by their employer's matching contributions, whose annual amount is based on the Group's current operating profit. This means that the more the Group's profits grow, the higher the employer contribution, in accordance with the principle of mutual benefit.

In recognition of its development of this approach, Nexity was awarded the 2015 employee savings prize by the human resources group RH&M's ORAS think tank, which focuses on remuneration and employee benefits.

Sharing added value: free share awards

Nexity is keen to give its employees, as shareholders, a stake in the creation and sharing of value. On 16 December 2015, at the proposal of the Chairman and Chief Executive Officer, the Board of Directors decided to award 40 free shares to every Group employee (representing a total of over 240,000 shares awarded to Nexity employees).

At the end of the vesting period (i.e. from 18 December 2017), employees will be able to:

- transfer their shares to the FCPE Nexity Actions mutual fund of the Group savings plan in order to benefit from a tax exemption on any eventual sale, subject to the five-year lock-up period being respected; or
- sell their shares with effect from 18 December 2019.

5.3.1.5 Adapting our organisational structures to promote a better work-life balance

Babilou: a better balance between work and parenting

In order to alleviate the difficulties experienced by Nexity's employees who are working parents in finding adequate childcare, Nexity has entered into a three-year partnership with Babilou for the reservation of childcare places and related services. A total of 70 places have thus been reserved from now until 2019.

In 2016, 65 employees were offered a childcare place near their home or workplace, twice as many as in 2015. Babilou also offers additional services available on short notice to interested employees, such as occasional childcare or home assistance.

Blue Office: freeing up time

Nexity has made the conscious choice to facilitate the development of mobile working arrangements by offering the Group's Blue Office solution to its employees, particularly those experiencing difficulties commuting to and from work. Since 2015, the Group has financed up to five working days per year completed in a Blue Office rather than at the employee's usual workplace for each interested employee.

Individual employee statements (BSIs) accessible at any time

The *Bilan Social Individuel* or BSI is a document created for each employee listing all the items of remuneration and benefits received in a given year. To help simplify the lives of employees as well as managers, BSIs are accessible via the HR information pages set up for each employee (*Mon espace privé RH*) and on the HR information pages set up for managers as well.

Social protection

Against the backdrop of restrictions on healthcare spending with legislation concerning *contrat responsable* top-up health insurance, Nexity increased its minimum welfare benefits in 2016 to include new employee protection.

Developed with employee representative partners, who unanimously supported the change, the new system is based on high quality healthcare and welfare guarantees and gives prominence to preventive healthcare.

The health insurance plan consists of two mandatory schemes: a basic plan plus a supplementary plan in order to maintain the level of benefits in force. A new agreement was signed and adopted on 1 January 2017.

5.3.2 Employee data

5.3.2.1 Total workforce

At 31 December 2016, the Group's workforce consisted of a total of 7,032 employees. The acquisitions carried out in 2016 (Edouard Denis, Primosud and Costame) represent 136 employees. On a like-for-like basis, the

Group's workforce at 31 December 2016 consisted of a total of 6,896 employees (compared with 6,913 at 31 December 2015).

The figures below are reported on a like-for-like basis between 2015 and 2016, to facilitate comparison.

Overall, therefore, the Nexity group's workforce has remained stable.

92% of the Group's employees are on permanent contracts. The table below shows the change in the composition of the workforce by type of employment contract between 2015 and 2016:

WORKFORCE BY TYPE OF CONTRACT

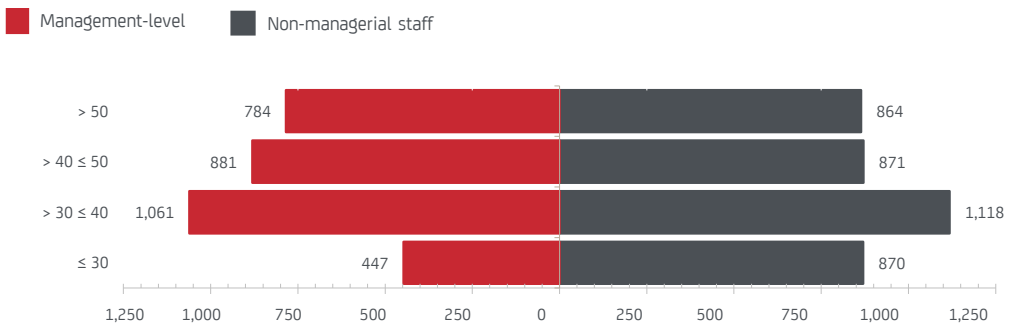
(number)	2016	2015
Permanent contracts	6,376	6,391
Fixed-term contracts and work-linked training	520	522
Total	**6,896**	**6,913**

The breakdown of employment contracts (most of which are permanent, full-time contracts), together with employees' average age and length of service, illustrates Nexity's ability to retain staff, allowing the Group to benefit from their expertise and experience, and allowing employees to pursue their career development within the Group.

At 31 December 2016, Nexity's senior management consisted of 17 people, with an average age of 52.

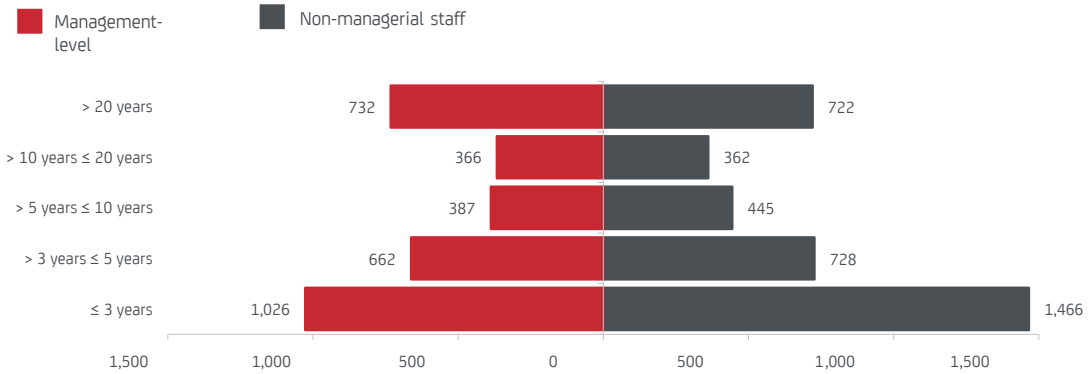
Employee age and length of service breakdown

Age breakdown at 31 December 2016



At end-2016, the average age of Group employees was 41 (42 for management-level and 40 for non-management staff). These figures have remained stable for several years.

Length of service breakdown at 31 December 2016



The average length of service of Group employees was 8.6 years (8.9 years for management-level and 8.3 years for non-management staff). These averages have remained stable for several years.

5.3.2.2 Workforce by geographical area, professional category, UES (*Unité Économique et Sociale*, a distinct unit of employee representation) and division

Workforce by geographical region

Nexity's business is concentrated in France, where 97% of the total workforce is spread across more than 300 locations. The other European countries in which Nexity operates are Belgium, Italy, Poland and Switzerland.

In France, Nexity endeavours to apply a policy of basing its businesses regionally, in close proximity to the markets in which it operates. As such, 45% of the Group's employees in France work in the Paris region and 55% work elsewhere in France. A substantial number of employees are based in the Paris region because it is a dynamic marketplace and Paris is home to the Company's head office and most of its central departments.

The following table presents a breakdown of the Group's workforce by geographical region (inside and outside France) since 2014:

	31/12/2016	%	31/12/2015	%	31/12/2014	%
France	**6,714**	**97%**	**6,728**	**97%**	**6,731**	**97%**
Belgium	61		61		62	
Italy	20		25		35	
Poland	97		94		92	
Switzerland	4		4		28	
United Kingdom	0		1		1	
Europe (excluding France)	**182**	**3%**	**185**	**3%**	**218**	**3%**
Total	**6,896**	**100%**	**6,913**	**100%**	**6,949**	**100%**

The following table presents a breakdown of the Group's workforce in France since 2014:

	31/12/2016	%	31/12/2015	%	31/12/2014	%
Paris region	2,988	44%	2,962	44%	2,674	40%
Lyon and Grand Lyon	685	10%	718	11%	513	8%
Lille	312	5%	304	5%	363	5%
Bordeaux	285	4%	285	4%	265	4%
Marseille	256	4%	243	4%	298	4%
Strasbourg	149	2%	145	2%	180	3%
Toulouse	139	2%	136	2%	175	3%
Besançon	108	2%	111	2%	165	2%
Nantes	128	2%	123	2%	146	2%
Other cities	1,664	25%	1,701	25%	1,952	29%
Total	**6,714**	**100%**	**6,728**	**100%**	**6,731**	**100%**

Workforce by professional category and by UES

Management-level staff (*cadres* in French), 51% of them men and 49% women, make up 46% of the workforce. The remaining 54% is made up of non-management staff, 24% of them men and 76% women.

The table below shows a breakdown of the workforce by professional category and by UES at 31 December 2016:

	Management-level			Non-management staff				
UES	**Men**	**Women**	**Total**	**Men**	**Women**	**Total**	**Total**	**%**
Nexity Promotion Construction	728	466	1,194	199	550	749	1,943	28%
Nexity Saggel Services	173	167	340	25	103	128	468	7%
Nexity Lamy	390	622	1,012	428	1,571	1,999	3,011	44%
Financière de la Baste	47	14	61	4	32	36	97	1%
Non-UES	294	272	566	228	583	811	1,377	20%
Group total	**1,632**	**1,541**	**3,173**	**884**	**2,839**	**3,723**	**6,896**	**100%**

UES Nexity Promotion Construction encompasses employees working in France in three Group divisions – Residential real estate, Commercial real estate and Urban Regeneration – as well as the corporate functions within the holding company.

UES Nexity Saggel Services encompasses the Group's commercial property management staff.

UES Nexity Lamy encompasses the bulk of employees working in France in the Real estate services to individuals business.

UES Financière de la Baste consists of the employees of Century 21 France.

As a result of the specific characteristics of their business, their industry sector, where they are based (e.g. outside France) or their recent acquisition, some companies do not belong to any of the four groupings mentioned above. The employees of these companies are grouped under the "non-UES" heading and represent 20% of the total workforce.

In France, the main non-UES companies are Naxos, Guy Hoquet l'Immobilier, Iselection, Nexity Conseil et Transaction, Nexity Blue Office and the subsidiaries of Oralia.

Workforce by business line

The table below shows changes in the composition of the workforce by business line at 31 December 2014, 2015 and 2016:

NUMBER OF EMPLOYEES

Business lines	2016	2015	2014
Residential real estate [1]	1,897	1,754	1,670
Commercial real estate	69	72	64
Real estate services to individuals	3,822	4,012	4,047
Real estate services to companies	602	603	667
Franchise networks	172	160	167
Villes & Projets [2]	14	15	13
Other activities: Central departments and Nexity Blue Office [1]	320	297	321
TOTAL	**6,896**	**6,913**	**6,949**

[1] DMCRC was transferred from the Other activities division to the Residential real estate division in 2015.
[2] Including the Asset Management business until 30 June 2014.

5.3.2.3 Subcontractors

The Group remains particularly vigilant with respect to its use of subcontracting and its compliance with legal provisions relating to working conditions and the safety of all personnel. Prior to signing any agreement with subcontractors, the Group systematically verifies that the subcontractors are not in arrears with their social security contributions. The managers of these firms are required to sign a sworn affidavit stating that they do not employ any unauthorised workers.

These requirements are mentioned in the Code of Conduct, which may be accessed by all Group employees via the Group's intranet.

5.3.2.4 Employment and integration of workers with disabilities

At 31 December 2016, the Group employed 74 people with disabilities in France (versus 81 at 31 December 2015).

The Group is also active in promoting the integration of the disabled. To this end, partnerships have been forged with specialised service providers employing people with disabilities, including:

- Elise: collection and recycling of office waste; and
- Ateliers Denis Cordonnier: scanning services for receipts and expense reports.

Some Group entities also rely on the services of companies employing people with disabilities to provide office supplies and tray meals.

5.3.2.5 Joiners and leavers

In 2016, the Group's annual employee turnover rate[1] was 13%.

Joiners

In 2016, 2,030 employees joined the Group:

- 968 permanent contracts (51% management-level); and
- 1,062 fixed-term contracts (8% management-level).

Fixed-term contracts are mainly used to meet the need for replacement personnel during holiday periods or in line with the markedly seasonal nature of certain activities, particularly the marketing and management of student residences within the Real estate services to individuals business.

Leavers

In 2016, 2,047 employees left the Group:

- 955 permanent contracts were terminated (252 of which were dismissals);
- 213 contracts ended at the end of the trial period; and
- 879 fixed-term contracts ended.

It should be noted that these figures do not include internal moves within the Group (internal job moves, transfers, and inter-company transfers between departments). A total of 128 employees changed positions within the Group (inside and outside France).

External contractors

Use of temporary staff within Group companies remains very limited and stable, representing 0.3% of the total workforce in France in 2016.

5.3.2.6 Organisation of working time and number of hours or days worked

At 31 December 2016, 6,516 employees were working full-time and 380 had chosen to work part-time (with the latter thus accounting for 6% of the total workforce).

Each company or group of companies belonging to a UES has its own specific arrangements for organising and managing working hours, laid down in a collective bargaining agreement, in particular by type of business and the terms of any applicable agreements. They depend upon an employee's status and level of responsibility.

5.3.2.7 Absences – Work-related accidents

At 3.7% in 2016, the absence rate[2] for the Group's operations in France held steady relative to 2015.

Furthermore, the number of work-related accidents within the Group is very low, as are severity and frequency rates, due to the types of business activities pursued by the Group, as shown in the table below:

Scope: France	2016	2015
Workplace accidents	55	64
Commuting accidents	33	43
Frequency rate (1)	4.6	5.4
Severity rate (2)	0.2	0.3

(1) Number of lost-time workplace accidents in the year × 1,000,000 / Number of hours theoretically worked in the year.

(2) Number of calendar days lost due to a lost-time workplace accident over the year × 1,000 / Number of hours worked in the year.

In 2016, 88 work-related accidents resulting in lost time were reported (compared with 107 in 2015), broken down into 55 workplace accidents and 33 commuting accidents.

The Group reported two occupational illnesses in 2016.

[1] (Total resignations, dismissals, contractual terminations for the period in question) / (Average number of permanent employees for the same period)

[2] The absence rate is calculated on the basis of calendar days. It corresponds to the number of work days lost by permanent employees due to occupational and non-occupational illnesses or work-related accidents (in the workplace or during their commutes) in proportion to the average permanent headcount multiplied by 366 (leap year). Employees of foreign subsidiaries are not included in the calculation of this rate.

5.3.2.8 Remuneration

In 2016, average annual gross remuneration within the Group (excluding employer's social security contributions) amounted to €44,315, with management-level employees paid an average of €58,644 and non-management staff paid an average of €30,203. The average annual gross remuneration within the Group was up compared to 2015.

The Group encompasses a diverse range of business lines, and as a result remuneration varies by division. In addition, these averages are provided for information purposes and should be interpreted with caution. Furthermore, remuneration paid to management-level employees may, depending on their specific duties and the corresponding level of responsibility, involve a variable component included in this amount.

5.3.2.9 Compliance with the conventions of the International Labour Organisation (ILO)

Nexity only operates in countries that have ratified the ILO's eight fundamental conventions and complies with the regulations in force in those countries.

Furthermore, the various recommendations of the ILO and international conventions prohibiting forced or compulsory child labour are respected: Nexity does not have any employees who are minors, apart from on an ad hoc basis under apprenticeship contracts.

The Nexity group also endeavours, with the help of its human resources staff, to ensure that the principle of non-discrimination is observed, both during the recruitment process and for the full duration of the employment contract.

Any decision based on non-professional grounds or prohibited subjective criteria therefore is prohibited.

5.3.2.10 Working relationships, collective bargaining agreements and employee and trade union representation

The Nexity group firmly believes in the need for constructive employee dialogue and the role of employee representative bodies in supporting and informing employees. It has over 300 employee representatives spread across 90 organisations, present at companies for which this is justified by the headcount in accordance with legal requirements.

Depending on its headcount, each Group entity has a works council; employee representatives; a committee on health, safety and working conditions; and trade union representatives. These bodies have clearly defined powers and members are consulted and informed on a regular basis about the implementation of projects concerning the situation of employees within the Company.

The Nexity group has established itself as a genuine partner to employee representative bodies, opening lines of communication and positioning itself as a socially responsible employer.

At Group level, a programme of minimum welfare benefits for all employees, which currently comprises social security guarantees, employee savings schemes (PEG and PERCOG) and the establishment of an employee representative body, the Group Works Council, has been developed in order to consolidate Nexity's commitment in terms of fairness, solidarity and promoting collective performance.

Agreements and plans of action concerning preventing work-related stress, professional equality and employment of older workers have been signed within operating entities and UES.

Group Works Council

Introduced by the collective bargaining agreement of 21 November 2008, this body serves as a forum for dialogue intended to ensure the effective exchange of information between Group Management and employee representatives. The Group Works Council thus receives information about the Group's business activities, financial position, employment trends and outlook.

Aware of the importance of integration at all Nexity structures, the decision was made in April 2016 to broaden access to the Group Works Council by introducing observer seats for companies with their own works council but no members of the Group Works Council. Executive Management and the Group Works Council meet three times a year.

Collective bargaining agreements signed in 2016

In 2016, collective bargaining agreements negotiated at the level of Group entities mainly concerned the following topics:

- organisation and reduction of working time;
- donating paid leave to other employees;
- tailoring the voluntary and compulsory profit-sharing agreements to the Group's employee savings plans (PEG and PERCOG) and the provisions of the Macron Act;
- mandatory annual salary renegotiations; and
- changes in UES scopes.

Employee and trade union representation

The works councils of each EUS provide one of the main forums for employee information and collective expression, or single common representative bodies (*délégations uniques du personnel* or DUP) for the other main subsidiaries. The Nexity group has three works councils (UES Nexity Promotion Construction, UES Nexity Saggel Services and UES Nexity Lamy).

There are a total of 343 employee representatives (including representatives and their alternates) within the Group.

In addition, three employee representative trade union organisations are present at the Nexity group.

Questions relating to safety and working conditions: the role of the Committee on Health, Safety and Working Conditions (CHSWC)

Within the Group, three UESs have a CHSWC (Nexity Promotion Construction, Nexity Lamy and Nexity Saggel Services). Two Group companies have established CHSWCs (Régie de l'Opéra and Iselection). If there is no CHSWC, these responsibilities are entrusted to the employee representatives.

Liaisons at the local level: the role of employee representatives

The Group entities concerned (those with at least 11 employees) have employee representatives who liaise with local senior management in order for problems facing employees to be taken into account.

5.3.2.11 Social and cultural activities

Nexity's contributions to the Group's various works councils for social and cultural activities in 2016 totalled €1.6 million.

The total operating budget for the various works councils came to €0.6 million.

5.3.2.12 Training

Identifying talented staff, helping them reach their full potential and supporting all employees in managing and developing their careers with Nexity are key Group commitments.

To achieve its performance objectives, Nexity has made training one of the main pillars of its strategy.

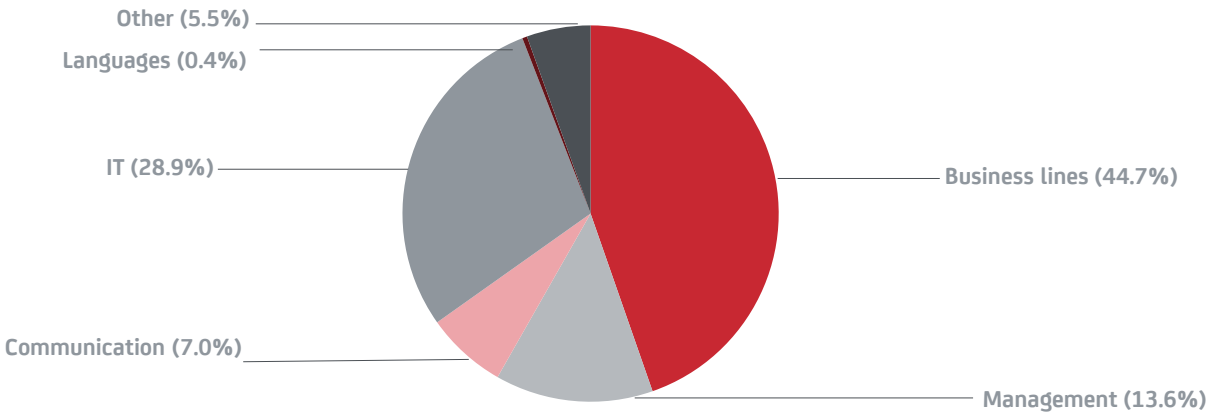
In 2016, Nexity invested more than €4.4 million in training activities in France, comprised of:

- €4 million in ongoing training for its employees; and
- €0.4 million allocated to recurring costs for the Group's e-learning system (equipment, maintenance, licence purchases) and to the creation of business-specific training modules designed for distance learning to enrich the range of solutions offered and the support provided to employees by HR personnel and managers.

Business line	Investments in ongoing training (in thousands of euros)*	Number of training hours delivered
Residential real estate	1,250	17,800
Commercial real estate	112	1,608
Real estate services to companies	408	8,044
Real estate services to individuals	1,678	45,456
Franchise networks	53	724
Villes & Projets	25	623
Central departments, Weroom, Nexity Blue Office	499	10,309
Digital/e-learning training content (all business lines)	435	
Total	**4,460**	**84,563**

* These figures are exclusive of contributions for individual paid leave to pursue external training (CIF in French)

A breakdown of training delivered in 2016 by type of training is as follows:



In 2016, Group employees took part in the following types of training:

- cross-functional workshops, seminars and courses designed to familiarise employees with the Group's strategic approach to its key challenges and forge a shared corporate culture; and
- courses within operating entities to help them effectively respond to current challenges and priorities, taking into account changes in business lines and departments.

The main training topics focused on in 2016 were as follows:

- the Human Resources Department offered training on priority areas for the Group (management, client relations, sustainable development, project management and digital culture) and core business areas for the divisions.

  In 2016, 616 employees received training and assistance provided by Nexity's Centre for Managerial Excellence.
- face-to-face training courses are supplemented by over 120 distance-learning modules (e-learning and/or blended learning). These business-specific modules are co-written with Nexity experts and cover office applications, spelling and digital literacy.

  All training courses may be accessed online at any time by the Group's employees, via Nexity's e-learning system: "The Campus". Providing visibility, the Group's training offerings are all structured around job categories and professions; and
- the transformation of career-development pathways into "business academies" was stepped up during the year. Nexity's business academies are comprehensive learning solutions employing multiple methods or educational approaches: face-to-face training, distance learning, hybrid or mixed-mode courses, etc. The technical academy and the sales academy are accessible to personnel in related positions and the development academy was reinforced.

  The focus on the creation of business academies is also being applied to condominium management services, lettings and rental property management. The aim is to offer all employees training that is as

accessible as possible, best suited to their working patterns and directly linked to divisions' strategic approaches.

5.3.3 Compulsory and voluntary profit-sharing and Group Savings Plan

The Nexity group's employee savings schemes reflect employees' contribution to the results of the Group and their specific entity.

The Nexity group's employee savings policy is centred on profit-sharing and incentive schemes, which are unique to each eligible structure in order to respect the specific characteristics of the different business lines and also reward employees' collective contribution to their entity's results.

In addition to these agreements, there is a Group-level employee savings scheme available to all employees, allowing them to optimise their savings and benefit from special tax advantages, with access to a diversified range of quality savings products.

5.3.3.1 Compulsory profit-sharing (*Participation*)

As employee savings schemes are a key factor in rewarding overall performance, profit-sharing agreements are signed within with the necessary headcount, economic maturity and results.

In 2016, the Group paid its employees €2.4 million in compulsory profit-sharing in respect of the 2015 financial year.

5.3.3.2 Voluntary profit-sharing (*Intéressement*)

Profit-sharing agreements are signed within Nexity group entities with the necessary economic maturity and results.

In 2016, the Group paid its employees €5 million in voluntary profit-sharing in respect of the 2015 financial year.

5.3.3.3 Group employee savings plans

To strengthen its shared foundation for employee relations, Nexity has implemented a Group-wide employee savings system with a view to rewarding the collective contribution of all employees to the Group's results.

Comprising a Group savings plan (PEG) and a Group collective retirement savings plan (PERCOG), this system – details of which are provided below – constitutes a way of motivating and fostering cohesion among employees, presenting the innovative feature of linking the level of the employer's contribution to the Group's operating profit.

Group Savings Plan (PEG)

The Group savings plan (PEG), set up by unanimous agreement on 26 March 2015, applies to all employees of Nexity's French companies.

Investments in the PEG may come from different sources, all of which benefit from employer matching contributions: compulsory and voluntary profit-sharing, voluntary contributions by employees, rights deriving from accrued paid leave and free share awards.

Employees are not allowed access to funds invested in the plan for a period of five years, except in cases of early redemption permitted by law.

The PEG offers a comprehensive and clear range of investment funds: five Amundi FCPEs (employee mutual funds) and Nexity Actions, another FCPE set up specifically in connection with the plan and invested in Nexity shares.

At 31 December 2016, FCPE Nexity Actions held 980,568 shares, representing 1.8% of the Nexity's share capital.

Group collective retirement savings plan

To help Group employees build up savings over the long term to prepare for their retirement, a Group collective retirement savings plan (PERCOG) was set up by unanimous agreement on 26 March 2015.

It applies to all employees of Nexity's French companies.

As is the case for the PEG, all investment sources for the PERCOG benefit from employer matching contributions: compulsory and voluntary profit-sharing, voluntary contributions by employees, unused rest days (RTT) and rights deriving from accrued paid leave.

Employees are not allowed access to funds invested in the plan until their retirement, except in cases of early redemption permitted by law.

The PERCOG offers a clear and comprehensive range of investment funds, consisting of five Amundi "FCPE" mutual funds. In addition, the PERCOG offers the possibility of opting for guided investment management.

5.3.4 Stock options and free shares

5.3.4.1 Share subscription and share purchase option plans (stock options)

None.

5.3.4.2 Issues of free shares

The characteristics of the Company's free share award plans in force at 31 December 2016 are set out in the following table (all information is as at 31 December 2016):

Information on free shares awarded by the Company

PLANS IN FORCE AT 31 DECEMBER 2016

Date awarded by the Board of Directors	18/12/2013 Plan 2	17/12/2014	28/04/2015	27/10/2015	16/12/2015	31/05/2016
Total number of shares initially allocated	217,000	331,000	92,000	11,000	240,360	469,500
Number of shares vested	-	-	-	-	-	-
Number of shares cancelled	34,000	6,000	4,000	-	33,040	2,000
Number of shares allocated and not yet vested	183,000	325,000	88,000	11,000	207,320	467,500
Total number of shares in awards granted to executive company officers	-	-	-	-	-	-
Total number of shares in awards granted to the top ten recipients	178,000	123,000	33,000	11,000	240,360	118,000
Number of initial plan recipients	92	56	43	3	6,009	140
Number of initial recipients of the top ten awards granted	66	11	11	3	6,009	10
Vesting period expiry date	Q1 2017	Q1 2017	Q1 2018	Q1 2018	Q4 2017	Q2 2019
Length of lock-up period as of transfer of share ownership	3 years	2 years	3 years	2 years	2 years	3 years
Vesting conditions	Individual plans with performance and continued employment criteria [1]	Individual plans with performance and continued employment criteria [1]	Individual plans with continued employment criteria	Individual plans with continued employment criteria	Collective plan with continued employment criteria 40 shares/ employee	Individual plans with performance and continued employment criteria [2]
% of awards subject to continued employment condition alone	98%	69%	100%	100%	100%	37%
% of awards subject to continued employment and performance conditions	2%	31%	0%	0%	0%	63%
Share price on day of award (in euros)	€25.0	€29.1	€37.7	€38.8	€39.6	€48.4

[1] Performance criteria (achieving a level of current operating profit in line with the medium-term plan [MTP] over the duration of the plan) for 50% of awards of over 3,000 shares. Triggered when 80% of performance criteria are achieved. No shares vest if less than 80% of the target is met.

[2] Performance criteria (achieving a level of current operating profit for 70% of shares in awards and of the backlog for 30% of shares in awards, in line with the MTP approved by the Board on 16 December 2015 over the duration of the plan) for 100% of awards to members of the Executive Management Committee and for the majority of awards to other employees. Triggered when the performance criteria are achieved at 90% for 90% of shares in awards. No shares vest if less than 90% of the target is met.

PLANS EXPIRED DURING 2016

Date awarded by the Board of Directors	18/12/2012	18/12/2013 Plan 1	18/02/2014
Total number of shares initially allocated	342,000	283,000	7,000
Number of shares vested	314,000	273,000	7,000
Number of shares cancelled	28,000	10,000	-
Number of shares allocated and not yet vested	-	-	-
Total number of shares in awards granted to executive company officers	-	-	-
Total number of shares in awards granted to the top ten recipients	122,000	153,000	7,000
Number of initial plan recipients	104	38	1
Number of initial recipients of the top ten awards granted	17	14	1
Vesting period expiry date	16/02/2016	16/02/2016	12/04/2016
Length of lock-up period as of transfer of share ownership	3 years	2 years	2 years
Vesting conditions	Individual plans with performance and continued employment criteria [1]	Individual plans with performance and continued employment criteria [1]	Individual plans with performance and continued employment criteria [1]
Share price on day of award (in euros)	€25.8	€25.0	€29.9

[1] Performance criteria (achieving a level of current operating profit in line with the MTP over the duration of the plan) for 50% of awards of over 3,000 shares. Triggered when 80% of performance criteria are achieved. The performance criteria were achieved at 100% for all plans having expired in 2016.

The maximum potential dilution (as a percentage of share capital ownership) would be 2.3% if all free shares already awarded were to vest, and 2.4% if the calculation includes all possible free shares not yet awarded at 31 December 2016.

The valuation of free share plans is provided in Note 19 to the consolidated financial statements, set out in Section 3.4 of this Registration Document.

No free shares were awarded to Nexity's company officers.

5.4 NOTE ON METHODOLOGY PERTAINING TO DISCLOSURES OF WORKFORCE, ENVIRONMENTAL AND SOCIETAL INFORMATION

Workforce, environmental and societal information is drawn up on the basis of contributions from several departments, notably the Corporate Sustainability & Strategic Marketing and Human Resources Departments.

Different indicators have been defined, taking into account the specific nature of the Group's businesses, in order to relevantly measure the main impacts related to Nexity's environmental and societal responsibility.

Nexity is committed to a continual improvement process and has been progressively adding to the list of its indicators to take regulatory and Group developments into account.

5.4.1 Period covered

The indicators presented under workforce, environmental and societal information in the 2016 Registration Document relate to the 2016 financial year. The reporting period used is the calendar year (from 1 January to 31 December) except when stated otherwise in the text.

5.4.2 Scope

The indicators are presented for all fully consolidated Group companies.

Given the low proportion of business generated outside France, information for indicators related to the environment and certain societal information was only collected for business carried out in France.

5.4.3 Indicator definition and collection procedures

Workforce-HR, societal and environmental reporting indicators are drawn from several information systems within the Group. They are produced under the responsibility of each department where the information is produced.

Workforce-HR indicators

Workforce-HR indicators are produced by the Group's Human Resources Department. Information for these indicators mainly comes from the centralised personnel management system, which covers 97% of the workforce. Information for the remaining 3% is consolidated from the data provided by the companies (subsidiaries outside France) and managed in their own systems. It is also worth noting that, for reasons relating to the collection and processing of data, the Edouard Denis scope was not included in the consolidation work for 2016. Unless otherwise specified at the level of the indicator, the workforce is assessed based on the number of employees registered at 31 December 2016. The workforce count does not include company officers or interns.

Certain workforce-HR indicators require clarifications, due to their complexity.

The definition of work accidents varies depending on the country. The Group uses the definition of work accidents as limited to those involving lost time in France. In the event of a work accident-related leave that overlaps two financial years, the work accident is recognised for the financial year during which the leave of absence began. In accordance with regulatory requirements, the work accident frequency rate for a financial year is equal to the number of accidents resulting in lost time, multiplied by one million and divided by the number of hours theoretically worked[1] over the course of the financial year. The work accident severity rate for a financial year is equal to the number of calendar workdays lost, multiplied by one thousand and divided by the number of hours theoretically worked[3] over the course of the financial year.

For the age breakdown, Nexity uses the following age brackets: ≤ 30, > 30 and ≤ 40, > 40 and ≤ 50, > 50. Inclusion in age brackets is based on hundredths of a year.

The turnover rate is calculated as the total number of resignations, dismissals and mutually agreed terminations of permanent contracts during the period under review (from 31/12/Y-1 to 30/12/Y) divided by the average permanent contract workforce for the same period.

Environmental and societal indicators

Environmental and societal data is consolidated by the Corporate Sustainability and Strategic Marketing Department based on information provided by the different departments according to the collection methods and the main assumptions presented below:

- the number of homes sold by the Group in reduced-rate VAT areas is determined by the Corporate Sustainability and Strategic Marketing Department using internal databases;
- the percentage of homes sold by Nexity to social housing operators takes into account reservations made during the reporting period, less any withdrawals recorded over the same period;
- the number of homes meeting RT 2012, exceeding RT 2012 by 10% and exceeding RT 2012 by 20% in the supply for sale is determined by the Corporate Sustainability and Strategic Marketing Department using internal databases;
- greenhouse gas (GHG) assessments for new housing developments are studied by the Residential real estate division and the Corporate Sustainability and Strategic Marketing Department, using a special-purpose tool. Those indicators are reported in the Group's real estate development management platform (GPI) to facilitate centralised, consolidated management for improved reporting quality;
- NF HQE™ *Bâtiments Tertiaires*-certified new-build commercial developments in the Paris region exclude wood-frame developments (Ywood, Térénéo), most of which are in other regions;
- the volume of commercial developments certified to standards of operation (HQE, BREEAM, LEED) reflects the unit sizes (in sq.m of total net floor area excluding structural features, lifts, staircases and non-living spaces, for example) of the specific developments for which Nexity has helped its clients obtain and/or maintain their certifications; and
- greenhouse gas emissions generated by the Group's administrative sites in France open at 1 January are assessed by the Corporate Sustainability and Strategic Marketing Department using the Bilan Carbone® methodology. To calculate its greenhouse gas emissions, the Group has used the Bilan Carbone® spreadsheet (version 7.5) and called on the services of an external consulting firm specialising in Bilan Carbone® assessments.

Data relating to Studéa residences (excluding corporate headquarters) the Blue Office network and agency franchises (Guy Hoquet l'Immobilier, Century 21) are not included in the scope of calculation of GHG emissions because Nexity either rents out those premises or does not include the employees in its workforce count.

[1] Nexity considers the hours theoretically worked to be equal to the number of theoretical hours based on employees' working hours.

All emission sources included in the Bilan Carbone® carbon footprint tool were taken into account in carrying out the GHG footprint analysis, with the exception of a few Scope 3 sources deemed not material for Nexity's business activities and for which data relating to 2016 were unavailable, namely office furniture (under the "Fixed assets" heading), business travel by visitors (under the "Business travel" heading) and meals served at the company restaurant (under the "Inputs" and "Waste" headings).

For the electricity consumption of regional Real Estate Services to individuals agencies, data was collected for 18 reference agencies and the results were then extrapolated for all agencies on the basis of FTE employees.

For certain indicators, the extrapolation principle was not used since the data collected was not sufficiently representative. This is notably the case for GHG emissions related to natural gas consumption, steam consumption, fuel oil consumption and recycled paper/cardboard waste. No information was collected on what sites use natural gas and fuel oil. The lack of fuel oil consumption at the sites included in the analysis does not mean that no fuel oil is used by the Group.

For data on office supplies provided by the Digital Innovation Department, only the Group's supplier is included; agencies may order from other suppliers.

As the issue of food waste is not directly relevant for the Group, given the nature of its business activities, no specific commitments have been undertaken in this area.

Lastly, as Nexity's activities are located primarily in France, the Group is not concerned by water supply problems.

5.4.4 Controls

Internal control

The Corporate Sustainability and Strategic Marketing Department and the Human Resources Department in charge of collecting data are responsible for the indicators provided. Verification takes place during consolidation (review of variations, cross-entity comparison, etc.).

External control

The Group has appointed one of its Statutory Auditors as an independent third party to verify the non-financial disclosures published in its Management Report. The type of work carried out and the resulting findings are presented in Section 5.5 of this Registration Document, "Report of the independent third party".

5.5 REPORT BY THE INDEPENDENT THIRD PARTY, ON THE CONSOLIDATED CSR INFORMATION INCLUDED IN THE MANAGEMENT REPORT

For the year ended December 31st, 2016

To the Shareholders,

In our capacity as independent third party, certified by COFRAC under number 3-1058[1] and member of Mazars' network, NEXITY's Statutory Auditor, we hereby report to you on the consolidated CSR information for the year ended December 31st, 2016, included in the management report (hereinafter named "CSR Information"), pursuant to article L.225-102-1 of the French Commercial Code (*Code de commerce*).

COMPANY'S RESPONSIBILITY

The Board of Directors is responsible for preparing a company's management report including the CSR Information required by article R.225-105-1 of the French Commercial Code in accordance with the protocols used by the Company (hereinafter the "Guidelines"), summarised in the management report and available on request from the company's head office.

INDEPENDENCE AND QUALITY CONTROL

Our independence is defined by regulatory texts, the French Code of ethics (*Code de déontologie*) of our profession and the requirements of article L.822-11 of the French Commercial Code. In addition, we have implemented a system of quality control including documented policies and procedures regarding compliance with the ethical requirements, professional standards and applicable legal and regulatory requirements.

RESPONSIBILITY OF THE INDEPENDENT THIRD PARTY

On the basis of our work, our responsibility is to:

- attest that the required CSR Information is included in the management report or, in the event of non-disclosure, that an explanation is provided in accordance with the third paragraph of article R.225-105 of the French Commercial Code (Attestation regarding the completeness of CSR Information);
- express a limited assurance conclusion that the CSR Information taken as a whole is, in all material respects, fairly presented in accordance with the Guidelines (Conclusion on the fairness of CSR Information).

Our work involved 3 persons and was conducted between November 2016 and March 2017 during a 5-week intervention period.

We performed our work in accordance with the professional standards and with the order dated 13 May 2013 defining the conditions under which the independent third party performs its engagement and with ISAE 3000[2] concerning our conclusion on the fairness of CSR Information.

I – ATTESTATION REGARDING THE COMPLETENESS OF CSR INFORMATION

On the basis of interviews with the individuals in charge of the relevant departments, we obtained an understanding of the Company's sustainability strategy regarding human resources and environmental impacts of its activities and its social commitments and, where applicable, any actions or programmes arising from them.

We compared the CSR Information presented in the management report with the list provided in article R.225-105-1 of the French Commercial Code.

For any consolidated information that is not disclosed, we verified that explanations were provided in accordance with article R.225-105, paragraph 3 of the French Commercial Code.

We verified that the CSR Information covers the scope of consolidation, i.e., the Company, its subsidiaries as defined by article L.233-1 and the controlled entities as defined by article L.233-3 of the French Commercial Code within the limitations set out in the methodological note, presented in the section "5.4 Methodological note regarding social, environmental and societal information" of the management report.

Based on the work performed and given the limitations mentioned above, we attest that the required CSR Information has been disclosed in the management report.

[1] whose scope is available at www.cofrac.fr

[2] ISAE 3000 – *Assurance engagements other than audits or reviews of historical financial information*

II - Conclusion on the fairness of CSR Information

Nature and scope of our work

We conducted about ten interviews with the persons responsible for preparing the CSR Information in the departments in charge of collecting the information and, where appropriate, responsible for internal control and risk management procedures, in order to:

- assess the suitability of the Guidelines in terms of their relevance, completeness, reliability, neutrality and understandability, and taking into account industry best practices where appropriate;
- verify the implementation of data-collection, compilation, processing and control process to reach completeness and consistency of the CSR Information and obtain an understanding of the internal control and risk management procedures used to prepare the CSR Information.

We determined the nature and scope of our tests and controls based on the nature and importance of the CSR Information with respect to the characteristics of the Company, the human resources and environmental challenges of its activities, its sustainability strategy and industry best practices.

Regarding the CSR Information that we considered to be the most important[1]:

- at parent entity level, we referred to documentary sources and conducted interviews to corroborate the qualitative information (organisation, policies, actions), performed analytical procedures on the quantitative information and verified, using sampling techniques, the calculations and the consolidation of the data. We also verified that the information was consistent and in agreement with the other information in the management report;
- at the level of a representative sample of entities[2] selected by us on the basis of their activity, their contribution to the consolidated indicators, their location and a risk analysis, we conducted interviews to verify that procedures are properly applied and we performed tests of details, using sampling techniques, in order to verify the calculations and reconcile the data with the supporting documents.

The selected sample represents on average 46% of headcount and between 39% and 100% of quantitative environmental data disclosed.

For the remaining consolidated CSR Information, we assessed its consistency based on our understanding of the company.

We also assessed the relevance of explanations provided for any information that was not disclosed, either in whole or in part.

We believe that the sampling methods and sample sizes we have used, based on our professional judgement, are sufficient to provide a basis for our limited assurance conclusion; a higher level of assurance would have required us to carry out more extensive procedures. Due to the use of sampling techniques and other limitations inherent to information and internal control systems, the risk of not detecting a material misstatement in the CSR information cannot be totally eliminated.

Conclusion

Based on the work performed, no material misstatement has come to our attention that causes us to believe that the CSR Information, taken as a whole, is not presented fairly in accordance with the Guidelines.

Paris La Défense, March 30th, 2017

The independent third party

MAZARS SAS

Edwige Rey
Sustainable Development Partner

This is a free English translation of the Statutory Auditors' report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

[1] Social information: total workforce, workforce by type of contract, workforce by gender, breakdown by age, turnover rate (leavers in permanent contracts), number of training hours, frequency and severity rates.
Environmental information: greenhouse gas emissions (excluding consumable), percentage of buildings with the RT 2012 regulations and the RT 2012 regulations by at least 10%.
Societal information: number of dwelling sold in a reduced VAT sector, the environmentally responsible construction approach, contribution in percentage to social housing in France, Amount of purchases covered by the responsible purchasing approach

[2] Social information: Real estate services to individuals, Apollonia.
Environmental and societal information: the most contributing sites in the Paris region (Solstys, Grande Armée), a selection of reference agencies for information on greenhouse gas emissions, and the Group Directions for other information.

5.6 CROSS-REFERENCE TABLE FOR INFORMATION REQUIRED UNDER THE GRENELLE II ENVIRONMENT ACT

The information required by Article R. 225-105-1 of the French Commercial Code is included in the Management Report, which is itself included in this Registration Document on the following pages:

1) Employee data	Registration Document
a) Employment	
Total workforce and breakdown of employees by gender, age and geographical region	§5.3.2.2, pages 243 and 244
Joiners and leavers	§5.3.2.5, page 245
Compensation and changes in compensation	§5.3.1.4, pages 240 and 241 §5.3.2.8, page 246
b) Organisation of work	
Organisation of working time	§5.3.2.6, page 245
Absences	§5.3.2.7, page 245
c) Employee relations	
Organisation of dialogue between employees and management, including in particular procedures for informing, consulting and negotiating with staff	§5.3.2.10 and §5.3.2.11, pages 246 and 247
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d) Health and safety	
Workplace health and safety conditions	§5.3.2.10, pages 246 and 247
Overview of agreements signed with labour organisations or employee representatives with regard to workplace health and safety	§5.3.2.10, pages 246 and 247
Occupational injuries, including in particular their frequency and severity, and occupational illnesses	§5.3.2.7, page 245
e) Training	
Policies implemented with respect to training	§5.3.1.3, page 240 §5.3.2.12, pages 247 and 248
Total hours of training	§5.3.2.12, pages 247 and 248
f) Equal treatment	
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Measures adopted in favour of the employment and integration of workers with disabilities	§5.3.2.4, page 244
Anti-discrimination policy	§5.3.1.1, pages 238 and 239 §5.3.2.9, page 246
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Upholding the freedom of association and the right to collective bargaining	§5.3.2.9, page 246
Eliminating discrimination in respect of employment and occupation	§5.3.2.9, page 246
Eliminating forced or compulsory labour	§5.3.2.9, page 246
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2) Environmental data	Registration Document
a) General environmental policy	
The Company's organisation to take into account environmental issues and, where applicable, environmental assessment or certification processes	§1.7, pages 63 to 70 §5.1 and §5.2, pages 228 to 237
Training and employee information on environmental protection	§5.2.3, pages 235 and 236 §5.3.2.12, pages 247 and 248
Resources dedicated to preventing environmental risks and pollution	§1.7, pages 63 to 70 §2.2, page 88 §2.4, pages 91 and 92
Amount of provisions and guarantees for environmental risks, provided that such information is not liable to be seriously detrimental to the Company in any ongoing litigation	§2.2, page 88
b) Pollution	
Measures to prevent, reduce or remedy waste in the air, water and ground that seriously affect the environment	§1.7, pages 63 to 70 §5.1, pages 228 to 233
Action in respect of noise pollution and any other form of pollution specific to an activity	§1.7, pages 63 to 70 §5.1, pages 228 to 233
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Actions to combat food waste	§5.4.3, pages 251 to 253

2) Environmental data	Registration Document
d) Sustainable use of resources	
Consumption and supply of water in accordance with local requirements	§1.7, pages 63 to 70 §5.2.4, pages 236 to 238
Consumption of raw materials and measures adopted to improve efficient use of those resources	§1.7, pages 63 to 70 §5.2.4, pages 236 to 238
Energy consumption, measures adopted to improve energy efficiency and use of renewable energies	§1.7, pages 63 to 70 §5.2.4, pages 236 to 238
Land use	§1.7, pages 63 to 70
e) Climate change	
Greenhouse gas emissions	§1.7, pages 63 to 70 §5.2.4, pages 236 to 238
Adapting to the consequences of climate change	§1.7, pages 63 to 70 §5.2.4, pages 236 to 238
f) Protection of biodiversity	
Measures adopted to protect or develop biodiversity	§1.7, pages 65 to 72

3) Societal commitments in favour of sustainable development	Registration Document
a) Territorial, economic and social impact of the Company's activity	
Employment and regional development matters	§5.3.2, pages 241 to 249
Affecting resident and local populations	§1.5, pages 26 to 60 §5.1, pages 228 to 233
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Measures to account for social and environmental challenges within purchasing policy	§5.2.2, pages 233 to 235
Significance of subcontracting and measures to take into account suppliers and subcontractors' social and environmental responsibility in relations with them	§1.5.1.9, page 37 §4.2.4.3, pages 203 to 205 §5.2.2, pages 233 and 234 §5.3.2.3, page 244
d) Fair practices	
Anti-corruption actions	§5.2.2, pages 233 and 234
Measures adopted to promote consumer health and safety	§1.5.1, pages 27 to 32
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Other actions in favour of human rights	§5.2.2, pages 233 and 234

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6.1 GENERAL INFORMATION

6.1.1 Corporate name

The Company's corporate name is Nexity.

6.1.2 Place of registration of the issuer and its registration number

The Company is listed in the Paris Trade Register under number 444 346 795.

The registered head office SIRET (business premises) number is 444 346 795 00057. The Company's APE (business activity) code is 7010 Z.

6.1.3 Date of incorporation and length of life of the issuer

The Company was incorporated on 21 November 2002 under the name "Maine Equity Capital 10" and was listed in its local trade register on 5 December 2002.

The length of the Company's life is ninety-nine years from the date of its registration, unless this term of existence is extended or the Company is liquidated at an earlier date.

6.1.4 Registered office, legal form and applicable legislation

The address of the Company's registered office is:
19 rue de Vienne
TSA 50029
75801 Paris Cedex 8 (France)
Phone: +33 (0)1 85 55 12 12

The Company is a French *société anonyme* with a Board of Directors, regulated in particular by the provisions of Book II of the French Commercial Code.

6.2 SIMPLIFIED ORGANISATION CHART

Below is an organisation chart covering the Company's main subsidiaries (showing the percentage of capital held) at 21 February 2017. Voting rights correspond to the percentage of share capital held.

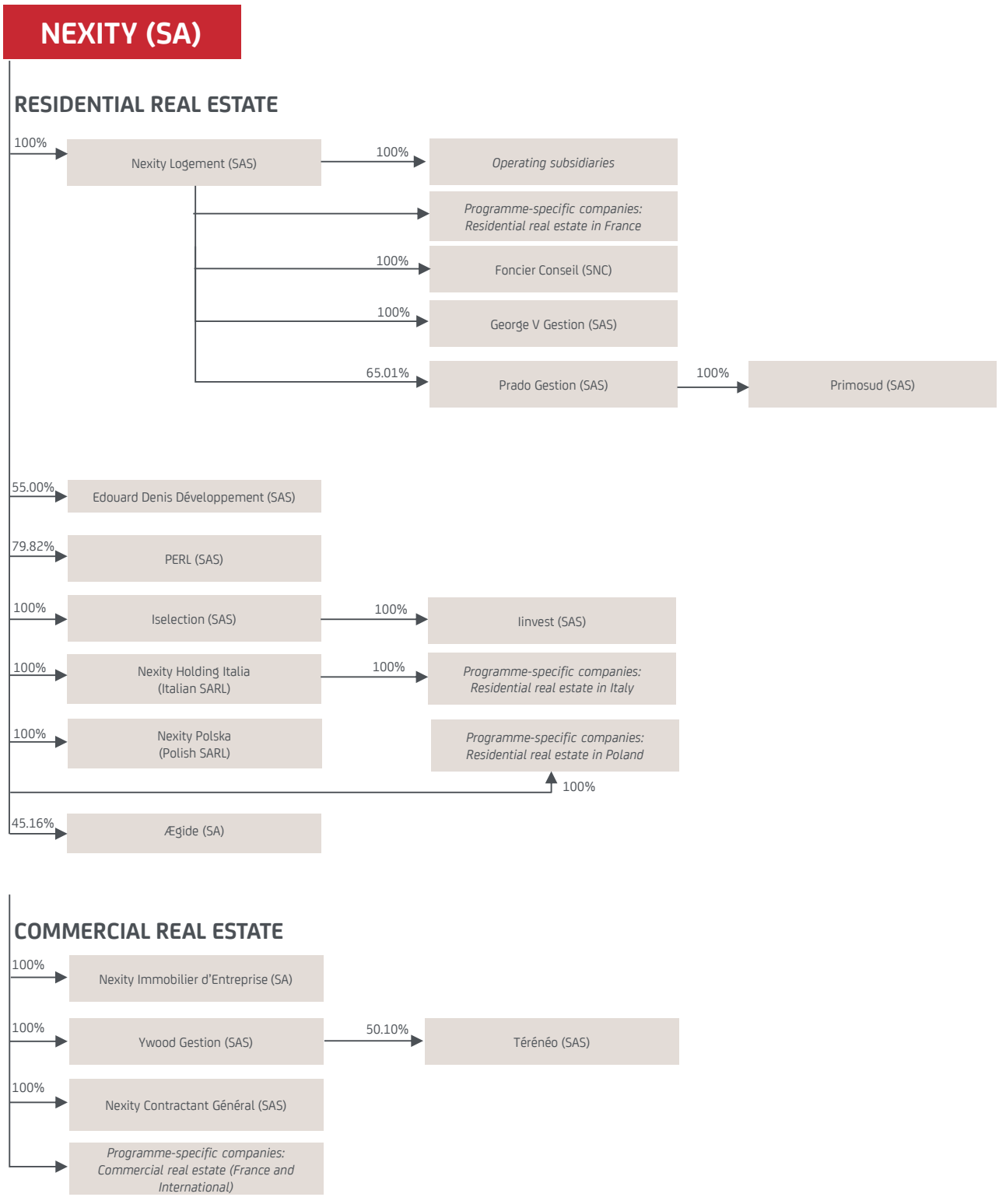
A list of the main consolidated companies is provided in Note 39 to the Group's consolidated financial statements, set out in Section 3.4 of this Registration Document.

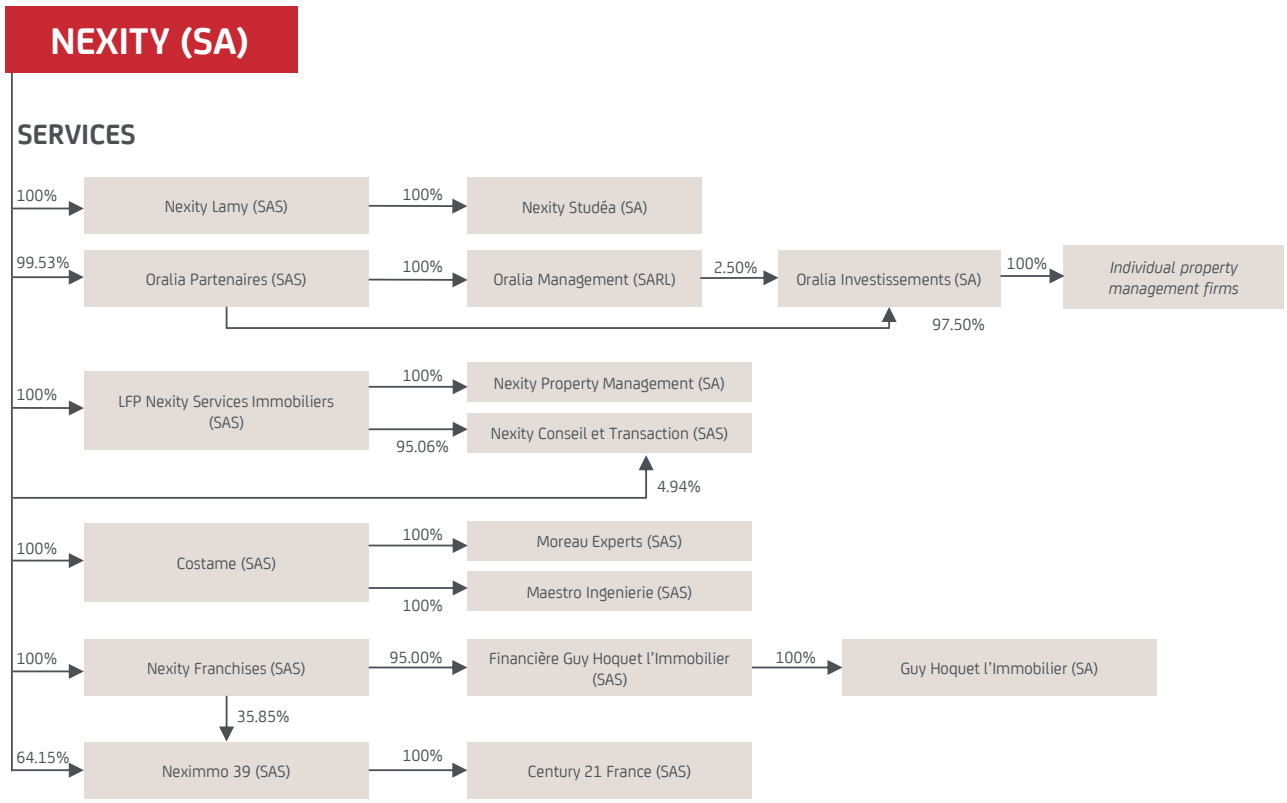
The parent company pools the cash from a majority of the Group's subsidiaries and manages the Group's central functions. It also holds the Nexity trademark. As part of its management assistance agreements, Nexity charges its subsidiaries management fees. It also charges them royalties for using the Nexity trademark, where applicable. Internal Group agreements are signed under market conditions.

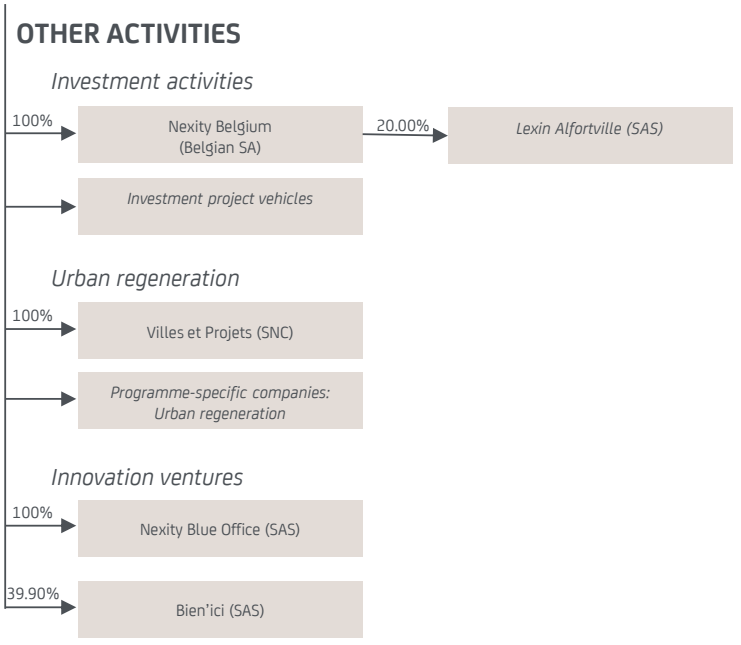
Where a lease is taken up for an office building occupied by more than one subsidiary, the lease is generally signed by the company that occupies the largest surface area. Annually renewable subleases are signed with the various subsidiaries occupying the premises, and rental payments and charges are re-invoiced in proportion to each company's actual usage.

For more information on the regulated agreements between the Company and its significant subsidiaries, see Section 4.4 of this Registration Document, "Related-party transactions".

The Group holds no subsidiaries in which the existence of minority interests would constitute a risk to its business on the whole or to its financial structure. See Section 6.4.8 of this Registration Document, "Conditional or unconditional options or agreements over the capital of any Group member".


NEXITY (SA)
RESIDENTIAL REAL ESTATE
100%
Nexity Logement (SAS)
100%
Operating subsidiaries
Programme-specific companies: Residential real estate in France
100%
Foncier Conseil (SNC)
100%
George V Gestion (SAS)
65.01%
Prado Gestion (SAS)
100%
Primosud (SAS)
55.00%
Edouard Denis Développement (SAS)
79.82%
PERL (SAS)
100%
Iselection (SAS)
100%
Iinvest (SAS)
100%
Nexity Holding Italia (Italian SARL)
100%
Programme-specific companies: Residential real estate in Italy
100%
Nexity Polska (Polish SARL)
Programme-specific companies: Residential real estate in Poland
100%
45.16%
Ægide (SA)
COMMERCIAL REAL ESTATE
100%
Nexity Immobilier d'Entreprise (SA)
100%
Ywood Gestion (SAS)
50.10%
Térénéo (SAS)
100%
Nexity Contractant Général (SAS)
Programme-specific companies: Commercial real estate (France and International)


NEXITY (SA)
SERVICES
100%
Nexity Lamy (SAS)
100%
Nexity Studéa (SA)
99.53%
Oralia Partenaires (SAS)
100%
Oralia Management (SARL)
2.50%
Oralia Investissements (SA)
100%
Individual property management firms
97.50%
100%
LFP Nexity Services Immobiliers (SAS)
100%
Nexity Property Management (SA)
95.06%
Nexity Conseil et Transaction (SAS)
4.94%
100%
Costame (SAS)
100%
Moreau Experts (SAS)
100%
Maestro Ingenierie (SAS)
100%
Nexity Franchises (SAS)
95.00%
Financière Guy Hoquet l'Immobilier (SAS)
100%
Guy Hoquet l'Immobilier (SA)
35.85%
64.15%
Neximmo 39 (SAS)
100%
Century 21 France (SAS)


OTHER ACTIVITIES
Investment activities
100%
Nexity Belgium (Belgian SA)
20.00%
Lexin Alfortville (SAS)
Investment project vehicles
Urban regeneration
100%
Villes et Projets (SNC)
Programme-specific companies: Urban regeneration
Innovation ventures
100%
Nexity Blue Office (SAS)
39.90%
Bien'ici (SAS)

6.3 REAL ESTATE OWNED

6.3.1 Main offices and real property

In connection with its activities, the Group rents office space in a number of French and European cities. This office space is used under commercial leases of varying terms. All of these leases are expected to be renewed when they expire, although in the case of non-renewal, the Group believes it can find alternative locations. In 2016, the Group's annual rental and related expenses amounted to €47.4 million, broken down by division as follows:

RENT AND RELATED EXPENSES

(in millions of euros excluding VAT)	2016
Residential real estate	9.3
Commercial real estate	0.3
Services	24.9
Other activities	12.8
Total	**47.4**

As a rule, the Group does not own any land other than for the purpose of carrying out development projects.

Within the Group, the Services business owns some of its own premises. For example, the Group owns some commercial properties and car parks used by its agencies. Most of these premises have been acquired through external growth transactions and are not intended to be retained on a full ownership basis.

In connection with its serviced residences business, the Group also owns various service units (receptions, cafeterias, laundries and toilet facilities) within the residences it operates. Ownership of these units is intended to revert to the relevant owners once Nexity Studéa's operational assignments have been completed.

6.3.2 Environmental constraints potentially impacting Nexity's use of its fixed assets

The Company's policy regarding environmental protection, applicable legal structures and risk factors associated with the environmental impact of the Company's fixed assets are presented, respectively, in Sections 5.1 "Sustainable development strategy", 1.8 "Legislative and regulatory environment" and 2.2 "Risks associated with the Group's business activities and industry" of this Registration Document.

6.4 INFORMATION ON SHARE CAPITAL

6.4.1 Share capital

At 31 December 2016, the Company's share capital totalled €274,045,220, divided into 54,809,044 fully paid-up shares with a par value of €5 each.

6.4.2 Securities not representing capital

At the date at which this Registration Document was filed, there were no securities that did not represent the Company's capital.

6.4.3 Treasury shares

At the Shareholders' Meeting held on 31 May 2016, the shareholders voted to adopt a resolution authorising the Board of Directors, for a period of eighteen months, to arrange for the Company to buy its own shares under the provisions of Article L. 225-209 of the French Commercial Code and in compliance with the conditions laid down in Articles 241-1 to 241-6 of the AMF's General Regulation and European Regulation 2273/2003 implementing Directive 2003/6/EC of 28 January 2003.

Under the terms of this authorisation, shares in the Company may be purchased, sold, transferred or exchanged, in compliance with applicable legislation and regulations, using any means or procedures, at any time, on one or more occasions, including by trading blocks of shares or carrying out over-the-counter trades (which may account for the entirety of the associated programme), using financial contracts, warrants or securities conferring rights to shares in the Company, or by putting in place option-based strategies (provided that such approaches do not materially increase the volatility of the Company's shares), or by issuing securities which, by

way of their conversion, exchange, redemption, the exercise of a warrant or by any other method confer rights to shares in the Company held by the latter, up to a maximum shareholding of 10% of the Company's share capital; where applicable, this threshold may be adjusted to reflect transactions affecting the Company's share capital after the Shareholders' Meeting held on 31 May 2016.

This authorisation is intended to enable the Company to:

- enhance liquidity in the Company's shares and increase the regularity with which the share price is listed or avoid price discrepancies which are not supported by market trends, under the terms of a liquidity contract entered into with an investment services provider acting independently in compliance with market practices accepted by the AMF;
- retain shares for subsequent payment or exchange in connection with potential external growth transactions, in line with market practices accepted by the AMF;
- allot shares to company officers or employees of the Company and/or companies belonging to its Group, under the terms and conditions laid down in applicable legislation and regulations, under (i) programmes intended to share the benefits of the Company's growth, (ii) the rules governing stock options laid down in Articles L. 225-179 et seq. of the French Commercial Code, (iii) the rules governing the issue of free shares laid down in Articles L. 225-197-1 to L. 225-197-3 of the French Commercial Code and (iv) a company savings plan, as well as to enter into transactions intended to hedge such activities, under the conditions laid down by market authorities and at times considered appropriate by the Board of Directors or persons acting under its authority;
- deliver shares upon the exercise of rights attached to securities giving an immediate or future right to the allotment of shares in the Company via redemption, conversion, exchange, presentation of a warrant or any other method, and to enter into hedging transactions with respect to the issuance of such shares, under the conditions laid down by market authorities and at times considered appropriate by the Board of Directors or persons acting under its authority;
- cancel some or all shares by reducing the Company's share capital (in particular with a view to optimising cash management, return on equity or earnings per share); and
- trade in its own shares for any other purpose already authorised or that should become authorised by applicable legislation and regulations or recognised by the AMF as an accepted market practice. In such cases, the Company would notify its shareholders via a press release.

On 31 May 2016, on the basis of an authorisation given by the shareholders at the Shareholders' Meeting held on that date, the Company launched a share buyback programme aimed primarily at enhancing liquidity in the Company's shares and increasing the regularity with which the share price is listed or avoiding price discrepancies which are not supported by market trends, under the terms of a liquidity contract entered into with an investment services provider acting independently in compliance with market practices accepted by the AMF.

This programme succeeded the programme launched on 19 May 2015, which was based on an authorisation given by the shareholders at the Shareholders' Meeting held on that date with the same primary purpose.

Shares bought back by the Company were purchased under the liquidity contract entered into on 1 October 2015 with Oddo Corporate Finance acting as investment services provider. The total amount allocated to the liquidity account in order to implement this agreement was €5.7 million.

Cumulative information for 2016	Shares	% of capital
Number of shares constituting the issuer's capital at the beginning of the programme initiated on 31 May 2016	54,783,017	100.00%
Directly and indirectly held treasury shares at the beginning of the programme	-	0.00%
Number of treasury shares held at 31 December 2015	-	0.00%
Number of treasury shares held at 31 December 2016*	-	
Number of shares bought back during the year	1,812,464	
Number of shares sold during the year	1,812,464	
Average purchase price (€)	44.94	
Average selling price (€)	45.12	
Book value of portfolio (€)	-	
Par value of portfolio (€) **	-	

* 0 treasury shares as of date of effect 31 December 2016 and 1,500 treasury shares as of value date 31 December 2016
** Based on the share price at 31 December 2016

6.4.4 Schedule of authorisations granted at Shareholders' Meetings

Outstanding authorisations to the Board of Directors granted at the Company's Shareholders' Meetings were as follows as at 31 December 2016:

Purpose of the authorisation	Date and duration of authorisation	Maximum nominal amount of capital increase [1]	Amount used and decision to use
ISSUES OF SHARES			
1. Issues with pre-emptive subscription rights Capital increase, with preemptive subscription rights, through the issue of shares or other securities providing access to the share capital	Shareholders' Meeting of 31 May 2016 (Resolution 21) 26 months, to 30 July 2018 Superseded the authorisation given at the Shareholders' Meeting of 20 May 2014 (Resolution 18)	25% of the share capital or €600m in debt securities [2]	Not used
2. Public issues without pre-emptive subscription rights Capital increase through the issue of shares or other securities providing access to the share capital	Shareholders' Meeting of 31 May 2016 (Resolution 22) 26 months, to 30 July 2018 Superseded the authorisation given at the Shareholders' Meeting of 20 May 2014 (Resolution 19)	With priority rights: 25% of the share capital or €600 million in debt securities [2] [3] [4] Without priority rights: 10% of the share capital or €300 million in debt securities [2] [3] [4]	Not used
Purpose of the authorisation	**Date and duration of authorisation**	**Maximum nominal amount of capital increase [1]**	**Amount used and decision to use**
3. Private placement, without pre-emptive subscription rights, open to qualified investors (as described in Section II of Article L. 412-2 of the French Monetary and Financial Code) Capital increase through the issue of shares or other securities providing access to the share capital	Shareholders' Meeting of 19 May 2015 (Resolution 30) 14 months, to 18 July 2016 Superseded by the resolution described in Point 4 below	€67 million, not to exceed 20% of the Company's share capital in each 12-month period following the initial use of this authorisation	On 13 May 2016, 4,199,066 bonds were issued that may be converted or exchanged for new or existing shares (2016 OCEANEs). The total amount issued was €269,999,943.80. The initial conversion ratio of 1 share per 2016 OCEANE bond was adjusted to 1.047 shares per 2016 OCEANE bond following the distribution approved at the Shareholders' Meeting of 31 May 2016. The proceeds from the issue were allocated primarily to the redemption of the 2014 OCEANEs. The 2014 OCEANE bonds outstanding following this redemption were converted into shares on request, resulting in 26,027 new shares with a par value of €5 each (see Note 22.1 to the consolidated financial statements in Section 3.4 of this Registration Document).
4. Private placement, without pre-emptive subscription rights, open to qualified investors (as described in Section II of Article L. 412-2 of the French Monetary and Financial Code) Capital increase through the issue of shares or other securities providing access to the share capital	Shareholders' Meeting of 31 May 2016 (Resolution 23) 26 months, to 30 July 2018 Superseded the authorisation given at the Shareholders' Meeting of 19 May 2015 (Resolution 20)	10% of the share capital or €300 million in debt securities [2] [3] [4]	Not used
5. Overallotment option	Shareholders' Meeting of 31 May 2016 (Resolution 24) 26 months, to 30 July 2018	Not to exceed 15% of the original issue described in Points 1, 2 and 3 of this table, and at the same price [2] [3] [4]	Not used
6. Capitalisation of reserves, earnings, premiums or other accounts	Shareholders' Meeting of 31 May 2016 (Resolution 25) 26 months, to 30 July 2018 Superseded the authorisation given at the Shareholders' Meeting of 20 May 2014 (Resolution 22)	25% of the share capital [5]	Not used

Purpose of the authorisation	Date and duration of authorisation	Maximum nominal amount of capital increase [1]	Amount used and decision to use
7. Issue in exchange for contributions of equity securities or other securities providing access to share capital through a public exchange offer initiated by the Company	Shareholders' Meeting of 31 May 2016 (Resolution 26) 26 months, to 30 July 2018 Superseded the authorisation given at the Shareholders' Meeting of 20 May 2014 (Resolution 23)	10% of the share capital [2] [3] [4]	Not used
8. Issue of shares or other securities in exchange for contributions in kind granted to the Company comprising equity securities or securities conferring access to the share capital	Shareholders' Meeting of 31 May 2016 (Resolution 27) 26 months, to 30 July 2018 Superseded the authorisation given at the Shareholders' Meeting of 20 May 2014 (Resolution 24)	10% of the share capital at date authorisation used [2] [3] [4]	Not used
9. Restrictions on the authorisation to use the authorisations described in Points 1, 2, 4, 5, 6, 7 and 8 during a public takeover bid	Shareholders' Meeting of 31 May 2016 (Resolution 20) 26 months, to 30 July 2018	See the authorisations described in Points 1-8 above	Not used
ISSUES RESERVED FOR EMPLOYEES OR ELIGIBLE COMPANY OFFICERS			
10. Free share awards satisfied using existing or newly issued shares	Shareholders' Meeting of 31 May 2016 (Resolution 19) 14 months, to 30 July 2017 Superseded the authorisation given at the Shareholders' Meeting of 19 May 2015 (Resolution 23)	1% of the share capital at the date on which the grant was decided by the Board [5]	Allotment of 469,500 free shares at the Board meeting of 31 May 2016
11. Issues reserved for participants in Group company savings plans	Shareholders' Meeting of 31 May 2016 (Resolution 28) 26 months, to 30 July 2018 Superseded the authorisation given at the Shareholders' Meeting of 19 May 2015 (Resolution 32)	1% of diluted share capital at 31 May 2016 [5]	Not used

Purpose of the authorisation	Date and duration of authorisation	Maximum nominal amount of capital increase [1]	Amount used and decision to use
SHARE REPURCHASE AND REDUCTION IN SHARE CAPITAL			
12. Repurchase of own shares by the Company	Shareholders' Meeting of 31 May 2016 (Resolution 17) 18 months, to 30 November 2017 Superseded the authorisation given at the Shareholders' Meeting of 19 May 2015 (Resolution 21)	10% of the share capital, adjusted to reflect transactions affecting the share capital after 31 May 2016	See Note 20
13. Reduction in share capital via the retirement of treasury shares	Shareholders' Meeting of 31 May 2016 (Resolution 18) 18 months, to 30 November 2017 Superseded the authorisation given at the Shareholders' Meeting of 19 May 2015	10% of the share capital per 24-month period	Not used

[1] In the event of a capital increase, the limit is expressed as a percentage of the number of shares composing the share capital at the date of the Shareholders' Meeting, i.e. 31 May 2016. Where debt instruments are issued, the maximum limit is stated in euros.

[2] Where debt instruments are issued, the amount of debt issued may result in the Company's share capital increasing by the designated percentage (25% or 10%).

[3] This amount is counted against the maximum percentage of 25% or €600m for issues with preemptive subscription rights.

[4] Where shares or debt instruments are issued without preemptive rights or priority rights, the amount of the issue without priority rights is counted against the amount of the issue with priority rights and against the amount of the issues with preemptive rights.

[5] Separate ceiling from the ceilings set at the Shareholders' Meeting of 31 May 2016.

6.4.5 Other securities giving access to the share capital

On 10 Mai 2016, the Company completed a private placement (provided for in Section II of Article L. 411-2 of the French Monetary and Financial Code) of 4,199,066 convertible or exchangeable bonds. The total amount of bonds issued was €269,999,943.80 (the "2016 OCEANE bonds"). The proceeds from this issue were used primarily to finance the purchase of the 4,153,207 convertible or exchangeable bonds issued on 12 and 13 June 2014, also within the framework of a private placement of a total of €179,999,991.38 (the "2014 OCEANE bonds").

The 2014 OCEANE bonds outstanding following this redemption were converted into shares on request, resulting in 26,027 new shares with a par value of €5 each (see Note 22.1 to the consolidated financial statements in Section 3.4 of this Registration Document).

The 2016 OCEANE bonds were admitted for trading on the *Marché Libre* of Euronext Paris on 13 May 2016.

Bondholders may request to have their securities converted into or exchanged for newly issued or existing shares at any time. The initial conversion ratio of one share per 2016 OCEANE bond was adjusted to 1.047 shares per 2016 OCEANE bond as of 6 June 2016 following the distribution approved at the Shareholders' Meeting of 31 May 2016.

Except in cases of early redemption, exchange or conversion of bonds, under the terms set out in the Prospectus, the bonds must be redeemed in full at par on 1 January 2023.

6.4.6 Potential impact of securities giving access to share capital

At 31 December 2016	
Number of shares outstanding	54,809,044
Number of free shares awarded, not cancelled and not vested	1,281,820
Number of shares issued as part of the conversion of 100% of 2016 OCEANE bonds	4,396,422
Total number of shares after the issuance of shares giving access to share capital	**60,487,286**

On the basis of the number of shares making up the share capital as at 31 December 2016, the issuing of all free shares awarded and the conversion of 2016 OCEANE bonds would result in maximum potential dilution of 9.4%.

6.4.7 Shares given as collateral

At the date when this Registration Document was filed, the Company had not given any shares as collateral.

6.4.8 Conditional or unconditional options or agreements over the capital of any Group member

Nexity holds a 50.1% stake Térénéo. Under certain conditions, Nexity has mechanisms at its disposal under which it has the option of ultimately acquiring the company in full.

Nexity holds a 79.82% stake in PERL. Under certain conditions, Nexity has mechanisms at its disposal under which it has the option of ultimately acquiring the company in full.

Nexity has acquired 100% of the share capital of Oralia Partenaires. Following the award of free shares granted to certain Oralia employees before this acquisition, and the vesting of these shares after the acquisition, Nexity's stake came to 99.53%. Nexity will exercise agreements to sell during the first quarter of 2017 in order to hold all of the company's share capital.

Nexity holds 45.16% of the share capital of Ægide SA, parent company of the Ægide-Domitys group, with the founding partners holding the remainder. Starting in 2018, Nexity will have the option of becoming the majority shareholder of Ægide. Should this occur, Ægide-Domitys would constitute a separate services business within the Nexity group, and continue to be managed by its founding executives.

On 10 June 2016, Nexity acquired a 55% stake in Edouard Denis Développement, the parent company of the Edouard Denis real estate development group. Under certain conditions, Nexity has mechanisms at its disposal under which it has the option of ultimately acquiring the company in full.

On 14 October 2016, Nexity acquired 65% of Prado Gestion (Primosud). Under certain conditions, Nexity has mechanisms at its disposal under which it has the option of ultimately acquiring the company in full.

Given the relative size of the businesses concerned, these commitments pose no risk to the Group's financial structure.

6.4.9 Changes in the Company's share capital over the past three financial years

At 31 December 2016, the share capital of the parent company comprised 54,809,044 shares with a par value of €5 per share, compared with 54,189,017 shares at 31 December 2015. The 620,027share increase in the number of shares in 2016 equates to the vesting of 594,000 free shares to Group employees (see Section 5.3.4.2 of this Registration Document, "Allocation of free shares") and 26,027 shares resulting from the conversion of 2014 OCEANE bonds.

Date of decision	Action	Number of shares issued/ cancelled	Par value of shares	Par value of increase/ reduction in capital	Total share premiums from issues, contributions or mergers	Total share capital	Total number of shares
18/02/2014	Capital increase on 18/02/2014 by partial capitalisation of "Share issue premiums" account	447,400 (1)	€5	€2,237,000	€(2,237,000)	€270,119,920	54,023,984
27/03/2014	Capital increase on 27/03/2014 by partial capitalisation of "Share issue premiums" account	14,000 (1)	€5	€70,000	€(70,000)	€270,189,920	54,037,984
20/06/2014	Capital increase on 20/06/2014 by partial capitalisation of "Share issue premiums" account	5,000 (1)	€5	€25,000	€(25,000)	€270,214,920	54,042,984
24/07/2014	Capital increase on 24/07/2014 by partial capitalisation of "Share issue premiums" account	63 (1)	€5	€315	€(315)	€270,215,235	54,043,047
24/10/2014	Capital increase on 24/10/2014 by partial capitalisation of "Share issue premiums" account	137,940 (1)	€5	€689,700	€(689,700)	€270,904,935	54,180,987
17/02/2015	Capital increase on 17/02/2015 by partial capitalisation of "Share issue premiums" account	2,030 (1)	€5	€10,150	€(10,150)	€270,915,085	54,183,017
24/03/2015	Capital increase on 24/03/2015 by partial capitalisation of "Share issue premiums" account	6,000 (1)	€5	€30,000	€(30,000)	€270,945,085	54,189,017
16/02/2016	Capital increase on 16/02/2016 by partial capitalisation of "Share issue premiums" account	577,000 (1)	€5	€2,885,000	€(2,855,000)	€273,830,085	54,766,017
12/04/2016	Capital increase on 12/04/2016 by partial capitalisation of "Share issue premiums" account	17,000 (1)	€5	€85,000	€(85,000)	€273,915,085	54,783,017
21/07/2016	Capital increase on 21/07/2016 by conversion of 2014 OCEANE bonds	26,027	€5	€130,135	€894,584.40	€274,045,220	54,809,044

(1) Shares created following the vesting of free shares

At the date when this Registration Document was filed, the following capital increases had also been recognised in 2017:

Date of decision	Action	Number of shares issued/ cancelled	Par value of shares	Par value of increase/ reduction in capital	Total share premiums from issues, contributions or mergers	Total share capital	Total number of shares
21/02/2017	Capital increase on 21/02/2017 by partial capitalisation of "Share issue premiums" and "Merger premiums" accounts	496,000 (1)	€5	€2,480,000	€(2,480,000)	€276,525,220	55,305,044

(1) Shares created following the vesting of free shares

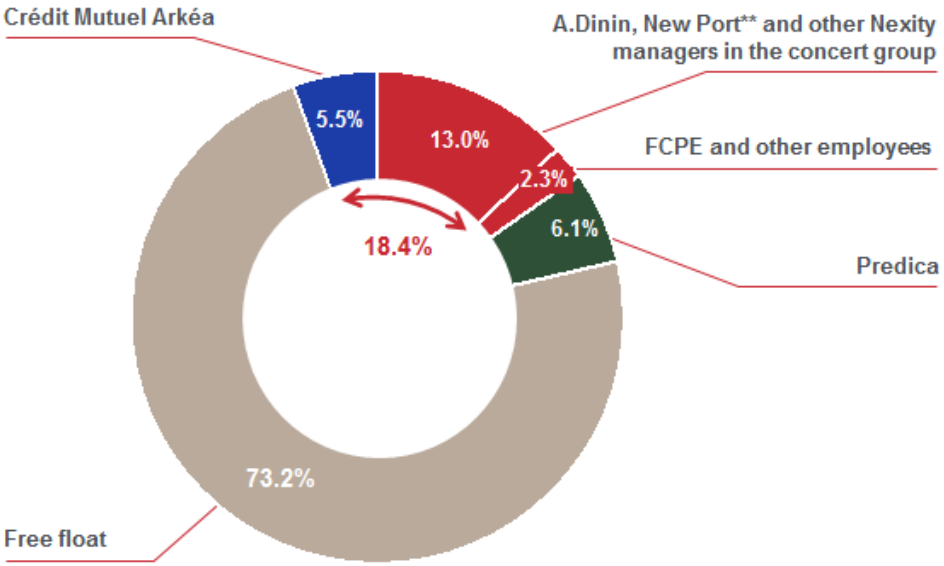
6.5 KEY SHAREHOLDERS

6.5.1 Breakdown of share capital at 31 December 2016

The following table shows the number of shares and the percentage of share capital and voting rights held by the Company's shareholders at 31 December 2016, as reported to the AMF and/or to the Company at that date:

Shareholders (at 31 December 2016)	Number of shares	% of capital and voting rights
Alain Dinin [1]	1,312,832	2.40%
New Port concert group and other senior executives	5,786,936	10.55%
Other employees	284,477	0.52%
FCPE Nexity Actions (employees)	980,568	1.79%
Free float	40,101,421	73.17%
CAA Predica [2]	3,341,859	6.10%
CM Arkéa + Suravenir [3]	2,999,451	5.47%
Treasury shares	1,500	0.00%
Total	**54,809,044**	**100%**

[1] And related persons, excluding indirect shareholding via New Port.
[2] Based on the notification of a significant change in share ownership on 10 October 2016.
[3] Based on the notification of a significant change in share ownership on 7 March 2016.



In January 2015, around 120 Nexity executives, as well as Crédit Mutuel Arkéa, formed a group around Alain Dinin, Chairman and CEO of Nexity, in order to act in concert, and held 18.4% of the Company's share capital as at 31 December 2016.

At 31 December 2016, Alain Dinin owned 10.4% of New Port, which held 6.8% of the Group's shares. Alain Dinin therefore indirectly owns 0.7% of Nexity, in addition to his shareholding mentioned above.

Voting rights attached to shares are proportional to the percentage of total share capital represented by those shares. Each share entitles the holder to one vote, with the exception of treasury shares, which carry no voting rights during the period for which they are held in treasury.

6.5.2 Changes in ownership over the past three years

The following table shows a breakdown of the Company's share capital at the dates shown:

	2016		2015		2014	
Shareholding structure	Number of shares	% of capital and voting rights	Number of shares	% of capital and voting rights	Number of shares	% of capital and voting rights
Alain Dinin [1]	1,312,832	2.40%	1,325,059	2.45%	1,469,400	2.71%
New Port concert group and other senior executives	5,786,936	10.55%	5,316,788	9.81%	3,145,759	5.81%
Other employees	284,477	0.52%	326,717	0.60%	1,511,923	2.79%
FCPE Nexity Actions (employees)	980,568	1.79%	1,030,864	1.90%	1,084,919	2.00%
Free float	40,101,421	73.17%	33,703,371	62.20%	26,180,607	48.32%
CE Holding Promotion	- [4]	-	6,951,866[2]	12.83%	18,095,597[3]	33.40%
CAA Predica	3,341,859	6.10%	2,824,901	5.21%	-	-
CM Arkéa + Suravenir	2,999,451[5]	5.47%	2,709,451	5.00%	-	-
Generali France	-	-	-	-	2,692,782[6]	4.97%
Treasury shares	1,500	0.00%	-	-	-	-
Total	**54,809,044**	**100%**	**54,189,017**	**100%**	**54,180,987**	**100%**

[1] And related persons, excluding indirect shareholding via New Port.
[2] Based on filings at 31 December 2015.
[3] Based on filings at 31 December 2014.
[4] Based on the notification of a significant change in share ownership on 8 March 2016.
[5] Based on the notification of a significant change in share ownership on 10 October 2016.
[6] Based on the declaration of a significant change in share ownership on 31 December 2014.

Reporting of significant changes in share ownership under Article L. 233-7 of the French Commercial Code and Article L. 223-14 of the Autorité des Marchés Financiers (AMF) General Regulation

During financial year 2016

In a letter to the Company received on 7 March 2016 and in a statement made to the Autorité des Marchés Financiers, Crédit Mutuel Arkéa reported that its holding had passively and individually fallen below the threshold of 5% of the Company's share capital and voting rights. On this occasion, the group acting in concert formed by Crédit Mutuel Arkéa, New Port and some of the Company's executive employee shareholders reported that they had not exceeded any thresholds and specified that as at 7 March 2016 they held 9,895,592 shares representing 18.07% of the Company's share capital and voting rights.

In addition, following the purchase by its subsidiary Suravenir of 290,000 shares on 2 March 2016, Crédit Mutuel Arkéa declared that it had individually exceeded the threshold of 5% of the Company's share capital and voting rights, holding 5.477% of share capital and voting rights with its subsidiary Suravenir. On this occasion, the group acting in concert formed by Crédit Mutuel Arkéa, New Port and some of the Company's executive employee shareholders reported that they had not exceeded any thresholds and specified that as at 2 March 2016 they held 10,199,657 shares representing 18.62% of the Company's share capital and voting rights.

In a letter to the Company dated 8 March 2016 and in a statement made to the Autorité des Marchés Financiers, BPCE reported that, on 4 March 2016, via CE Holding Promotion, its holding had fallen below the legal thresholds of 5% and 10% of the Company's share capital and voting rights, as well as all incremental 1% thresholds between 12% and 3% inclusive of the Company's share capital and voting rights, as laid down in the Articles of Association. These changes in share ownership resulted from the sale of 6,951,866 shares within the framework of a private placement on 4 March 2016. Following this sale, the BPCE group no longer held any shares in the Company.

In a letter dated 10 October 2016 sent to the Company, Crédit Agricole SA indicated that it had exceeded the statutory threshold of 6% of the Company's share capital and voting rights via the subsidiaries it controls, namely its direct subsidiary Crédit Agricole Assurances and this company's subsidiary Prédica (which exceeded the threshold individually).

Since 1 January 2017

In letters received by the Company on 9 February and 24 February 2017, the group acting in concert around the Chairman and Chief Executive Officer, formed by Crédit Mutuel Arkéa, Suravenir, New Port and some of the Company's executive employee shareholders reported that they had fallen below and then exceeded the statutory threshold of 18% of the Company's share capital and voting rights.

6.5.3 Shareholders' agreements

At the date of this Registration Document, the Company was not aware of any shareholders' agreements.

6.5.4 Control of the Company

At 31 December 2016, Nexity was not a controlled company within the meaning of Article L. 233-3-II of the French Commercial Code.

6.5.5 Agreements potentially entailing changes in control of the Company

At the date of this Registration Document, the Company was not aware of any agreements between shareholders that might entail a change in control of the Company.

6.6 STOCK MARKET INFORMATION

6.6.1 Nexity shares

Listing market	Euronext Paris, compartment A, eligible for the deferred settlement system (SRD)
Initial public offering	21 October 2004 at the price of 17.90 euros per share
Indices	SBF 80 SBF 120 CAC Mid 60 CAC Mid & Small CAC All Tradable
Codes	Ticker symbol: NXI Reuters: NXI.PA Bloomberg: NXIFP
Number of shares outstanding as at 31 December 2016	54,809,044
Market capitalisation at 31 December 2016	€2,436.68 million

6.6.2 Nexity share price performance

	Closing price	Average price (closing)	Highest	Lowest	Number of shares traded	Capital traded *(€ millions)*
January 2016	41.745	40.990	43.490	39.005	2,078,714	85.51
February 2016	42.500	40.630	43.660	37.270	2,411,167	98.76
March 2016	45.795	44.111	46.205	41.300	3,514,087	152.44
April 2016	46.830	44.903	46.990	43.995	2,264,315	102.12
May 2016	48.440	47.296	48.835	45.320	2,771,749	131.37
June 2016	45.695	46.306	50.150	42.030	3,273,424	151.19
July 2016	47.550	46.768	48.890	43.600	1,960,069	91.50
August 2016	47.010	47.444	48.800	46.510	1,442,876	68.44
September 2016	46.990	47.229	47.980	46.000	1,650,222	77.92
October 2016	45.745	46.486	47.160	45.455	2,224,146	103.36
November 2016	43.615	44.027	45.930	42.100	2,509,328	110.26
December 2016	44.460	43.563	45.500	42.440	2,008,987	87.09
January 2017	45.460	45.275	46.160	44.320	1,792,394	81.04
February 2017	45.550	45.968	48.445	44.750	2,314,630	106.82

Source: Euronext

6.6.3 Publicly available documents

The Company's press releases and annual reports – including historical financial information about the Company – are available on the Company's website: www.nexity.fr. Copies may also be obtained from Nexity's head office at 19 rue de Vienne – TSA 50029 – 75801 Paris Cedex 8 (France).

The Company's Articles of Association as well as the minutes of Shareholders' Meetings, the Statutory Auditors' reports, a list of subsidiaries, the parent company financial statements and any other corporate documentation may be consulted at the Company's head office.

6.6.4 Shareholder information

Nexity has agreed to issue regular communications about its business activities, strategy and outlook for its individual or institutional shareholders and, more generally, the financial community.

During the 2016 financial year, Nexity's management and Investor Relations had over 400 contacts with analysts and investors, primarily during roadshows, conferences and meetings in France, the United Kingdom, the United States, Canada, Switzerland, Belgium, the Netherlands and Germany.

Financial calendar

25 April 2017: Q1 2017 business activity and revenue
1 June 2017: Shareholders' Meeting
25 July 2017: 2017 interim results
25 October 2017: Q3 2017 business activity and revenue

Investor Relations contact

investorrelations@nexity.fr
Phone: +33 (0)1 85 55 15 49
Address: Nexity – 19 rue de Vienne – TSA 50029 – 75801 Paris Cedex 8 (France)

6.7 REQUIREMENTS UNDER THE ARTICLES OF ASSOCIATION

6.7.1 Corporate purpose

Pursuant to Article 2 of its Articles of Association, the Company's purpose, in France and abroad, is as follows:

- to develop and market new and pre-owned residential and commercial property, in France and abroad, including the improvement, subdivision and renovation of real property of any kind, the provision of property development, marketing and advisory services to individuals and companies and any other activities related to or associated with these activities;
- to acquire interests, through any means and in any form whatsoever, in any French or foreign commercial, industrial, financial, property or asset management company – by acquiring a company, creating a new company or contributing assets, or through a merger, alliance, joint venture or economic interest group – and to administer, manage and control such interests;
- to participate in the management or administration of a company or investment fund whose purpose is to acquire interests, through any means and in any form whatsoever, in any company, business or undertaking – by acquiring a company, creating a new company or contributing assets, or through a merger, alliance, joint venture or economic interest group – and to administer, manage and control such interests, and to provide property development, marketing and advisory services to individuals and companies and direct or indirect technical or administrative assistance to subsidiaries of the Company;
- to invest in real property or other assets, manage real property and other assets, and conduct analysis and research of a financial or non-financial nature; and
- in general, to engage in financial, commercial or industrial activities involving real property or other assets that are directly or indirectly related to the above purpose or to any similar or related purpose that is liable to further the development of the Company's purpose.

6.7.2 Financial year

The Company's financial year runs from 1 January to 31 December.

6.7.3 Distribution of profits

Each share entitles its owner to a share of profits in proportion to the amount of share capital the share represents.

From those profits, after deducting any prior year losses, shall be appropriated (i) at least five percent to constitute the legal reserve, until such time as the legal reserve represents at least one tenth of the share capital and resuming if and when the legal reserve falls below this level for whatever reason, and (ii) after this appropriation is made any other appropriations to reserves required by the law shall be made.

Any remaining profits, plus retained earnings, constitute distributable profits.

Dividends shall be paid within nine months of the end of the financial year, unless this period is extended by decision of the courts. The Board of Directors may, subject to legal or regulatory requirements, distribute one or more interim dividends before the financial statements for the year are approved.

6.7.4 Changes in capital and voting rights

Any change in the share capital or voting rights attached to the securities making up the share capital shall comply with applicable laws and regulations. The Articles of Association make no specific provision in this regard.

6.7.5 Shareholders' Meetings

6.7.5.1 Notice of Meeting

Shareholders' Meetings shall be convened and conduct business as laid down in law. The Company may fulfil the required formalities prior to Shareholders' Meetings using electronic communication methods, pursuant to Article R. 225-63 of the French Commercial Code.

Shareholders' Meetings shall be held at the Company's registered office or at any other location indicated in the Notice of Meeting.

Shareholders may vote on resolutions at Ordinary, Extraordinary, Special or Combined Shareholders' Meetings, according to the type of resolution to be voted on.

6.7.5.2 Attendance

Under Article 19 of the Articles of Association, shareholders may attend and vote at any Shareholders' Meeting, in person or by proxy, pursuant to Article L. 225-106 of the French Commercial Code.

Shareholders are entitled to attend Shareholders' Meetings insofar as the shares they own are fully accounted for, as follows, by the regulatory deadline (Article R. 225-85 of the French Commercial Code):

- owners of registered shares (*actions nominatives*) must have their shares registered in the Company's accounts by the deadline; and
- owners of bearer shares (*actions au porteur*) must have their shares recorded in the accounts of their authorised intermediary by the deadline. The holding of bearer shares with an authorised intermediary is evidenced by an ownership certificate issued by that intermediary.

In accordance with the provisions of Article R. 225-85 of the French Commercial Code, as amended by Decree 2014-1466 of 8 December 2014, shares must be fully accounted for no later than 0:00 hours (Paris time) on the second business day preceding the Meeting.

Shareholders may be represented by another shareholder, their spouse, their civil partner or any other natural or legal person of their choice. Shareholders may also vote by post, or electronically if applicable and subject to prior consent by the Board of Directors, using a form sent to them at their request as specified in the preliminary notice and in the Notice of Meeting, in accordance with applicable laws and regulations. Shareholders may send in and revoke their proxy forms electronically. Pursuant to the Board of Directors' decision indicated in the preliminary notice and the Notice of Meeting, the electronic signature of this form may be either (i) a secure electronic signature as defined in Decree 2001-272 of 30 March 2001 adopted pursuant to Article 1316-4 of the French Civil Code concerning electronic signatures, or (ii) provided using some other reliable identification process that meets the requirements of the first sentence of the second paragraph of the aforementioned Article 1316-4. A shareholder's attendance at a Shareholders' Meeting shall invalidate any vote made by post, electronically or by proxy. In the event of a conflict between a proxy vote and a postal vote, the proxy vote will shall have priority, regardless of when the votes were cast. Voting forms sent in by post shall not count towards

the quorum unless they are duly completed and received by the Company at least three (3) calendar days before the date of the Shareholders' Meeting. Voting instructions granting proxy or power of attorney that are sent in electronically as laid down in law and as determined by the Board of Directors shall be executed if received by the Company by 3:00 p.m. (Paris time) the day before the Shareholders' Meeting.

6.7.5.3 Voting rights

Voting rights attached to shares are proportional to the portion of share capital those shares represent, with each share entitling its holder to one vote. No double voting rights have been granted pursuant to Article L. 225-123 of the French Commercial Code.

6.7.6 Form of shares and identification of shareholders

Fully paid-up shares may be held in registered or bearer form at the shareholder's option, subject to legal and regulatory requirements and the Company's Articles of Association. Shares must be held in registered form until fully paid up.

6.7.7 Shareholding reporting requirements

Any natural or legal person, acting alone or in concert, that comes to hold a number of shares representing over 5%, 10%, 15%, 20%, 25%, 30%, $33^{1/3}$%, 50%, $66^{2/3}$%, 90% or 95% of the Company's share capital or voting rights shall inform the Company and the Autorité des Marchés Financiers of the total number of shares or voting rights held within four trading days after exceeding any of the above thresholds. This reporting requirement also applies when a shareholding or voting rights fall below one of the above thresholds.

Unless properly reported, any shares over and above the threshold that should have been reported in accordance with the aforementioned legal requirements will have no voting rights at any Shareholders' Meeting for a period of two years after the reporting requirement is met.

Furthermore, pursuant to the Company's Articles of Association, any natural or legal person, acting alone or in concert, who comes to hold, either directly or indirectly, according to the same calculation methods and conditions as those laid down in Articles L. 233-7 et seq. of the French Commercial Code and in the AMF's General Regulation, a number of shares representing over 3% of the Company's share capital and/or voting rights, and subsequently to this each additional 1% of the Company's share capital and/or voting rights including beyond the 5% threshold and all legal and regulatory reporting thresholds, shall notify the Company by registered post with acknowledgment of receipt within four trading days of the date on which the aforementioned threshold is exceeded, indicating the percentage of share capital and voting rights held and any securities that give or may in the future give the shareholder access to equity and the associated potential voting rights. This information is also reported, subject to the same requirements, whenever the percentage of the share capital or voting rights held falls below one of the above thresholds.

At the request of one or more shareholders holding at least 3% of the Company's share capital or voting rights and duly recorded in the minutes of a Shareholders' Meeting, failure by a shareholder to observe these provisions may be sanctioned by the revocation of that shareholder's right to exercise the voting rights attached to the excess shares over and above the reporting threshold at any Shareholders' Meeting for a period of two years after the date on which the reporting requirement is met.

Subject to the exceptions laid down in legal provisions, any person who holds, either individually or in concert with other persons, in respect of one or more temporary sales of those shares or any transaction conferring the right or giving rise to the obligation to resell those shares or return them to the seller, a number of shares representing more than 0.5% of total voting rights, shall notify both the Company and the Autorité des Marchés Financiers of the total number of shares temporarily held no later than 0:00 hours (Paris time) three business days before the date of the Shareholders' Meeting, provided that the agreement arranging that transaction remains in force at that date. As well as the number of shares acquired under the terms of one of the aforementioned transactions, the notification must include the identity of the seller, the date and maturity of the agreement governing the transactions and, where applicable, the voting agreement. The Company shall publish this information under the terms and conditions laid down in the AMF's General Regulation.

Unless properly declared, any shares purchased under one of the aforementioned transactions will be stripped of voting rights for the Shareholders' Meeting in question and for any other Shareholders' Meeting that might be held until such time as those shares are resold or returned.

6.7.8 Composition of the Board of Directors (Articles 11 to 14 of the Articles of Association)

Information on the start and end dates of directors' terms of office is set out in Section 4 of this Registration Document, "Corporate governance".

The Board of Directors has no fewer than three and no more than eighteen members.

Board members are appointed by the Ordinary Shareholders' Meeting for four-year terms expiring at the end of the Ordinary Shareholders' Meeting held during the year in which their terms of office expire to approve the financial statements for the preceding year. The Board of Directors also includes one director who represents the Group's employees (Article L. 225-27-1 of the French Commercial Code). This director is elected by the Works Council of UES Nexity Promotion Construction for a four-year term. When the number of directors appointed at a Shareholders' Meeting is greater than twelve, a second director representing the employees is elected under the same conditions.

With the exception of the director representing the employees, according to the Articles of Association each member of the Board of Directors must own at least 200 shares and keep them in registered form for the entirety of his or her term of office. The number of shares held by serving directors is set out in Section 4 of this Registration Document, "Corporate governance".

Directors are always eligible for reappointment. No more than one third of Board members may be aged 70 or over. If a director or permanent representative reaches the age of 70 when one third of Board members have already reached that age, the oldest director or permanent representative will be deemed to have resigned as at the next Ordinary Shareholders' Meeting. Where a director is a legal entity, these age limits apply to that entity's permanent representative.

Chairman of the Board of Directors

The Board of Directors elects one of its individual members as Chairman for a duration not exceeding the electee's term of office. The Chairman must be under 72 years of age. If the Chairman reaches this age limit while in office, he or she will be deemed to have resigned on conclusion of the next Annual Ordinary Shareholders' Meeting. The Board of Directors determines the Chairman's remuneration. It may also dismiss the Chairman at any time.

The Chairman organises and directs the Board's activities and reports on them at Shareholders' Meetings. The Chairman oversees the proper functioning of the Company's corporate bodies and specifically ensures that the directors are in a position to fulfil their duties.

Vice-Chairman and Senior Independent Director

If deemed necessary, the Board of Directors may also appoint one or more Vice-Chairmen chosen from among the independent directors, for a term of office that may not exceed that of their appointment as director.

Luce Gendry has served in this position since 17 February 2015.

The Vice-Chairman may convene Board meetings should the Chairman be unable to do so.

In the absence of the Chairman of the Board of Directors, the Vice-Chairman may also chair Board meetings.

The Vice-Chairman is also the Senior Independent Director. His/her duties, responsibilities, resources and prerogatives as such are described in the internal rules and regulations of the Board of Directors. In this capacity, he/she coordinates meetings of independent directors, supervises the formal assessment of the work of the Board of Directors and is the point of contact for Board members in the event of a conflict of interest.

Non-voting Board members

The Company's Articles of Association stipulate that the Board of Directors may be assisted in its duties by up to three non-voting directors appointed by the Shareholders' Meeting for a term of three years. Non-voting directors may be either natural or legal persons and need not be shareholders. Non-voting directors attend Board meetings but cannot vote in decisions. They serve as general advisors to the directors, who are under no obligation to heed their opinions or recommendations. Non-voting directors are bound by the same confidentiality obligations as voting directors, and may be dismissed at any time by vote at an Ordinary Shareholders' Meeting.

Works Council representative

Following the appointment of a director representing the employees by the Works Council of UES Nexity Promotion Construction, in accordance with the provisions of Article L. 2323-65 of the French Labour Code, a single representative of this Works Council attends Board meetings.

6.7.9 Duties and powers of the Board (Article 15 of the Articles of Association)

The Board of Directors sets the Company's business objectives and oversees their implementation. Except for certain powers expressly allocated to Shareholders' Meetings, and insofar as the scope of business allows, the Board of Directors addresses all issues pertaining to the running of the Company and votes on how to resolve matters concerning it. The Board of Directors undertakes any controls and checks it deems appropriate.

6.8 PERSONS RESPONSIBLE FOR THE REGISTRATION DOCUMENT

6.8.1 Person responsible for the information contained in this report

Alain Dinin, Chairman and Chief Executive Officer of Nexity.

6.8.2 Statement by the person responsible for the information contained in this report

I declare, to the best of my knowledge and having taken all reasonable care to ensure that such is the case, that the information contained in this Registration Document is in accordance with the facts and does not omit anything likely to affect the import of said information.

I confirm, to the best of my knowledge, that the financial statements have been prepared in accordance with the applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and all consolidated entities. I also confirm that the Management Report whose various information headings are mentioned on page 290 of the original French version of this Registration Document presents a true and fair view of business developments, results of operations and the financial position of the Company and of all consolidated entities, as well as a description of the main risks and uncertainties that they face.

I have received a letter from the Statutory Auditors reporting on the completion of their audit work, in which they state that they have verified the information relating to the Company's financial position, the financial statements included in this Registration Document as well as the overall presentation of the document.

The consolidated financial statements for the year ended 31 December 2016, contained within this Registration Document, were the subject of a report by the Statutory Auditors, which appears on page 159 of the original French version of this Registration Document.

Paris, 6 April 2017

Alain Dinin

Chairman and Chief Executive Officer

6.9 STATUTORY AUDITORS

6.9.1 Principal Statutory Auditors

KPMG Audit IS SAS
Tour Eqho
2, avenue Gambetta
CS 60055
F-92066 Paris-La Défense Cedex
Represented by Philippe Mathis.

Appointed by the Combined Shareholders' Meeting of 20 May 2014 (first appointment; replacing KPMG SA, initially appointed on 30 April 2008), for a term of office expiring at the close of the Ordinary Shareholders' Meeting convened to approve the financial statements for the year ending 31 December 2019.

Mazars
61, rue Henri Regnault
Tour Exaltis
F-92075 Paris-La Défense Cedex
Represented by Olivier Thireau and Michel Barbet-Massin.

Appointed by the Combined Shareholders' Meeting of 20 May 2014 (renewal; first appointment was on 30 April 2008), for a term of office expiring at the close of the Ordinary Shareholders' Meeting convened to approve the financial statements for the year ending 31 December 2019.

6.9.2 Alternate Statutory Auditors

KPMG Audit ID SAS
Tour Eqho
2, avenue Gambetta
CS 60055
F-92066 Paris-La Défense Cedex

Appointed by the Combined Shareholders' Meeting of 20 May 2014 (first appointment), for a term of office expiring at the close of the Ordinary Shareholders' Meeting convened to approve the financial statements for the year ending 31 December 2019.

Franck Boyer
61, rue Henri Regnault
Tour Exaltis
F-92075 Paris-La Défense Cedex

Appointed by the Combined Shareholders' Meeting of 20 May 2014 (renewal; first appointment was on 30 April 2008), for a term of office expiring at the close of the Ordinary Shareholders' Meeting convened to approve the financial statements for the year ending 31 December 2019.

6.9.3 Fees paid to Statutory Auditors

Fees paid by the Group to the Statutory Auditors are broken down in Note 36 to the Group's consolidated financial statements, set out in Section 3.4 of this Registration Document.

6.10 CROSS-REFERENCE TABLES

6.10.1 Cross-reference table of the Registration Document in accordance with the Prospectus Directive (2003/71/EC)

	Item of Annex 1 of Commission Regulation (EC) 809/2004	Registration Document page number
1.	**Persons Responsible**	
1.1.	Persons Responsible	§6.8.1, page 276
1.2.	Declaration by those responsible	§6.8.2, page 276
2.	**Statutory Auditors**	**§6.9, page 277**
3.	**Selected financial information**	**§1.1, pages 6 and 7**
4.	**Risk factors**	**§2, pages 81 to 94**
5.	**Information about the issuer**	
5.1.	History and development of the issuer	§1.2, pages 9 and 10
5.1.1.	*Legal and commercial name of the issuer*	*§6.1.1, page 260*
5.1.2.	*Place of registration of the issuer and its registration number*	*§6.1.2, page 260*
5.1.3.	*Date of incorporation and length of life of the issuer*	*§6.1.3, page 260*
5.1.4.	*Registered office and legal form of the issuer*	*§6.1.4, page 260*
5.1.5.	*Important events in the development of the issuer's business*	*§1.2, pages 9 and 10*
5.2.	Investments	§1.10, page 78
6.	**Business overview**	
6.1.	Principal activities	§1.1, pages 6 and 7 §1.5, pages 26 to 59
6.2.	Principal markets	§1.4, pages 14 to 26
6.3.	Exceptional factors	N/A
6.4.	Extent to which the issuer is dependent on patents or licences, industrial, commercial or financial contracts or new manufacturing processes	N/A
6.5.	Competitive position	§1.6, pages 60 to 63
7.	**Organizational structure**	
7.1.	Description of the Group	§6.2, pages 269 to 271
7.2.	List of important subsidiaries	§6.2, pages 260 to 262 §3.4, Note 39, pages 152 to 154
8.	**Property, plants and equipment**	
8.1.	Existing or planned material tangible fixed assets	§6.3.1, page 263
8.2.	Environmental issues that may affect the issuer's utilisation of the tangible fixed assets	§6.3.2, page 263
9.	**Operating and financial review**	
9.1.	Financial condition	§3.1, pages 96 to 100
9.2.	Operating results	§3.1, pages 100 to 102
10.	**Capital resources**	
10.1.	Information concerning the issuer's capital resources	§3.2, pages 103 to 104
10.2.	Cash flows	§3.2.1, page 103
10.3.	Borrowing requirements and funding structure	§3.2.2, page 104
10.4.	Restrictions on the use of capital resources	N/A
10.5.	Anticipated sources of funds	§3.2.2, page 104
11.	**Research and development, patents and licences**	**§1.9, pages 76 to 78**
12.	**Trend information**	**§3.3, pages 104 and 105**
13.	**Profit forecasts or estimates**	**§3.3, pages 104 and 105**
14.	**Board practices**	
14.1.	Information about administrative and management bodies	§4.1, pages 180 to 190
14.2.	Administrative, Management, and Supervisory bodies and Senior Management conflicts of interests	§4.1.4, page 190
15.	**Remuneration and benefits**	
15.1.	Amount of remuneration paid and benefits in kind granted	§4.5, pages 220 to 225
15.2.	Total amounts set aside or accrued by the issuer or its subsidiaries to provide pension, retirement or similar benefits	§4.5.4, page 225
16.	**Board practices**	

	Item of Annex 1 of Commission Regulation (EC) 809/2004	Registration Document page number
16.1.	Terms of office of members of administrative and management bodies	§4.1.1, pages 180 to 190
16.2.	Information about members of the administrative or management bodies' service contracts	§4.4, pages 213 to 219
16.3.	Information about the issuer's audit committee and remuneration committee	§4.2.3.7, pages 195 to 198
16.4.	A statement as to whether or not the issuer complies with the applicable corporate governance regime	§4.2.1, page 191
17.	**Employees**	
17.1.	Number of employees	§5.3.2, pages 241 to 249
17.2.	Shareholdings and stock options	§5.3.3 and §5.3.4, pages 250 to 251
17.3.	Arrangements for involving the employees in the capital of the issuer	§5.3.3, pages 249 and 250 §6.5, pages 269 to 271
18.	**Major shareholders**	
18.1.	Name and percentage stake of major shareholders	§6.5, pages 269 to 271
18.2.	Different voting rights	§6.7.5, page 274
18.3.	Control of the issuer	§6.5.4, page 271
18.4.	Arrangements the operation of which may result in a change in control of the issuer	§6.5.5, page 271
19.	**Related-party transactions**	**§4.4, pages 213 to 220**
20.	**Financial information concerning the issuer's assets and liabilities, financial position and profits and losses**	
20.1.	Historical financial information	Information included by reference
20.2.	Pro forma financial information	N/A
20.3.	Financial statements	§3.4 and §3.5, pages 106 to 176
20.4.	Auditing of historical financial information	§3.4.2, pages 155 and 156 §3.5.2, pages 175 and 176
20.5.	Age of latest audited financial information	31/12/2016
20.6.	Interim and other financial information	N/A
20.7.	Dividend policy	§3.6.3, page 177
20.8.	Legal and arbitration proceedings	§2.5, page 94
20.9.	Significant change in the issuer's financial or trading position	N/A
21.	**Additional information**	
21.1.	Share capital	§6.4.1, page 263
21.1.1.	*Amount of share capital and number of shares*	*§6.4.1, page 263* *§6.4.9, page 268*
21.1.2.	*Shares not representing capital*	*§6.4.2, page 263*
21.1.3.	*Treasury shares*	*§6.4.3, pages 263 and 264*
21.1.4.	*Convertible securities, exchangeable securities or securities with warrants*	*§6.4.5, pages 266 and 267*
21.1.5.	*Terms of any acquisition rights and or obligations over authorised but unissued capital or an undertaking to increase the capital*	*§6.4.6, page 267*
21.1.6.	*Information on the capital of any Group member subject to an option or conditional or unconditional agreement to place it under option.*	*§6.4.7, page 267*
21.1.7.	*Share capital history*	*§6.4.1, page 263* *§6.4.9, page 268*
21.2.	Memorandum and Articles of Association	
21.2.1.	*Corporate purpose*	*§6.7.1, page 272*
21.2.2.	*Management, administrative, supervisory and executive bodies*	*§6.7.8, pages 275 to 276*
21.2.3.	*Rights and restrictions attached to shares*	*§6.7.4 and §6.7.5, pages 273 and 274*
21.2.4.	*Changes to the rights of shareholders*	*§6.7.4, page 273*
21.2.5.	*Calling and conditions for admission to general shareholders' meetings*	*§6.7.5, pages 273 to 274*
21.2.6.	*Requirements that may have an effect of delaying, deferring or preventing a change in control of the issuer*	*N/A*
21.2.7.	*Shareholding reporting requirements*	*§6.7.7, page 274*
21.2.8.	*Conditions governing changes in the capital*	*§6.7.4, page 273*
22.	**Major contracts**	**§1.11, page 79**
23.	**Third-party information, statements by experts and declarations of any interest**	**N/A**
24.	**Documents on display**	**§6.6.3, pages 271 and 272**
25.	**Information on holdings**	**§6.2, pages 260 to 263** **§3.4.1, pages 152 to 154** **§3.5.1, pages 174 and 175**

6.10.2 Cross-reference table for the Management Report provided for by Articles L. 225-100 et seq. of the French Commercial Code

The 2016 Management Report covering the items listed below is included in this Registration Document. It was approved by Nexity's Board of Directors on 30 March 2017.

Items required under the French Commercial Code, the French Monetary and Financial Code, the French General Tax Code and the AMF General Regulation	Registration Document
Analysis of the Company's business performance, results and financial position during the year ended (L. 225-100 and L. 232-1 of the French Commercial Code)	§3.5, pages 157 to 176
Analysis of the Group's business performance, results and financial position during the year ended (L. 225-100-2 and L. 233-26 of the French Commercial Code)	§3.1 and §3.2, pages 96 to 104
Results of subsidiaries and controlled companies by business sector (L. 233-6 of the French Commercial Code)	§3.1.3, pages 100 to 102
Forecasts and outlook (L. 232-1 and L. 233-26 of the French Commercial Code)	§3.3.2, page 104
Significant events occurring after the year-end (L. 232-1 and L. 233-26 of the French Commercial Code)	§3.3.1, page 104 §3.4, Note 38, page 151
Research and development activities (L. 232-1 and L. 233-26 of the French Commercial Code)	§1.9, pages 76 to 78
Investments and controlling investments in companies having their registered office in France (L. 233-6 of the French Commercial Code)	§3.1.1, pages 96 and 97 §3.4.1, page 111
Information on environmental matters and the environmental impact of activities (L. 225-100, L. 225-102-1 and R. 225-105 of the French Commercial Code)	§5.2, pages 233 to 238
Information on personnel matters and the impact of activities on employees (L. 225-100, L. 225-102-1 and R. 225-104 of the French Commercial Code)	§5.3, pages 238 to 251
Description of principal risks and uncertainties (L. 225-100 and L. 225-100-2 of the French Commercial Code)	§2, pages 82 to 94
Group policy on the management of financial risks (L. 225-100 and L. 225-100-2 of the French Commercial Code)	§2.3, page 91 §2.4.1, page 91 §4.2 and §4.3, pages 191 to 212
Group's exposure to price, credit, liquidity and treasury risk (L. 225-100 and L. 225-100-2 of the French Commercial Code)	§2.3, page 91 §3.4, Notes 22.3 and 25.1, pages 137 to 140
Summary table of current valid authorisations granted to the Board of Directors at a Shareholders' Meeting in connection with increases in share capital, and use of those authorisations during the year (L. 225-100 of the French Commercial Code)	§6.4.4, pages 265 to 266
Items that may have an impact in the event of a takeover bid (L. 225-100-3 of the French Commercial Code)	§4.5, pages 220 to 224 §6, pages 260 to 276
Employee shareholdings at the year-end (L. 225-102 of the French Commercial Code)	§5.3.1.4, pages 240 and 241 §5.3.4, pages 250 and 251 §6.5, pages 269 and 270
Information on supplier payment terms (L. 441-6-1 of the French Commercial Code)	§3.6.1, page 177
Table of Company results over the past five financial years (R. 225-102 of the French Commercial Code)	§3.6.6, page 178
Identity of shareholders holding more than a 5% share; treasury shares (L. 233-13 of the French Commercial Code)	§6.5, pages 269 and 270
Summary schedule of transactions by executives in the Company's shares (L. 621-18-2 of the French Monetary and Financial Code and 223-26 of the AMF General Regulation)	§4.7, page 225
Total remuneration and benefits of all kinds paid to each company officer (L. 225-102-1 of the French Commercial Code)	§4.5, pages 220 to 224
Offices and roles held in any company by the company officers during the year (L. 225-102-1 of the French Commercial Code)	§4.1, pages 180 to 190
Information on buying and selling treasury shares (L. 225-211 of the French Commercial Code)	§6.4.3, pages 263 and 264
Amount of dividends paid in respect of the past three financial years (243 bis of the French General Tax Code)	§3.6.3, page 177
Changes in the presentation of the annual financial statements (L. 232-6 of the French Commercial Code)	§3.5.1.1, Note 3, page 162

6.10.3 Cross-reference table for the Annual Financial Report

This Registration Document includes the Annual Financial Report required under Article L. 451-1-1 of the French Monetary and Financial Code and Article 222-3 of the AMF's General Regulation and reporting on the items listed below.

Items required under Article L. 451-1-1 of the French Monetary and Financial Code	Registration Document
Consolidated financial statements (IFRS)	§3.4, pages 106 to 156
Parent company financial statements (French GAAP)	§3.5, pages 157 to 177
Management Report	§6.10.2, page 280
Statement by the person responsible for the document	§6.8.2, page 276
Statutory Auditors' report on the consolidated financial statements	§3.4.2, pages 155 and 156
Statutory Auditors' report on the parent company financial statements	§3.5.2, pages 175 and 176
Statutory Auditors' fees	§3.4, Note 36 to the financial statements, page 150 §6.9.3, page 277

The cross-reference table with Articles L. 225-102-1 and R. 225-14 et seq. of the French Commercial Code is provided in Section 5.6 of this Registration Document.