



A French *société anonyme* with share capital of €273,915,085
Registered office: 19, rue de Vienne – TSA 50029 – F-75801 Paris Cedex 08
444 346 795 RCS Paris

2015 REFERENCE DOCUMENT

ANNUAL FINANCIAL REPORT

This Reference Document contains all of the elements to be considered as a *Rapport Financier Annuel* (Annual Financial Report) under French law and regulations.

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The original French version of this document was filed with the Autorité des Marchés Financiers (AMF, the French securities regulator) on 13 April 2016, 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.

This document is a free translation into English of the original French *Document de référence*, referred to as the "Reference 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 Reference Document may be obtained free of charge from
Nexity, 19 rue de Vienne – TSA 50029 – F-75801 Paris Cedex 8
and on the websites of Nexity (www.nexity.fr) and the AMF (www.amf-france.org).

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In accordance with Annex I of Commission Regulation (EC) No. 809/2004

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1 PERSONS RESPONSIBLE FOR THE REFERENCE DOCUMENT

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1 PERSONS RESPONSIBLE FOR THE REFERENCE DOCUMENT

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1 PERSONS RESPONSIBLE FOR THE REFERENCE DOCUMENT

Person responsible for the information contained in this report

1.1 PERSON RESPONSIBLE FOR THE INFORMATION CONTAINED IN THIS REPORT

Alain Dinin, Chairman and Chief Executive Officer, Nexity (also referred to as the “Company”).

1.2 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 Reference 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 pages 375 to 378 of the original French version of this Reference 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 Reference Document as well as the overall presentation of the document.

The consolidated financial statements for the year ended 31 December 2015, contained within this Reference Document, were the subject of a report by the Statutory Auditors, which appears on pages 313 and 314 of the original French version of this Reference Document.

The consolidated financial statements for the year ended 31 December 2014, included here for comparison purposes and contained within the 2014 Reference Document (filed with the AMF on 8 April 2015 under number D.15-0297), were the subject of a report by the Statutory Auditors, which appears on pages 334 and 335 of said document (French version). The report contains two observations on (i) the impact of the first application of IFRS 11 and (ii) in the consolidated income statement, the change in presentation of the share of profit/(loss) from equity-accounted investments; and in the cash flow statement, the reclassification of dividends received from equity-accounted investments.

The consolidated financial statements for the year ended 31 December 2013, included here for comparison purposes and contained within the 2013 Reference Document (filed with the AMF on 8 April 2014 under number D.14-0304), were the subject of a report by the Statutory Auditors, which appears on pages 327 and 328 of said document (French version).

Paris, 12 April 2016

Alain Dinin

Chairman and Chief Executive Officer

2 STATUTORY AUDITORS

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2.1 PRINCIPAL STATUTORY AUDITORS**KPMG Audit IS SAS**

Tour Eqho
2, avenue Gambetta
CS 60055
F-92066 Paris La Défense Cedex

Represented by Mr. 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 Messrs 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.

2.2 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.

Mr. 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.

Details on fees paid by the Group to the Statutory Auditors are provided in Note 36 to the Group's consolidated financial statements included in Annex 1.

3 SELECTED FINANCIAL INFORMATION

Summary of Nexity's main business activities

Nexity SA and its subsidiaries (hereinafter "Nexity" or the "Group") are a fully integrated real estate group, harnessing their resources and skills to serve private individuals, companies, institutional investors and local authorities across the entire spectrum of real estate development and services. 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.

The Group's various activities are organised into six main business lines, serving its three types of clients:

- for individuals: residential real estate, real estate services to individuals, franchise networks;
- for businesses: commercial real estate and real estate services to companies; and
- for local authorities: major urban projects.

Nexity is present throughout France and in certain other European countries.

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 Iselection and PERL) 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 and Distribution Networks, 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, the holding company and financial interests.

Key information on business activity and financial performance in 2015

Business activity

- Residential real estate: 14,235 net new home and subdivision reservations (11,741 new homes in France, up 13%) and €2,493 million in expected revenue from reservations including VAT (up 19%);
- Commercial real estate: order intake of €403 million (versus an initial target of at least €200 million);
- Real estate services to individuals: continued improvement in margin on property management (8.5% in 2015 versus 7.6% in 2014 and 4.1% in 2013); and
- Backlog at 31 December 2015: €3.3 billion, stable from 2014 (16 months' revenue from development activities).

Financial performance¹

- Consolidated revenue of €3.06 billion, up 16.2% year-on-year (initial target of around €2.75 billion);
- Current operating profit of €220 million (initial target: €200 million). Margin slightly up (7.2% versus 7.0% in 2014);
- Group share of net profit of €123.5 million, an improvement of 3.5x from 2014; and
- Net debt of €102 million at 31 December 2015 (€167 million at year-end 2014).

¹ Financial data and indicators are drawn from Nexity's operational reporting, with joint ventures proportionately consolidated.

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 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 Reference Document are based on operational reporting data.

The financial data and indicators presented in this document are drawn from Nexity's operational reporting (with joint ventures proportionately consolidated).

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 2013, 2014 and 2015. These main accounting and financial data should be read in conjunction with the contents of Section 9 "Financial position and performance".

The consolidated financial statements for financial years 2013, 2014 and 2015 may be found in Section 20 "Financial information concerning net assets, financial position and results".

Condensed consolidated income statement (operational reporting)

(in millions of euros)	2015	2014	2013
Revenue	3,057.1	2,631.9	2,737.2
Current operating profit	220.1	183.7	192.4
Net profit before goodwill impairment	123.5	85.7	100.1
Net profit attributable to equity holders of the parent company	123.5	35.7	100.1

Condensed consolidated statement of financial position (operational reporting)

ASSETS

(in millions of euros)	2015	2014	2013
Non-current assets	1,319.8	1,280.9	1,039.0
Current assets	3,810.3	3,516.6	3,147.9
Total assets	5,130.1	4,797.5	4,186.9

LIABILITIES AND EQUITY

(in millions of euros)	2015	2014	2013
Equity attributable to equity holders of the parent company	1,579.1	1,558.7	1,612.1
Non-controlling interests	2.3	20.1	20.7
Total equity	1,581.4	1,578.8	1,632.8
Non-current liabilities	700.1	689.9	253.1
Current liabilities	2,848.6	2,528.8	2,301.0
Total liabilities and equity	5,130.1	4,797.5	4,186.9

Consolidated statement of cash flows (operational reporting)

(in millions of euros)	2015	2014	2013
Cash flow from operating activities after financial and tax expenses	148.9	116.9	133.2
Change in WCR and deferred taxes	91.2	(79.1)	(73.5)
Net cash from operating activities	240.1	37.8	59.7
Net cash from/(used in) investing activities	(19.3)	(224.9)	(25.6)
Net cash from/(used in) financing activities	(67.3)	252.2	60.8
Changes in cash and cash equivalents for the period	153.5	65.1	94.8

4 RISK FACTORS

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4 RISK FACTORS

Risks associated with the real estate sector

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, moreover, takes place in the French real estate market, where it is 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 filed by the Group with the AMF (Autorité des Marchés Financiers).

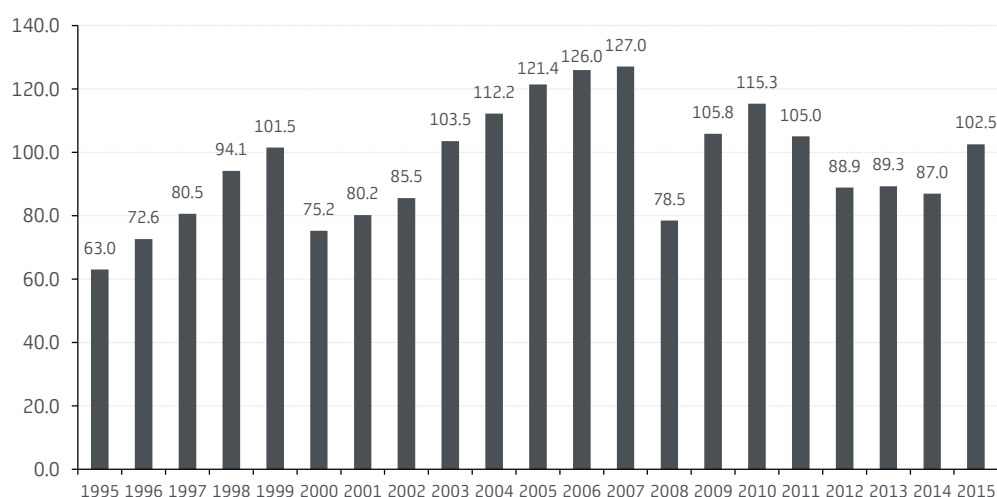
4.1 RISKS ASSOCIATED WITH THE REAL ESTATE SECTOR

The real estate industry is cyclical and subject to economic conditions

Nexity operates in the real estate markets (both residential and commercial), which are by nature cyclical and whose performance is affected by the economic climate, interest rates and other factors, including in particular regulatory factors. The following charts highlight the cyclical nature of the markets in which Nexity operates, which followed a positive trend in 2015.

Number of new home reservations in France

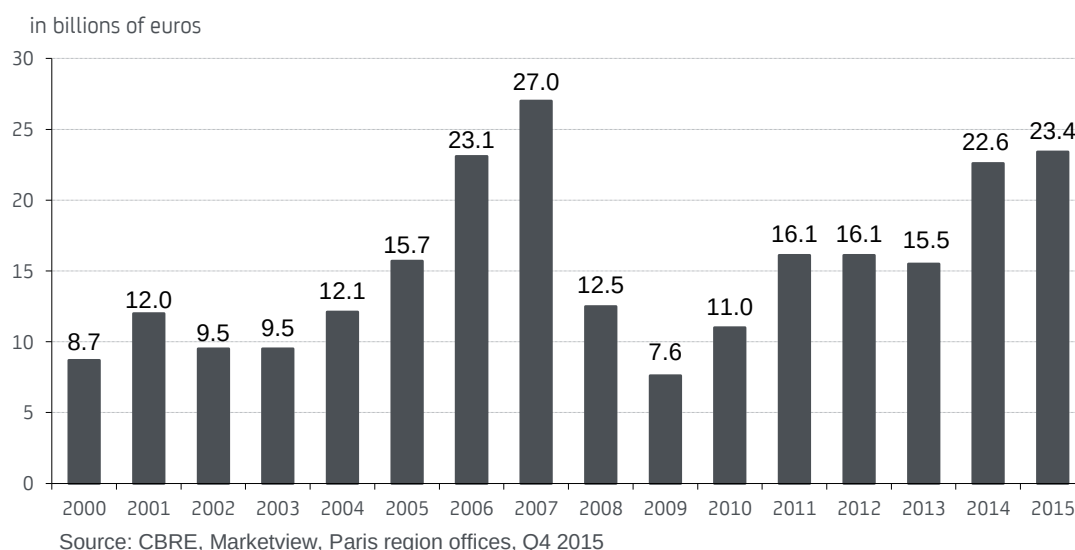
in thousands of homes



Source: data updated on 23 February 2016 by the Commissariat Général au Développement Durable

After three years with fewer than 90,000 net reservations a year, the French market for new residential real estate recovered strongly in 2015, with the General Commission on Sustainable Development reporting 102,500 reservations, up a substantial 18% relative to 2014 and equal to the market average for the past ten years (102,500 reservations).

Commercial real estate investments in France



The French commercial real estate investment market is highly cyclical. 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. In 2014 and 2015, the investment market was very buoyant, approaching record highs, in a promising environment with very low interest rates due to the ECB's continuing very favourable monetary policy.

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 interval of time, given the time generally required between the entry of a programme in the order book and the launch of work and is also due to the recognition of revenue and profit on development activities using the percentage-of-completion method.

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 (which, in France, since 2008, has alternated between low growth, stagnation and recession, with a decrease in household purchasing power¹ that has hurt 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, and overall deterioration of the economic climate, which may delay the launch of related development activities, lengthen their time on the market and increase land carrying charges, where applicable;
- 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 and Networks 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.

¹ Cumulative decrease of 2.5% from 2008 to 2014 (source: INSEE).

4 RISK FACTORS

Risks associated with the real estate sector

As of the date of this Reference Document, Nexity does not have sufficient information to determine whether short-term market conditions will be consistent with the overall assumptions used for 2016, as described in Section 13.1 “Forward-looking information” and, more generally, whether the medium-term impact of the aforementioned risk factors on its business and financial performance will be significant (see Section 9.4 “Economic uncertainties”).

The following paragraphs more precisely describe the potential impact of the main market risk factors on Nexity’s business and financial performance.

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

The real estate industry 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 divisions respectively and/or the transactions handled by its Services and Networks 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 (see above) 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 commercial real estate market is cyclical in nature; property values and rents, rental demand and average vacancy rates may experience significant volatility, thus affecting the level of demand among investors.

Nexity’s strong positioning across multiple real estate market segments (residential, commercial, services and networks) nevertheless ensures it some degree of insulation from the impact of changes in economic conditions.

Demand for new homes offered by the Group may be affected by a decline in the financial capacity of households and more difficult 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 home buyers 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. It seems unlikely that mortgage rates will fall any further, given the recent historic lows (2.2% on average in December 2015 for a fixed-rate loan with an average term of 17.7 years) in a market already featuring intense competition between banks involved in real estate finance. An increase in interest rates would naturally translate into higher mortgage rates, even as 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 higher cost of home loans due to rising interest rates, potential home buyers 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 division to a considerable extent, the performance of Nexity’s Commercial division and investment activities 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 inescapably 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 business (Services and Networks).

As far as the Group's borrowings are concerned, fixed-rate bonds have been issued and an interest rate hedging policy covering floating-rate debt has been implemented to limit 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 divisions and Investments business, 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 divisions and Investments business, 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 period, this would be 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 Section 4.3.1 "Risk management policy" of the "Financial risks" section.

Please also see Note 25.1 to the consolidated financial statements included in Annex 1.

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) or 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 expires in December 2016, 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 6.6 "Legal 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 2016.

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, 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 has an impact on demand.

4 RISK FACTORS

Risks associated with the real estate sector

The Group is also exposed to risks 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.).

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 6.6 "Legal 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 (property management, rental management, transactions) might have a negative impact on the Group's profitability.

Services activities are affected by the ALUR Act (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 Reference 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 inter-municipal council designations) may mean that building permits take longer to be processed and awarded, 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 arrange and deliver Nexity's development projects.

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

In 2015, 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 residential real estate development business. In commercial real estate particularly, 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 be impactful for 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 6.5 "Competition").

4.2 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 indentures

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 division, due to business growth or slower than expected property sales, and for the Commercial 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 loans obligations that are not attributable to any specific project or development ("corporate" credit arrangements). The Residential real estate corporate credit facility, this 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 from banks or insurers the guarantees required by industry regulations.

The Residential real estate corporate 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 (at 31 December 2015, Nexity was in compliance with all of these covenants and ratios). 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 prospectuses No. 13-015 dated 22 January 2013 and No. 14-170 dated 29 April 2014, available in French on the AMF website, www.amf-france.org, as well as the Group's website at 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), described in prospectus No. 14-288 dated 12 June 2014 (available on the AMF website, www.amf-france.org, as well as the Group's website at 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 that 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

The Group 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 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); 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 the decisions and choices of land owners.

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

Real estate development, whether in the field of residential real estate 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. Notably, during project set-up phases, Nexity is exposed to the risk of appeals against the planning permissions it needs to carry out work.

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Risks associated with the Group's business activities and industry

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 an extended period 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 in conducting detailed technical and market studies prior to launching projects, the Group is subject to risks such as underestimating costs in the budgeting process, incurring additional costs due either to delivery delays or unplanned supplementary work, losses arising at construction sites in the course of projects, experiencing sales rates or prices that are lower than expected and the failure by subcontractors 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. Finally, 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 employ no undeclared workers.

Nexity's risk management policy is based on prudential rules (see Section 4.3.1 "Risk management policy" and Annex 3) 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 in relation to large-scale individual projects and especially for certain commercial real estate development or urban regeneration projects.

Pollution and soil quality problems could have a negative impact on the Group's ability to complete its development projects and on its financial position

Prior to the acquisition of 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 of the land or building, or its most recent user, can typically be held liable for such matters, discovery of environmental or soil quality problems may result in serious delays as well as supplemental costs and may have significant financial consequences. Any change in the law relating to the ultimate responsibility for environmental clean-up 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. Risks related to asbestos faced by the Group are marginal and are accounted for in all its offers to purchase land and buildings.

Apart from the one-off subjects 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 projects

Prior to the acquisition of 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 European Directives (Birds Directive and Habitats Directive) as well as the enactment in France of the "Grenelle II" environment law. As a result, the Group may be required, in compliance with applicable regulations, 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; and
- risks related to currency exchange rate fluctuations, with respect to the conduct of business outside the euro zone (Switzerland and Poland).

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 observed increases in construction costs, which have been 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 Section 6.3.1.6 "Project development and risk management" – "Subcontractors and suppliers"), 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.

The Group is exposed to certain risks involved in property management

Managing agents are most often appointed for one-year terms, usually subject to renewal by 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

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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 the latter 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. In order to offer protection against this risk and as part of its Business Continuity Plan, the Group has provided for the possibility, should such a risk event occur, of recovering its IT environment and obtaining 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, where external service providers are used, particularly in connection with Software as a Service (SaaS), the Group takes particular care to monitor their quality.

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 solution offerings may prove insufficiently suited to client needs and lead to market share loss and less business.

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 (Real estate services to individuals, Nexity Property Management), 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 the Group 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 17.2, "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.

The Group is exposed to bank insolvency risk

Nexity 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 financial 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, it 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.

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.

The Group is exposed to risks arising in the event of corporate acquisitions

Nexity's business strategy includes external growth. The success of this strategy may be compromised by a lack of suitable acquisition targets, by excessive valuations, or by constraints stemming from competition law. Although Nexity audits, values and conducts due diligence on all potential acquisitions, there is the possibility that it may be adversely affected by poor assessment of financial information and risks. Nexity may also have difficulty integrating and growing a company it acquires, which may prevent it from achieving projected revenue, operating income or cash-flow targets and impair the value of goodwill.

4.3 RISK MANAGEMENT

4.3.1 Risk management policy

In order to effectively prevent and manage the risks associated with its business, the Group applies internal control procedures (see the Report of the Chairman of the Board of Directors for information on how the Board's work is prepared and organised, and on the internal control procedures put in place by Nexity, included in Annex 3 of this Reference Document). 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 both risks and the allocation of financial resources at the Group level, or at the level of its main divisions, while granting its subsidiaries substantial autonomy in relation to business matters and the management of projects and teams.

Operating risks. Nexity has a Commitments Committee, whose members include Nexity's Chairman and CEO and/or its Deputy CEO. All significant commitments entered into by the Group in residential or commercial real estate, 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. All necessary permits must be obtained prior to 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) and, where applicable, pollution and constructability studies must also be carried out in advance. The launch of construction work on the Group's projects is conditioned upon a certain amount of successful pre-selling (at least 40% of homes must be reserved prior to the launch of 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 process in the area of legal risk management. Nexity's Legal department is an active participant in this process. For real estate programmes, this procedure includes in particular 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).

Financial risks. Changes in interest rates have a direct impact on the Group's borrowing costs. To protect against this risk, the Group has put in place an interest rate hedging strategy (see Note 25.1 to the consolidated financial statements, found in Annex 1) and, in 2013 and 2014, increased the proportion of its fixed rate financing, which represented around 74% of Nexity's total utilised debt at 31 December 2015.

The Group's exposure to interest rate risk excludes fixed-rate debt and debt hedged by financial instruments (swaps), but relates to:

- net interest income arising from the following items:
 - 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 Services and Distribution Networks, the interest on cash held in client working capital accounts (except for separate accounts); and
- equity impacted by the following items: fair value measurement of hedging instruments.

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 2015.

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

<i>(in millions of euros)</i>	Income statement impact after tax	Equity impact after tax
Interest rate 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)	-
Interest rate sensitivity analysis at 31 December 2014		
Impact of a 50 bp increase in short-term interest rates	2.6	0.2
Impact of a 50 bp decrease in short-term interest rates	(2.6)	(0.2)

It should be noted that any increase or decrease in interest rates has other consequences for the Group's business activity and the subsequent results of its operations, the impact of which is likely to go beyond a mere mechanical impact on the Group's financial performance as calculated above (see the section entitled "The Group is exposed to risks stemming from possible changes in interest rates" in Section 4.1 "Risks associated with the real estate sector").

With its current bank financing, bonds and its level of available cash, the Group believes it has the necessary funds to honour its financial commitments and satisfy its day-to-day liquidity needs for 2016.

The Group's cash is invested in UCITS funds applying a "standard money-market management" approach with portfolios favouring liquidity and a high level of security, as well as in demand deposit and term deposit accounts with leading banks offering immediate or short-notice access to liquidity.

Furthermore, as the Group's operations are located mainly in the euro zone, it does not have any significant exposure to foreign exchange risk (see Section 10.1 "Cash management").

Equity risk. The Group's portfolio does not include any listed shares. However, within the scope of an existing liquidity agreement, the Group may hold a small percentage of treasury shares. At 31 December 2015, the Group did not hold any treasury shares.

The Group thus currently deems itself not exposed to any material equity risk.

4.3.2 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 strategy behind this diversified approach is to ensure the continuity of cover against risks, the ability to negotiate the best possible rates and the building of close relationships with brokers as much in the area of underwriting as in the management of claims.

Today, the Group and its operating subsidiaries generally use the services of the following 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 Allianz is the main insurer for this risk with respect to commercial real estate.

4.3.3 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 real estate and commercial real estate business activities described in Sections 6.3.1 "Residential real estate" and 6.3.2 "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 (CCRD, or *Contrat Collectif de Responsabilité Décennale*).

For the Group's residential real estate business, insurance policies, and in particular 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* and CNR policies are taken out individually for each project, mainly with the assistance of Marsh SA.

The Group's *Dommages-Ouvrage*, CNR and CCRD policies represented a total cost of €12.6 million in 2015.

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 is taken.

For projects developed outside France, builder's risk insurance policies are taken out in each country through local brokers, providing cover, at a minimum, in compliance with applicable laws.

Builder's risk insurance other than mandatory coverage

A builder's all risk policy (*Tous Risques Chantier, TRC*) providing protection against risks incurred during construction projects is taken out without exception for each project. 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 6.6 "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.

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5.1 HISTORY AND DEVELOPMENT OF THE ISSUER

5.1.1 Corporate name

The Company's corporate name is Nexity.

5.1.2 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.

5.1.3 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.

5.1.4 Registered office, legal form and applicable legislation

The address of the Company's registered office is 19 rue de Vienne – TSA 50029 – F-75801 Paris Cedex 8, and its main telephone number is: +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.

5.1.5 History of the Company

Nexity first came into being when Compagnie Générale d'Immobilier et de Services (CGIS), a subsidiary of Compagnie Générale des Eaux (renamed Vivendi in 1998) established in 1995, absorbed several companies and businesses active in residential and commercial real estate development. Some of these were historical real estate subsidiaries of Compagnie Générale des Eaux (e.g. Sari Seeri and Compagnie Immobilière Phénix), while others came from Groupe Arnault, which brought in its real estate operations (George V, formerly Fériel).

In its present form, 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, the last of which, in October 2003, made Nexity the parent company of the Group.

Following the LBO in 2000, the Group decided to concentrate on its core real estate development activities and, in 2001, sold its subsidiaries Gymnase Club and Maeva as well as a portfolio of real estate assets that it acquired from the Vivendi group. In 2003, the Group sold Coteba, a subsidiary specialised in engineering and consulting. Nexity was subsequently listed on the Paris Stock Exchange on 21 October 2004.

From 2000 to 2007 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. The Group's actions were as follows:

- Residential real estate: acquired Ruggieri (Toulouse), Bâti Atlantique (Nantes), Eprim Ouest (Brittany); established regional agencies to develop and/or market residential real estate;
- Commercial real estate: acquired Geprim (warehouses, distribution centres and light industrial space with a strong presence in the Rhône-Alpes region), expanded into several large European cities through local subsidiaries;
- Real estate services: acquired Saggel in 2004, subsequently combined with Nexity's pre-existing property management business into a single division for improved response to client needs in both management (rental and condominium properties) and brokerage; and
- Franchise networks: established a new brokerage franchise division in 2006, with interests in Century 21 France and Guy Hoquet Immobilier, making Nexity the leading economic actor in this sector.

On 23 July 2007, Nexity's Shareholders' Meeting approved the contribution of the following assets by the CNCE (Caisse Nationale des Caisses d'Épargne):

- 100% of the shares of GCE Immobilier, which held 67.5% of Lamy, 100% of Keops, 34% of Iselection and 45% of Ciloger (stake sold in 2015);
- 25% of the shares of Crédit Foncier de France (stake sold to CNCE in 2009); and
- 31.9% of the shares of Eurosic (stake sold in 2011).

As a result of these contributions, CE Holding Promotion, which since 2010 has held the share of the company's capital previously held by Caisses d'Épargne Participations (formerly CNCE) became Nexity's largest shareholder. In 2015, BPCE reduced its equity holding in Nexity from 33.4% at 31 December 2014 to 12.8% at 31 December 2015, in line with its strategic plan. BPCE announced on 2 March 2016 that it had sold its remaining stake in Nexity to institutional investors.

The Group has acquired the remaining shares needed to give it 100% ownership of Century 21 France (2008), Lamy (2009) and Iselection (2011).

As a result of two transactions in 2008 and 2010, the Group increased its holding in Financière Guy Hoquet l'Immobilier and now holds a 95% stake in this company.

Since 2011, the Group has reduced its international exposure in light of local market trends. The Group's business in Poland (Nexity Polska) was refocused on residential developments and a specialised local team was recruited. In 2011, the Group's commercial real estate business in Spain was closed. In 2012, the entirety of Nexity's property management activities in Germany were disposed of. Starting in 2014, the business undertaken since 2007 in northern Italy with a local partner has been significantly downscaled. The partnership was unwound in 2013 and all business in that country is now managed through a wholly-owned Italian holding company called Nexity Holding Italia.

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. During 2015, the Group entered into an agreement with La Française AM to buy out its equity investment in LFP Nexity Services Immobiliers. The buyout was completed in February 2016 after being approved by the French Competition Authority at the end of 2015.

In the area of residence management activities, the Group sold its Citéa business in 2011, then in March 2012 acquired Icade Résidences Services (IRS), which specialises in managing student residences (60 residences under management, or approximately 8,000 residential units, a large portion of which are in the Paris region), strengthening Nexity's position as a leader on this market and further consolidating its ability to cross-sell these products with its development activities.

In 2014, Nexity acquired the property management group Oralia. With its acquisition of Oralia, Nexity has strengthened its leading position as the number one fully integrated real estate group, and has secured its place as France's second largest property manager.

Also in 2014, Nexity acquired 76.4% of the share capital of PERL, France's leader in the market for innovative 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 rounds out the Residential real estate division's diversified offering.

Still in 2014, Nexity acquired 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. With this transaction Nexity has strengthened its operations and rounded out its geographic coverage, making it the number-one developer of wood-frame office buildings in France.

In 2015, Nexity acquired a number of property management firms to strengthen its presence in strategic sectors. In June 2015, the Group also disposed of its property management business in Switzerland as well as five property management firms outside the Paris Region deemed non-strategic.

On 30 June 2015, Nexity finalised the disposal of its 45% stake in Ciloger (which manages €4.5 billion in real estate assets on behalf of fifteen SCPI real estate investment vehicles invested in retail premises, offices and housing, and thirteen OPCI real estate investment funds) to La Banque Postale.

5.2 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, 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 6.3.1.3 "Products", 6.3.2.3 "The Group's products and geographic markets", 6.3.2.4 "Project portfolio", 6.3.5 "Urban regeneration business (Nexity-Villes & Projets) and 6.3.6.1 "Interests in real estate investment operations".

Investments in ongoing operations amounted to €19.8 million in 2015 for the Group as a whole (€29.5 million in 2014 and €19.1 million in 2013). Investments undertaken in 2015 mainly related to IT development and refitting work at the Solstys building (in Paris's eighth *arrondissement* – the Group's head office), at property management offices, and in Toulouse and Marseille, where Nexity's teams were brought together at a single site.

In 2016, the Group expects to maintain its investments in ongoing operations at an equivalent level to that of 2015.

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

The Group did not carry out any significant external growth operations in 2013. The entirety of acquisitions carried out in 2013 represented a total purchase price of €5.2 million (paid for using the Group's cash). These were acquisitions of property management firms by the Real estate services to individuals business, and one acquisition, by the Residential division, of a company that sells real estate investment products.

In 2014, the Group acquired 100% of property management group Oralia on 1 April 2014 (consolidated with effect from that date), acquired 76.4% of PERL (a pioneer and the French market leader in social housing usufruct solutions) at end-May 2014 (consolidated with effect from 1 July 2014) and acquired 50.1% of Térénéo (a wood-frame office developer based in the north of France) in October 2014 (consolidated with effect from 31 December 2014). These transactions represented a total value of €323.3 million, with €198.5 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 in the opening balance sheet and purchase commitments for minority interests.

In 2015, Nexity acquired property management firms in Bordeaux, Dijon and Paris, including Pierre Bérard, one of the Paris region's leading independent 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 gave an undertaking to purchase the remaining interests 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.

6 BUSINESS OVERVIEW

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6.1 GENERAL INTRODUCTION TO THE GROUP'S BUSINESS ACTIVITIES

6.1.1 General description of Nexity's business

Nexity is France's leading integrated real estate 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).

Nexity is an engaged participant in regional development and is already pioneering all the components of the city of the future, taking into account their full breadth of use. This approach is a genuine driver of innovation, progress and growth for all the Group's clients.

The Group serves three types of clients: individuals, companies and investors, and local authorities. 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 programme sales, investments, etc.):

- for individuals, this includes a wide selection of homes for owner-occupiers and buy-to-let investors (including a bare ownership offering thanks to the acquisition of PERL in 2014); a broad offering of subdivisions, a range of managed residences (for students or seniors) and a full complement of services (property management, sales of real estate assets, operation of serviced residences);
- for companies and investors, this involves a range of commercial properties (office space, high-rise buildings, logistics space, business parks, retail premises, hotels, etc.), sustainable rehabilitation solutions for existing office buildings, a selection of residential buildings for professional landlords, a full complement of services (property management, building operations, real estate advisory and brokerage services) as well as a co-investment offering; and
- for local authorities, this includes serving as a partner for the design and execution of major urban projects or large-scale urban regeneration schemes.

Furthermore, the Group coordinates two networks of real estate franchise agencies: Century 21 France and Guy Hoquet l'Immobilier.

The Group was one of the leading French real estate players in 2015. It has a diversified client base and its geographical coverage is well balanced between the Paris region and other regions of France.

The Group's 2015 consolidated revenue was €3,057.1 million. Its consolidated current operating profit came to €220.1 million. At 31 December 2015, the Group had 6,913 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 finance, marketing, legal matters and human resources, 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 and PERL) 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 and Distribution Networks, 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, the holding company and financial interests.

6.1.2 Strategy

6.1.2.1 Strengths and assets

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).

The Group enjoys an unrivalled presence across the entire real estate value chain in France. Without being dependent on a single industry sector or single 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.

As the only integrated operator benefiting from a position as one of the major players, if not the market leader, in each of the industry sectors where it operates, Nexity is able to offer specific solutions, products or services to its different clients (individuals, companies and investors, local authorities), addressing the full spectrum of real estate needs. Nexity has developed original and innovative offerings for both individual customers (e.g. first tenant guarantee, guarantee against capital losses upon reselling a property) and companies (occupancy cost guarantee on buildings built by the Group, shared office space offering (Blue Office)).

In 2010, the Group launched a multi-year strategic plan known as "Nexity Ensemble" to leverage the complementarity of its various activities by placing the client at the heart of its approach to its organisational structure and its marketing efforts, in order to serve clients as their real estate needs evolve (purchases, rentals, property management, building operations, sales, investments, etc.) so as to offer "smart real estate solutions for life".

The key to this project was the transition to the single Nexity brand in early 2012, when the Group's different brands were brought together under the "Nexity"¹ 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.

In line with these actions, the Group's strategic plan put in place at the end of 2014 aims to bolster its position as a real estate leader along the following lines:

- the aim of being 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 €300 million by 2018; and
- full integration of the sustainable development component into the Group's strategy.

6.1.2.2 Aim of being 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 and defending Nexity's competitive position.

¹ Excluding the brands of the franchise networks (Century 21 France and Guy Hoquet l'Immobilier), PERL, Oralia, Térénéo and Iselection.

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 (e.g. videoconferencing) and highlighting offerings using high-quality visuals and text. 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 (Paris & Co, Numa, etc.) 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, 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 plans to invest an average of €20 million a year between 2015 and 2018.

6.1.2.3 A growth plan covering all business lines, with a financial target of achieving current operating profit of €300 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 €300 million in current operating profit by 2018 (and has offered its shareholders a 10% increase in the dividend from 2016).¹

This presupposes that the macroeconomic and regulatory environment prevailing in early 2016 does not deteriorate significantly over the next three years.

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

- continued growth in Nexity's underlying markets: residential real estate, commercial real estate and real estate 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 and hotels 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,
 - 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:
 - 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, Nexity bolstered its position as the French market leader in wood-framed offices,

¹ See the press release dated 16 February 2016 on Nexity's 2015 annual results.

- 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 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 Nexity Villes & Projets, and finally
- 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 12.1 "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.

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 from 2016 onwards.

Finally, 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 20.3 "Dividend policy").

6.1.2.4 Full integration of the sustainable development component into the Group's strategy

Nexity's strategy takes full account of sustainability issues and the new, more responsible and less resource-hungry economic models being developed to respond to them (collaborative economy, circular economy, 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 improve the societal benefit of Nexity's activities (see Section 6.7 "Sustainable development"), is structured around three commitments:

- making life in cities accessible to everyone;
- creating the conditions for optimal and flexible working arrangements in cities; and
- working to ensure the attractiveness and well-being of communities over the long term.

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 17.2 "Human resources policy") or its corporate social responsibility: facilitating access to housing and developing its accountability to clients (see Section 6.7 "Sustainable development").

The Group's growth strategies for its main business areas are described in more detail in Sections 6.3.1.2 "Growth strategy for the Residential real estate division", 6.3.2.2 "Growth strategy for the Commercial real estate division", 6.3.3.2 "Growth strategy for the Services business" and 6.3.4.2 "Growth strategy for franchise networks".

6.2 OVERVIEW OF THE FRENCH 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 houses developed in villages, serviced residences) Iselection (serviced residences: seniors, students and business travelers) PERL (<i>démembrement</i> – division of ownership) Ægide (38.15% owned) (senior residences)
		Planner, subdivider	yes	Nexity Foncier Conseil, Nexity Villes & Projets (comprehensive urban projects)
		Distributor / operator	yes	Iselection
	Local authorities	Builder of single-family houses	x	-
Commercial property development	Investors and end-users	Planner	yes	Nexity Foncier Conseil, Nexity Villes & Projets (comprehensive urban projects)
		New-build developments	yes	Nexity, Y wood, Téréneo
		Renovation	yes	Nexity Immobilier d'Entreprise, Nexity Contractant Général
		Delegated project ownership (<i>maîtrise d'ouvrage déléguée</i>)	yes	Nexity
Property management	Individuals	Condominium management	yes	Nexity, Oralia
		Rental management	yes	Nexity, Oralia, E-gérance
		Management of serviced residences	yes	Studéa (student residences) Ægide-Domitys (38.15% owned) (senior residences)
	Investors and end-users	Commercial property management	yes	Nexity Property Management
Property sales and lettings	Individuals	Asset management	x	-
		Shared offices	yes	Blue Office
		Sales	yes	Century 21 France, ¹ Guy Hoquet Immobilier, ¹ Nexity, Oralia
	Investors and end-users	Letting	yes	Century 21 France, ¹ Guy Hoquet Immobilier, ¹ Nexity, Oralia
Asset-holding	Investors	Sales	yes	Nexity Conseil et Transaction
		Letting	yes	Nexity Conseil et Transaction
		Appraisal	x	-
		Property company	x	-
		Investment funds	x	-

¹ Via the management of a franchise network

6.2.1 General market overview

Residential real estate

As a consequence of the 2008 financial crisis, the French housing market¹ 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 zones” identified in the city policy, 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 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.

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.

Indeed, after declining for four years running, the market for new homes picked up in 2015, with 102,500 units sold (up 17.9%). There was also an upturn in investment in 2015 as investors took advantage of the Pinel scheme and low interest rates. The significantly improved conditions for interest-free loans ("PTZ"), effective 1 January 2016, should help boost home purchases in 2016.

Commercial real estate

According to an initial CBRE estimate, transaction volumes in the French commercial real estate investment market totalled €23.4 billion in 2015 – a figure that should increase further once year-end transactions are factored in, resulting in growth relative to an already excellent 2014. With transactions currently totalling €9 billion over the last three months, the end of 2015 already registers as the best quarter ever, beating the previous record set in the fourth quarter of 2014 (source: CBRE).

According to CBRE, the market environment for commercial real estate in France may be characterised as follows:

- unlike the previous year, this performance was achieved despite a far lower volume of transactions in excess of €500 million (of which there were only three, compared with seven in 2014). Moreover, in a positive sign for the market, the traditional core segment of intermediate transactions (€100 million to €200 million) continued to grow, accounting for 28% of transactions in 2015, compared with 20% in 2014;
- there was also a sharp upturn in transaction volumes involving retail premises: with €4.3 billion invested, 2015 represented the second best annual performance in volume terms, after a record-setting year in 2014 that was difficult to repeat;
- at the same time, the market for new-build office space stagnated at €2.2 billion, and even shrank in terms of space under contract. However, speculative¹ investment volumes almost doubled, with 28 deals (including 14 new builds), compared with 14 in 2014;
- total take-up of office space in the Paris region increased slightly (up 1% relative to 2014) to 2.2 million sq.m, with an average vacancy rate of only 6.9% at end-2015, while immediate supply declined 3% year on year to 3.9 million sq.m;
- immediate supply declined 3% relative to 2014, with new-build and refurbished premises accounting for 18% and definite future supply stable year on year at an expected 1.6 million sq.m;
- incentives offered by owners to encourage the signing of new leases (including in particular rent-free periods) continue to be widely used and accounted on average for 20% of the headline rent for deals of more than 1,000 sq.m in the third quarter of 2015; and
- take-up in the logistics market increased sharply (up 24% at 3.1 million sq.m).

In 2016, while space and cost optimisation will continue to be a key driver of trends, the slight upturn in France's economic growth should help. Office take-up in the Paris region should thus exceed 2015 levels to reach 2.4 million sq.m (source: CBRE).

After remaining stable in the first half of 2015 (about 700,000 sales on a rolling 12-month basis), the level of sales in the market for existing properties increased steadily and rapidly beginning in June, such that full-year sales for 2015 may well reach, and even exceed, the 800,000 mark. This would result in a volume close to record levels. At the same time, prices appear to have begun to rise again, especially in cities: although they declined year on year (down 1.9% in the whole of France and 1.4% in the Paris region), in the fourth quarter prices rose 1.9% in the whole of France and 0.7% in the Paris region. This acceleration in sales reflects the fact that buyers have stopped expecting prices to fall and are thus no longer inclined to wait before buying (source: FNAIM).

6.2.2 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 2016 was 66.6 million. The population grew by 0.4% in 2015 (just under 250,000 people), its slowest rate since 2000 (compared with 0.5% the previous year and an average of 0.6% a year since 2000).

¹ See Section 6.3.2.5 "Project types" for the definition of speculative developments.

At 1 January 2015, France remained the second most populous country in Europe, behind Germany (81.2 million inhabitants) and ahead of the United Kingdom (64.8 million inhabitants). Furthermore, France continued to have one of the highest fertility rates in Europe (alongside Ireland), in spite of a slight year-on-year decline in 2015 to 1.96 (source: INSEE).

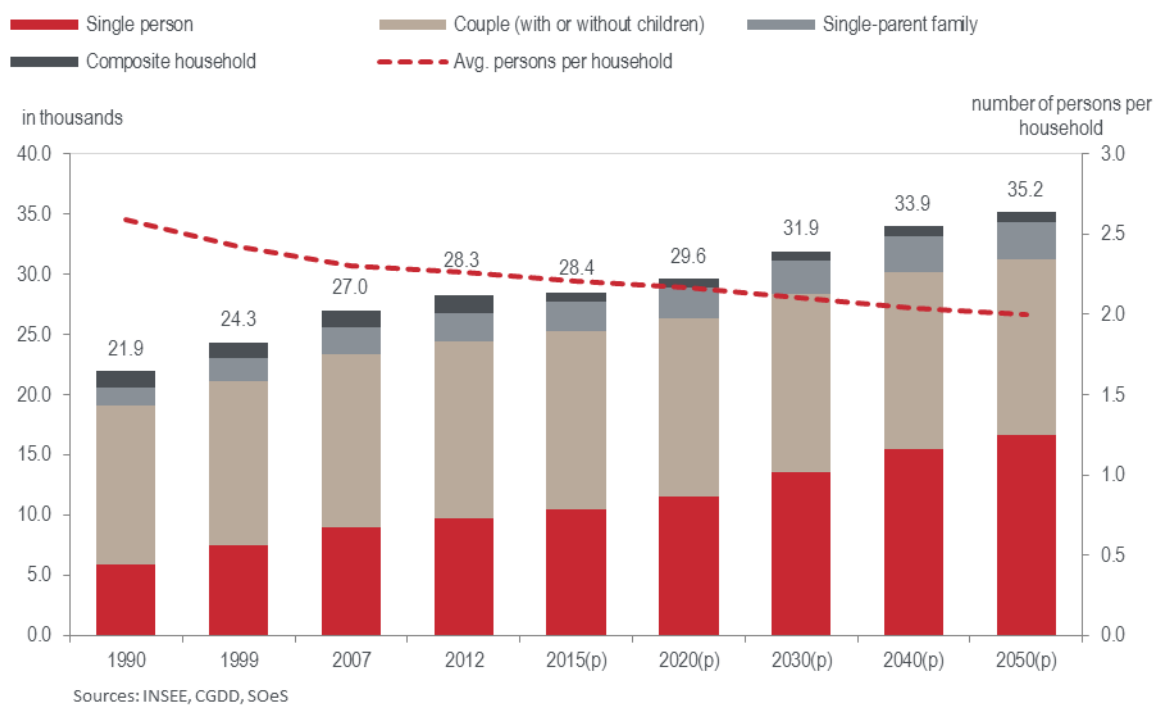
According to INSEE, France had 28.3 million households in 2012, 1.3 million more than in 2007 (according to the INSEE definition, a household is a group of people who share the same main residence). Many factors influence growth in the number of households and changes in their structure: the ageing population, 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 785,000 between 2007 and 2012). They now account for 34% of all households. Couples with no children and single-parent families are increasing in number (up 312,000 and 220,000 respectively), while couples with children are declining (down 82,000 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: 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:

Composition of households



The demand for new housing is also affected by the increase in the proportion of people aged 60 and over in the French population: at 1 January 2016, 24.9% of people in France were at least 60 years old, an increase of 4.9 points in 20 years (source: INSEE).

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 and homelessness.

New-build homes

In February 2015, the General Commission on Sustainable Development reviewed its method for recording housing starts and authorisations for new homes. Prior to this, it issued data by registration date (with each

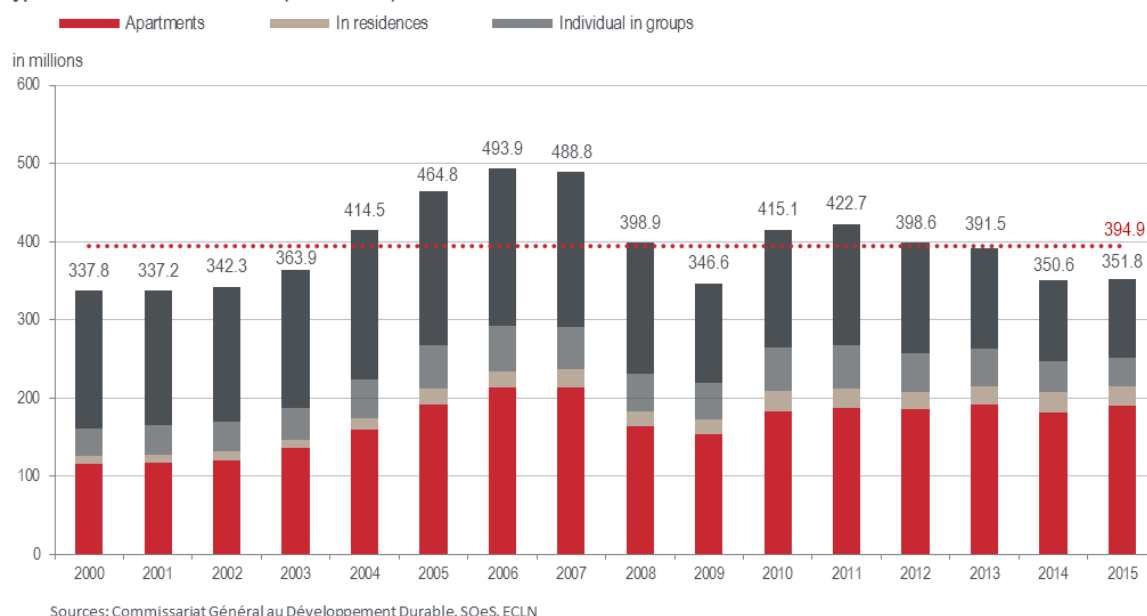
event recorded on the date of its registration in the Sit@del database). The data series were never revised and changed and cancelled permits were not taken into account.

The Observation and Statistics Department has now developed a method aimed at releasing monthly estimates of authorisations and housing starts based on estimated actual dates. These series are recalculated in full every month so that they provide as accurate a reflection of reality as possible. Estimates of housing authorisations based on actual dates provide an advance indication of authorisation volumes at the date of the event. Estimates of housing starts correct gaps in the data due to missing cancellations and notifications of construction work starts.

According to the new data series, the steady decline in the number of housing starts since 2011 halted in 2015, with 351,800 housing starts, stable relative to 2014 (up 0.3%). However, the number of new traditional housing units built increased (up 4.4%). Other types of new-builds declined, with new houses developed in groups down 4.4%, individual single homes down 4.0% and homes in residences down 3.3%.

Based on Fédération Française du Bâtiment estimates,¹ new housing starts should see an increase of about 5.5% in 2016.

Types of residential units started (actual dates)



The Group is primarily active in private residential development (apartment blocks, managed residences, 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

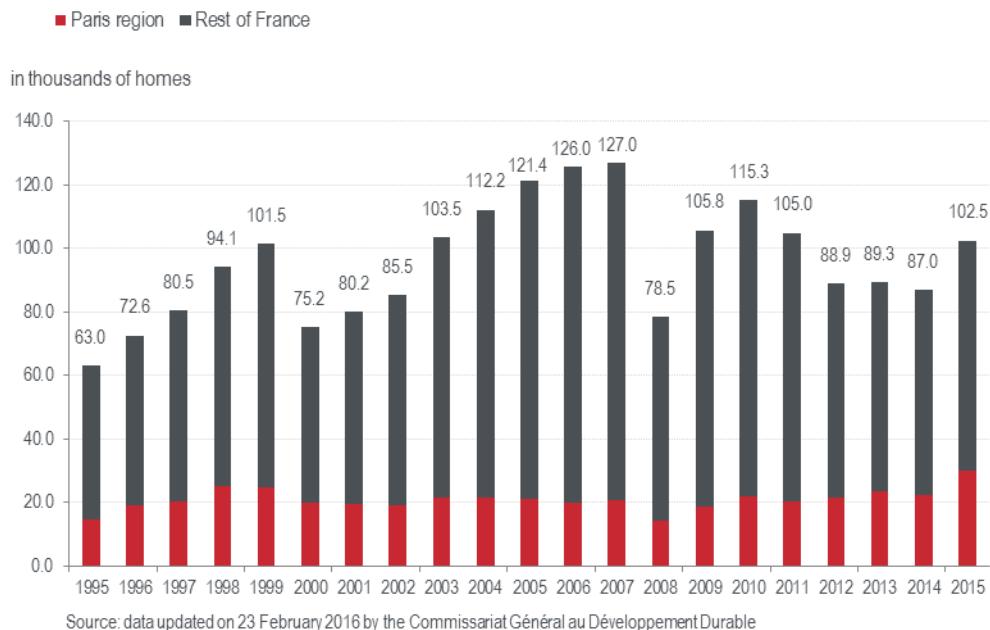
The analysis of the private residential development market set out in this report is based on figures from the ECLN (*Enquête sur la Commercialisation des Logements Neufs* – Survey on the Marketing of New Homes) published by the General Commission on Sustainable Development.

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.

Other surveys exist but may cover a different scope, an example being the FPI Observatory 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.

¹ Source: 2015 review and 2016 forecasts (December 2015).

Number of new home reservations in France



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 Nexity 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, the lowest volume since the 2008 crisis. In 2015, the market picked up again (up 17.9%), topping 100,000 sales (102,500 units).

New home buyers in France

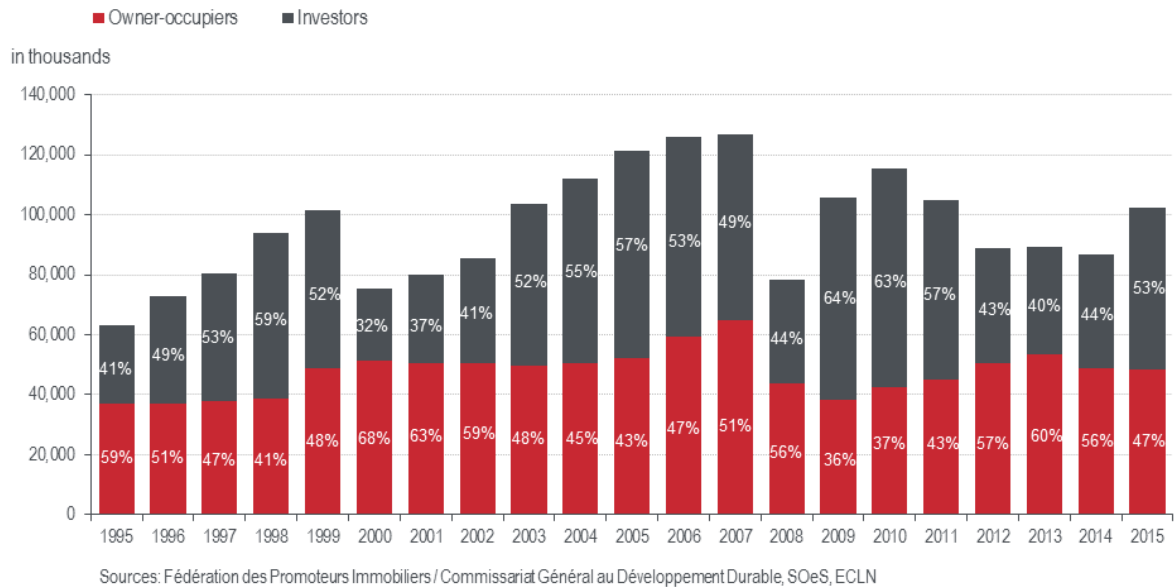
Private buyers of new homes in France break down into two categories, those planning to live in the home (owner-occupiers) and individual buy-to-let investors.

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 48,200 units, a level slightly lower than the average over the past 10 years (about 49,800 units). Following a low point in 2009 (36% of reservations in the retail segment), the proportion of these reservations in relation to reservations by investors rose to 60% in 2013, and then contracted in 2014 and 2015 to 56% and 47%, respectively.

In 2015, reservations by individual investors accounted for 53% of the retail market, thus more than 54,300 units, greater than the average over the past 10 years (about 53,000).

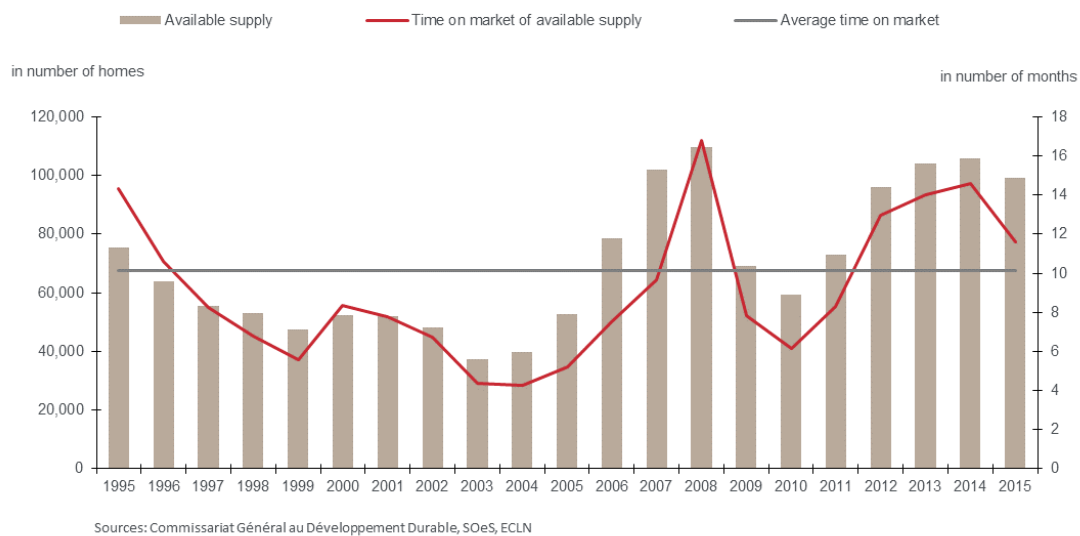
The chart below shows the breakdown of new home reservations between owner-occupiers and individual investors in France:

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



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

Supply for sale of new homes and time on market of available supply



Compared to the rise in reservations, growth in the number of units put up for sale was modest in 2015 (up 7.2% to 100,206 units). Consequently, the available market supply declined (down 6.1% to 99,287 homes available at end 2015) and now represents 11.6 months' sales (compared with 14.6 in 2014).

The available supply at end 2015 consisted of 90,326 new apartments and 8,960 individual houses developed in groups.

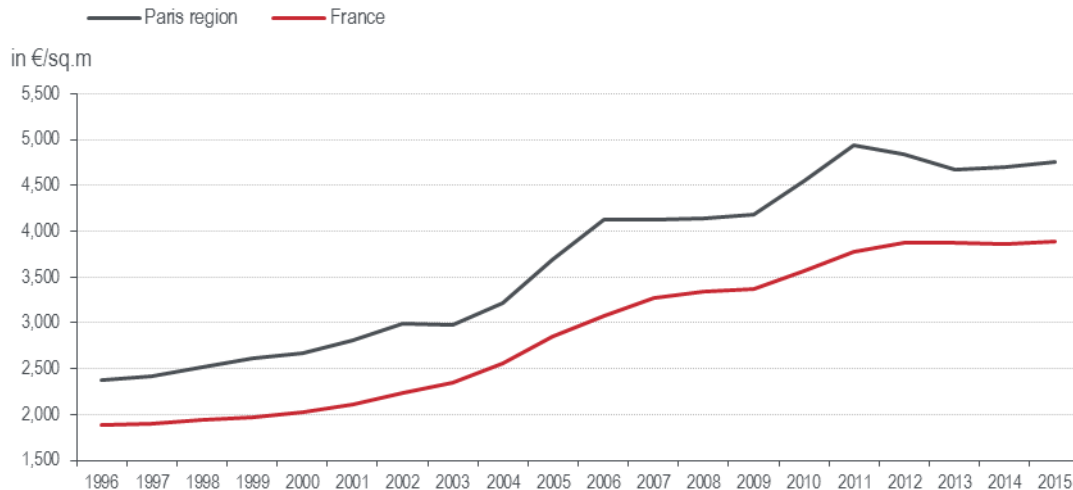
Of the 90,326 new apartments available at year-end 2015, 59% were projects not yet launched by developers, 35% were developments under construction and only 6% were completed but unsold units.

The average selling price of new apartments was relatively stable in 2015 (up 0.7% at €3,892 per square metre), while that of individual houses declined (down 1.5% at €249.3k).

Between 1996 and 2015, the average increase in the price per square metre was 107.1% for units in apartment blocks (of which +9.0% between 2010 and 2015) and 100.3% for houses developed in groups (of which only +4.1% between 2010 and 2015).

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

Trend in prices of new-build apartments



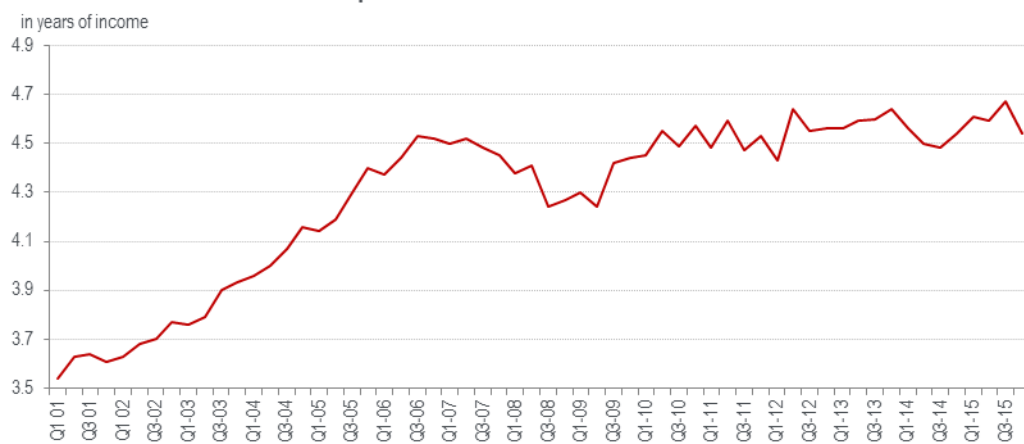
Sources: Commissariat Général au Développement Durable, SOeS, ECLN

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 17.7 years) continued to decline in the first half of 2015, falling to record lows (2.02% at end June 2015) before climbing in the second half to reach an average of 2.20% in December 2015.

Relative cost of new-build developments



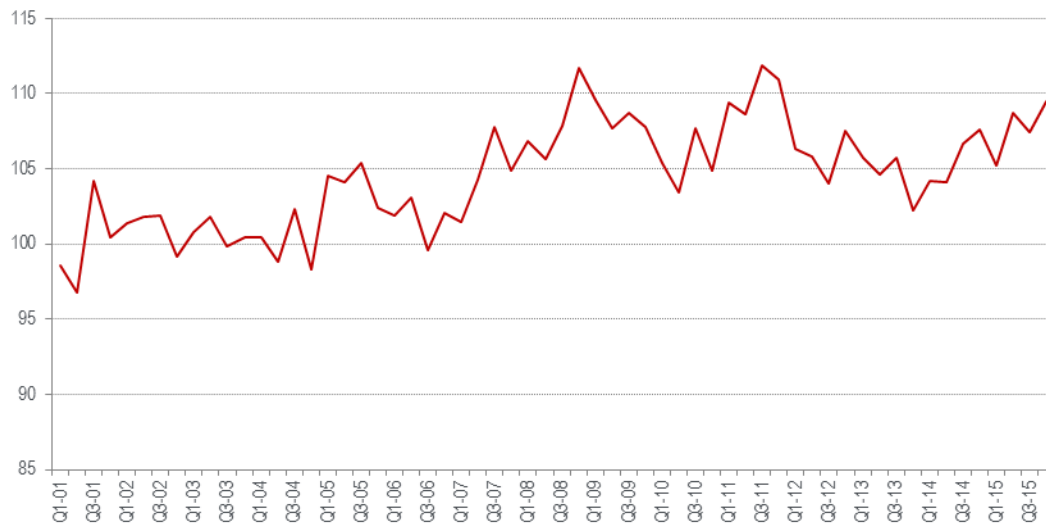
Sources: Observatoire Crédit Logement/ CSA du financement des marchés résidentiels - Q4 2015

After rising for a year, the relative cost of new builds eased from the autumn onwards, coming in at 4.54 years' income in the fourth quarter of 2015, the same level as a year earlier.

However, the average cost of developments continued to rise at a sustained pace (up 1.9% in 2015, compared with 0.8% in 2014). At the same time, household income among households purchasing these properties barely increased at all in 2015.

Furthermore, the average deposit continued to decline (down 6.4% in 2015, compared with an 8% decline in 2014), driven by the return of younger households and first-time buyers with less funds to put down. However, the improvement in credit conditions resulted in a further improvement in household financial capacity, which returned to its highest level since 2011 (source: Observatoire Cr dit Logement).

Financial capacity of home buyers (base 100 in 2001) on the new-build market



Sources: Observatoire Cr dit Logement / CSA du financement des march s r sidentiels – Q4 2015

6.2.3 Commercial real estate market in France

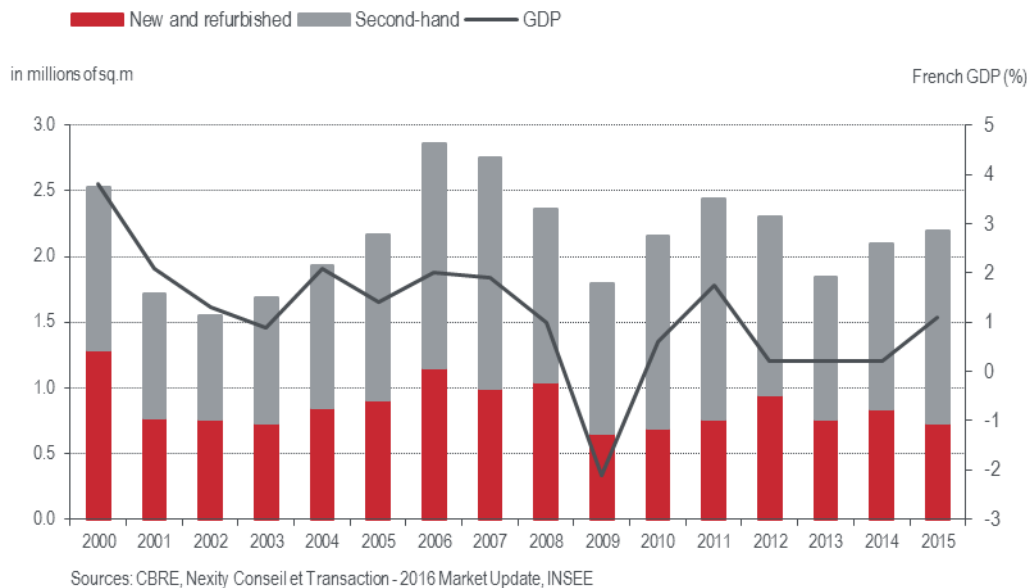
The outlook for the commercial real estate market is always closely tied to the macroeconomic environment, and is affected in particular by economic growth, the transition to a service economy and the financial health of companies. In France, developments in this market may be summarised as follows:

- a very buoyant investment market in 2015 ( 23.4 billion in committed commercial real estate investment;
- a slight increase in total take-up of office space in the Paris region (up 1% relative to 2014 at 2.2 million sq.m) with an average vacancy rate of only 6.9% at end-2015 and a 3% year-on-year decline in immediate supply;
- renewed speculative investment; and
- all-time record volumes marketed in the logistics market.

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 2000-2015 period (take-up refers to all transactions, both sales and lettings, by end users):

Take-up of office space in the Paris region



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 2015, take-up in the Paris region slightly exceeded the volumes marketed in 2014 (+1%). This improvement was mainly driven by an upturn in transactions in the fourth quarter to 708,800 sq.m, the third best quarterly performance since 2008. This level of take-up should be seen in the context of the improvement in economic growth and confidence, even though these remain constrained and fragile. The majority of moves continued to be driven by a desire to optimise space, with extensions remaining few and far between (source: CBRE).

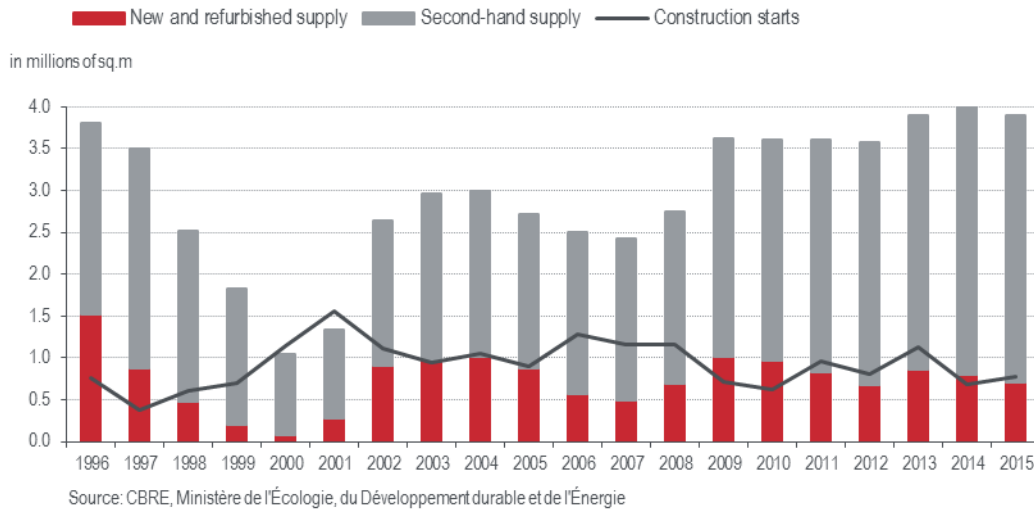
New-build and refurbished space accounted for 33% of take-up in 2015, thus 730,000 sq.m. Annual take-up of new-build space has averaged 790,000 sq.m over the past five years (source: Nexity Conseil et Transaction – 2016 market update).

Although floor areas of less than 5,000 sq.m performed well, large floor areas in excess of 5,000 sq.m lagged behind significantly, with 56 transactions totalling 713,600 sq.m, the second lowest volume for 10 years. Four transactions in excess of 40,000 sq.m were completed in the Paris region in 2015, three of them in the Western Crescent, confirming the resurgence in very large transactions observed in 2014 (source: CBRE).

Outside Paris, take-up increased by 11% in 2015, representing 35% of all transactions in France. With total take-up of 480,000 sq.m, new-build space accounted for 40% of all transactions outside Paris (source: CBRE).

The chart below shows the trend in immediately available supply in the Paris region between 1996 and 2015, 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



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 2015.

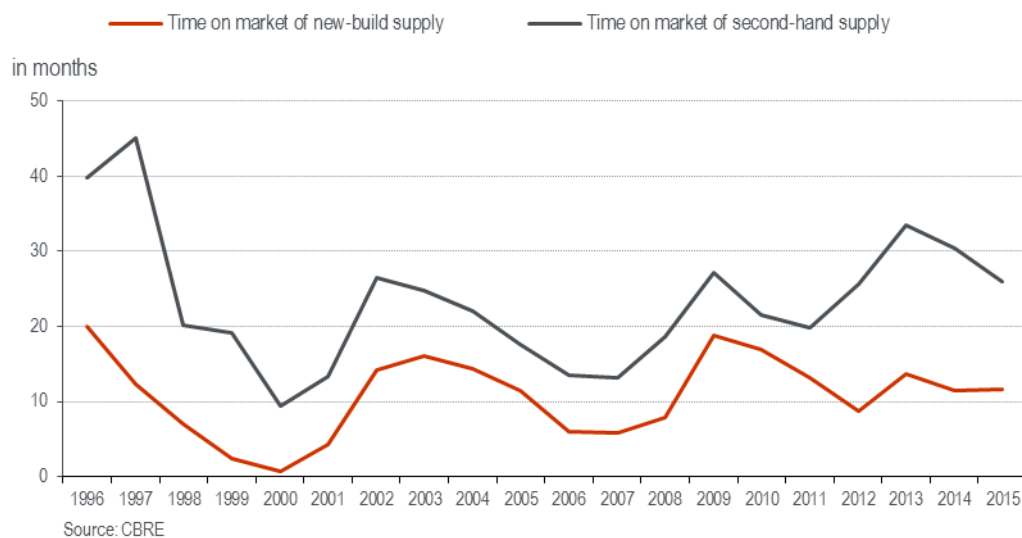
At 1 January 2016, immediate supply in the Paris region was slightly lower, down 3% year on year at 3.9 million sq.m, with vacancy rates also down slightly at 6.9%. The proportion of new-build and refurbished premises fell to a five-year low of 18% of vacant stock. Immediate second-hand supply increased by 55% between 2008 (the beginning of the financial crisis) and 2015 (source: CBRE).

Construction starts were up 15% at 780,000 sq.m (compared with 680,000 sq.m in 2014). While the volume of construction starts fell sharply when the crisis broke out in 2009, activity has since tentatively recovered (source: French Ministry of Ecology, Sustainable Development and Energy).

Time on market for new office space remained stable in 2015 (11.6 months, compared with 11.4 months in 2014). Time on market for second-hand space continued to decrease in 2015, falling from 30.5 months in 2014 to 26 months in 2015 (source: CBRE).

The number of speculative developments started also increased in 2015, with 28 such developments kicked off (compared with 14 in 2014). The future supply of new-build/refurbished space in the Paris region appears still to be under control, with over half of the total floor area currently under construction in the region already pre-sold (source: CBRE).

Time on market of office supply

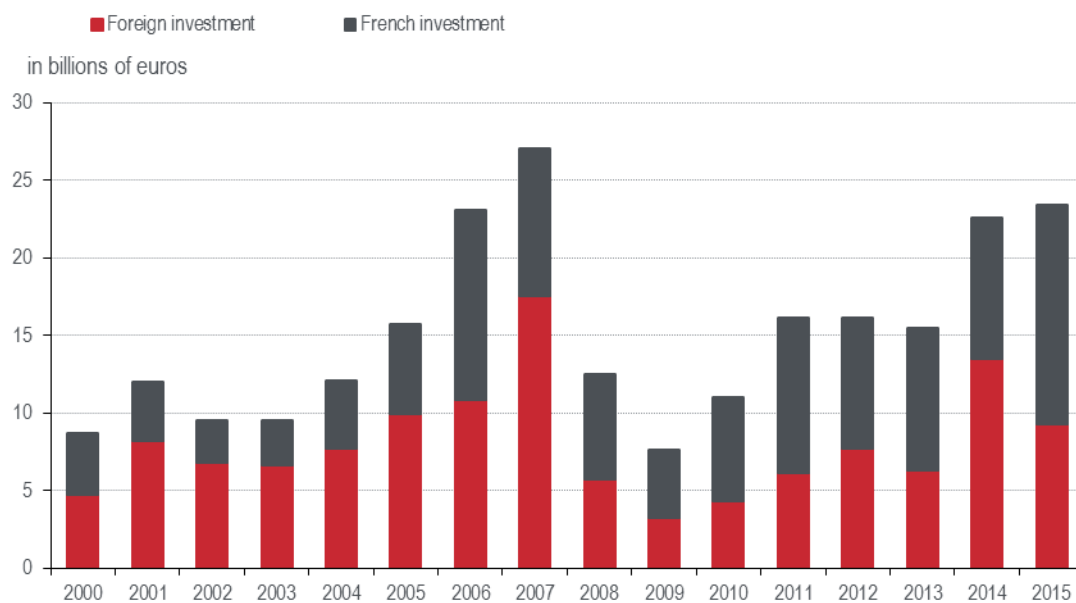


Real estate investment in France

The investment market was very buoyant in 2015, in a promising environment with very low interest rates due to the ECB's continuing very favourable monetary policy (source: CBRE).

Transaction volumes in the French commercial investment market posted a year-on-year rise to €23.4 billion in 2015:

Investment in commercial real estate in France



Source: CBRE, Marketview, Paris region offices, Q4 2015

With transactions currently totalling €9 billion over the last three months of the year, the end of 2015 already registers as the best quarter ever, beating the previous record set in the fourth quarter of 2014.

In 2015, the commercial real estate investment market was characterised by fewer very large transactions (three versus seven in 2014), though the overall weight of such transactions remained significant. The surge in intermediate transactions (€100-200 million – 28% of transactions in 2015, compared with 20% in 2014) demonstrated the market's renewed buoyancy in its traditional core segment.

Office space continued to account for the majority of deals, at 72% of total investment (compared with 65% in 2014). The volume of buildings to be refurbished trebled in one year (€1.7 billion), returning to 2007 levels. The market for off-plan (VEFA) office space remained strong in amount terms (€2.2 billion) but declined in terms of floor areas sold, in spite of a near-doubling in speculative investment (28 developments in 2015, compared with 14 in 2014) (source: CBRE)¹.

The proportion of retail premises declined by 9 percentage points year on year (around 18% of investment volumes in 2015, compared with 27% in 2014), though investment in this segment nevertheless posted its second best performance ever. Investment in industrial/logistics developments increased slightly relative to 2014 (9% of investment, compared with 8% in 2014) (source: CBRE).

The Paris region once again attracted by far the most investors, accounting for 84% of deals, up 7 percentage points relative to 2014 (77%).

For the third year running, French investors accounted for 60% of investment, confirming their market dominance. Institutionals were again the most active, while property companies (*foncières*) were also well represented. Developers accounted for 13% of sales, up almost two percentage points year on year.

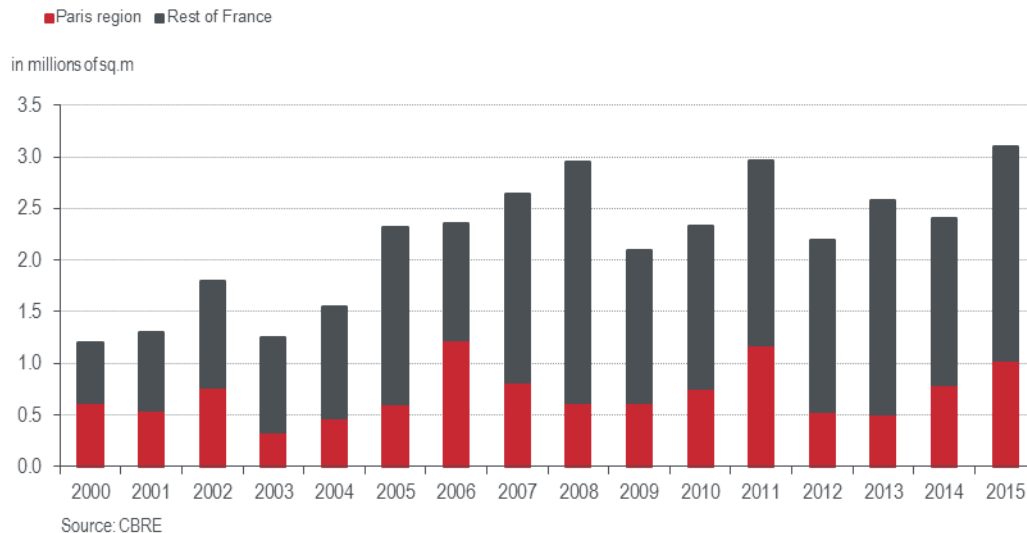
Prime yields on office space in Paris CBD continued their decline, falling to between 3.25% and 4.50% by year-end 2015 (compared with a range of 3.75% to 5.0% in 2014). Despite prime yields now being below those on offer in London, France also remains an attractive market for international investors, who accounted for 40% of investments in 2015. Furthermore, the fact that there was no significant increase in the cost of funds meant plentiful capital was available to invest in real estate, with stock market turbulence prompting institutional investors to increase the proportion of their assets allocated to real estate (source: CBRE).

¹ In its report titled "Barometer of future deliveries, Q4 2015", Jones Lang LaSalle estimated the total off-plan market at almost €2.5 billion in 2015.

Market for logistics space

The logistics market is heavily dependent on the economic climate. It performed very strongly in 2015, with take-up totalling 3.1 million sq.m, up 24% relative to 2014. Volumes on the market reached all-time highs, exceeding the peaks seen in 2008 and 2011.

Take-up of logistics space (>5.000 sq.m)



The recovery that began in 2014 became more firmly established in the Paris region, with activity picking up significantly: market performance was the strongest since 2011, with take-up of over 1 million sq.m.

Growth was strongest outside the Paris region (+32%). Take-up in the Rhône-Alpes region was unchanged from 2014 at 409,500 sq.m, reaching record levels in the Lyon metropolitan area, helped by large numbers of invitations to tender at the beginning of the year. In the Nord-Pas-de-Calais region, the number of signings increased in the second half of the year, with a total of eight platforms in excess of 20,000 sq.m developed in 2015. Furthermore, the Orléans region returned to centre stage in 2015, with take-up of over 250,000 sq.m (source: CBRE).

Take-up was also chiefly focused on the best products (Class A), which accounted for 73% of transactions (source: CBRE).

Immediate supply in France at 1 January 2016 totalled 3 million sq.m, down 13% year on year.

The semi-speculative¹ supply in France totalled 2.9 million sq.m (compared with 3.1 million sq.m in 2014). Having been more or less non-existent the previous year, speculative investment also made a comeback in 2015, with 160,600 sq.m currently under construction (source: CBRE).

6.2.4 Real estate services market in France

The real estate services market is highly fragmented.

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

This phenomenon has helped raise the sector's professional profile. Further consolidation is expected since this remains the quickest way to reach critical mass and achieve economies of scale through processes of industrialisation.

Although its participants vary widely in size and structure (from local firms to national agency networks), the residential real estate services sector offers significant growth prospects.

¹ See section 6.3.2.5 "Project types" for the definition of semi-speculative developments.

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 Adyal, Nexity, BNP Paribas Real Estate Property Management, Yxime, Septime, Telmma, CBRE PM and Icade PM.

The 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).

6.3 DESCRIPTION OF NEXITY'S MAIN BUSINESS ACTIVITIES

6.3.1 Residential real estate

6.3.1.1 Overview of Nexity's residential real estate business

Nexity is a major player in the development of new homes and subdivisions in France. In 2015, the Group recorded 11,741 reservations for new homes in France, ranking it among the country's top new home developers, together with 2,202 reservations for subdivisions.

The table below shows the number of reservations recorded in the years ended 31 December 2013, 2014 and 2015:

RESERVATIONS			
At 31 December	2015	2014	2013
Reservations (in number)			
New homes	11,741	10,365	10,121
Subdivisions	2,202	2,104	2,104
TOTAL	13,943	12,469	12,225

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

The Group operates its property development and subdivision activities throughout France. In 2015, 39% of new home reservations recorded by the Group were for units located in the Paris region, with the remaining 61% elsewhere in France, managed through the Group's 23 regional arms. 11% of 2015 subdivision reservations were recorded in the Paris region, and 89% elsewhere in France, managed by the Group's 23 agencies.

All property developments delivered comply at a minimum with the requirements of the RT 2012 energy regulation (see Section 6.3.1.3 "Products").

6.3.1.2 Growth strategy for the Residential 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, 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 19% of net reservations in 2015), chiefly student residences in partnership with Nexity Studéa, among other entities, and residences for seniors with the Edenéa product or via a partnership with Ægide and Domitys,
- to develop ecologically designed, environmentally friendly 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 Caisses d'Epargne and Banques Populaires 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);
- pursuing the gradual and carefully managed expansion, depending on market opportunities, of a residential property development business in Poland and improving risk management for operations in northern Italy; and
- seizing land acquisition opportunities, particularly in the Paris region, that arise in connection with the Group's urban regeneration business (Villes & Projets), described in Section 6.3.5 "Urban regeneration (Villes & Projets)".

6.3.1.3 Products

The Group offers homes in all client segments, covering both owner-occupancy and investment (including managed 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.

6.3.1.3.1 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 11.1 "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

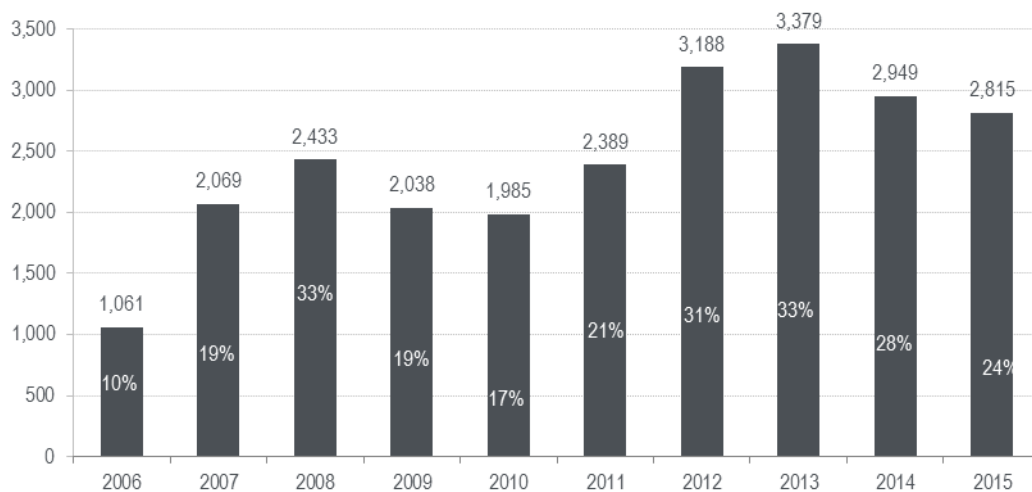
Article 55 of the Solidarity and Urban Regeneration Act of 13 December 2000 established a minimum threshold of 20% social housing to be achieved in certain municipalities. This applies to municipalities with at least 3,500 inhabitants (1,500 in the Paris region) located in a metropolitan area or intermunicipal 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 (24% in 2015).¹

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. In 2015, 2,815 units were sold in bulk to social housing operators, representing 68% of the Group's bulk sales to professional landlords.

Business generated with social housing operators

in units and % of total new home reservations



ANRU urban regeneration zones

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. Since the introduction of reduced-rate VAT in ANRU urban regeneration zones and its extension to priority city policy districts in January 2015, Nexity has been the number one private sector stakeholder in urban regeneration, with 10,935 housing units sold to individual clients and 4,270 reserved in bulk, for a total of 15,205 units. In 2015, the Group maintained its engagement in areas eligible for VAT at a reduced rate, with 1,776 residential units, i.e. 15% of its total reservations and 43% of its reservations by first-time buyers.

Priority city policy districts (QPVs)

Framework Act (*loi de programmation*) No. 2014-173 of 21 February 2014 for urban planning and cohesion, known as the Lamy Act, establishes priority city policy districts for urban planning (called QPVs in French), which 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.

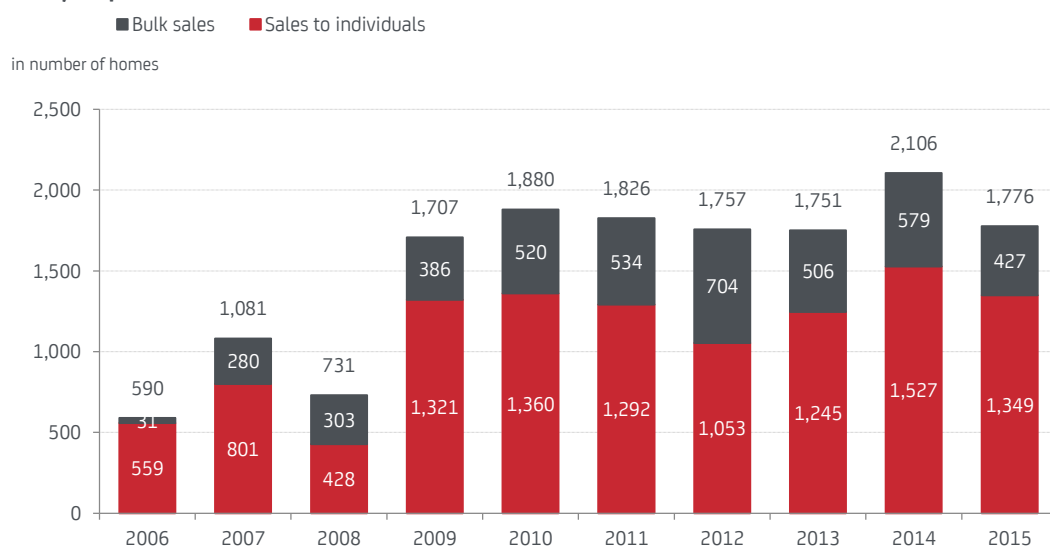
QPVs are in urban areas and are defined by a single criterion: inhabitant income. The determination of the gap is made in relation to France as a whole and to the urban area in which each of these districts is situated, with different criteria applied depending on the size of the urban area.

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 29%.

The newly defined QPVs replace 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 home buyers 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, periurban and other intermunicipalities (*communautés*). They are covered by intermunicipal city contracts (*contrats de ville*), the vast majority of which were signed in 2015 (around 300 contracts), which entered into force on 1 January 2016. However, reduced-rate VAT applies within each QPV (and within a 300 metre radius around it) as soon as the corresponding city contract is signed. For contracts signed in 2015, permits applied for in 2015 will retroactively be eligible for reduced-rate VAT, including those submitted before the contract was signed.

Nexity's operations in the reduced-VAT sector



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, considered necessary to:

- complement the supply of social housing and, in part, to ensure the financing of developments combining freely available housing and intermediate housing;
- meet the specific needs of middle-income households, who are increasingly having difficulty finding affordable housing in city centres;
- promote fluidity in addressing the requirements of social housing tenants as their needs evolve; and
- and encourage the return of institutional investors to the residential real estate segment.

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 Intermédiaire (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 2015, SNI and FLI placed reservations with Nexity for 686 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 (banks, insurers, asset managers, etc.). There were 609 such reservations in 2015, equating to 15% of the Group's bulk sales.

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 four 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 and student houses and 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.). In 2015, 240 Nexity Access Design homes were placed on the market (compared to 231 such homes in 2014);

- 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 school). 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.

Housing solutions for every stage of life

Nexity offers several types of new homes: apartments, individual houses in communities, duplexes, lofts and serviced residences (senior citizens, students, young career-starters, etc.). The Group has a very broad product range, including entry-level, mid-range and upscale homes, although it positions itself primarily in the market for mid-range homes (in terms of location, size and price), for which it believes the demand is the strongest and the most stable.

The Group also offers homes of all sizes, with apartments ranging from studios to more than five rooms, and houses ranging from two rooms to more than five rooms. Some of the Group's homes have balconies, terraces, loggias or private gardens. The common areas of apartment buildings may include private parks and swimming pools.

The Group's programmes vary considerably, as they are designed in line with local requirements while maintaining Group standards. Each of the Group's developments offers clients the opportunity to personalise their homes within a limited range of options depending on their stage of life, permitting the Group to contain costs and maintain competitive prices and margins in line with its objectives.

With its managed residence offering, primarily for students and seniors, Nexity provides made-to-measure, innovative, attractive solutions that follow the residential trajectory of clients as their real estate needs evolve.

For each of these products, the Group is fully involved in the entire cycle, from development up to operation, enabling it to offer a highly efficient model.

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).

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.

In 2015, Nexity Studéa decided to reposition its product offering to bring it more into line with the new expectations of students. In particular, this work 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 (car sharing, catering delivered by distributors, etc.). In 2015, this new offering was trialled in a residence at Paris Bastille (11th *arrondissement*). Specifications were also drawn up for future residences.

Driven by the increasing demand for housing for the younger population, Nexity's Studéa student residences are a tailored and long-term response to a pressing societal issue in France. In 2015, Nexity marketed four student residences (versus six marketed in 2014) comprising a total of 420 units.

After a year of actively managing its portfolio of residences (with 15 residences handed back, representing 1,562 units, and 4 residences delivered, representing 468 units), the portfolio of residences operated by Nexity Studéa at 31 December 2015 consisted of 130 residences consisting of 16,250 units in France's largest university cities.

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

As a complement to the network of serviced residences dedicated to 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 (co-working areas, relaxation areas, secure access, etc.). 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. In 2015, Nexity delivered a social-purpose apartment hotel forming part of the Docks Libres development in Marseille (3rd *arrondissement*), representing 100 units, providing homes for lower-income workers and those needing to move or travel for work purposes. The buyer is social housing operator Immobilière 3F (via its subsidiary RSF – Résidences Sociales de France) and the operator is Montempô (whose leading shareholder is Action Logement, formerly known as "1% Logement").

Residences for seniors

Housing demand for senior citizens is a societal challenge that cuts to the core of the current national debate on demographic development. To meet the current and future housing expectations of senior citizens, Nexity proposes made-to-measure solutions that take into account the level of autonomy and the financial resources of each occupant. Bulk sales to institutional clients account for a significant proportion of Nexity's senior residence business (50% of all reservations for senior residences).

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 assisted-living residences

In partnership with Ægide, France's leading developer of non-medical serviced residences, in which the Group holds a 38.15% stake, Nexity is developing the next generation of non-medical serviced residences for independent seniors. While retaining their independence, residents have access to a range of amenities and services (dining area, cleaning services, round-the-clock assistance, etc.). In 2015, Ægide placed 12 new projects on the market representing 1,437 housing units under the Domitys brand and managed by Domitys. Domitys manages a total of 52 residences, representing around 6,100 residential units.

Within the mid-range of higher-quality housing units, Nexity's Edenéa residences also provide living opportunities on a human scale. They are well-adapted, comfortable, accessible and located in city centres to prevent the isolation of occupants. The concept is an extension of Nexity's senior housing offering, with

particularly affordable rents that are lower than local market rates (two-room apartments with a floor area of 45 sq.m, at an average monthly rent of between €700 and €900, compared with average rents of between €1,100 and €1,300). The year saw the roll-out of two new Edenéa projects, in Ollioules (Var) and Tours (Indre-et-Loire), for a total of 128 units.

Social residences for seniors

These residences combine adapted housing units with many service and relaxation areas that enable seniors to live in a place where they can be autonomous. Exclusively built for rented and social housing, they guarantee access to a large population: seniors as well as disabled people and younger working people eligible for social housing. This concept creates real living spaces and provides an answer to the risk of isolation of the elderly. 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 up between senior citizens, career starters and families. To protect the independence and security of senior citizens without stigmatising them, apartments designed for them include advanced features (such as non-slip floors and ergonomic bathrooms). In 2015, three social residences for senior citizens were marketed in bulk sales to social housing operators, comprising a total of 214 units.

Nursing homes

In France, "retirement homes for dependent elderly persons" (EHPAD) are built to house seniors who are no longer autonomous. Nexity's nursing home facilities have 70 to 110 beds and combine traditional assisted-living services with medical services tailored to residents' conditions. In 2015, Nexity filed a building permit for a 46-bed facility in Erquinghem (Nord).

High-performance buildings

In order to offer its individual clients resource-efficient buildings, Nexity is working on improving the intrinsic performance of its buildings (thermal performance, carbon emissions, health concerns, etc.). In particular, the Group's R&D priorities include reducing the greenhouse gas emissions of its property developments, managing their energy dependency and the associated costs, designing a range of sustainable homes with lower energy consumption, and the selection of materials and HVAC systems able to ensure better indoor air quality. Furthermore, the Group is convinced that biodiversity and the use of green spaces help improve residents' quality of life and put residents at the heart of the Group's activities. By designing "low-carbon" property developments, involving the use of renewable energy sources, Nexity also contributes to climate change adaptation efforts.

Energy-efficient and low-carbon buildings

Nexity is working hard on eco-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 thus met its RT 2012 requirements painlessly, 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).

All the Group's new residential projects are therefore designed to consume only a small amount of energy for heating and 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.

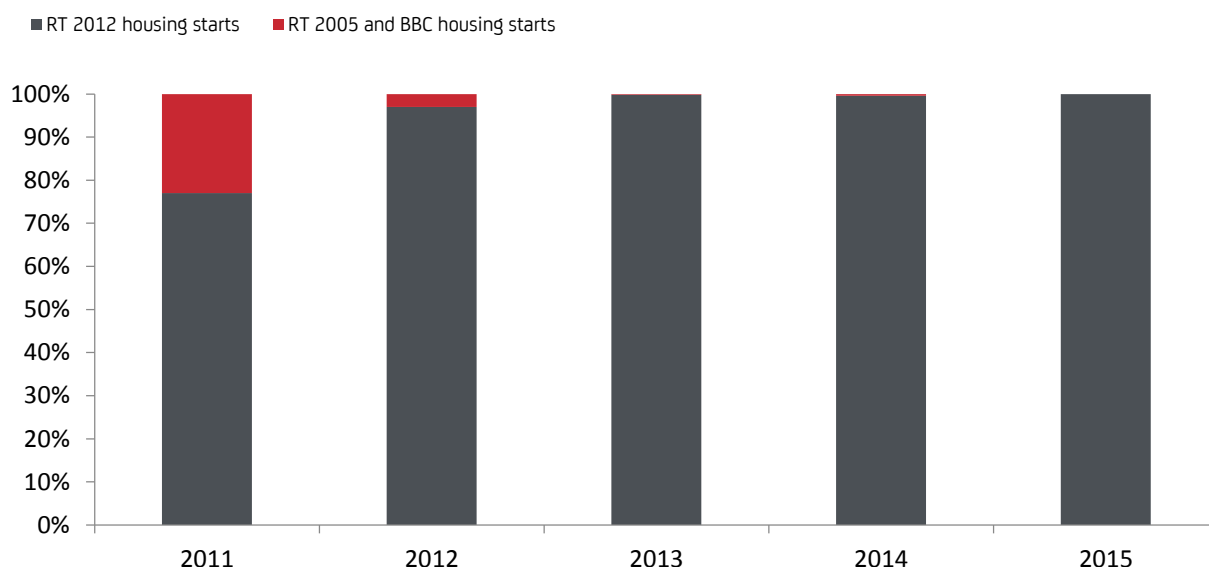
The Access Design product illustrates this commitment well. Based on an industrialised construction method that uses both wood and concrete, it is mainly characterised by:

- very good thermal insulation in excess of RT 2012 standards (with a "Bbio" climatic building coefficient 30-50% below the maximum and baseline energy consumption at least 10% below the requirement);
- 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 CO₂e 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 a substantial reduction in local pollution (noise, hygiene, traffic, security, etc.).

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. 99.3% of residential units delivered in 2015 complied with the RT 2012 regulations.

Proportion of RT 2005 (including BBC) and RT 2012 housing starts 2011-2015



The Group has continued to develop low-energy buildings by working in particular 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 2015, the Group delivered 55 dwellings that beat the RT 2012 regulations by at least 10% (31 of which are pending certification). The Group intends to continue improving the energy-efficiency of its buildings in 2016.

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. An in-house BEPAS/BEPOS (passive/energy-plus) building competition was held in 2013 and presented employees with the real-world challenge of controlling costs to maintain sales prices at competitive levels. A summary of the main lessons learnt was written and shared with all Group subsidiaries. It highlighted in particular the resulting economic benchmarks, weak points, possible optimisations and areas to be developed.

In 2015, one housing development in Rezé (Loire-Atlantique) was delivered and work continued on two other developments, studied as part of the in-house competition, with the aim of achieving passive or energy-plus performance:

- an Access Design development in Hallennes-lez-Haubourdin (Nord); and

- an apartment block project in the Boissière-Acacias ZAC development zone in Montreuil (Seine-Saint-Denis).

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 2015, 28% of developments delivered incorporated solar energy for domestic heating and solar panel systems.

Energy and environmental certifications

In keeping with its fully integrated, long-term commitment to quality, Nexity applies for certifications or labels for its development projects on a regular basis. At a minimum, the Group aims to obtain all legally binding energy-efficiency labels.

Cerqual awarded very high environmental performance (H&E – *Habitat et Environnement*) certification to 67 developments (3,289 units) in 2015. 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, increase sound insulation and ensure a healthier indoor atmosphere by using low-emission materials.

In 2015, all operational teams 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. As such, 20 requests for "RT 2012-10%" certification (i.e. beating the RT 2012 regulations by 10%) were submitted to Cerqual, four to Promotelec and two to Prestaterre.

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 accreditation.

In 2015, the Nexity subsidiary Paris Val-de-Seine, which has been NF Logement- and NF Logement HQE®-certified since 2013, upheld its commitments to clients in regard to warranties, organisation, technical design, deadlines and the delivery of homes. Furthermore, 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 property delivered with superior quality in areas including but not limited to:

- thermal requirements – energy savings;
- acoustics – reinforced indoor sound insulation;
- durability – building upkeep, choice of products;
- building security – night-time lighting, motion sensors, etc.;
- elderly 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: continuous improvement, internal organisation, 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 an enhanced commitment to sustainable development. It provides additional benefits in terms of money saved, health, comfort and the environment.

In line with its commitment and its desire to be a trailblazer, Nexity subsidiary Paris Val-de-Seine has secured *NF Habitat* and *NF Habitat démarche HQE* certification with a maturity level of 2.

From 2016 on, all buildings delivered by Paris Val-de-Seine will have 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 makes it possible to respond more efficiently to changes in environmental regulations; and

- it is a prerequisite for establishing an effective greenhouse gas reduction policy as part of the design of residential properties.

For this reason, after adopting an experimental approach between 2010 and 2012 (20 assessments undertaken on 30 buildings with a total net floor area of 65,000 sq.m), at the end of 2014 the Group decided to roll out greenhouse gas emissions assessments to all its property developments. 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 2015, 78 greenhouse gas emissions reviews of real estate developments were completed using the tool (see Section "Raising awareness of sustainability issues and related training" in 6.7.2.3, "Commitments to employees"). These greenhouse gas emissions reviews take into account the various different building types (apartment buildings, individual houses, student residences and residences for senior citizens) and construction processes. An update of the tool is being considered to provide early readiness for future requirements relating to the calculation of a building's environmental footprint.

"Healthier buildings" approach

To improve the comfort of building occupants and also respond to a growing concern of the 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 relative 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: material labels, ecolabels, absence of CMR (carcinogenic, mutagenic and reprotoxic) substances, formaldehyde-free status and "natural" wood treatments. Thanks to this commitment, the average rating of materials labels for these products is A+.

The Group is keen to be a trailblazer in the field of indoor air quality. As such, a number of developments were the subject of voluntary indoor air quality tests in 2015, including the UNIK development in Boulogne-Billancourt (Hauts-de-Seine), where a campaign was conducted to measure concentrations of indoor pollutants.

6.3.1.3.2 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:

- a saver 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 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 SRU law (see under "Social housing" in Section 6.3.1.3.1 "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 taxes or duties. 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, PERL operates 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 2015, PERL booked 807 reservations for bare ownership (620 "VEFA" off-plan purchases and 187 purchases of existing properties) representing revenue of €200 million including VAT. During the year, PERL also designed a service offering to help bare property owners manage their investment during the usufruct period.

PERL's business development priorities for 2016 revolve around the following themes:

- social housing: make this an additional inroad to effectively address major metropolitan planning issues, especially large city-wide development projects ("Grand Paris", "Grand Lyon", other major regional cities);
- intermediate housing: capitalise on PERL's expertise and engineering to structure the development of this product;
- bringing institutional investors back into housing: establish collective investment vehicles as a new distribution channel for PERL's offering (an example being SCPI Patrimmo Croissance, launched in November 2014 with Primonial Reim); and
- catering to usage patterns: develop innovative solutions dedicated to private investors and first-time buyers.

6.3.1.3.3 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'Épargne network, Banques Populaires, and also 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 block purchases of all or part of developments and sells the units within these developments individually.

Its teams serve a client base comprised of individual investors, to whom they offer three 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 6.6.3.1 "Tax relief measures intended to favour buy-to-let investment"). 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 in 2015; and
- investments in bare ownership.

In 2015, Iselection booked 2,448 reservations, of which 1,693 were marketed on behalf of third parties and 755 fell under the scope of its own new-build and existing housing operations.

6.3.1.3.4 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 residential units per development. In 2015, Nexity booked 2,202 reservations for plots of land.

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 places the emphasis on adhering to the principles of sustainable development. In 2004, Nexity became the first private sector operator in France to have been certified to ISO 14001 (a standard for environmental management systems) for all of the site development projects it manages. The demands of ISO 14001 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 will be undertaken in 2016.

For local authorities, the Aménagements & terrains à bâtir 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 keeps its individual clients, elected officials and service providers informed of its environmental approach. 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 provides procedures for coordination systematically 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.

Environmental analysis of sites

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 subdivision and site development 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 Aménagements et terrains à bâtir 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 in 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 location identified as a 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. The Tanneries eco-district in Lingolsheim (Bas-Rhin) is an exemplary project in terms of consumption cuts, resource recovery and waste recycling. When the 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 save on 900 truck trips. A system of grassy swales was installed for rainwater harvesting. 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 3,000-4,000 W urban wind turbine. This technology can supply the energy needed to power 50 light sources at night (approximately 1 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, the Tanneries 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 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 Sagoa 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 SRU law does not apply to the town; and
- reducing the isolation of the Saint-Blaise township.

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

6.3.1.3.5 Ægide - Domitys

Nexity has a 38.15% stake in Ægide, the remaining shares being held by the company's three founding executives.

Founded in 1999, the Ægide group builds, owns and markets assisted-living residences for the independent elderly. The Ægide group both 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 35 projects to market, including 12 in 2015, representing nearly 4,200 residential units. Of these 35 projects, 14 were co-developed with Nexity.

At the end of 2015, the Ægide group employed 1,323 people and operated 52 residences for a total of nearly 6,100 housing units.

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

6.3.1.4 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 division thus serves a broad range of clients.

Clients of Nexity's new home business

The table below shows the breakdown of reservations, in terms of the number of new homes, recorded by the Group's Residential division in France between owner-occupiers on the one hand and investors (both professional and individual landlords) on the other. These statistics are based on statements made by the buyers at the time of the reservation. First-time buyers still account for a large majority of reservations made by owner-occupiers.

New homes	2015	2014	2013	Change 2015-2014	Change 2014-2013
Owner-occupiers (% of total)					
Main residence	2,461 21.0%	2,707 26.1%	2,964 29.3%	-9.1%	-8.7%
First-time buyers	1,911 16.3%	2,152 20.8%	2,345 23.2%	-11.2%	-8.2%
Other owner-occupiers	550 4.7%	555 5.4%	619 6.1%	-0.9%	-10.3%
Second home	95 0.8%	95 0.9%	73 0.7%	0.0%	30.4%
Total homebuyers	2,556 21.8%	2,802 27.0%	3,037 30.0%	-8.8%	-7.7%
Individual investors	5,045 43.0%	3,798 36.6%	3,585 35.4%	32.8%	5.9%
Professional landlords	4,140 35.3%	3,765 36.3%	3,499 34.6%	10.0%	7.6%
Total	11,741 100%	10,365 100%	10,121 100%	13.3%	2.4%

Source: Nexity (based on statements made by buyers).

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Description of Nexity's main business activities

Individual investors accounted for 43% of total net reservations recorded by Nexity, versus 37% in 2014. These reservations were buoyed by sales momentum at Iselection, the warm investor response to the Pinel tax incentive scheme (25% of total reservations in 2015, up from 21% in 2014), which is more favourable than its predecessor (see Section 6.6.3.1 for the description of tax schemes designed to encourage buy-to-let investment) and the contribution from PERL over an additional half-year (excluding this scope effect, the proportion accounted for by individual investors would have been 41%).

Owner-occupiers accounted for 22% of reservations in 2015, a decrease from 2014 (27% of reservations). First-time buyers continued to account for a majority of owner-occupier reservations, with 16% of 2015 reservations (compared to 21% in 2014), while second-time buyers represented only 5% of total reservations in 2015.

Sales to professional landlords climbed 10% from 2014, and made up a significant proportion of the Group's business (35% of sales). In this segment, sales to non-social institutional investors increased substantially (up 62%) compared to the previous year, including 686 intermediate housing units reserved by SNI¹ and FLI. These sales to non-social institutional investors accounted for 32% of all reservations in the professional landlord segment (versus 22% in 2014). At the same time, sales to social housing operators declined 5% in the year.

The average price including VAT per residential unit reserved in France (excluding bulk sales to professional landlords) was stable at €214.1k, compared with €213.9k in 2014, with the decrease in average unit size (arising from the higher proportion of individual investors, who tend on average to purchase smaller units than homebuyers) offset by the increase in the average price per square metre.

The average price per home for people buying their main residence was up 4%, while the average size and price per square metre both increased (up 2% each).

The table below shows average prices and floor areas of homes reserved with Nexity's Residential division by individual clients in France:

New homes	2015	2014	2013
Owner-occupiers – main residence			
Average price per sq.m (€)	3,813	3,740	3,896
Average size (sq.m)	66	65	66
Average price per home (€k)	251.4	241.8	257.5
Owner-occupiers – second home			
Average price per sq.m (€)	5,947	5,304	5,216
Average size (sq.m)	63	62	61
Average price per home (€k)	372.1	328	316.3
Investors			
Average price per sq.m (€)	3,800	3,766	3,828
Average size (sq.m)	49	49	47
Average price per home (€k)	185.2	182.9	178.1
All clients			
Average price per sq.m (€)	3,843	3,781	3,886
Average size (sq.m)	56	57	56
Average price per home (€k)	214.1	213.9	218.6

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

In general, clients purchasing their first homes are younger and have lower annual incomes than clients purchasing second homes or individual investors. The average price of homes purchased by individual investors is lower than that of owner-occupiers due to smaller average floor area.

¹ Under a framework agreement signed with SNI in December 2014 for 800 to 1,100 homes a year.

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

New homes	2015	2014	2013
Owner-occupiers – main residence			
Average age	37	37	38
Average annual income (in euros)	41,596	41,003	42,937
o/w first-time buyers			
Average age	34	34	34
Average annual income (in euros)	37,746	37,011	38,723
o/w buyers who are already homeowners			
Average age	48	47	49
Average annual income (in euros)	56,133	59,516	61,605
Owner-occupiers – second home			
Average age	54	57	54
Average annual income (in euros)	94,446	90,506	79,996
Investors			
Average age	47	46	46
Average annual income (in euros)	75,227	78,075	73,836
All clients			
Average age	43	42	42
Average annual income (in euros)	62,287	60,144	58,101

Source: Nexity (based on statements made by buyers, excluding l'selection and PERL).

Clients of Nexity's subdivision business

Of the 2,202 subdivision lots reserved in 2015, 1,973 were reserved by private individuals and 229 by property developers having purchased multiple lots.

The average price including VAT of subdivision lots (excluding multi-lot reservations) was €76,000, slightly lower than in 2014 (€77,000) as a result of the 2% decrease in the average lot size.

6.3.1.5 Geographic presence

Geographic distribution of Nexity's new home business

Since 2000, Nexity has consolidated an already strong presence in France's regions so as to increase its coverage outside the Paris region. This move reflects the Group's intention to target mainly middle market products, which are less prevalent in the Paris region because of high prices and scarce land acquisition opportunities. Accordingly, the number of reservations recorded by the Group for new homes outside the Paris region rose from 2,577 units in 1997 to 7,157 units in 2015 (61% of total reservations). The Group also continues to leverage its historically strong position in the Paris region, which accounted for 39% of reservations recorded in 2015 (compared to an average of 34% from 2007 to 2014).

Reservations	2015	2014	2013	2012	2011	2010	2009	2008	2007
Paris region	39%	40%	42%	39%	29%	30%	29%	32%	29%
Rest of France	61%	60%	58%	61%	71%	70%	71%	68%	71%

The Group stepped up its development in the most supply-constrained zones (A bis, A and B1), which accounted for 88% of reservations, the highest proportion at any time in the past ten years.

Reservations by zone	2015	2014	2013	2012	2011	2010	2009	2008	2007
Zones A bis, A and B1 ⁽¹⁾	88%	87%	86%	84%	80%	81%	80%	78%	78%

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

Based on data from France's General Commission on Sustainable Development (*Commissariat Général au Développement Durable*), the Group's market share contracted slightly in 2015 to 11.5% after reaching a record high of 11.9% in 2014. This decline in market share is explained by the composition of market growth in 2015, mainly driven by sales to individual investors outside the Paris region, while sales stagnated in the Paris region, where Nexity has a particularly strong presence.

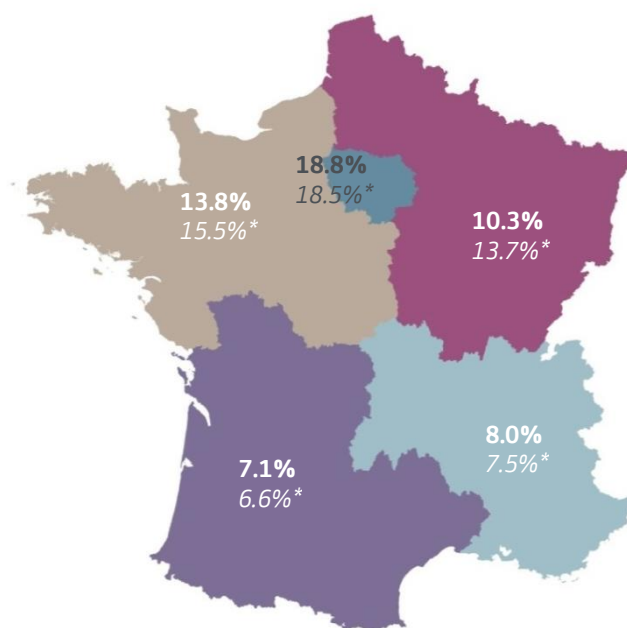
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Description of Nexity's main business activities

Between 2014 and 2015, the Group's market share declined in the northwest and northeast of France but increased in southern France and the Paris region, where Nexity recorded its highest market share at 18.8% (the highest level since 2001).

Market shares are calculated in terms of the total number of reservations for new homes recorded in France by the Group, compared to the number of reservations for new homes in France as given in Section 6.2.2 "Residential real estate market in France".

Nexity's market share of new home reservations in 2015, by region:



* Market shares in 2014 based on figures at 23 February 2016, published in the Enquête sur la Commercialisation des Logements Neufs (ECLN, a French survey of new home sales).

Average prices including VAT of new homes reserved with Nexity's Residential division by individual clients in France (excluding Iselection and PERL) were as follows over the 2013–2015 period:

(in thousands of euros)	2015	2014	2013
Paris region	265.4	252.1	259.5
Rest of France	182.5	184.6	188.2
Group	214.1	213.9	218.6

Between 2014 and 2015, the average price of homes sold by Nexity rose slightly from €213.9k to €214.1k at the national level, up 5.3% in the Paris region (partly due to an increase in the number of reservations in Paris) and down 1.1% outside the Paris region.

Compared to the rise in reservations, growth in the number of units put up for sale was modest in 2015 (up 7.2% to 100,206 units). They were up 11% outside the Paris region but stable in the Paris region (up 0.3%). Nexity accounted for 13% of all units put up for sale on the market in 2015 (up 0.8 percentage points on 2014), the highest proportion since 2010. In contrast to the overall market trend, this increase was driven purely by activity in the Paris region.

Nexity's share of total units put up for sale on the market

(as %)	2015	2014	2013	2012	2011	2010
Paris region	24.0%	19.8%	17.7%	15.7%	15.8%	17.6%
Rest of France	9.7%	9.7%	8.8%	7.3%	8.9%	10.8%
Group	13.0%	12.2%	11.0%	9.4%	10.2%	12.1%

Business outside France

Outside France, the Group's main presence in new housing development is in northern Italy and in Warsaw (Poland). In Italy, four developments were in the sales phase at end-2015, most of them in the Milan and Turin regions, representing a supply of 124 residential units. A total of 56 reservations were booked in 2015.

In Poland, the year was highlighted by 236 reservations and three sales launches in Warsaw.

Project procedures and sales terms are adapted to legal and regulatory constraints as well as marketing limitations in each country (administrative authorisations to be obtained, process of selling to buyers, guarantees granted, etc.).

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, lots reserved in the Paris region accounted for only 11% of the total lots reserved in 2015, the same percentage as in 2014.

Regional establishments

The geographic organisation of the Group's Residential 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.

In all, Nexity's Residential division operated in 30 metropolitan areas in France at year-end 2015, with 46 local establishments.

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 6.3.1.6 "Project procedures and risk management".

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Description of Nexity's main business activities

The following table shows the Group's business potential in 2013, 2014 and 2015, broken down between the Paris region and the rest of France:

	31/12/2015	31/12/2014	31/12/2013
NEW HOMES ⁽¹⁾			
Number of projects in the sales phase			
Paris region	78	70	63
Rest of France	146	146	143
Total	224	216	206
Business potential (number of new homes)			
Total supply			
Project stages marketed			
Paris region	2,603	1,695	1,675
Rest of France	3,304	3,618	3,383
Subtotal	5,907	5,313	5,058
Project stages not marketed			
Paris region	2,488	2,226	2,056
Rest of France	1,646	2,778	3,033
Subtotal	4,134	5,004	5,089
Total	10,041	10,317	10,147
o/w Paris region	5,091	3,921	3,731
o/w Rest of France	4,950	6,396	6,416
Land potential secured through options not yet developed			
Paris region	7,035	5,288	5,423
Rest of France	12,384	9,227	7,530
Total	19,419	14,515	12,953
Total new home business potential	29,460	24,832	23,100
o/w Paris region	12,126	9,209	9,154
o/w Rest of France	17,334	15,623	13,946
SUBDIVISIONS			
Number of projects in the sales phase			
Paris region	7	7	4
Rest of France	88	74	89
Total	95	81	93
Business potential (number of subdivision lots)			
Total supply			
Paris region	165	182	90
Rest of France	1,826	1,810	2,404
Total	1,991	1,992	2,494
Land potential secured through options not yet developed			
Paris region	1,196	1,360	764
Rest of France	5,157	5,888	6,997
Total	6,353	7,248	7,761
Total subdivision business potential	8,344	9,240	10,255
o/w Paris region	1,361	1,542	854
o/w Rest of France	6,983	7,698	9,401

⁽¹⁾ Excluding land secured for projects developed by the urban regeneration business (described in Section 6.3.5 "Urban regeneration (Villes & Projets)") and excluding Iselektion and PERL.

6.3.1.6 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.

Nexity's Residential division purchased land in France for a pre-tax total (including legal and holding fees) of €345 million in 2013, €268 million in 2014 and €319 million in 2015.

Land selection

Each of the Group's development subsidiaries in residential real estate undertakes its own search for land and its own feasibility studies. This approach permits the Group to benefit from the experience of the subsidiary 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 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.

The most important criteria considered by the Group before purchasing land are that construction is possible on such land and that the potential profitability of the project planned for such land meets the Group's internal requirements. 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 a third party may challenge such permit or the permit may be 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. Before proceeding with any acquisition of land or real estate, the Group generally uses specialised firms to study the quality of and the presence of any pollution in the soil or the sub-soil and the history of the site, and, in buildings to be renovated or restructured, to search for asbestos. When soil samples indicate the possible presence of pollutants, the Group's obligation is also conditional upon environmental evaluations and, where necessary, the implementation of remediation.

Prior to signature, draft purchase options subject to conditions precedent must be validated by the in-house legal counsel assigned to the subsidiary. 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 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. 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 permit (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 10.2 "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 an exclusivity policy with any subcontractor or supplier with which it does business. 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 2015, the Residential division's leading supplier accounted for €44 million (including VAT) in costs, i.e. 3.2% of total costs, and its top ten suppliers accounted for a total of €200 million (including VAT) of costs, i.e. 14.5% 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, doors, etc.

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.

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 approximately 67% in 2015 (71% in 2014 and 74% in 2013).

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 in prior stage or stages 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.

Environmentally responsible construction sites

A shared charter for the subsidiaries

Analysis of a building's carbon footprint over its entire life cycle demonstrates that the construction phase alone produces greenhouse gases that account for 60% of the building's total carbon emissions.

As such, there is significant room to reduce greenhouse gas emissions by better organising and managing construction sites. 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
 - inclusion 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,

- managed use of dangerous products: storage in containment tanks, availability of anti-pollution kits, etc.,
- reduction of water and electricity consumption: equipment in staff accommodation and catering areas, monitoring of consumption,
- monitoring of the implementation of social inclusion clauses,

- reduction of sources of nuisance for local residents: dust, noise, and
- monitoring and responding appropriately to any complaints from local residents.

Following a test phase in 2014 and 2015, the environmentally responsible construction approach will be rolled out to all new home construction sites in 2016, 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 nuisances, 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 will be rolled out in 2016, managed and operationally supported by a number of central support functions.

Social inclusion

Nexity is increasingly asked to include social inclusion clauses in contracts with construction firms, particularly for developments in ANRU priority areas.

One example is Les Docks Libres, a 40,000 square metre brownfield development in Marseille's port area within 300 metres of the Saint-Mauront ANRU area (in the city's third *arrondissement*). Under the banner of urban renovation, 151 of the 700 housing units in this first operational tranche were intended for social housing operators, requiring Nexity to deliver 6,200 hours in support of social inclusion. The challenges raised by this large-scale development in one of France's most disadvantaged neighbourhoods led Nexity to make social inclusion a key emphasis in the project with a view to fostering relationships between residents and injecting renewed economic momentum into the neighbourhood. Nexity has committed to quadruple the regulatory target of 6,200 hours, aiming to deliver 27,000 hours, representing 5% of estimated total hours worked across the site as a whole. Emergences, a non-profit tasked with coordinating Marseille's local inclusion and employment plan, has helped Nexity and construction firms implement these hours.

Following this operational success, the Nexity Provence subsidiary signed a partnership and project management support agreement with Emergences for the implementation of social inclusion clauses. This agreement commits Nexity Provence to including social inclusion clauses across all sites. In return, Emergences helps Nexity Provence and construction firms more easily implement social inclusion clauses.

In 2015, the Nexity Provence subsidiary delivered more than 19,500 hours in support of social inclusion, benefiting 72 people and leading to two permanent employment contracts.

Beyond this experiment, Nexity is structuring and streamlining the management of social inclusion across its sites through two pilot projects benefiting from social inclusion project ownership support. A total over 26,700 hours in support of social inclusion were completed by 72 employees in 2015 thanks to support from FACE (*Fondation Agir Contre l'Exclusion* – Foundation for Action Against Exclusion) at the Le Nuovo office building site in Clichy (Hauts-de-Seine) and the Quartier de Seine Est development in Asnières-sur-Seine (Hauts-de-Seine).

Feedback from the developments supported by FACE and Emergences will inform jointly designed internal training for the relevant employees and help provide them with tools to help the Group meet its social inclusion commitments in 2016.

Water management

Water resources are taken into account on all Nexity projects through a three-phase process of outline, design and construction.

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 covering 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 major themes:

- 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 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.

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 6.3.1.7 "Marketing" 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.

Client service

The Group provides buyers with client 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 quality client 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 client 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 4.3.2 "Policy with respect to insurance" and 4.3.3 "Main insurance agreements".

Production quality department

In 2010, the Group created a Production Quality department in order to improve control of delivery deadlines as well as ultimate quality standards met by its projects. Improvements in service quality are measured on a regular basis by way of client satisfaction surveys.

Particularities of residential projects outside France

The guidelines for residential development projects outside France are similar to those for residential development in France. Nevertheless, the development and marketing process for these projects is adapted as necessary 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 undertakes to complete all remaining work and to transfer the plot within a fixed period of time (the Group's undertaking is backed by a bank guarantee).

6.3.1.7 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 6.1.2 "Strategy").

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.

Some recent examples in the Paris region include a development in Montreuil (Seine-Saint-Denis), for which 42 reservation contracts were signed in one weekend, representing 46% of the available units, and another development in Aubervilliers (Seine-Saint-Denis) where 43 reservation contracts were signed in one weekend, also representing 46% of the available units.

Client assistance during the marketing process

New homes. The Group accompanies its clients throughout the process of buying a new home, from the first telephone call or internet contact, to the appointment with one of its subsidiary's commercial consultants, and until 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 the financial capability of each buyer 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 attend and graduate from its "Sales School" (L'Ecole des ventes). This school 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 9am to 9pm 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. Benefits offered to clients of the Group's subdivision business include 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 about client 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 état future 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 signature of 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.

6.3.1.8 Operational organisation of the Residential division

The organisation of the Group's Residential division is based on giving significant marketing and technical autonomy to its subsidiaries for land searches and team management, and maintaining centralised control at the Group level of legal and financial risks as well as the allocation of Group resources (equity, lines of credit, human resources, information technology resources, management resources, etc.). This organisation has the advantage of providing its subsidiaries with quality resources and allowing its subsidiary teams and agencies to concentrate on their specialities. At 31 December 2015, the Group's Residential division had a workforce of 1,754 people, of whom 42 were assigned to projects outside France (25 in northern Italy and 17 in Poland).

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

The Group's Residential 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 subdivision and site development 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 made up of 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 in setting up specialised operations, for marketing, or in technical matters.

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 241 projects under construction at 31 December 2015, 18 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 2013-2015 period:

(in % of total costs)	2015	2014	2013
Land costs	21.4	19.8	19.5
Roads & miscellaneous infrastructure (land development)	4.5	4.0	5.7
Construction work	51.9	52.3	52.4
Fees and insurance ⁽¹⁾	14.7	15.0	14.3
Financing expenses	1.0	1.2	1.1
Marketing and advertising ⁽¹⁾	6.6	7.7	7.0
Total	100.0	100.0	100.0

⁽¹⁾ Including intra-Group fees, which are generally around 10% in total.

For a description of the financing of the Group's projects, see Section 10.2 "Financing".

6.3.1.9 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 4.3.3 "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, 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 signature of the final sales contract.

In addition, the Group obtains ten-year civil-liability 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 4.3.3 "Main insurance agreements").

6.3.2 Commercial real estate

6.3.2.1 Overview of Nexity's commercial real estate business

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 Marseilles. The Group also develops logistics space and, on a more occasional basis, retail premises and hotels.

By acquiring a majority stake in Téréneo (consolidated since 1 January 2015), a wood-frame developer based in the north of France, 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. That has resulted in the implementation of 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 resulted in the setting of targets that often go above and beyond regulatory requirements. For example, since 2013, the Group has set high energy performance targets, with the aim of achieving performance for all new developments at least 10% better than that required under the French RT 2012 energy regulation. At the same time, to ensure that the requirements of NF Bâtiment Tertiaires – HQE[®] environmental certification are taken into account and applied consistently across all projects, Nexity has implemented a quality management system approved by Certivéa to cover all of its commercial developments, thus guaranteeing and optimising its HQE environmental certification.

All office developments delivered in the Paris region in 2015 (98,065 sq.m), excluding Ywood Business and Téréneo wood-frame buildings:

- secured or are in the process of securing dual HQE (rated either excellent or exceptional) and BREEAM (rated very good) certification. It should be noted that the Friedland renovation development (in Paris's eighth *arrondissement*) has also secured LEED certification (rated gold) and is following an Effinergie+ approach;
- 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 terraces that form ideal spaces for social interaction and the development of biodiversity.

Furthermore, almost all developments that were marketed in the Paris region in 2015 or that are in the construction phase aim to achieve at least HQE certification with a rating of excellent and BREEAM certification with a rating of very good.

Speculative investment in the office market made a comeback in 2015, with 28 new projects, compared with 14 in 2014 (source: CBRE). With new orders for commercial space corresponding to 93,300 square metres, the backlog amounted to €487 million in revenue at 31 December 2015, up from €449 million a year earlier.

In 2015, the Group delivered 17 projects totalling about 152,000 sq.m (French *surface de plancher* measure), including 116,800 sq.m of office space and 35,200 sq.m of logistics and other industrial space. A 38,300 square metre office renovation development, for which the Group acted as delegated projet owner, was also delivered in Puteaux-La Défense (Hauts-de-Seine). The Group's commercial real estate portfolio contained 577,100 sq.m of projects underway or in development at 31 December 2015, including 265,300 sq.m of projects being developed as part of the Villes & Projets urban regeneration programme (see Section 6.3.2.4 "Project portfolio").

6.3.2.2 Growth strategy for the Commercial 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,
 - developing 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, and
 - expanding operations in regions other than Paris via specially adapted products (Ywood and Térénéo for timber-frame office buildings);
- 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). Six collaborative workshops have already brought together more than 30 businesses since 2012, looking at a wide range of topics such as users' well-being and comfort, managing expenses, 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.

6.3.2.3 Group products and markets by geography

Office developments

The Group has a leading position on the office real estate market in France, especially in the Paris region, which accounted for 84% of commercial real estate investments in 2015 (source: CBRE).

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 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).

Over the past three financial years, the Group has delivered 199,000 sq.m of new office space in the Paris region, including 42,100 sq.m on land secured through the Nexity Villes & Projets urban regeneration programme. The Group has also delivered 46,300 sq.m of renovated office space in this same region.

Over the same period, 42,100 sq.m of office space were delivered in the other regions of France, including a 9,000 sq.m building in Lille in 2014, bringing Nexity's teams in Northern France together at a single site.

Logistics and industry space

The Group has been developing logistics facilities (warehouses) and industrial parks (production buildings, factories, workshops, laboratories) since 2000. After expanding primarily in and around the Rhone river valley, business in recent years has shifted back toward the Paris region, which accounted for 52% of the 39,800 sq.m of premises delivered over the past three financial years.

Retail premises and hotels

Alongside its office building projects, the Group develops retail and hotel premises for its clients. In 2013, Nexity's investor client DEKA took delivery of 7,900 sq.m of retail space at the Paris Rive Gauche development. In 2014, the Group delivered a 5,500 sq.m. hotel in Strasbourg.

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 those markets where it maintains a presence in connection with its residential real estate development activities.

6.3.2.4 Project portfolio

The Group has a portfolio of 577,100 sq.m of projects underway or at the planning stage, including 265,300 sq.m of long-term value enhancement through its urban regeneration programme (see Section 6.3.5 "Urban Regeneration (Villes & Projets)") and 311,800 sq.m currently in the construction, development or structuring phase in the Commercial 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 2015

(sq.m)	TOTAL	o/w Commercial real estate	o/w Villes & Projets
Offices	313,200	226,050	87,150
Logistics / Industry	246,900	80,050	166,850
Retail / Hotels	17,000	5,700	11,300
Total	577,100	311,800	265,300

The Group has a portfolio of 226,050 sq.m of office projects underway or at the planning stage (excluding urban regeneration projects). Key examples of these projects include:

- co-development, under a "VEFA" off-plan sale agreement, of the View building in Paris's 20th *arrondissement* (22,300 sq.m), with dual HQE (rated exceptional) and BREEAM (rated excellent) certification;
- major redevelopment of the *Magasins Généraux* storehouse facility in Pantin (Hauts-de-Seine) under a "VEFA" off-plan sale agreement, certified HQE (rated exceptional);
- construction of a new office building (40,000 sq.m) in Clichy-la-Garenne (Hauts-de-Seine), with dual HQE (rated excellent) and BREEAM (rated excellent) certification; and
- construction of a new building (8,000 sq.m) for a higher education institution in Puteaux-La Défense (Hauts-de-Seine).

6.3.2.5 Project types

The overwhelming majority of the projects Nexity completes are pre-sold before it purchases the relevant land. 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 MOD (delegated project ownership) projects. These are fee-based consulting services that carry less risk than CPI agreements, in particular because they include no price guarantee. In this context, in 2015 Nexity delivered a 38,300 sq.m office renovation development in Puteaux-La Défense (Hauts-de-Seine).

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 has launched construction projects of this type only on a highly exceptional basis.

6.3.2.6 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.

So as best to control its operational risks, the Group implements a set of basic principles, including:

- 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 6.3.2.5 "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 Finance department and Legal Affairs department, 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 (i.e. it assigns 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:

- sets up any bank financing needed for the project (see Section 6.3.2.9 "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 significantly 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 has no exclusivity policy with any subcontractor or supplier. 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 and their financial and human resources capacity to perform 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 that they are legally compliant.

Environmental management and nuisance prevention

During works, the Group applies "low-nuisance 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 Nexity Immobilier d'Entreprise 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 time.

6.3.2.7 Operational organisation of the Commercial division

Organisation

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. It also includes the development of wood-frame office buildings. Such an organisation enables the Group to segment its offering.

Regional establishments

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 Marseilles help take a hands-on approach to local business development, notably as far as the development of wood-frame office buildings is concerned (Ywood/Térénéo). To find customers and obtain permits, the Commercial division also takes advantage of synergies with the Residential division's regional development subsidiaries, which have denser territorial coverage in France.

6.3.2.8 Partnerships

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.

The Group has developed or is in the process of developing several projects in partnership with Cogedim (Altarea), Icade, Interconstruction, Vinci and Crédit Agricole Immobilier.

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

Of the 344,000 sq.m of commercial real estate delivered in France over the past three financial years, approximately 30% was developed in partnership with other companies.

6.3.2.9 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.

6.3.2.10 Warranties given by the Group

Completion warranties

As part of any project carried out under a VEFA or CPI agreement, the Group provides a completion warranty similar to that required by the regulations applicable to the VEFA off-plan contracts entered into by the Residential division. The ten-year warranty and proper operation warranty also apply to commercial real estate projects (see Sections 6.3.1.9 "Warranties given by the Group" and 6.6 "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, in particular with regard to the following:

- the amount covered by the rental guarantee (rent and charges);
- 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.

6.3.3 Services

6.3.3.1 Overview of the services business

Nexity is a major player in the real estate services sector in France (as well as 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 services, sales and lettings, rental property management), 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 (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 (formerly Keops) 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: as the leading private-sector operator serving the residential needs of young people in France with a market share of 19%¹, Nexity offers solutions under the Studéa brand meeting the specific requirements of undergraduate or graduate students and career starters while managing buildings and providing rental income to investor-owners under long-term leases.

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

At 31 December 2015, the Group's Services business was managing more than 915,100 residential units (including 35,800 outside France), consisting of 180,500 units for which the Group provided rental property management services and 734,600 condominium units for which the Group provided managing agent services, together with 12.2 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: Energy Performance Contract (CPE) for condominiums, Occupancy Cost Guarantee and Energy Performance Guarantee (GPE), and Attractiveness Index for office buildings.

6.3.3.2 Growth strategy for the Services business

For Nexity, 2015 was a busy year in terms of structuring and managing projects:

- in property management, the client portfolio was segmented so as to identify sub-groups of clients with specific expectations and usages for which differentiated offerings have been designed:
 - an "upscale" offering for clients generating substantial rental income from multiple properties, and
 - a 100% digital rental management offering known as *E-gérance* for young urban clients with growing potential;
- in managing agent services, the main challenge was achieving compliance with the ALUR Act on access to housing and new urban planning, in terms of both client offerings and pricing and staff communication and training;

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

- in property sales, a dedicated unit was set up with its own management independent of regional management. Property sales is to become a fully-fledged business operating at its own pace, which differs from that of the property management business in particular;
- numerous digital projects were developed and implemented in 2015. These projects enable Nexity to be a step ahead of the competition, reduce the burden on employees of non-value-added administrative tasks and respond to new client usages; and finally
- the Group continued with its external growth strategy, acquiring a number of firms both in and outside the Paris region, in particular to bolster its property management business.

Since acquiring the residences of Icade Résidences Services in 2012 and rebranding them under the Studéa name, Nexity has consolidated its leading position in the student accommodation market, where it plans to continue to strengthen its presence nationwide by developing a significant number of new residences over the next few years.

The Group's Real estate services to companies division will focus on:

- broadening the range of solutions aimed at companies and investors;
- expanding coverage of the property management market;
- developing an outsourcing solution for the management of real estate assets on behalf of key accounts; and
- responding more selectively to invitations to tender issued by government agencies and quasi-governmental organisations.

6.3.3.3 Real estate services business segments

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.

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 communal 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.

Upgrading 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 gave concrete expression to its commitment by signing the charter in favour of energy renovation for condominium properties, initiated by the *Plan Bâtiment Durable* (Sustainable Buildings Plan).

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

Raising awareness about the importance of energy renovation

To raise the awareness of its clients, for several years now, the Group has carried out an information campaign on energy renovation in condominiums (meetings, posters, brochures, videos, newsletters to condominium boards, etc.). In 2015, Nexity stepped up its communications by creating a dedicated energy renovation page on its website.

Nexity is innovating by developing special tools such as, since 2014, a system for assessing a condominium's energy status. The purpose of this tool, intended for condominiums with shared heating, is to raise the awareness of co-owners about the energy efficiency of their building. It encourages 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 based on only a small amount of information. The tool

generates a didactic summary presenting the energy assessment of the condominium, which is given to the condominium owners.

In 2015, a significant number of analyses were carried out at condominiums managed by the Group, enabling it to compile summary data and communicate, through a reference letter on managing agent services and property management, 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 is renewing its commitment to work with the Paris Climate Agency (Agence Parisienne du Climat — APC) to develop its CoachCopro[®] web platform. This support solution is currently offered to condominiums and condominium managers in Paris and its inner-ring suburbs, and is gradually being extended to other regions of France: the Brest metropolitan area, Burgundy, Upper and Lower Normandy, the Nantes metropolitan area, the Rhône-Alpes region, etc.

Energy efficiency upgrade 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 (awareness-raising, diagnostics, renovation solutions, financing plans, etc.). 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).

Nexity is also involved in the scheduled thermal improvement project for buildings in Paris's 19th *arrondissement*, where it is supporting those affected condominium owners who are interested. Launched by the city of Paris in coordination with the council of the 19th *arrondissement* and the National Housing Agency (Agence nationale de l'habitat), the project, managed by Soliha (Solidaires pour l'habitat – Together for Housing) aims to incentivise and help private homeowners carry out thermal and environmental renovation on their buildings.

Energy Performance Contract

In 2012, on behalf of a condominium in Neuilly-sur-Marne (Seine-Saint-Denis), Nexity signed the first energy performance contract for a private condominium in France, based on a project that won a call for proposals by the French environmental and energy management agency, ADEME.

The objective of the Energy Performance Contract is to deliver a guaranteed 40% reduction in the condominium's heating consumption over a six-year period. In 2013, work mainly concerned the thermal insulation of buildings and the improvement of heating system regulation, earning BBC-Rénovation[®] certification. After one year (2013-14) of operation and piloting of the energy performance guarantee, the results were encouraging: the target 40% reduction in consumption laid down in the contract was exceeded. On the strength of these results, and with the creation of additional apartments in the eaves of one of the buildings (ten new units) and the replacement of an existing boiler with a condensing boiler, an amendment was added to the energy performance contract with effect from summer 2014 containing a commitment to higher energy savings of 45% and a concomitant extension in the term of the contract to ten years. Energy savings on heating over the 2014-2015 season amount to over 46%.

Financing energy renovations

Nexity helps its clients determine which financing solutions are best suited to improving the thermal performance of their properties. To this end, the Group works in close collaboration with banks and is continuing to roll out its partnership with CertiNergy to promote Energy Savings Certificates (ESCs).

This partnership, established in 2012, looks at the energy-saving potential of promoting ESCs when energy renovation works are proposed to condominium owners. In 2015, 207,731 MWhCUMAC¹ were identified, equating to a decline in potential energy savings relative to 2014 (372,335 MWhCUMAC). This decline is explained the almost 50% reduction in fixed energy savings in kWhCUMAC linked to heating renovation work, which are a priority for the majority of condominium owners.

¹ Discounted cumulative megawatt-hours.

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;
- monitoring of regulatory developments and changes in safety standards; and
- guarantees providing protection against any loss of rental income due to tenant non-payment, property damage or vacancy periods.

Lettings

Working in close collaboration with the Group's rental property management teams, this service handles all aspects of the letting process. It includes, in particular, visits by potential tenants, 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 day-to-day living easier for these 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, offering the latter guaranteed rental income over this entire period, and then in turn 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.

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 the real estate assets of institutional investors, 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 the interests of owners:

- 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
- the management of all matters relating to the environmental annex now included in leases under France's Grenelle II Act.

Technical management

The technical management of a building involves adopting a well-planned, structured and comprehensive approach to these issues through the use of Group tools such as PQI (*Plan Qualité Immeuble*, for building quality assurance) and FM'Up (a collaborative tool for the management of service requests, planning and maintenance, regulatory services and controls, the management of counters and other data relating to building operations as well as the sharing of documents). 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 and 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

In order to manage real estate assets well, the safety of both people and property must be guaranteed. 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.

Management of 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 handling formalities and other issues to be addressed before the property can be put up for sale (diagnostics, establishment of condominium status, legal recommendations, etc.),
 - during the selling process itself, in particular by managing relations with current tenants, who constitute the initial pool of potential buyers, and
 - offering units for sale on an individual basis; and
- 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 or collaborative online portals for buildings; and
- 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.

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 in relation to the building's future energy consumption.

In 2013, Nexity signed its first 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 communal areas;
- cleaning of façades;
- upkeep of green spaces; and
- comprehensive insurance.

Nexity's teams have revamped the conventional processes of 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 FM'Up, a collaborative tool developed by Nexity's property management teams. The new version of the tool will allow for the monitoring of meter data, the sharing of documents and the management of 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). Two buildings are currently equipped with these systems:

- Amarante in Saint-Denis (Seine-Saint-Denis), where total savings of 610 MW were achieved in the first 12 months; and
- Tour 1 & B Building, a two-building complex in Puteaux-La Défense (Hauts-de-Seine), where savings achieved over 12 months (2014-2015) totalled €554,819.

Environmental certification

With a view to maximising value and extending the life of portfolio assets managed by the Group on behalf of its clients, certification approaches have become key elements of Nexity's offerings. These approaches ensure better management and usage of commercial buildings, maintaining high levels of both 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 has thus ensured that it is able to meet client expectations by offering specialised solutions tailored to clients' needs and wishes as regards the enhancement of their property value.

In 2015, Nexity worked on in-use environmental certification for eight buildings with a total gross usable floor area of 217,147 sq.m, for which Nexity Property Management was involved in the process of obtaining or maintaining certification.

Two other buildings (with a total gross usable floor area of 33,417 sq.m) are in the process of being transferred to the new version of the *NF HQE™ Bâtiments Tertiaires en Exploitation* standard in order to continue with their certification process.

Collaborative platform to monitor environmental annexes

Nexity offers the collaborative FM'UP Smart Center platform, which centralises and organises the reports of all parties involved (owners, managers, maintenance specialists and users) focusing on obligations resulting from the application 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 (building 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.

6.3.3.4 Operational organisation of the Services business

The main indicators for the Group's Services business at 31 December 2015 are shown in the table below.

31 December 2015	Number of employees	Commercial space managed in sq.m	Number of residential units managed	Of which, under rental management	Of which, condominium units	Number of sales	Number of rentals	Commercial transactions in sq.m
Real estate services to individuals	3,590		862,600	162,800	699,800	4,980	33,970	
Student residences	283		16,700	16,700				
Real estate services to companies	472	12,197,500						
Nexity Conseil et Transaction	131							524,850
Real estate services outside France	139	25,300	35,800	1,000	34,800	50	160	
Total for Services business	4,615	12,222,800	915,100	180,500	734,600	5,030	34,130	524,850

Real estate services to individuals

Property management for individuals

With 3,590 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 activity is carried out under two brand names: Nexity and Oralia.

The Group draws on six key strengths to meet its clients' expectations:

- a strong and professional management team;
- an ability to innovative so as to meet clients' expectations as fully as possible. Such innovation is both technological and organisational;
- transparent client communications, in particular via the leading French 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 MyNexity 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; and
- and a dedicated structure serving large, private investors such as family-owned groups. This structure offers services tailored to each client's circumstances, including budget, cash flow and taxable income simulations, assistance provided by its network of preferred experts, particularly for tax- and banking-related matters, as well as portfolio enhancement and optimisation.

The Group's agencies manage a total of 862,600 residential units in France, for which they provide 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 4,980 sales and 33,970 lettings in 2015.

In the Real estate services to individuals business, 78% of revenue was highly recurrent (47% for Nexity's activities in managing agent services and 31% in rental property management). The remaining 22% was attributable to other business areas, in particular brokerage for sales and lettings. In geographical terms, 37% of 2015 revenue from Real estate services to individuals was generated in the Paris region, with 63% generated elsewhere in France.

Student residences

Under the Studéa brand, the Group is France's leading private operator of student residences, with a market share of 19%.¹ With 283 employees at 31 December 2015, this subsidiary operated 130 residences representing a total of 16,250 units. The Group operates Studéa residences in 59 cities throughout France, together with three facilities in Geneva and Lausanne, Switzerland representing 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 as well as career starters. Four new residences were opened in 2015, in Marseilles (128 units), Bordeaux (123 units), Palaiseau (124 units) and Joinville (93 units).

Real estate services to companies

Property management

At end 2015, Nexity Property Management (NPM) managed properties totalling 12.2 million sq.m in commercial space. The vast majority of assets under management (73%) are office buildings. The rest of the portfolio is composed of business parks, retail space and logistics facilities.

In 2015, 91% of revenue from this business line can be considered highly recurrent since it derived from rental property management and managing agent services. The remainder (9% of revenue) comes from services to occupants and brokerage.

The Group's property management business had 472 employees at 31 December 2015, based mainly 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 (EPIC, public land management agencies, etc.).

The Group is ramping up its construction works business (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 131 employees in France in this business line at 31 December 2015 and completed more than 500 transactions during financial year 2015.

Nexity Conseil et Transaction mainly operates in the Paris region. In this market, sales and lettings totalling 406,400 sq.m (consisting of 258,300 sq.m of office space and 148,100 sq.m of industrial space, shops and other premises) were completed in 2015, representing more than 365 transactions. Nexity Conseil et Transaction also helped its clients place assets totalling nearly €816 million in investments in 2015.

Outside the capital, Nexity Conseil et Transaction has its own offices in Marseilles and Lyon and also operates via two franchises based in Lille and Toulouse.

Real estate services outside France

The Group sold its Swiss 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 16,500 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 77 staff in 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 18,200 condominium units for which Nexity serves as managing agent.

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

6.3.4 Franchise networks

6.3.4.1 Overview of Nexity's Franchise Networks business

Nexity controls two of the leading real estate franchise networks in the French market – Century 21 France and Guy Hoquet l'Immobilier – representing 793 and 413 agencies respectively, equating to a total of 1,206 franchisees at 31 December 2015. In 2015, the 7,302 employees of these two networks facilitated the signing of 53,500 provisional sale agreements.

6.3.4.2 Growth strategy for the Franchise Networks business

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 services offered.

6.3.4.3 Operational organisation of the Franchise Networks business

Century 21 France

At end-2015, the 793 agencies of Century 21 France, the country's leading real estate franchise network, employed nearly 5,702 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.

More than 39,250 provisional sale agreements were signed within the Century 21 France network in 2015.

Naxos develops and distributes software tools, which it supplies to agencies of the Century 21 network.

Guy Hoquet l'Immobilier

The Group holds a 95% stake in Guy Hoquet l'Immobilier, France's third-largest real estate franchise network, with 413 agencies staffed by some 1,600 employees at end 2015.

Some 14,250 provisional sale agreements were signed through the Guy Hoquet l'Immobilier network in 2015.

6.3.5 Urban regeneration (Villes & Projets)

Urban regeneration

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

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

- by conducting preliminary project studies and entering into partnerships with local authorities or major landowners;
- by acting as project owner for major urban planning and regeneration projects; and
- and by coordinating and managing real estate development expertise, particularly for large, complex projects involving a significant mix 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 aspects 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, growing demand on the part of local authorities for land use plans that adhere to the principles of sustainable development.

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, business parks) may, if necessary, also seek out external partners with expertise in certain areas (e.g. urban planners, engineering firms, etc.).

Site planning projects

Once the project has reached an advanced stage, a special purpose entity is created by the Group to acquire land rights, carry out preparatory works and resell construction rights to the Group's real estate development companies.

Major urban projects

Villes & Projets structures complex real estate projects using urban planning tools. In these cases, implementation (project ownership) is left to the relevant development subsidiaries.

Land development potential

The Group is currently developing ten urban projects with total potential floor area of 530,350 sq.m. At 31 December 2015, 70% of these projects were located in the Paris region, with the remaining 30% elsewhere in France.

A total of 64,000 sq.m was marketed in 2015, bringing the amount of space marketed since the founding of Villes & Projets to 784,200 sq.m.

In 2015, the Group acquired land in Le Blanc-Mesnil (Seine-Saint-Denis) in view of eventually developing a mostly housing-based project.

The main portfolio exits in 2015 related to the following projects:

- Asnières-sur-Seine (Hauts-de-Seine): resale of 18,700 sq.m of residential and retail development rights;
- Saint Priest (Rhône) – ZAC Berliet: resale of 22,600 sq.m of residential development rights (including 17,000 sq.m intended for plots to be sold) and 500 sq.m dedicated to the construction of a restaurant within the business park.
- Ermont-Eaubonne (Val-d'Oise): sale of 12,000 sq.m to a third party developer under the terms of developer agreements with the local authority; and
- Montreuil Acacia (Seine-Saint-Denis): marketing of the first residential development rights of the ZAC mixed development zone: 10,200 sq.m.

The following table summarises the programmes in the portfolio:

Name	Locality	Total floor area in sq.m ⁽¹⁾	Floor area in sq.m for residential units ⁽¹⁾	Floor area in sq.m for commercial units ⁽¹⁾
Paris region portfolio				
Alstom site	Saint-Ouen (93)	152,300	97,150	55,150
Quartier de la Gare	Ermont-Eaubonne (95)	9,650	500	9,150
La Friche Guitel	Le Pré Saint-Gervais (93)	7,000	-	7,000
Chemin de Paris	Nanteuil-le-Haudouin (60)	32,700	-	32,700
Asnières PSA	Asnières-sur-Seine (92)	85,000	45,000	40,000
Zac Boissière Acacia	Montreuil (70% share) (93)	62,500	58,550	3,950
Land	Le Blanc-Mesnil (93)	22,000	22,000	-
Subtotal		371,150	223,200	147,950
Other regions of France				
Ilôt Gracias	Joué-les-Tours (37)	6,450	6,450	-
Zac Berliet	Saint-Priest (69)	122,750	10,400	112,350
Docks Libres	Marseille (13)	30,000	25,000	5,000
Subtotal		159,200	41,850	117,350
Total		530,350	265,050	265,300

⁽¹⁾ Floor areas are provided for information purposes only and may be subject to adjustment once administrative authorisations have been obtained.

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 Fouilloisse 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 an environmental assessment, carried out by third party experts, 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, the implementation of remediation. 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 were: most of the work to remove the main pollutants was carried out on site (heavy metals, chromium, chlorinated VOCs, THC, 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.

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). At the PSA ZAC mixed development zone project in Asnières-sur-Seine, 130,000 hours were scheduled for social inclusion purposes, including 4,000 hours for the developer.

6.3.6 Investment activities

6.3.6.1 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.

In June 2015, the Group acquired a 40% interest in the office condominium units of a building located in Boulogne-Billancourt (Hauts-de-Seine), accessible on several floors from the adjoining office building already wholly owned by the Group via SAS Neximmo 89, in connection with a project to reconvert this office space into

residential units. At 31 December 2015, the Group thus held investments in three office development projects in the Paris region, broken down as follows:

Interest	% held	Total usable floor area (sq.m)	Acquisition date	Nature 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 purchase) ⁽¹⁾

⁽¹⁾ VEFA: vente en l'état 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 2015.

6.3.6.2 Management of unlisted real estate investment vehicles (SCPIs) and funds (OPCIs)

On 30 June 2015, Nexity finalised the disposal of its 45% stake in Ciloger (which manages €4.5 billion in real estate assets on behalf of fifteen SCPI real estate investment vehicles invested in retail premises, offices and housing, and thirteen OPCI real estate investment funds) to La Banque Postale.

6.3.7 Innovative businesses in the incubation phase and digital projects

6.3.7.1 Nexity Blue Office

Nexity's Blue Office business, launched in 2014, aims to provide 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.

The Blue Office network consists 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 close to 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;
- located close to residential areas to optimise commuting times and thus help reduce client companies' carbon footprints.

Nexity Blue Office had more than 100 corporate users in 2015, 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.

6.3.7.2 Weroom

Weroom is an online service that helps people find flatmates and provides various associated services (www.weroom.fr). Established in France in 2013, the company expanded into the United Kingdom in 2014 and continued to expand into Germany and Spain in 2015.

6.3.7.3 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).

E-gérance is aimed at lessors of one or more rental properties to be managed, already frequent users of online banking and shopping sites, who want to free themselves from the more time-consuming processes involved in rental property management while maintaining control of relational and financial aspects.

The rental property management experts at *E-gérance* take charge of all accounting, legal and administrative matters relating to the management of rental properties, which require time, accounting and tax expertise as well as a good knowledge of applicable regulations.

For an affordable 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 accounting movements 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.

6.3.7.4 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 6.1.2.2 “Aim of being the leader in digital real estate services”).

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 intends to invest an average of €20 million a year between 2015 and 2018.

6.3.8 Financial interests

As part of the Group’s innovation strategy, Nexity Participations has invested in two FPCIs (a type of French venture capital fund) in order to strengthen its ties to start-ups. The Booster 1 fund is developing an entrepreneurial approach to the financing of innovation, particularly in the digital field (impact of digital technologies on business transformation, smart cities, connected objects, etc.). The Demeter 3 Seed Fund invests in cleantech start-ups operating in the eco-industries and eco-energies sectors.

6.4 COMPANY ASSETS USED AS COLLATERAL

From time to time, in connection with commitments received (bank loans, commitments by signature, etc.), the Group may grant pledges, guarantees and collateral on some of its assets to the institutions involved. Note 35 in the notes to the financial statements, found in Annex 1, details those Group assets that are used as collateral.

6.5 COMPETITION

The Group is one of the only players 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.

6.5.1 Real estate development

6.5.1.1 New homes

Numerous competitors are involved in new-build residential real estate development at both the national and the regional level, with 57% of reservations booked by the top ten companies in 2014. 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 Altarea Cogedim (which operates in the new homes, office space and retail premises markets).

The following table shows the number of reservations booked by the leading residential real estate developers in France in the years indicated:

New homes ⁽¹⁾	2015	2014	2013	2012
Nexity	11,741	10,365	10,121	10,191
Bouygues Immobilier	11,183	11,033	10,340	9,945
Kaufman & Broad ⁽²⁾	6,901	5,871	5,379	5,487
Cogedim (Altarea)	6,011	4,526	3,732	3,197
Icade Promotion	3,999	3,849	3,533	4,295
Vinci Immobilier	4,189	3,321	2,823	2,310
Eiffage Immobilier	3,471	3,231	3,267	2,785
BPD Marignan	NA	2,583	1,868	2,075
Sogeprom	NA	2,359	2,702	2,181
Groupe Pichet	2,500	2,161	1,807	1,729

⁽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 more stringent definition.

⁽²⁾ Financial year differs from calendar year.

Sources: La Lettre du Patrimoine Immobilier-Innovapresse for the ranking of developers for 2012-2014, company releases for data from 2012 to 2015.

6.5.1.2 Subdivisions

Through its subdivisions business (Aménagements & terrains à bâtir), the Group is the number one player in this market, with 2,202 reservations in 2015. Other national players (mainly Capelli, Procvivis 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*).

6.5.1.3 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, Altarea-Cogedim and Vinci Immobilier, with market shares and rankings varying significantly from year to year based on large project starts.

In 2015, with more than 84,800 sq.m of office starts in the Paris region, the Group's market share was 22.2%. 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).

6.5.1.4 Comparison of financial performance by France's leading property developers

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

(in millions of euros)	2015			2014			2013			2012		
	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	2.541	225	2.977	2.100	188	2.325	2.285	204	2.814	2.314	198	2.347
Bouygues Immobilier ⁽¹⁾	2.304	138	2.845	2.775	174	2.895	2.510	178	2.406	2.396	179	2.640
Kaufman & Broad ⁽²⁾	1.063	86	1.366	1.083	74	1.424	1.026	76	1.078	1.030	85	1.110
Cogedim (Altaréa) ⁽³⁾	1.012	77	1.980	822	53	1.332	994	71	1.016	994	98	861
Icade Promotion ⁽⁴⁾	956	38	839	1.246	64	788	1.092	72	784	1.052	68	822

⁽¹⁾ Order intake: reported exclusive of VAT by Bouygues Immobilier. Amount inclusive of VAT estimated by Nexity.

⁽²⁾ Financial year offset from calendar year.

⁽³⁾ Order intake: residential development only for 2012 and 2013 (commercial order intake not reported 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.

6.5.2 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 whose market presence is considerable. 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 or 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 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 (e.g. Optimhome and CapiFrance), offering themselves as an alternative to "traditional" real estate agents.

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 Adyal, Nexity, BNP Paribas Real Estate Property Management, Yxime, Septime, Telmma, CBRE PM and Icade PM.

Nexity is leader in the specific market for student accommodation, far ahead of Réside Etudes, Studélites Résidences BNP Paribas and Club Etudiant OSE.

6.5.3 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, in particular rental property management and managing agent services.

Following a banner year in 2011 (with 805,000 sales brokered), the French market for existing property sales had a challenging year in 2012 amid unfavourable economic conditions, with 704,000 sales (down 12.5%). In 2013, 717,000 existing property sales were completed, up 1.8% (source: Notaires de France). In 2014, the market had returned to 2012 levels with 700,000 transactions (down 2.4%), against a backdrop of economic and tax-related uncertainties, which continued to fuel the wait-and-see attitude adopted by buyers and sellers, with the average level of interest rates for mortgage loans still very favourable for borrowers.

After remaining stable in the first half of 2015 (approximately 700,000 sales on a rolling 12-month basis), the level increased steadily and rapidly from June onwards, suggesting that full-year sales in 2015 could well reach, and even exceed, the 800,000 mark. This would result in a volume close to record levels. At the same time, prices appear to have begun to rise again, especially in cities: although they declined year on year (down 1.9% in the whole of France and 1.4% in the Paris region), in the fourth quarter prices rose 1.9% in the whole of France

and 0.7% in the Paris region. This acceleration in sales reflects the fact that buyers have stopped expecting prices to fall and are thus no longer inclined to wait before buying (source: FNAIM).

According to a study conducted by MeilleursAgents.com between July 2011 and January 2012, nearly 70% of French buyers and sellers sought assistance from real estate agencies from the early stages of their purchase or sale process, indicating that they found them to be more effective overall than services merely connecting buyers and sellers.

Agency networks (number of agencies)	Type	2014	2013	2012
1. ORPI	Cooperative	1,250	1,250	1,250
2. Century 21 France	Franchise	806	818	858
3. Laforêt Immobilier	Franchise	750	750	750
4. Guy Hoquet l'Immobilier	Franchise	436	443	467
5. Era Immobilier	Franchise	350	350	350
TOTAL		3,572	3,611	3,675

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

6.5.4 Urban regeneration

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.

6.5.5 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.

6.6 LEGISLATIVE AND REGULATORY ENVIRONMENT

6.6.1 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.

City 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.

2014 and 2015 were banner years for urban planning reform in France, whether enacted through ordinance or under the new ALUR Act to facilitate access to housing and promote urban renewal:

- the ALUR Act, which was voted in on 20 February 2014, includes a series of measures intended to update urban planning rules, most notably by automatically transferring responsibility for local zoning plans (PLUs) to inter-municipal authorities (making them PLUIs), abolishing POS "land use plans" (converting them into PLUs), eliminating COS "land use coefficients" and minimum area requirements for buildable land, facilitating the division of lots in subdivisions, and updating and safeguarding the pre-emptive purchase right of local authorities in order to increase the availability of land for development;
- the Pinel Act of 18 June 2014 on "trades, retail and microbusinesses" combined urban planning permits with permits to operate a business;

- meanwhile, the Mandon Act of 20 December 2014 “simplifying the life of companies” relaxed the requirement to create parking areas for construction projects located within 500 metres of a railway station or a guided or segregated-lane public transport station;
- a decree dated 30 December 2014, issued in connection with the housing stimulus plan, extended the validity of urban planning permits by a year (from two years to three years). Another decree dated 5 January 2016 further strengthened this mechanism, confirming the three-year validity of building permits and decisions not to object to prior declarations of intent still valid on 6 January 2016, and offering the possibility of two renewal periods, each lasting one year;
- the Macron law of 6 August 2015 pertains notably to building permissions (necessary opinions and approvals), commercial planning procedures and environmental assessments, the terms of public participation and upcoming ordinances;
- the ordinance of 23 September 2015, which amended Book I of the Town Planning Code, implemented by the decree dated 28 December 2015 which updated the regulatory section of the Code; and
- Act No. 2014-58 of 27 January 2014 (the MAPTAM Act), which established two categories of large cities: standard metropolises (qualified as such on 1 January 2015) and expanded metropolises (Aix-Marseille and Greater Paris, qualified on 1 January 2016). Act No. 2015-991 of 7 August 2015 (the NOTRe Act) supplements the MAPTAM Act by specifying the competencies devolved to municipal authorities and in particular the Greater Paris metropolitan area. It also introduced the new concept of “public territorial establishments” (EPTs), which will replace the “public establishments for inter-municipal cooperation” (EPCIs) in the administrative *départements* of the French capital’s inner suburbs. These laws have a direct impact on the context in which the Group operates and across all its business lines, since they involve a transfer of competencies to EPTs and to the Greater Paris metropolitan area, for the preparation of local zoning plans (PLUIs), approaches to urban development, housing policies, etc.

Environment

The Group is also bound by regulations arising from environmental law.

The Group’s activities are governed by a number of provisions of the Framework Act (*loi de programmation*) of 3 August 2009 on the implementation of the Grenelle environmental round table (known as the “Grenelle I” Act) and 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.

In particular, these provisions cover thermal performance in the construction sector, requiring all new buildings to meet low energy consumption criteria from 1 January 2013 onwards and launching a major thermal renovation programme for existing buildings. As far as new buildings are concerned, following the decree and order of 26 October 2010 establishing the “RT 2012” thermal regulations, an order issued on 11 October 2011 clarified the content of certificates confirming compliance with thermal regulations and the completion of feasibility studies on energy supplies for buildings.

With effect from 1 January 2011, advertisements to sell or rent properties state the property’s energy efficiency rating.

Energy performance diagnostics (or energy audits) must now be carried out by end 2016 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).

The Grenelle II Act required businesses with more than 500 employees to carry out an audit of their greenhouse gas emissions by 31 December 2012.

The Group is also bound by applicable provisions on polluted sites and land (see Section 6.3.1.6, “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, from 1 March 2012, a waste assessment must be undertaken prior to the demolition of 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. The French Construction and Habitation Code (Article L. 271-1) grants non-professional purchasers 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 concluded 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 No. 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 home buyers. 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.

Purchasers 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 No. 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 4.3.3, "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 has made it a policy to anticipate and identify the risks associated with its construction projects. It thus takes preventive measures at construction sites to identify risks, inform the different parties involved in work of the potential risks and prohibit companies that it has not approved from accessing the construction sites.

6.6.2 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, calculating charges, etc.).

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 division engage in brokerage operations.

Professionals operating in these roles must comply with the provisions of Act No. 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 No. 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 not complying with this requirement is liable to incur criminal penalties (up to two years in prison and a €30,000 fine) and administrative sanctions and, in particular, to have his or her professional licence revoked, such that he or she is no longer able to carry on the profession.

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

6.6.3.1 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.

On 1 September 2014, the Duflot scheme gave way to the Pinel scheme, still based on the principle of an income tax reduction. The Duflot scheme, introduced on 1 January 2013, was the replacement for the Scellier scheme, which itself replaced the depreciation-based 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 towns: in Département No. 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 No. 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 No. 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 No. 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 No. 95 (**Val-d'Oise**): Enghien-les-Bains;

- Zone A: the rest of the greater Paris area, Lille, Marseilles, 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 between 1 September 2014 and 31 December 2016 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 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 2016:

RENT CEILINGS PER SQ.M 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 these rent ceilings in accordance with local rental markets. Such rent ceiling terms must be set by order of the *préfet*.

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

PINEL (in euros)				
Tenant household criteria	Zone A bis	Zone A	Zone B1	Zone B2
	Income basis for tax purposes (year n-2) after deductions	Income basis for tax purposes (year n-2) after deductions	Income basis for tax purposes (year n-2) after deductions	Income basis for tax purposes (year n-2) after deductions
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 the elderly or disabled; and
- 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. The rate of tax relief is fixed at 25% for investments undertaken in 2009 and 2010. This is reduced to 18% for investments undertaken starting on 1 January 2011 and 11% for those undertaken since 1 January 2012. This is 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 2013 Budget Act, this scheme will remain in force in its present form until 31 December 2016.

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, that ceiling has been set at €10,000 per fiscal year.

Tax relief amounts in excess of the €10,000 ceiling may be deferred over the next five years, but all investments carried out during a given year remain subject to the tax relief ceiling for that year.

6.6.3.2 Financial and tax arrangements intended to favour 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
- and purchase and improvement of an existing home (in a limited number of rural areas).

To qualify for a PTZ interest-free loan:

- 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
- 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, which entered into force on 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):

YEAR 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, depending on the size of the household:

2016 PTZ CONDITIONS: NEW HOMES OR EXISTING HOMES WITH RENOVATION

(in euros)	Zone A - 40%			Zone B1 - 40%			Zone B2 - 40%			Zone C - 40%		
	Income ceiling	Maximum loan amount	Matching home price	Income ceiling	Maximum loan amount	Matching home price	Income ceiling	Maximum loan amount	Matching home price	Income ceiling	Maximum loan amount	Matching home price
Household size												
1 person	37,000	60,000	150,000	30,000	54,000	135,000	27,000	44,000	110,000	24,000	40,000	100,000
2 people	51,800	84,000	210,000	42,000	75,600	189,000	37,800	61,600	154,000	33,600	56,000	140,000
3 people	62,900	102,000	255,000	51,000	92,000	230,000	45,900	74,800	187,000	40,800	68,000	170,000
4 people	74,000	120,000	300,000	60,000	108,000	270,000	54,000	88,000	220,000	48,000	80,000	200,000
5 people	85,100	138,000	345,000	69,000	124,400	311,000	62,100	101,200	253,000	55,200	92,000	230,000
6 people	96,200	138,000	345,000	78,000	124,400	311,000	70,200	101,200	253,000	62,400	92,000	230,000
7 people	107,300	138,000	345,000	87,000	124,400	311,000	78,300	101,200	253,000	69,600	92,000	230,000
8 or more people	118,400	138,000	345,000	96,000	124,400	311,000	86,400	101,200	253,000	76,800	92,000	230,000

Reduced-rate VAT in ANRU and QPV areas

The National Housing Commitment Act 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 depending on the geographical region and family 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.

In addition, for all social housing projects delivered to social housing operators from 1 January 2014 onward, the VAT rate applying to the entire price is retroactively reduced from 7% to 5.5%, regardless of where the project is located.

Framework Act (*loi de programmation*) No. 2014-173 of 21 February 2014 for urban planning and cohesion, known as the Lamy Act, establishes priority city policy 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%.

6.7 SUSTAINABLE DEVELOPMENT

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 digitalisation of exchanges, but also climate change and energy performance, among others. Today, the Group envisions its usefulness to society in the form of three main contributions: making life in cities accessible to everyone, creating optimal and flexible conditions for work in cities, and working to ensure the attractiveness and well-being of communities over the long term.

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 (incubators, start-ups). To promote cohesiveness and unite all employees around the issues involved, Nexity has created and is continuing to develop an internal organisation, a human resources strategy, and methods and tools all designed for excellence in the area of corporate social responsibility so as to give the Group the means to fulfil its commitments to society in an exemplary fashion.

6.7.1 Sustainable development strategy

On the basis of its assessment of the materiality or relevance of its social and environmental risks and opportunities, Nexity was keen to develop and implement its sustainability strategy by devoting particular attention to the nine issues deemed to be the most relevant for its business activities (positioned at the upper right corner of the materiality matrix shown above). All of these issues are of considerable importance both to the stakeholders surveyed and the members of the executive management team, who feel that they have or will have a significant impact on the Group's operations. In the course of this work, Nexity opened an initial dialogue with the key stakeholders of its ecosystem (clients, employees, lawmakers, 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.



6.7.1.1 Development of a materiality matrix to help meet the needs and expectations of the Group's stakeholders

By preparing a materiality matrix, Nexity reaffirms its strategic priorities in terms of corporate social responsibility and identifies emerging issues in order to work jointly with its stakeholders on possible solutions. In this way, the Group recognises the vital interdependence between itself and all of its stakeholders. Created in 2015, this matrix will be updated on a regular basis to reflect any changes. This awareness will allow the Group to improve its management of these issues, the objective being to gradually extend 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 for the prioritisation of issues

- preparation of the project brief (objectives and methodology) with the establishment of an internal steering committee;
- selection of stakeholders in relation to their legitimacy and their critical contributions, on the basis of an in-house mapping procedure;
- review of documentation, both internally (strategic directions, Group culture, etc.) and externally (benchmarking panel of ten firms, regulatory changes, international reference frameworks, press review);
- 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, supplemented by 1,187 questionnaires sent to 12 different stakeholders, including employees;
- analysis of findings and preparation of the definitive materiality matrix (with separate versions for each stakeholder).

Members of the Executive Management Committee were frequently consulted throughout. This cooperative work furthered awareness of the various issues and was a key element ensuring the success of the project, which was completed with the approval of the materiality matrix in its final form by the Executive Management Committee.

Materiality threshold

The matrix revealed nine priority strategic issues corresponding to top expectations communicated by stakeholders and also considered as having 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. The Group is guided by values that also prompt it to focus as well on the other issues classified as non-material, because they may relate to weak signals deserving of attention.

Key lessons of the matrix

An analysis of the matrix reveals the Group's fairly substantial maturity level in relation to sustainability issues, given the positioning of a number of issues on the right side. Nexity is therefore shown to be a company whose senior management is aware of the importance of sustainability issues for its business activities, over the medium to long term. All of the expectations considered as vital by stakeholders are also considered as such by the members of the Executive Management Committee. Nevertheless, a number of areas for improvement were identified, at two levels:

- at Group level:
 - a better ranking of priorities, and

- a strengthened reporting and communication system;
- at the level of operations:
 - a reinforcement of synergies between entities,
 - better assistance provided to users, and
 - offerings developed jointly with clients and better tailored to their needs.

The Group is conscious of its responsibility vis-à-vis these issues, particularly in terms of societal innovation, and thus has every intention of continuing its efforts, reinforcing its management of them by way of operational drivers within each of its business lines. To this end, Nexity will be focusing on raising awareness of these concerns at its subsidiaries beginning in 2016. The nine priority issues and the good level of performance achieved underscore the challenges addressed by the Group today (client relations, new uses, sustainable operations).

In order to support and demonstrate Nexity's usefulness, the added value it offers to society in service of 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:

- making life in cities accessible to everyone;
- creating the conditions for optimal and flexible working arrangements in cities; and
- working to ensure the attractiveness and well-being of communities over the long term.

6.7.1.2 Making life in cities accessible to everyone

Given the steady march of urbanisation, the barriers to home ownership and the ageing of the population, the terms and conditions for access to housing are becoming increasingly restrictive for a growing proportion of households. To make life in cities accessible to everyone, Nexity is working in five areas:

- access to housing;
- social and functional diversity;
- a range of housing solutions for every stage of life;
- control of occupancy costs, with energy-efficient 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 under “Social housing” in Section 6.3.1.3.1 “New homes”).

More generally, through its offering of homes at controlled prices (see under “Keeping construction costs under control” in Section 6.3.1.3.1 “New homes”), the Group facilitates access to home ownership for first-time buyers, who accounted for 25% of its individual clients in 2015. Several programmes marketed in 2015, including those in Nanterre (97 units) and Lille (71 units), were offered at controlled prices. This type of marketing requires specific know-how 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. As an illustration of this approach, the projects at Créteil-L'Échat (Val-de-Marne) and Bagneux (Hauts-de-Seine) for the areas around Greater Paris train stations, contracts won by Nexity in 2015, are mixed-use developments including housing, student accommodations, shops and offices. In Créteil, the programme also includes a childcare centre, a Blue Office co-working space, a car-sharing service and Zenpark shared parking spaces. These developments are integrated offerings bringing together all of Nexity's expertise in terms of innovation for both residential and commercial properties. Through its presence in the ANRU urban regeneration zones, Nexity helps lower-income households find housing that meets their needs, and partners with local authorities for their urban regeneration projects in districts for which an agreement has been reached with the ANRU. Nexity is France's leading private developer in ANRU urban regeneration zones, where it has sold a total of 15,200 homes since 2006, all eligible for VAT at a reduced rate. In 2015, 57% of these Nexity clients were first-time buyers. The Group has also developed 5,443 sq.m of retail space since 2013 in these same zones for its commercial clients (including 772 sq.m in 2015).

An offering of 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 (see under “Homes for every stage of life” in Section 6.3.1.3.1 “New homes”). As the leading private player in the French student housing market, Nexity is mindful of the need to provide quality housing for scholarship and non-scholarship students as well as student accommodation as part of social housing projects. In line with its focus on innovation in service of its clients, Nexity Studéa redesigned its offer of products and services in 2015. The company tested its new approach at a

residence near the Place de la Bastille in Paris, successfully meeting the new expectations of students in terms of conviviality and comfort. With respect to another stage of life, and its associated housing needs, Nexity takes into account the differing levels of autonomy of senior citizens and their financial resources by offering both mixed-age social residences and serviced residences via the developer Ægide, the latter managed by Domitys and marketed under its brand. Nexity's Edenéa residences also provide living opportunities on a human scale. They are well-adapted, comfortable, accessible and located in city centres to prevent the isolation of occupants. The year saw the roll-out of two new Edenéa projects for a total of 128 units. At the same time, the Group also develops innovative solutions for the new shared housing models with, for example, the My Coloc' flats specifically designed for sharing and Weroom, a social networking site for flat shares, house shares and rooms to rent.

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, thus helping to reduce occupancy costs. This is primordial for ensuring the economic security of clients over the long term. 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 under "Energy-efficient renovation" in Section 6.3.3.3 "Real estate services business types").

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). Lastly, with its Sécurité offering, Nexity guarantees these same clients the timely payment of 100% of rental fees.

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 seven of its condominium properties 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 first shared parking operator, and will soon be offering parking space owners in its properties the opportunity to share their spaces for additional uses, thus optimising their costs (see Section 11.1 "Research and development").

6.7.1.3 Creating the conditions for optimal and flexible work arrangements in cities

Concerned with maintaining functional diversity in cities and by the fact that over 40% of available office space is in premises in need of refurbishment and inadequate to satisfy the expectations of users, Nexity is working to bring together the conditions for optimal and flexible commercial 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.

Highly efficient commercial real estate offerings with controlled occupancy costs. Functional diversity within cities and districts is only possible if the price per square metre of commercial space is optimised and if operating costs are manageable. Through its innovative, accessible and ecological construction processes, such as those used for the Ywood and Terénéo lines, Nexity is providing concrete solutions to keep costs under control, for larger firms as well as SMEs (see Section 11.1 "Research and development"). Nexity also has considerable expertise in the renovation of office buildings to improve their longevity and boost their value for investors.

To ensure the sustainability of operations, for corporate users as well as government agencies or quasi-governmental organisations, Nexity has introduced the first overall occupancy cost guarantee including an energy performance guarantee in effect from the delivery of the building (see under "Occupancy cost guarantee" in Section 6.3.3.3 "Real estate services business types").

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. For the past three years, Nexity has taken part in working groups and has organised seminars and workshops with large corporate users to better understand this new user culture (see Section 6.3.2.2 “Growth strategy for the Commercial division”). Nexity has issued a series of publications summarising the topics addressed during these events, made available to its corporate clients.

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 develop Blue Office, a shared office space solution. For its corporate clients, Nexity offers the possibility to implement mobile working or telecommuting solutions in cosy and friendly office environments, located within residential areas, on the outskirts of major urban centres. With this solution, Nexity offers its clients a way to improve the well-being and comfort of employees by decreasing the number of commutes, at the same time helping to reduce crowded conditions in public transport. It can also give rise to a more optimal use of commercial space depending on the needs of users.

6.7.1.4 Working to ensure the attractiveness and well-being of communities over the long term

Through its business activities, Nexity has an impact on the attractiveness of communities. In order to ensure that this impact is a positive one, Nexity is committed to carrying out its developments in observance of the following five priorities:

- making a conscious choice to promote accessibility;
- urban regeneration activities for which Nexity has built particular expertise in the rehabilitation of polluted sites and land;
- functional diversity / diversity of uses at the level of a block of buildings or an entire district;
- responsible approaches to protect and strengthen communities (comfort, well-being, resources); and
- high-performance buildings.

Making a conscious choice to promote accessibility. Nexity works mainly in areas already served by public transport in order to limit urban sprawl and help build tranquil cities and neighbourhoods. The Group conceives new districts by facilitating innovative concepts for parking as well as alternative modes of transport. Nexity thus offers its clients the possibility to get from point to point more responsibly and economically by encouraging multimodal transport.

Urban regeneration activities. 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 the management of 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 these districts evolve successfully and remain attractive for years to come.

Rehabilitation of polluted sites and land. 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.

Functional diversity / diversity of uses at the level of a block of buildings or an entire district. Owing to its strong presence in districts targeted for urban regeneration (see under “ANRU zones” in Section 6.3.1.3.1 “New homes”), Nexity seeks to integrate these communities successfully into the rest of the city, by developing programmes that combine functional diversity and diversity of uses across a block of buildings. Apart from its input as an urban planner, Nexity’s role in strengthening social ties is often recognised. For example, the Group won the Social Cohesion Prize presented by the Provence-Alpes-Côte d’Azur chapter of the Institut du Mécénat de Solidarité (IMS), a French humanitarian and social welfare organisation, at the fourth Diversity Charter Awards held in 2014. This prize recognised the Residential real estate teams for the high quality of their achievement with the Docks Libres project in Marseille. A genuine community approach was taken to include local residents and get them to participate in the project.

Responsible approaches to protect and improve quality of life in communities (comfort, well-being, resources). The preservation of local biodiversity is a necessary prerequisite for any construction project. Apart from this preliminary focus, Nexity also works to reintroduce nature into cities through urban agriculture projects, the planting of vegetation or the installation of bee hives within its property development programmes.

During the construction phase, to ensure the comfort of local residents, Nexity’s wide application of the principles laid down in the Group’s Environmentally Responsible Construction Sites Charter helps to minimise

the impact of construction sites in terms of noise, water, air and soil pollution and promotes social integration (see under “Environmentally responsible construction sites” in Section 6.3.1.6 “Project procedures and risk management”).

Nexity seeks to reduce the consumption of energy and other resources in communities by exploring circular economy solutions at the level of a block of buildings or an entire district. For example, in the event of demolition, the Group takes care to recycle waste and used materials on the site or at sites nearby, thus limiting the use of transport in the local area (see under “Environmentally responsible construction sites” in Section 6.3.1.6 “Project procedures and risk management”). 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 (see Section 11.1 “Research and development”).

High-performance buildings. In all the areas where it operates, Nexity’s buildings offer a high level of energy performance and superior indoor air quality. All of Nexity’s properties in France meet the 2012 energy regulation (RT 2012) while a number of programmes aim for even higher performance levels (see under “High-performance and healthy buildings” in Section 6.3.1.3.1 “New homes”). The Group’s approach leads it to favour innovative and efficient construction procedures rather than sophisticated equipment, thus meeting both the comfort objectives of users over the long term and the need to keep occupancy costs under control (see under “Energy-efficient and low-carbon buildings” in Section 6.3.1.3.1 “New homes”).

6.7.2 CSR performance in keeping with Nexity’s leadership role

Nexity’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, social and environmental performance. Given the growing expectations of stakeholders, who are demanding ever greater transparency, the Group wanted to move beyond the mere assessment of conformity to further enhance the relevance of its reporting. Nexity also participates in think tanks and working groups (C3D, OID, AFNOR, BBKA, etc.) on sustainability issues in order to be an active and practically oriented stakeholder. Guided by its materiality matrix, developed for the first time in 2015, Nexity intends to better meet the needs and expectations of its stakeholders. The Group wishes to promote a better alignment of its CSR processes with strategic issues to serve its economic performance over the long term. Furthermore, the Group considers its employees as essential stakeholders for the success of this project. Lastly, the Group also lives up to its environmental responsibility by putting in place concrete actions aimed at reducing its greenhouse gas emissions.

6.7.2.1 CSR governance

The Group’s principles of good governance are detailed in Section 16 “Operation of administrative, management and supervisory bodies”.

The Sustainable Development and Strategic Marketing departments were merged in 2015. The joining of these two departments reflects the integration of sustainability concerns within the business lines. The two functions collaborate on the development of innovative products and services that are more environmentally and socially responsible.

The department’s 15-member team includes four specialists in CSR and sustainable development.

6.7.2.2 An approach to CSR serving economic performance over the long term

Business ethics and client relations

Ethical concerns are primordial for Nexity as they are key to maintaining confidence and necessary for the building of healthy and 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: www.nexity.fr).

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.).

Innovation and joint projects with partners (see Section 11.1 "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 (VINCI Energies, Setec, Suez and Cisco) to work on DataCity, an experimental incubation programme initiated by NUMA (an accelerator for start-ups linked to digital innovation) and the city of Paris. DataCity is aimed at entrepreneurs already working on smart city projects and seeks to solve urban problems through the use of big data (new mobility solutions, natural resource management, involvement of residents, etc.). In December 2015, Nexity took part in several meetings that identified four main areas of interest as well as a number of possible lines of research to be pursued in order to respond to the call for project proposals issued on 7 January 2016: energies and fluids, the environment, mobility and public spaces. Five projects will be selected in late February 2016 for the first year of the programme, receiving two weeks of incubation assistance as well as a grant. The programme will come to an end in May 2016 with a presentation of the work carried out and any future plans on the basis of the experiments.

Following the success of the first Nexity Innovation Awards in 2014 for "Well-being and quality of life in buildings", in 2015 Nexity joined forces with AG2R La Mondiale, Sodexo and Suez Environnement to create the Happy City Awards for "Well-being and quality of urban life". Through this initiative, the award partners are encouraging the emergence of innovative and responsible solutions to promote civic well-being. This approach addresses the challenge of creating smart, diverse and intergenerational communities that protect the environment and human health. The multidisciplinary jury, chaired by Jean Jouzel, Vice President of the IPCC, which was awarded the Nobel Peace Prize in 2007, chose four winners, each of whom received a €10,000 grant and one year of assistance. Nexity's "Well-being and quality of life in my building" trophy was awarded to Stimergy, for its system recovering waste heat from data centre servers to be used in conjunction with centralised domestic hot water production in buildings.

In late 2015, Nexity also entered into a partnership with Paris&Co and the city of Paris, alongside other industry players, including Gecina, Icade and Altaréa-Cogedim, for the creation of an innovation platform built around an incubator programme to promote the sustainable city. This hybrid platform aims to accelerate the development of innovative solutions to build tomorrow's cities, in recognition of the key role they play in climate change adaptation. Backed by a network of over 600 start-ups, Paris&Co is opening its ecosystem to large companies, thus allowing them to discover technologies and establish business partnerships with these start-ups.

Valuation of 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 are increasingly guided by 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): in a demonstration of its commitment to fighting climate change, Nexity has chosen to participate in CDP since 2011. In 2015, the Group's carbon policy once again received recognition and made further progress, achieving the following scores:

- 98 out of 100 (2014: 94/100) for the transparency, completeness and quality of the Group's response on its greenhouse gas emissions; and
- and B (on a scale from A to E) for the effectiveness of the Group's actions to attenuate and adapt to climate change.

Nexity thus ranks eighth out of 24 in the "Banking, insurance, real estate and financial services" category and has risen above the average C rating for its category by improving its transparency score. In 2016, the Group intends to formally set out a low-carbon strategy at the corporate level and in all its business lines in keeping with its commitment to reduce its greenhouse gas emissions. Quantitative targets will be defined. The CDP is a consortium of over 822 institutional investors with nearly \$95 billion in assets worldwide. It contributes to improving the quality of information reported by companies, in particular by creating a worldwide database of greenhouse gas emissions. The CDP's aim is to guide these institutionals in their investment decisions by providing information on the consequences for companies of doing business in a carbon-constrained world affected by climate change.

Gaia Index: Nexity's proactive approach to sustainable development allowed the Group to maintain its inclusion in the Gaia Index for the fifth consecutive year in 2015. Nexity ranked 14th (2014: 23rd) of the 70 companies

selected from a total of 230 surveyed. This index ranks French listed companies (mid- caps) on the basis of their sustainability commitments.

6.7.2.3 Commitments to employees

Because employee well-being is primordial, Nexity aims to guarantee the best possible working conditions for all its staff. Quality of life at work is thus a top priority for the Group, which also undertakes to raise awareness of CSR issues among employees and to offer related training in order 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.

In order to alleviate the difficulties experienced by 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 (20-30 places per year).

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 6.3.7.1 "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:

- a sustainability e-learning module has been offered since 2013 to raise every employee's awareness of social and environmental issues in real estate, and to unite people around the Group's sustainable development policy;
- 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.); and
- and newly recruited staff are introduced to the Group's sustainable development culture through the sustainability e-learning module, which forms part of their induction process.

In 2015, at the time of the COP21 UN conference on climate change, Nexity aimed to make its employees aware of the challenges of climate change by presenting them concrete actions testifying to its commitment. Throughout the duration of the event, employees were able to discover innovative offers developed by Nexity in the fields of eco-friendly design, use, renovation and operation. An event was also provided for employees at the head office. Workshops with employees were organised over a day with the aim of repairing their household appliances that would otherwise have been thrown away. This initiative, offered by Repar'tout, aims to help change consumption methods and forge social ties.

On a more recurring basis and in order to introduce its staff to paperless processes, Nexity offers employees a digital payslip service with a free digital safe. For every employee that switched to the digital format, Nexity pledged to plant a tree in the Indonesian mangrove in partnership with Planète Urgence. In 2015, 2,520 staff members, or 36% of headcount, signed up to this offer.

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/RT 2012 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 (see "Low-carbon buildings" in Section 6.3.1.3.1, "New homes"); and
- 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). Nexity plans to update this module in 2016.

Apart from sustainability training, Nexity has offered a training course since 2011 with the aim of developing the employability of staff (see Section 17.2.3 “Encouraging and furthering professional development for every employee”). A total of almost 70,000 training hours were delivered in 2015 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.

In order to round out the Group’s comprehensive training offerings and allow its employees to obtain professional certification as a validation of acquired skills, the VAE professional experience accreditation scheme was renewed in 2015 for six employees with three diplomas (“Assistant Manager”, “Real Estate Professions” and “Programme Manager”). Eligible employees may obtain professional certification after three years of experience (see Section 17.1.10 “Training”).

Relations with educational institutions

In 2015, Nexity took advantage of numerous opportunities to meet and exchange with students. The Group thus took part in various recruitment events for positions in property development and real estate services, such as the Forum Entreprises organised by the three campuses of the Institut de Gestion Sociale (IGS), Salon des Métiers de l’Immobilier (the leading French job fair for the real estate professions), speed-networking events organised by the École Supérieure des Professions Immobilières (ESPI) and Forum ETP organised by the École Spéciale des Travaux Publics (ESTP).

In addition to its long-standing partnership with the École Supérieure des Professions Immobilières (ESPI), Nexity has launched a mentoring programme for 14 students from the class of 2017 at the École Spéciale des Travaux Publics (ESTP). Nexity is also a partner of the École des Affaires Urbaines, a new division of Sciences Po. In another initiative, the Group’s subsidiary Nexity Services immobiliers aux particuliers has entered into an agreement to offer training in managing agent, brokerage and rental property management services to a group of selected students from the Institut du Management des Services Immobiliers (IMSI), which is affiliated with IGS.

Nexity has also been working with non-profits “Télémaque” and “Nos quartiers ont des talents” (“Local talent”) to take action to promote equal employment opportunities by mentoring students and recent graduates.

Lastly, Nexity supports the Campus Responsables initiative launched in 2007, the first French network of universities, business and engineering schools committed to sustainable development, and in particular its Green Gown Awards, administered in partnership with the Environmental Association for Universities and Colleges (EAUC). These awards recognise exceptional actions being undertaken by network members to integrate sustainable development into the programmes of educational institutions and the management of their infrastructure. As a partner of these Awards, Nexity lends logistical support and offers workshops on housing at the educational institution selected as the winner in the “Quality of student life” category as well as advice to the institution on its housing assistance policy.

Partnerships with non-profit organisations

RecycLivre. For the last five years, Nexity has joined forces with the eco-enterprise RecycLivre to organise collection drives for used books, CDs, DVDs, LPs, video games, etc. Resale proceeds fund programmes and are donated to organisations that work to eradicate illiteracy, promote access to culture for everyone and safeguard resources. Since the start of this partnership, 557 books have been collected and 487 of them have been sold.

Fondation Hôpitaux de Paris. For the first time in 2015, the Guy Hoquet l’Immobilier network took part in the “Pièces Jaunes” campaign in favour of hospitalised children organised by the Fondation Hôpitaux de Paris-Hôpitaux de France. The first real estate network to sign up as a partner for the campaign, Guy Hoquet l’Immobilier is committed to bringing families together and is helping parents to find accommodation so as to be closer to their hospitalised children. Guy Hoquet l’Immobilier has invested in this initiative by supporting the creation of reception and accommodation structures near hospitals: parent resource centres, rooms shared by parents and children, family areas. The network has also pledged to donate €100,000 to the Foundation.

UNICEF. Since 2002, Century 21 France has worked with UNICEF’s “Child-Friendly Schools” programme, whose objective is to ensure access to education for young children in more than 150 countries, thus helping them survive and thrive. By contributing €21 from each transaction completed by a Century 21 agency, and by ordering greeting cards, a total of €1,323,981 has been donated to UNICEF since the start of the partnership.

Local organisations. In 2015, for the third consecutive year, the Century 21 agency network organised toy collection drives on behalf of local organisations working to brighten the lives of hospitalised or disadvantaged children. Thanks to the involvement of more than 555 Century 21 agencies, a total of 412,924 new and second-hand toys were collected.

6.7.2.4 Environmental and climate initiatives

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 operations, the Group takes into account their locations and the potential to maximise their energy performance. Beginning in 2014, the Group proceeded with a plan to relocate staff from its main sites, grouping them at more energy-efficient buildings in Paris, in the Nord department and in the Provence-Alpes-Côtes d'Azur (PACA) region. This initiative has resulted in a significant reduction in greenhouse gas emissions.

Also in 2014, the Group relocated its head office to a 24,500 sq.m building in the centre of Paris that meets the highest standards for environmental performance. These offices are certified to NF Bâtiments Tertiaires – Démarche HQE® as well as LEED Gold level and also comply with the requirements of the BBC-Effinergie® label (new-built and refurbished space). It is ideally located in the heart of the city's business district and close to a major transport hub, the Saint-Lazare train station. More than 1,000 employees work at this site. In the same year, Nexity's teams working in the Nord department of France were relocated to a new 9,000 sq.m building in Lille, certified to both NF HQE® Bâtiments Tertiaires and BBC Effinergie for high environmental performance. Ideally located near the Euralille business district, the site is close to train stations and the area offers many other amenities.

In June 2015, along the same lines, Nexity inaugurated its new head office for the PACA region at the heart of Marseille's Dock Libres district, bringing all personnel of six subsidiaries together at a single site and thus delivering efficiency gains. This move is the embodiment of the Group's commitment to the city of Marseille, within an area currently the focus of a vast urban regeneration project. The new head office for the PACA region is France's tallest timber-frame office building, offering 3,600 sq.m of space over seven storeys, with nearly 150 employees working on the premises. Achieving both very good energy performance (38% below the maximum energy consumption permitted by the RT 2012 energy regulation) and an excellent carbon footprint, the building is part of a larger complex creating a link between an existing urban area undergoing transformation (Saint-Mauront district) and the nascent new city within the city (Euroméditerranée). It successfully combines innovation, joint construction, and social and functional diversity.

Greenhouse gas 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 greenhouse gas 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 establishments.

Nexity has been measuring greenhouse gas emissions at all of its administrative sites since 2009. In 2012, the Group voluntarily submitted to Article 75 of the "Grenelle II" Act by publishing its first review of greenhouse gas emissions across all of its French operations (even though it was only under a legal obligation to do so in respect of Nexity-Lamy). This assessment highlights the Group's exemplary approach: given the Group's activities, the real challenges in terms of greenhouse gas emissions mainly concern emissions produced by its products and services.

Assessment scope. The volume of greenhouse gases emitted by Nexity is assessed across more than 300 Group sites in operation in France as at 1 January of the reporting period (see Annex 5.1 "Note on methodology concerning workforce, environmental and social information"). Greenhouse gas emissions assessments help Nexity target the elements that produce the most carbon emissions in order to better adapt its actions and minimise its environmental impact. Starting with its first review completed in 2009, Nexity has taken concrete action to reduce this impact; these measures, implemented each year, have enabled the Group to significantly reduce its greenhouse gas emissions. In 2015, greenhouse gas emissions amounted to 13,771 tonnes of carbon dioxide equivalents (tCO₂eq), thus decreasing by 3% per employee compared with 2014 (12,955 tCO₂eq). Nexity is now committed to further reducing its greenhouse gas emissions, and will be setting quantitative reduction targets in 2016.

6 BUSINESS OVERVIEW

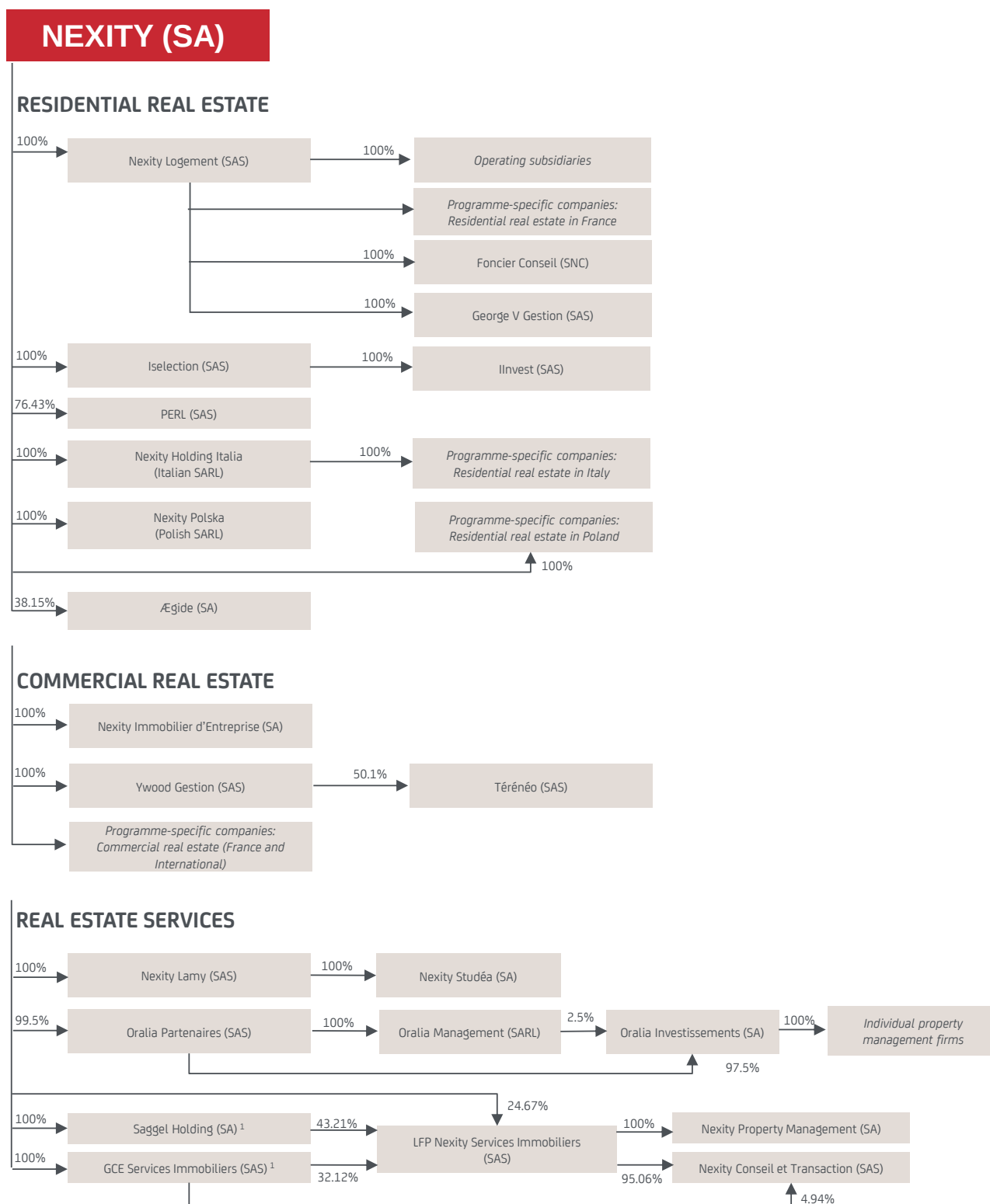
Sustainable development

DIRECT GREENHOUSE GAS EMISSIONS

Emission source	Tonnes of CO ₂ equivalent		Comments
	2015	2014	
Direct greenhouse gas emissions			
Direct emissions by fixed sources of combustion (natural gas and heating oil)	252.33	205.52	Only the sites within the scope of reporting are concerned
Indirect greenhouse gas emissions			
Electricity	1,182.80 (0.192 per employee)	1,022.08 (0.182 per employee)	Oralia sites and subsidiaries included in scope
Steam	208.07	201.24	
Other indirect emissions			
Paper and consumable office supplies	1,311.52	1,309.39	Stable consumption despite an increase in the Group's workforce
Recycled wastepaper	2.51	2.84	
Business travel	4,983.66	4,424.67	Increase in activity and exemptions from travel policy
Commuting	5,830.04 (0.945 per employee)	5,788.99 (1.030 per employee)	Including data from Oralia and its subsidiaries
TOTAL DIRECT AND INDIRECT EMISSIONS	13,770.93 (2.23 per employee)	12,954.73 (2.31 per employee)	+6.3% -3.1%

7 ORGANISATION CHART

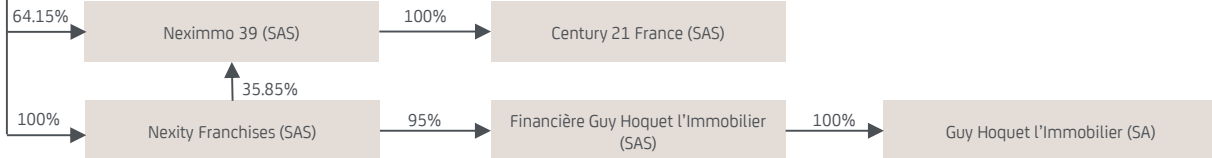
Below is an organisation chart covering the Company's main subsidiaries (showing the percentage of capital held) at 16 February 2016. A list of the main consolidated companies is provided in Note 39 to the Group's consolidated financial statements, set out in Annex 1.



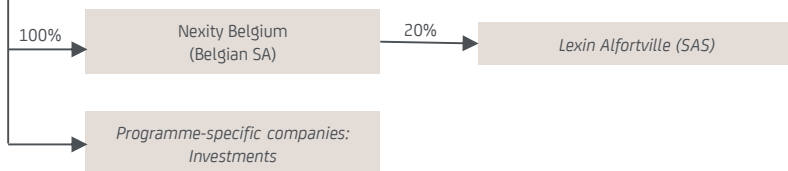
¹ These companies were the subject of a decision to undertake a universal transfer of assets in the first quarter of 2016.

NEXITY (SA)

FRANCHISE NETWORKS



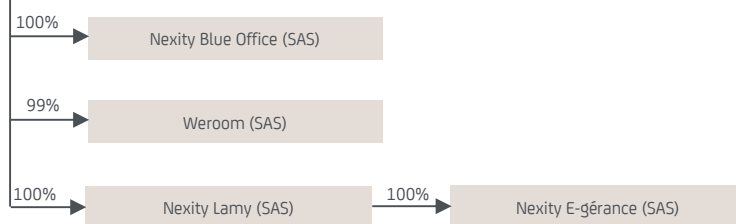
INVESTMENTS



URBAN REGENERATION



INNOVATION VENTURES



FINANCIAL INTERESTS



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. 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 Annex 2 of this Reference Document, entitled "Statutory Auditors' Special Report on Regulated Agreements and Commitments".

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 21.1.9 on the description of conditional or unconditional options or agreements regarding the capital of any Group member.

8 REAL ESTATE OWNED

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8.1 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 2015, 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)	2015
Residential real estate	7.1
Commercial real estate	0.1
Services and Distribution Networks	26.1
Other activities	14.1
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 unlikely 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.

8.2 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 6.7 "Sustainable development", 6.6 "Legislative and regulatory environment" and 4.2 "Risks associated with the Group's business activities and industry".

9 FINANCIAL POSITION AND PERFORMANCE

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9.1 OVERALL INTRODUCTION TO THE GROUP

9.1.1 General introduction to the Group's business activities

Nexity is France's leading integrated real estate 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, major urban projects) and enjoys a strong presence across all industry cycles (short, medium and long).

The Group serves three types of clients: individuals, companies and investors, and local authorities. 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 programme 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 range of managed residences (for students or seniors) and a full complement of services (property management, sales of real estate assets, operation of serviced residences);
- for companies and investors, this involves a range of commercial properties (office space, high-rise buildings, logistics space, business parks, retail premises, hotels, etc.), sustainable rehabilitation solutions for existing office buildings, a selection of residential buildings for professional landlords, a full complement of services (property management, building operations, real estate advisory and brokerage services) as well as a co-investment offering; and
- for local authorities, this includes serving as a partner for the design and execution of major urban projects or large-scale urban regeneration schemes.

Furthermore, the Group coordinates two networks of real estate franchise agencies: Century 21 France and Guy Hoquet l'Immobilier.

The Group has a diversified client base and operations throughout France, with a particularly strong position in the Paris region. It also operates elsewhere in Europe (Italy, Poland, Belgium, Switzerland), where it generated 2% of its revenue in 2015.

For the purposes of presenting financial and segment 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 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 and Distribution Networks, 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, the holding company and financial interests.

9.1.2 Key figures for financial year 2015

The financial data and indicators presented in this document are drawn from Nexity's operational reporting with joint ventures proportionately consolidated.

Business activity

- Residential real estate: 14,235 net new home and subdivision reservations (11,741 new homes in France, up 13%) and €2,493 million in expected revenue from reservations including VAT (up 19%);
- Commercial real estate: order intake of €403 million (versus an initial target of at least €200 million);
- Real estate services to individuals: continued improvement in margin on property management (8.5% in 2015 versus 7.6% in 2014 and 4.1% in 2013); and

- Backlog at 31 December 2015: €3.3 billion, stable from 2014 (16 months' revenue from development activities).

Financial performance

- Consolidated revenue of €3.06 billion, up 16.2% year-on-year (initial target of around €2.75 billion);
- Current operating profit of €220 million (initial target: €200 million). Margin slightly up (7.2% in 2015 versus 7.0% in 2014);
- Group share of net profit of €123.5 million, an improvement of 3.5x from 2014; and
- Net debt of €102 million at 31 December 2015 (€167 million at year-end 2014).

The Group's consolidated financial statements are prepared in accordance with IFRS (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 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 Reference Document are based on operational reporting data.

The following condensed tables show the Group's consolidated financial statements with joint ventures proportionately consolidated, in millions of euros, for the financial years ended 31 December 2013, 2014 and 2015.

Annex 1 "Consolidated financial statements at 31 December 2015" provides tables showing the reconciliation with IFRS.

Consolidated statement of financial position (operational reporting)

ASSETS			
(in millions of euros)	31/12/2015	31/12/2014	31/12/2013
Non-current assets			
Goodwill	1,148.8	1,115.9	917.1
Other intangible assets	61.4	61.3	45.3
Property, plant and equipment	49.0	41.4	24.6
Equity-accounted investments	10.3	27.5	26.9
Other financial assets	40.3	28.9	20.3
Deferred tax assets	10.0	5.9	4.7
Total non-current assets	1,319.8	1,280.9	1,039.0
Current assets			
Inventories and work in progress	1,431.0	1,387.1	1,357.6
Trade and other receivables	411.7	368.6	342.6
Tax receivable	8.6	12.4	0.5
Other current assets	1,101.5	1,048.3	828.7
Other financial receivables	20.4	22.0	12.8
Cash and cash equivalents	837.1	678.2	605.7
Total current assets	3,810.3	3,516.6	3,147.9
TOTAL ASSETS	5,130.1	4,797.5	4,186.9
LIABILITIES AND EQUITY			
(in millions of euros)	31/12/2015	31/12/2014	31/12/2013
Equity			
Share capital	270.9	270.9	267.9
Additional paid-in capital	887.9	1,036.3	1,039.3
Reserves and retained earnings	296.8	215.8	204.7
Net profit for the period	123.5	35.7	100.1
Equity attributable to equity holders of the parent company	1,579.1	1,558.7	1,612.1
Non-controlling interests	2.3	20.1	20.7
Total equity	1,581.4	1,578.8	1,632.8
Non-current liabilities			
Long-term borrowings and financial debt	632.0	626.8	211.4
Employee benefits	28.5	30.7	25.9
Deferred tax liabilities	39.5	32.3	15.8
Total non-current liabilities	700.1	689.9	253.1
Current liabilities			
Short-term borrowings, financial and operating liabilities	327.8	240.0	155.0
Current provisions	101.1	99.1	94.8
Trade and other payables	772.4	741.0	746.1
Tax payable	0.5	13.1	12.1
Other current liabilities	1,646.8	1,435.6	1,293.0
Total current liabilities	2,848.6	2,528.8	2,301.0
TOTAL LIABILITIES AND EQUITY	5,130.1	4,797.5	4,186.9

Consolidated income statement (operational reporting)

(in millions of euros)	31/12/2015 12-month period	31/12/2014 12-month period	31/12/2013 12-month period
Revenue	3,057.1	2,631.9	2,737.2
Purchases	(2,085.7)	(1,723.6)	(1,866.7)
Personnel costs	(476.2)	(452.6)	(417.5)
Other operating expenses	(219.6)	(218.0)	(209.8)
Taxes (other than income tax)	(30.8)	(34.8)	(35.8)
Depreciation, amortisation and impairment	(24.7)	(19.3)	(14.9)
Current operating profit	220.1	183.7	192.4
Goodwill impairment	-	(50.0)	-
Operating profit	220.1	133.8	192.4
Financial expense	(30.6)	(24.4)	(18.7)
Financial income	10.3	7.8	11.6
Net financial income/(expense)	(20.3)	(16.6)	(7.2)
Pre-tax recurring profit	199.8	117.2	185.2
Income taxes	(73.7)	(78.9)	(78.0)
Share of profit/(loss) from equity-accounted investments	(0.5)	0.8	(1.4)
Net profit/(loss)	125.6	39.1	105.9
Attributable to equity holders of the parent company	123.5	35.7	100.1
Attributable to non-controlling interests	2.0	3.4	5.8

Consolidated statement of comprehensive income (operational reporting)

(in millions of euros)	31/12/2015 12-month period	31/12/2014 12-month period	31/12/2013 12-month period
Net profit/(loss)	125.6	39.1	105.9
Total other comprehensive income (net of tax)	2.2	0.9	3.4
Total comprehensive income	127.7	40.1	109.3
Attributable to equity holders of the parent company	125.7	36.7	103.5
Attributable to non-controlling interests	2.0	3.4	5.8

Consolidated statement of cash flows (operational reporting)

(in millions of euros)	31/12/2015 12-month period	31/12/2014 12-month period	31/12/2013 12-month period
Cash flow from operating activities after financial and tax expenses	148.9	116.9	133.2
Change in operating working capital (excluding tax)	87.0	(79.1)	(55.9)
Change in tax-related working capital and other	4.2	0.1	(17.6)
Net cash from operating activities	240.1	37.8	59.7
Net cash from/(used in) financial investments	0.3	(195.6)	(8.2)
Net cash from/(used in) operating investments	(19.6)	(29.3)	(17.4)
Net cash from/(used in) financing activities	41.1	360.3	167.4
Dividend paid by Nexity SA	(108.4)	(108.1)	(106.6)
Change in cash and cash equivalents for the period	153.5	65.1	94.8

9.1.3 2015 real estate market developments

The Group's operations in 2015 were set against the backdrop of a recovering market: after 87,000 net reservations in 2014, the market grew by 18% in 2015, with the General Commission on Sustainable Development reporting 102,500 reservations, equal to the market average for the past ten years (102,500 reservations).

This upturn was mainly driven by sales to individual investors due to the significant impact of the Pinel buy-to-let investment scheme, more favourable than the previous scheme it replaced. It was more pronounced outside Paris than in the Paris region, given that the maximum Pinel rents were not reviewed. Conversely, in spite of a slight increase in mortgage rates (though they remained low, averaging 2.21% at end-December 2015) and a sharp rise in household confidence (to 96, up from 90 a year earlier, according to INSEE), first-time buyers continued to pull the market down, with household solvency still hampered by the economic climate. The significantly improved conditions for "PTZ" interest-free loans, effective 1 January 2016, should help boost this segment.

According to an initial CBRE estimate, transaction volumes in the Paris region's commercial investment market totalled €23.4 billion in 2015 – a figure that should increase further once year-end transactions are factored in, resulting in growth relative to an already excellent 2014. With transactions currently totalling €9 billion over the last three months, the end of 2015 already registers as the best quarter ever, beating the previous record set in the fourth quarter of 2014. Unlike the previous year, this performance was achieved without reliance on mammoth transactions in excess of €500 million (of which there were only three, compared with seven in 2014). Moreover, in a positive sign for the market, the traditional core segment of intermediate transactions (€100-200 million) continued to grow, accounting for 28% of transactions in 2015, compared with 20% in 2014. There was also a sharp upturn in transaction volumes involving retail premises: with €4.3 billion invested, 2014 was the second-best annual performance in volume terms, after a record 2014 that was difficult to repeat. At the same time, the market for off-plan (VEFA) office space stagnated at €2.2 billion, and even shrank in terms of contracted surface area; however, speculative investment volumes almost doubled, with 28 deals (including 14 new builds), compared with 14 in 2014 (source: CBRE).

Take-up in the Paris region in 2015 (2.2 million sq.m, up 1% year on year) improved slightly, especially in the fourth quarter, thanks to strong performance in transactions below 5,000 sq.m (the best performance since 2007) and a surge in transactions in excess of 5,000 sq.m (though these continued to trail significantly, with volumes at their second-lowest level for ten years). This level should be seen in the context of the improvement in economic growth and confidence, even though these are still constrained and fragile. The majority of moves were driven by a desire to optimise space, with extensions remaining few and far between. Immediate supply in the Paris region declined 3% year on year to 3.9 million sq.m, with an average vacancy rate of only 6.9%. Furthermore, incentives offered by owners to encourage the signing of new leases (in particular, rent-free periods) continue to be widely used and accounted on average for 20% of the headline rent for deals of more than 1,000 sq.m in the third quarter of 2015 (source: CBRE).

After remaining stable in the first half of 2015 (about 700,000 sales on a rolling 12-month basis), the level of sales in the market for existing properties increased steadily and rapidly beginning in June, such that full-year sales for 2015 may well reach, and even exceed, the 800,000 mark. This would result in a volume close to record levels. At the same time, prices appear to have begun to rise again, especially in cities: although they declined year on year (down 1.9% in the whole of France and 1.4% in the Paris region), in the fourth quarter prices rose 1.9% in the whole of France and 0.7% in the Paris region. This acceleration in sales reflects the fact that buyers have stopped expecting prices to fall and are thus no longer inclined to wait before buying (source: FNAIM).

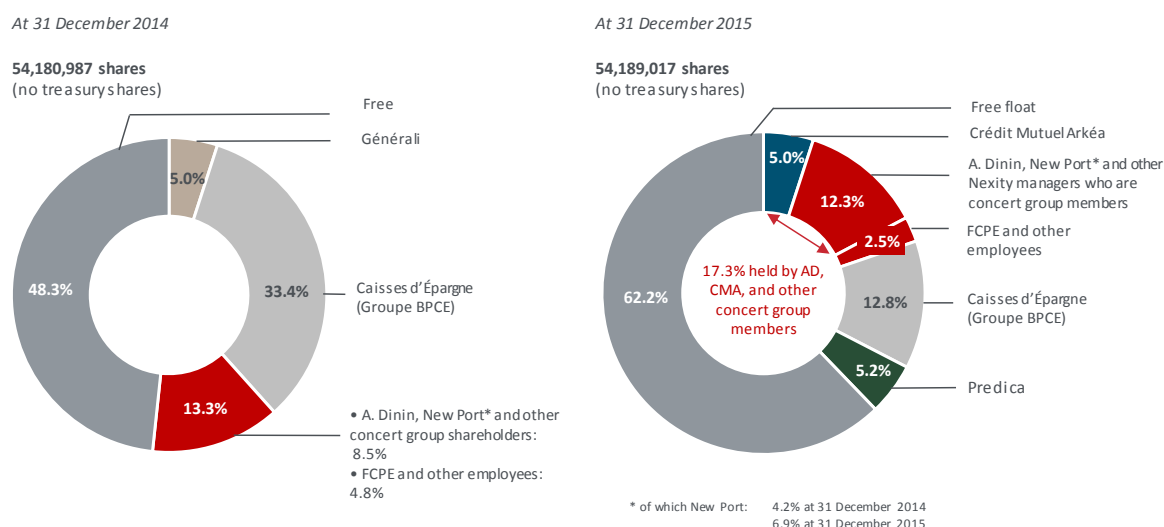
9.1.4 Significant developments

The following significant events took place in 2015:

- in Residential real estate: with 11,741 reservations for new homes recorded in 2015 in France, in a revived market, Nexity saw a 13.3% rise in its reservations compared with 2014 (10,365 reservations), with an even more marked increase in expected revenue from reservations (up 18.8%);
- in Commercial real estate: the total amount of new orders for 2015 was €403 million, surpassing the full-year order intake target of at least €200 million;
- external growth: after Oralia in 2014, Nexity spent a total of €20.4 million in 2015 to acquire property management firms with total full-year sales of €14 million (see Section 9.1.12 "External growth");

- in 2015, Nexity sold its 45% stake in Ciloger to La Banque Postale as well as its property management business in Switzerland and five property management portfolios outside the Paris region (see Section 9.1.13 “Disposals”);
- BPCE reduced its equity holding in Nexity from 33.4% at 31 December 2014 to 12.8% at 31 December 2015, in line with its strategic plan. The four directors representing BPCE resigned. BPCE announced on 2 March 2016 that it had sold its remaining stake in Nexity to institutional investors.
- over the course of the financial year, four new directors were appointed, of which two were independent. The appointments of three directors (including Alain Dinin and Hervé Denize) were renewed for a term of 4 years ending at the approval of the 2018 financial statements.

Changes in Nexity’s ownership structure in 2015 were as follows:



9.1.5 Residential real estate

9.1.5.1 Sales performance

In a market that was up about 18% (source: ECLN; see Section 6.2.1 “General market overview”), the Group’s new home reservations in France (Residential division, Iselection new-build developer business and PERL’s new-build business) amounted to 11,741 units, up 13.3% compared with 2014 (up 18.8% in value terms), thus the best year since 2011. Lower than that of the market as a whole, this performance is explained by the components of market growth in 2015, which was largely driven by sales to individual investors outside the Paris region, while those in the Paris region, where Nexity is particularly well represented, were stagnant. In 2015, reservations received by the Group from individuals were up 19% outside the Paris region and up only 9% in the Paris region. On a like-for-like basis, restated for the 320 PERL sales made in the first half of 2015, net new home reservations in France were up 10.2%, rising from 10,365 units in 2014 to 11,421 units in 2015.

Expected revenue from reservations totalled €2,285 million including VAT, up a significant 18.8% (up 14.1% on a like-for-like basis).

Most of the new homes offered by the Group are located in medium and large French conurbations and consist either of apartments in shared residential buildings or of groups of houses (9,458 reservations in 2015), together with serviced residences for the elderly (1,159 reservations, some of which are joint development projects with Aegide), and student residences (837 reservations), as well as accommodation for young workers and apartment hotels for business travellers (287 reservations).

The Group also operates a subdivisions business (Aménagements & terrains à bâtir), which recorded 2,202 lot reservations (up 4.7% compared with 2014). This volume growth compared favourably with the general trend in the market for houses (excluding grouped houses), in which authorisations declined by 0.9% in 2015 (source: “Développement-construction” category, Sit@del2 database).

9 FINANCIAL POSITION AND PERFORMANCE

Overall introduction to the Group

RESERVATIONS (FRANCE)			
	2015	2014	Change 2015/2014
(number)			
New homes	11,741	10,365	13.3%
Subdivisions	2,202	2,104	4.7%
Total number of reservations	13,943	12,469	11.8%
(in millions of euros including VAT)			
New homes	2,285	1,924	18.8%
Subdivisions	166	163	2.0%
Total reservation amount	2,452	2,087	17.4%

In France, the Group recorded €2.5 billion (including VAT) in reservations, up 17.4% from 2014.

Reservations for new homes surged 18.8% to €2.3 billion (including VAT), and grew more quickly than volumes (up 13.3%) due to several factors: an 8% increase in the average price of bulk sales (due to a more favourable client mix than in 2014, thanks in particular to the ramp-up of intermediate housing), and an increase in the average price of PERL and Iselection reservations, while the average price of sales to individuals in developments under the Nexity brand remained stable.

Subdivision reservations totalled €166 million including VAT, up 2.0% from 2014, an increase lower than that in volume terms (up 4.7%) due to a decrease in the average lot size (down 2.0%).

Including reservations made outside France (292 in 2015 versus 93 in 2014), the number of net reservations rose 13.3%, with revenue up 18.8% (€2,493 million in 2015 versus €2,098 million in 2014).

9.1.5.2 Geographical breakdown

Business in France

The Group operates its development and subdivision activities throughout France.

In 2015, 61% of reservations for new homes in France (by volume) were outside the Paris region, while 39% were in the Paris region.

HOME RESERVATIONS IN FRANCE			
(number)	2015	2014	Change 2015/2014
Paris region	4,584	4,170	9.9%
Rest of France	7,157	6,195	15.5%
Total	11,741	10,365	13.3%

New business was concentrated around major conurbations, with 88% of reservations recorded in Zones A bis, A or B1 (87% in 2014). Reservations in Zone C accounted for a mere 1.5% of total reservations (1.7% in 2014). For the reader's information, since 1 January 2011, the map applicable to tax exemption measures (the Pinel, Duflot, Scellier, Borloo and Robien schemes) has consisted of five zones: Zone A bis, Zone A, Zone B1, Zone B2 and Zone C.

The Duflot tax incentive scheme, which went into effect on 1 January 2013, applied in Zones A and B1. It could also be applied in Zone B2, but only with local government (*préfet*) approval.

Since 1 October 2014 and the application of the Pinel scheme, the map has been adjusted as follows with respect to the previous scheme¹:

- around a hundred municipalities have been added to Zones A bis and A (which under the Duflot scheme only concerned the Paris region, the Côte d'Azur and the French suburbs of Geneva), representing an additional population of more than 3.5 million people. Notably, municipalities such as Lyon, Lille, Marseille and Montpellier have switched from Zone B1 to Zone A;
- some major regional cities such as Le Havre, Caen and Dijon have been upgraded from Zone B2 to Zone B1 (conurbations of more than 250,000 inhabitants and a small number of very supply-constrained areas);

¹ All else being equal, the upgrading of a town to a more supply-constrained zone leads to higher rent ceilings for investors and a higher transaction ceiling for calculating the PTZ interest-free loans awarded to homebuyers.

- more than 600 municipalities formerly located in Zone C (the rest of the country) have been upgraded to Zones B1 and B2 (conurbations of more than 50,000 inhabitants and a small number of supply-constrained areas); and
- no municipalities were downgraded to Zone C, in order to avoid slowing home construction in these areas, since Zone C covers the rest of the country and is not eligible for the Pinel scheme.
- The total population residing in “upgraded” municipalities is 10 million; in “downgraded” municipalities, 700,000.

In subdivisions, the Paris region accounted for 11% of the total volume of lots reserved in 2015, compared with 12% in 2014.

Business outside France

Outside France, the Group's main presence in new housing development is in northern Italy and in Warsaw (Poland). In Italy, four developments were in the sales phase at end-2015, most of them in the Milan and Turin regions, representing a supply of 124 residential units. Following the risk reduction and restructuring measures implemented in 2014, sales picked up to a satisfactory level (with 56 reservations booked in 2015).

In Poland, the year was highlighted by 236 reservations and three sales launches in Warsaw.

9.1.5.3 Residential real estate France - Breakdown by client type

The Group's client base consists of homebuyers (acquiring main and secondary residences) and individual investors purchasing buy-to-let properties.

The Group's subdivisions business gives it a presence in the market for single-house sales and extends its range of products for individual clients.

The Group also enters into reservations with professional landlords, which include social housing operators and, more occasionally, traditional institutional investors (insurance companies, mutual insurers, managed real estate investment vehicles, etc.).

Clients of Nexity's new home business

Individual investors accounted for 43% of total net reservations booked by Nexity (25% in standard residences, 13% in managed residences and 5% in social housing usufruct), compared with 37% in 2014. Reservations were buoyed by sales momentum at Iselection, the warm investor response to the Pinel tax incentive scheme, more favourable than its predecessor, and the contribution from PERL over an additional half-year (excluding this scope effect, the proportion accounted for by individual investors would be 41%).

Reservations by individual homebuyers accounted for only 22% of total reservations in 2015 (versus 27% in 2014).

While first-time buyers continued to account for the majority of homebuyers, their numbers declined relative to 2014 (down 11.2%), reaching an all-time low for Nexity of 16% of sales. The changes made to the PTZ interest-free loan scheme at the end of 2015 could revive this sector in 2016. Second-time homebuyers accounted for only 6% of total reservations in 2015.

After some one-off delays in obtaining building permits at the beginning of the year, reservations by professional landlords picked up again at the end of the year, up 10% year on year with respect to 2014. They accounted for 35% of total reservations (compared with 36% in 2014). In this segment, sales to non-social institutional investors increased substantially (up 62%) compared to the previous year, including 686 intermediate housing units reserved by SNI¹ and FLI. These sales to non-social institutional investors accounted for 32% of all reservations in the professional landlord segment (versus 22% in 2014). At the same time, sales to social housing operators declined 5% in the year.

¹ Under a framework agreement signed with SNI in December 2014 for 800 to 1,100 homes a year (see Section 22 “Major contracts”).

9 FINANCIAL POSITION AND PERFORMANCE

Overall introduction to the Group

BREAKDOWN OF SALES - RESIDENTIAL REAL ESTATE

(number of homes)	2015	Breakdown (as %)	2014	Breakdown (as %)
Main residence				
First-time buyers	1,910	16%	2,152	21%
Other homebuyers	550	5%	555	5%
Second home	95	1%	95	1%
Total homebuyers	2,555	22%	2,802	27%
Individual investors	5,046	43%	3,798	37%
Professional landlords	4,140	35%	3,765	36%
Total	11,741	100%	10,365	100%

Source: information from buyers

The average price including VAT per residential unit reserved in France (excluding bulk sales to professional landlords) was stable in 2015 at €214.1k, compared with €213.9k in 2014, with the decrease in average unit size (arising from the higher proportion of individual investors, who tend on average to purchase smaller units than homebuyers) offset by the increase in the average price per square metre.

The average price per home for people buying their main residence was up 4.0%, while the average size and price per square metre both increased (up 2.0% each).

With the average size of homes remaining virtually stable (up 0.3%), the increase in the average price per home reserved by individual investors (up 1.2%) resulted from the increase in the average price per square metre (up 0.9%).

Average prices and unit sizes by key client types are as follows:

AVERAGE PRICES AND FLOOR AREAS - RESIDENTIAL REAL ESTATE

	2015	2014	Change 2015/2014
All sales			
Average price per sq.m (€)	3,843	3,781	1.6%
Average size (sq.m)	55.7	56.6	-1.5%
Average price per home (€k)	214.1	213.9	0.1%
o/w Homebuyers – main residence			
Average price per sq.m (€)	3,813	3,740	2.0%
Average size (sq.m)	65.9	64.6	2.0%
Average price per home (€k)	251.4	241.8	4.0%
o/w Individual investors			
Average price per sq.m (€)	3,800	3,766	0.9%
Average size (sq.m)	48.7	48.6	0.3%
Average price per home (€k)	185.2	182.9	1.2%

Source: information from buyers, excluding bulk sales to institutional investors, PERL and Iselection

Clients of Nexity's subdivision business

The Group booked 2,202 subdivision reservations in 2015, most of them made by individual clients (with only 229 reservations by developers purchasing multiple lots), up 4.7% relative to 2014, in a house market that declined by more than 0.2% in 2015 (in terms of authorisations) and even more sharply (down 0.9%) in the detached house segment (source: "Développement-construction" category, Sit@del2 database).

The average price including VAT of subdivision lots (excluding multi-lot reservations) was €76k, slightly lower than in 2014 (€77k) as a result of the 2% decrease in the average lot size.

9.1.5.4 Residential real estate France - New housing programmes

In step with the market recovery, the Group¹ launched sales on a total of 146 residential developments in the year (compared with 123 launches in 2014, an increase of 19%), corresponding to 11,618 units (up 24% from 9,344 units in 2014).

At 31 December 2015, 224 developments representing a total of 9,293 residential units were in the sales phase.

¹ Excluding PERL and Iselection for all data relating to new home supply, business potential and deliveries.

NUMBER OF HOUSING DEVELOPMENTS IN THE SALES PHASE - RESIDENTIAL REAL ESTATE

(number)	2015	2014	Change 2015/2014
Paris region	78	70	11.4%
Rest of France	146	146	-
Total	224	216	3.7%

At the same time, the Group maintained its prudent pre-selling strategy. The average level of pre-selling recorded at the time construction work was launched was high (67%).

The number of unsold completed units remained very low, totalling 60 at 31 December 2015 (versus 81 at 31 December 2014).

The Residential division's business potential for new homes (including current supply for sale, future supply of project phases not yet marketed on acquired land, and projects not yet launched associated with land secured through options) increased substantially in 2015 compared to the previous year (up 18.6%). It continued to be located mainly outside the Paris region (59% of total potential, compared with 63% at 31 December 2014), though it grew particularly strongly in the Paris region (up 32% at end-2015 relative to end-2014). In volume terms, the business potential for new homes came to nearly 29,500 units, equivalent to 2.8 years of reservations on a rolling 12-month basis.

RESIDENTIAL REAL ESTATE BUSINESS POTENTIAL ⁽¹⁾

(number of homes)	2015	2014	Change 2015/2014
Supply for sale	5,907	5,313	11.2%
Secured through options	23,553	19,519	20.7%
Total	29,460	24,832	18.6%
o/w Paris region	12,126	9,209	31.7%
o/w Rest of France	17,334	15,623	11.0%

⁽¹⁾ excludes lots for urban regeneration projects (Villes & Projets)

In the subdivisions business, 79 developments totalling 2,320 lots were placed on the market in 2015 (versus 1,847 lots in 2014). At 31 December 2015, 95 developments were in the sales phase (7 in the Paris region and 88 in the rest of France) versus 81 at the end of 2014.

The Residential division's business potential for subdivisions was 8,344 lots at 31 December 2015, equivalent to 3.8 years of reservations on a rolling 12-month basis, versus 9,240 in 2014. The rest of France outside Paris accounted for 84% of business potential, versus 83% in 2014.

9.1.5.5 Deliveries

The Group¹ delivered 9,940 new residential units in 2015 (versus 8,979 in 2014), a 10.7% increase in deliveries.

9.1.6 Commercial real estate
9.1.6.1 New orders

Nexity's operations in the commercial real estate market cover office developments (including high-rise buildings), retail space, hotels, logistics facilities and business/industrial parks.

Although the Paris region is home to most of Nexity's commercial property developments, the Group is active elsewhere in France.

In 2015, Nexity booked new orders worth €403.4 million excluding VAT for a total floor area of 93,200 sq.m SDP (French *surface de plancher* measure), versus €189.6 million excluding VAT in 2014. The vast majority of these orders were in the Paris region (93% of the total value excluding VAT), the biggest being the off-plan sale to an investor (EDF Invest) of the "Smart Side" project in Clichy (Hauts-de-Seine), a c. 40,000 sq.m offices and services property complex, and the off-plan sale to Amundi of the View building (Paris, 20th arrondissement), co-developed with Crédit Agricole Immobilier and including 21,500 sq.m of offices and 300 sq.m of retail space.

9 FINANCIAL POSITION AND PERFORMANCE

Overall introduction to the Group

NEW ORDERS - COMMERCIAL REAL ESTATE

Project type (excluding delegated project ownership)	Size (in sq.m SDP)	Amount excluding VAT (in €m)
Office buildings	80,150	382.2
Logistics facilities	9,300	13.4
Ywood & Térénéo (wood-frame buildings)	3,750	7.8
Total	93,200	403.4

9.1.6.2 Deliveries

In 2015, the Group delivered 17 developments totalling 152,000 sq.m.

Thirteen office developments were delivered, the largest of which was the 72,900 sq.m “Eco Campus” property complex in Châtillon (Hauts-de-Seine). Other key deliveries included the renovation of an 11,700 sq.m building in Paris, a 13,500 sq.m building in Boulogne-Billancourt (Hauts-de-Seine) and offices outside the Paris region (including in particular Nexity’s regional head office in Marseille, a 3,600 sq.m Ywood building that is France’s tallest timber-framed office building).

Three commercial developments of around 4,000 to 5,000 sq.m each were delivered in Lyon (Rhône), Isle d’Abeau (Isère) and Marignane (Bouches-du-Rhône). A logistics sector development totalling 20,750 sq.m was delivered in Mesnil-en-Thelle (Oise).

At the same time, as part of a delegated contracting assignment, the Group delivered a 38,300 sq.m office renovation development in Puteaux (Hauts-de-Seine).

9.1.7 Services and Distribution Networks

9.1.7.1 Real estate services

The Group operates mainly in France, and to a lesser extent abroad, in various segments of the property management market including managing-agent services for condominiums, rental property management, brokerage and serviced residences (mainly for students).

At 31 December 2015, the portfolio of units under management (915,100 units) was down 2.2% from end-December 2014. On a like-for-like basis (excluding the sale of Nexity’s individual property management operations in Switzerland and five agencies in France, and the acquisitions of independent firms in Paris, Dijon and Bordeaux, including the Pierre Bérard firm in the Paris region), the attrition rate amounted to 2.6%, an improvement over end-December 2014 (3.2%).

Commercial space under management totalled 12.2 million sq.m, up from 11.7 million sq.m at year-end 2014, in particular due to the addition to the portfolio of a major 251,000 sq.m contract with Wolseley.

REAL ESTATE SERVICES

(number)	2015	2014	Change 2015/2014
Commercial rental management (in sq.m)	12,222,800	11,731,000	4.2%
Number of residential units managed	915,100	935,900	-2.2%
o/w rental management	180,500	182,500	-1.1%
o/w condominium associations	734,600	753,400	-2.5%

9.1.7.2 Distribution Networks

After three challenging years with an average of 710,000 transactions a year, the French market for existing property sales rallied, returning to the strong levels seen in 2010 and 2011, with 800,000 transactions booked in the year (source: FNAIM). The two franchise networks managed by the Group (Century 21 France and Guy Hoquet l’Immobilier), in spite of having 36 fewer offices (1,206 at end-2015, compared with 1,242 at end-2014), saw the number of provisional agreements signed increase sharply in 2015, up 9.2%.

FRANCHISE NETWORKS

(number)	2015	2014	Change 2015/2014
Century 21 France agencies	793	806	-1.6%
Guy Hoquet l'Immobilier agencies	413	436	-5.3%
Total number of agencies	1,206	1,242	-2.9%
Century 21 France provisional sale agreements	39,250	36,000	9.0%
Guy Hoquet l'Immobilier provisional sale agreements	14,250	13,000	9.6%
Total number of provisional sale agreements	53,500	49,000	9.2%

9.1.8 Urban regeneration (Villes & Projets)

Through its urban regeneration business (Villes & Projets), the Group secures land over the medium and long term, on which it can then generate building rights via comprehensive city planning and development projects. The construction rights acquired through these projects are used by the Group's residential and commercial property development divisions.

At 31 December 2015, the potential for land development secured by Nexity through its urban regeneration business totalled 530,350 sq.m, with 70% in the Paris region and 30% across the rest of France. This land is divided between residential (50%) and commercial property (16% office space, 32% industrial space, 2% retail space).

URBAN REGENERATION - LAND DEVELOPMENT POTENTIAL

(area in sq.m) ⁽¹⁾	2015	Paris region	Rest of France
Homes	265,050	223,200	41,850
Offices	87,150	87,150	-
Industry	166,850	49,500	117,350
Retail	11,300	11,300	-
Total	530,350	371,150	159,200

⁽¹⁾ Floor areas are provided for information purposes only and may be subject to adjustment once administrative authorisations have been obtained.

In 2015, 64,000 sq.m were put on the market by the Group's development subsidiaries in Asnières-sur-Seine (Hauts-de-Seine), Ermont-Eaubonne (Val-d'Oise), Montreuil (Seine-Saint-Denis) and Saint-Priest (Rhône) on land secured by Villes & Projets. An addition to the portfolio was recorded at the end of the year, with the acquisition of a 22,000 sq.m site in Le Blanc-Mesnil (Seine-Saint-Denis).

Operations initiated by the urban regeneration business provided revenue for the Group's property development activities totalling €257.3 million in 2015 (of which €72.0 million was in Commercial real estate and €185.3 million was in Residential real estate), versus €209.9 million in 2014. This business thus accounted for 10% of the Group's revenue from property development in 2015.

9.1.9 Investment activities

As part of its investment activities, the Group holds stakes in three office development projects in the Paris region with a total estimated acquisition value of more than €75 million. The Group had €11 million of capital invested in these three projects at end-December 2015.

9.1.10 Client support solutions

Among its support solutions for individual clients, Nexity offers home loan brokerage services to help prospective home owners find the financing they need. The Group arranged nearly 1,100 loans for its clients in 2015.

9.1.11 Innovation

In line with our strategic plan, Nexity launched a number of innovative digital projects in 2015. In addition to the ramp-up of Weroom and Blue Office (started in 2014), highlights of 2015 included the launch of Nexity E-gérance, the first entirely online rental property management portal; the operational roll-out of the new home design simulator; the opening in Paris of a "smart" agency that lets clients use virtual reality headsets to take a preliminary tour of flats before visiting in person; and the delivery of the first smart homes as part of a development in Paris.

9 FINANCIAL POSITION AND PERFORMANCE

Comparison of the financial years ended 31 December 2015 and 31 December 2014

More generally, the new strategic plan, "Nexity Connects Everyone", reflects the Group's aim of becoming the benchmark digital operator in the French real estate sector. In this regard, Nexity intends to invest around 10% of its annual operating profit in new technologies and digital-related social innovation. Expenses arising from the Group's digital projects totalled €25 million in 2015.

9.1.12 External growth

Taken together, all external growth transactions during the period represented a purchase volume of €20.4 million, which went toward the acquisition of property management firms in Bordeaux, Dijon and Paris, including Pierre Bérard, one of the Paris region's leading independent property management firms. These acquisitions, representing nearly €14 million in annual revenue (8,700 condominium units under management, 8,100 rental units under management), bolster Nexity's positions in key business sectors.

9.1.13 Disposals

On 30 June 2015, Nexity finalised the disposal of its 45% stake in Ciloger (which manages €4.5 billion in real estate assets on behalf of fifteen SCPI real estate investment vehicles invested in retail premises, offices and housing, and thirteen OPCI real estate investment funds) to La Banque Postale.

In June 2015, Nexity also disposed of its property management business in Switzerland (the effective transfer of shares and payment of the purchase price were completed in January 2016). In this business line, Nexity remains present on the international level in Poland and Belgium. The Group also sold five property management firms outside the Paris region that were considered non-strategic.

These disposals had no material impact on the 2015 financial statements.

9.2 COMPARISON OF THE FINANCIAL YEARS ENDED 31 DECEMBER 2015 AND 31 DECEMBER 2014

9.2.1 Revenue

In 2015, the Group recognised revenue of €3,057.1 million, up 16.2% from 2014,¹ with growth recorded across all business lines. This €425 million increase was mainly driven by the increase in revenue recognised by the Residential division in France (up €329 million from the previous year) and by the Commercial division (up €112 million).

REVENUE			
(in millions of euros excluding VAT)	2015	2014	Change 2015/2014
Residential real estate	2,161.7	1,832.7	18.0%
Commercial real estate	379.2	267.6	41.7%
Services and Distribution Networks	503.8	484.4	4.0%
Other activities	12.5	47.2	-73.5%
Total	3,057.1	2,631.9	16.2%

9.2.1.1 Residential real estate

Residential real estate revenue was €2,161.7 million in 2015, a strong increase of 18.0% (16.3% excluding changes in scope) over 2014 (€1,832.7 million).

REVENUE			
(in millions of euros excluding VAT)	2015	2014	Change 2015/2014
Paris region	1,110.3	779.9	42.4%
Rest of France	860.4	853.0	0.9%
International	40.6	56.0	-27.5%
New homes	2,011.3	1,688.8	19.1%
Subdivisions	150.4	143.8	4.6%
Total for Residential real estate	2,161.7	1,832.7	18.0%

In France and Belgium, revenue for VEFA or CPI projects is recognised using the percentage-of-completion method, i.e. on the basis of notarised sales pro-rated to match the progress of committed construction costs. The resulting revenue figure essentially mirrors the degree of completion of the various construction projects in

¹ Up 14% excluding changes in scope (€58 million): Oralia has been consolidated since 1 April 2014 and PERL since 1 July 2014.

progress. For PERL and Iselection, revenue is recognized in conjunction with the notarised deed in the case of transfers of VEFA contracts previously acquired from a third-party developer or existing property developments.

In Italy and Poland, revenue and profit are recognised via the completed contract method.

Revenue from new homes grew strongly (up 19.1%). This growth resulted from of an increase in the number of developments started, as well as good progress on developments already under way, in terms of both deeds signed and progress on construction work. It is also due to the strong growth of Iselection's revenues, spurred on by a high level of sales to individual investors. The third driver of this growth was PERL, which posted revenue of €182 million in 2015, of which only €163 million was included in Nexity's consolidated revenue after accounting for restatements in the opening balance sheet and remeasurements of assets and liabilities to fair value as part of the purchase price allocation (PPA) under IFRS 3 *Business Combinations*.

Outside France, revenue was mainly generated by inventory sold in Italy and, to a lesser extent, the first project delivered in Poland (49 homes).

Revenue from subdivisions was up 4.6% relative to 2014.

The Residential real estate division's backlog of homes decreased slightly (down 1.1%).

NEW HOMES (FRANCE)

	2015	2014	2013	2012	2015/2014	2014/2013	2013/2012
Net reservations in number							
Paris region	4,584	4,170	4,220	3,997	9.9%	-1.2%	5.6%
Rest of France	7,157	6,195	5,901	6,194	15.5%	5.0%	-4.7%
Total	11,741	10,365	10,121	10,191	13.3%	2.4%	-0.7%
Reservations in value (in millions of euros including VAT)							
Paris region	1,085	927	995	823	17.0%	-6.8%	20.9%
Rest of France	1,200	997	970	1,038	20.4%	2.8%	-6.5%
Total	2,285	1,924	1,965	1,861	18.7%	-2.0%	5.6%
Backlog in value (in millions of euros excluding VAT)							
Paris region	1,924	1,386	1,334	1,052	38.8%	3.9%	26.8%
Rest of France	609	1,177	1,196	1,248	-48.3%	-1.6%	-4.2%
Total	2,533	2,562	2,529	2,300	-1.1%	1.3%	10.0%

The subdivision backlog decreased by 4.0% to €233 million due to the high number of completions over the period (2,211, compared with 2,036 in 2014).

SUBDIVISIONS

	2015	2014	2013	2012	2015/2014	2014/2013	2013/2012
Net reservations in number							
Total	2,202	2,104	2,104	2,332	4.7%	0.0%	-9.8%
Reservations in value (in millions of euros including VAT)							
Total	166	163	170	182	2.0%	-4.2%	-6.5%
Backlog in value (in millions of euros excluding VAT)							
Total	233	243	265	266	-4.0%	-8.3%	-0.4%

The international backlog stood at €40 million at end-2015, up sharply relative to end-2014 (€28 million) following strong sales of developments in Poland.

Order backlog in the Residential real estate division totalled €2,806 million, representing a slight year-on-year decrease of 1.0%. This backlog amounted to almost 16 months of revenue (based on 2015 Residential real estate revenue).

9 FINANCIAL POSITION AND PERFORMANCE

Comparison of the financial years ended 31 December 2015 and 31 December 2014

9.2.1.2 Commercial real estate

Revenue in the Commercial real estate division surged to €379.2 million, versus €267.6 million in 2014 (up 41.7%).

REVENUE

(in millions of euros excluding VAT)	2015	2014	Change 2015/2014
Office buildings	327.5	237.6	37.8%
Logistics and other industrial facilities	42.6	11.4	272.4%
Ywood & Térénéo (wood-frame buildings)	9.1	18.6	-51.2%
Total for Commercial real estate	379.2	267.6	41.7%

Revenue from office developments included the contribution from a number of projects at very advanced stages of construction, delivered either during the fourth quarter of 2015 (notably the “Eco Campus” in Châtillon, Hauts-de-Seine) or in early 2016 (such as “Le Nuovo” in Clichy, Hauts-de-Seine), whereas progress in 2014 mainly involved projects generating little revenue as yet.

Revenue from logistics developments, commercial space and wood-framed developments (€51.7 million, compared with €30.0 million in 2014) was helped by three large-scale logistics sector developments that generated revenue of more than €8 million each in the year (compared with none the previous year).

COMMERCIAL REAL ESTATE

	2015	2014	2013	2012	2015/2014	2014/2013	2013/2012
New orders (in millions of euros excluding VAT)							
TOTAL	403	190	544	176	112.8%	-65.2%	210.1%
Backlog in value (in millions of euros excluding VAT)							
TOTAL	487	449	486	383	8.5%	-7.7%	27.0%

The Commercial real estate division's order backlog totalled €487 million at 31 December 2015, compared with €449 million a year earlier. This backlog amounts to 15 months of revenue (based on 2015 Commercial real estate revenue).

9.2.1.3 Services and Distribution Networks

The Services and Networks division recorded revenue of €503.8 million (up 4.0% from 2014).

REVENUE

(in millions of euros excluding VAT)	2015	2014	Change 2015/2014
Services - Property management	311.0	294.0	5.8%
Services - Other services to individuals and companies	159.7	160.0	-0.2%
Franchise networks	33.1	30.4	8.9%
Total for Services and Distribution Networks	503.8	484.4	4.0%

Despite the attrition in the portfolio of units under management, revenue from the property management business was up 5.8%, buoyed in particular by the positive impact of changes in the scope of consolidation (an addition of €17 million, including €15 million for Oralia, which has been consolidated only since the second quarter of 2014). Excluding changes in scope, revenue from these activities held steady, with the negative impact of attrition in the portfolio of units under management offset by an increase in average fees per unit.

Revenue from other real estate services to individuals and companies was stable (down 0.2% relative to 2014), with a decline in revenue from Studéa linked to closures of unprofitable residences offset by higher revenue from commercial real estate advisory business Nexity Conseil et Transaction (formerly Keops), which increased sharply thanks to significant transaction volumes over the period.

Revenue from Distribution Networks increased by 8.9% over the year as a result of the recovery in the market for existing properties.

9.2.1.4 Other activities

Revenue from Other activities (€12.5 million, compared with €47.2 million in 2014) included the sale of development rights acquired through Villes & Projets to a third-party developer and, to a lesser extent, rent collected on the Group's asset portfolio. In 2014, revenue had included significantly higher non-recurring

income, as a result of the Group's April 2014 disposal of its shares in the OPCI real estate investment fund that owned the Aviso, a three-building office complex in Puteaux (Hauts-de-Seine).

9.2.2 Current operating profit

Current operating profit rose 19.8% to €220.1 million in 2015 (versus €183.7 million in 2014), giving an operating margin of 7.2%, slightly higher than that achieved in 2014 (7.0%).

CURRENT OPERATING PROFIT (in millions of euros)		
	2015	2014
Residential real estate	186.3	142.8
% of revenue	8.6%	7.8%
Commercial real estate	39.0	45.6
% of revenue	10.3%	17.0%
Services and Distribution Networks	35.4	26.7
% of revenue	7.0%	5.5%
Other activities	(40.6)	(31.4)
Total	220.1	183.7
% of revenue	7.2%	7.0%

9.2.2.1 Residential real estate

The Residential real estate division generated current operating profit of €186.3 million in 2015, compared with €142.8 million in 2014, a 30.4% increase. The division's operating margin increased sharply to 8.6%, compared with 7.8% in 2014, when it was affected by €27.3 million in international losses.

The French new homes business delivered operating profit of €177.0 million, compared with €156.1 million in 2014, reflecting higher revenue. The margin on this business returned to a normal level (9.0%, compared with 9.6% in 2014), with the gross margin on developments that contributed to profit in 2015 lower than it had been the previous year, reflecting tighter market conditions for reservations made in 2013-2014.

Operating profit from subdivisions was stable.

Operating losses on international business (Poland, Italy and Belgium) were mainly due to insufficient coverage of overheads.

CURRENT OPERATING PROFIT (in millions of euros)		
	2015	2014
New homes	177.0	156.1
% of revenue	9.0%	9.6%
Subdivisions	14.1	14.0
% of revenue	9.4%	9.7%
International	(4.8)	(27.3)
Total for Residential real estate	186.3	142.8
% of revenue	8.6%	7.8%

9.2.2.2 Commercial real estate

The Commercial real estate division's current operating profit came to €39.0 million at 31 December 2015, versus €45.6 million at 31 December 2014. The operating margin for the division remained high (10.3%) and beat normal levels (around 9% over the medium term), reflecting the sound financial and operational management of ongoing projects as well as reversals of provisions on delivered projects. It was lower than the exceptionally high margin recorded in 2014 (17.0%), which was boosted by non-recurring items.

CURRENT OPERATING PROFIT (in millions of euros)		
	2015	2014
Commercial real estate	39.0	45.6
% of revenue	10.3%	17.0%

In total, the combined operating profit of Nexity's property development businesses (Residential real estate + Commercial real estate) was €225.3 million in 2015, versus €188.5 million in 2014, giving an operating margin of 8.9%, stable compared to 2014 (9.0%).

9 FINANCIAL POSITION AND PERFORMANCE

Comparison of the financial years ended 31 December 2015 and 31 December 2014

9.2.2.3 Services and Distribution Networks

The Services and Distribution Networks division turned in an operating profit of €35.4 million, versus €26.7 million at 31 December 2014, an increase of 32.8%.

The operating profit for individual property management rose 18.2% to €26.4 million, placing the operating margin up 0.9 points (8.5%), thanks to the consolidation of Oralia for one quarter more than in 2014, the first benefits of Nexity's restructuring of its real estate services to individuals network, and good control of overhead costs.

In other services to individuals and companies, operating profit improved (€3.8 million in 2015, compared with €0.5 million in 2014) as a result of improved profitability at Studéa (managed student residences) thanks to a high occupancy rate in the second half of the year and the scheduled shutdown of loss-making residences. However, the reorganisation and change of management that took place in the year at Nexity Conseil et Transaction (formerly Keops) hampered margins in this business.

Profit from franchise operations was up (€5.2 million versus €3.8 million at year-end 2014), particularly as a result of increased revenue providing better coverage of fixed costs.

CURRENT OPERATING PROFIT		
(in millions of euros)	2015	2014
Services - Property management	26.4	22.3
% of revenue	8.5%	7.6%
Services - Other services to individuals and companies	3.8	0.5
% of revenue	2.4%	0.3%
Franchise networks	5.2	3.8
% of revenue	15.6%	12.4%
Total for Services and Distribution Networks	35.4	26.7
% of revenue	7.0%	5.5%

9.2.2.4 Other activities

The result posted by Other activities includes the results from the holding company, research and overhead costs incurred by Villes & Projets, the development of incubated start-ups and digital projects, proceeds on the sale of the Group's investment in Ciloger, and IFRS expenses on share-based payments.

This result was a net loss of €40.6 million (including €10.8 million from IFRS expenses on share-based payments), compared with a €31.4 million loss in 2014 (including €7.6 million in IFRS expenses on share-based payments).

Expenses for digital and innovation-related activities accounted for €21.5 million of this result in 2015 (versus €12.8 million in 2014), in line with the previously announced full-year forecast of about €20 million for the Group as a whole.

9.2.3 EBITDA

In 2015, Nexity's EBITDA¹ came to €259.8 million, versus €220.7 million in 2014 (up 18%). The Group's EBITDA margin was 8.5%. The strongest growth in EBITDA was due to the Services and Distribution Networks division (increase in the margin from 7.5% to 9.2%).

EBITDA		
(in millions of euros)	2015	2014
Residential real estate	189.3	152.4
% of revenue	8.8%	8.3%
Commercial real estate	38.8	41.2
% of revenue	10.2%	15.4%
Services and Distribution Networks	46.3	36.1
% of revenue	9.2%	7.5%
Other activities	(14.6)	(9.1)
Total	259.8	220.7
% of revenue	8.5%	8.4%

¹ 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.

9.2.4 Operating profit

The Group's operating profit amounted to €220.1 million, versus €133.8 million in 2014. No goodwill impairment was recognised in 2015 (2014 operating profit had been adversely affected by a €50 million loss).

9.2.5 Net profit/(loss)

The following sections describe the various line items by which operating profit is adjusted to net profit.

9.2.5.1 Net financial income/(expense)

Net financial expense was €20.3 million, versus €16.6 million in 2014. It breaks down as follows:

NET FINANCIAL INCOME/(EXPENSE)

(in millions of euros)	2015	2014	Change 2015/2014
Interest expense	(30.2)	(22.3)	35.1%
Interest income and income from sale of marketable securities	7.1	5.0	43.5%
Cost of net financial debt	(23.1)	(17.4)	32.7%
Other financial income/(expense)	2.8	0.8	241.1%
Total	(20.3)	(16.6)	22.5%

The cost of debt increased from €22.3 million at 31 December 2014 to €30.2 million at 31 December 2015, mainly as a result of an increase in the average outstanding for debt used (€849 million in average debt in 2015, versus €598 million in 2014), reflecting the full-year impact of bond issues set up in the second quarter of 2014. With a higher cash balance, and in spite of lower interest rates, the Group's short-term cash holdings generated more financial income than in 2014 (€7.1 million in 2015, compared with €5.0 million in 2014).

Other financial income and expenses mainly consisted of the income statement impact of derivatives (-€1.8 million in 2015, compared with -€3.9 million in 2014) and borrowing costs (€4.8 million in 2015, compared with €5.2 million in 2014).

9.2.5.2 Income taxes

The Group's income tax expense was €73.7 million at 31 December 2015, versus €78.9 million at 31 December 2014. The expense at 31 December 2014 included the 3% contribution on dividends, applied to the €108.1 million dividend paid in May 2014 in respect of the 2013 financial year. Due to its nature as a repayment of paid-in capital (*remboursement d'apports*), the 2014 dividend paid in May 2015 is not subject to this tax.

The tax expense (€73.7 million) was down €5.2 million: the effective corporate income tax rate dropped significantly (37.0% versus 48.7% in 2014). The 2014 rate was inflated by the ineligibility of expenses recognised in 2014 in Italy for the calculation of tax deductions, while the 2015 rate reflects savings on the deferred tax base in the 2015 balance sheet arising from the non-renewal in 2016 of the 10.7% exceptional corporate income tax contribution, and the May 2015 dividend's exemption from the 3% dividend tax.

9.2.5.3 Net profit from equity-accounted investments

Equity-accounted investments generated a loss of €0.5 million (as compared to a profit of €0.8 million in 2014).

9.2.5.4 Net profit attributable to non-controlling interests

This result, which represents the portion of profit attributable to minority interests in consolidated companies (primarily the shares held by third parties in joint development projects with the Residential real estate division) was €2.0 million at 31 December 2015 (versus €3.4 million at 31 December 2014). Profit was down in 2015 relative to 2014, mainly due to Nexity's purchase (initiated at the end of the year and finalised in February 2016) of the stake held by La Française in its Real estate services to companies business.

9.2.5.5 Group share of net profit

The Group share of net profit was €123.5 million in 2015 (versus €35.7 million in 2014). The difference in net profit between the two periods was mainly due to the increase in operating profit (+€86.3 million, €50 million of which was attributable to goodwill impairment in 2014), higher finance costs (-€3.7 million) and a lower tax expense (+€5.2 million).

9 FINANCIAL POSITION AND PERFORMANCE

Comparison of the financial years ended 31 December 2014 and 31 December 2013

9.3 COMPARISON OF THE FINANCIAL YEARS ENDED 31 DECEMBER 2014 AND 31 DECEMBER 2013

9.3.1 Revenue

The Group recognised revenue of €2,631.9 million in 2014, down 3.8% from 2013. The decrease was attributable to Commercial real estate (down 41%), mainly because of property developments in earlier stages of completion, with the largest still contributing little revenue. Residential revenue remained stable and revenue from Services and Networks was up 8.7%, buoyed by the nine-month consolidation of Oralia. Revenue for the Other activities division mainly reflects the disposal of shares in the OPCI real estate investment fund that owns the Aviso, a three-building office complex in Puteaux (Hauts-de-Seine).

REVENUE			
(in millions of euros excluding VAT)	2014	2013	Change 2014/2013
Residential real estate	1,832.7	1,832.1	0.0%
Commercial real estate	267.6	453.4	-41.0%
Services and Distribution Networks	484.4	445.5	8.7%
Other activities	47.2	6.2	x 7.6
Total	2,631.9	2,737.2	-3.8%

9.3.1.1 Residential real estate

Residential real estate revenue was €1,832.7 million in 2014, remaining stable compared with 2013 (€1,832.1 million).

REVENUE			
(in millions of euros excluding VAT)	2014	2013	Change 2014/2013
Paris region	779.9	657.9	18.5%
Rest of France	853.0	923.1	-7.6%
International	56.0	99.7	-43.8%
New homes	1,688.8	1,680.6	0.5%
Subdivisions	143.8	151.5	-5.1%
Total for Residential real estate	1,832.7	1,832.1	0.0%

There was a slight increase of 0.5% in revenue from new homes. In France, an excellent fourth quarter (€597 million in revenue, versus €542 million for fourth-quarter 2013) helped end 2014 up 3.3% from 2013. In the second half of the year, PERL posted standalone revenue of €100 million, of which only €23 million was included in Nexity's 2014 revenue after accounting for restatements in the opening balance sheet and remeasurements of assets and liabilities to fair value (purchase price allocation under IFRS 3 *Business Combinations*).

In France and Belgium, revenue for VEFA or CPI projects is recognised using the percentage-of-completion method, i.e. on the basis of notarised sales pro-rated to match the progress of committed construction costs. The resulting revenue figure essentially mirrors the degree of completion of the various construction projects in progress. For PERL and Iselection, revenue is recognized in conjunction with the notarised deed in the case of transfers of VEFA contracts previously acquired from a third-party developer or existing property developments.

In Italy, revenue and profits are recognised via the completed contract method. Only one development of 20 units was delivered in 2014, as opposed to five totalling 381 units in 2013. Low sales volumes resulted in a significant decrease in revenue for 2014.

Subdivision revenue was down 5.1% compared with 2013, despite a good second half of the year (up 2.9% from the second half of 2013), as it suffered from the underperformance experienced in the first half of 2014 (down 16.7% from the first half of 2013).

On a like-for-like basis, the Residential real estate division's backlog of homes was more or less stable. PERL's backlog, consolidated in 2014, was €50 million.

Comparison of the financial years ended 31 December 2014 and 31 December 2013

NEW HOMES (FRANCE)						
	2014	2013	2012	2011	2014/2013	2013/2012
Net reservations in number						
Paris region	4,170	4,220	3,997	3,109	-1.2%	5.6%
Rest of France	6,195	5,901	6,194	7,696	5.0%	-4.7%
Total	10,365	10,121	10,191	10,805	2.4%	-0.7%
Reservations in value						
<i>(in millions of euros including VAT)</i>						
Paris region	927	995	823	823	-6.8%	20.9%
Rest of France	997	970	1,038	1,343	2.8%	-6.5%
Total	1,924	1,965	1,861	2,166	-2.1%	5.6%
Backlog in value						
<i>(in millions of euros excluding VAT)</i>						
Paris region	1,386	1,334	1,052	831	3.9%	26.8%
Rest of France	1,177	1,196	1,248	1,377	-1.6%	-4.2%
Total	2,562	2,529	2,300	2,208	1.3%	10.0%

The subdivision backlog was down 8.3% to €243 million, notably on account of a 4.2% decrease in the value of reservations.

SUBDIVISIONS						
	2014	2013	2012	2011	2013/2012	2012/2011
Net reservations in number						
Total	2,104	2,104	2,332	2,834	0.0%	-9.8%
Reservations in value						
<i>(in millions of euros including VAT)</i>						
Total	163	170	182	215	-4.2%	-6.5%
Backlog in value						
<i>(in millions of euros excluding VAT)</i>						
Total	243	265	266	269	-8.3%	-0.4%

International orders accounted for €28 million of the Group's backlog at year-end 2014, down significantly from year-end 2013 (€75 million) due to the delivery of a development in Belgium and the fact that the portfolio of developments in Italy was not replenished. Poland contributed €11 million to this backlog figure.

Order backlog in the Residential real estate division totalled €2,834 million, representing a slight year-on-year decrease of 1.2%. This backlog amounted to almost 19 months of revenue (based on 2014 Residential real estate revenue).

9.3.1.2 Commercial real estate

The Commercial real estate division posted a sharp 41% decline in revenue to €267.6 million, from €453.4 million in 2013. Revenue in 2013 had included the contribution of a number of projects in very advanced stages of construction for delivery in the second half of 2013, whereas progress made in 2014 mainly involved only projects generating little revenue as yet.

REVENUE			
<i>(in millions of euros excluding VAT)</i>	2014	2013	Change 2014/2013
Office buildings	237.6	429.6	-44.7%
Logistics and other industrial facilities	11.4	6.1	86.8%
Ywood	18.6	17.6	5.5%
Total for Commercial real estate	267.6	453.4	-41.0%

Revenue in the office building business was down substantially year-on-year (€237.6 million versus €429.6 million).

Revenue for logistics facilities, other industrial facilities and the Ywood line (€30.0 million, up from €23.7 million in 2013) was driven by three large-scale logistics sector developments (only one the year before) and the rising popularity of Ywood's timber-frame commercial developments.

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Comparison of the financial years ended 31 December 2014 and 31 December 2013

COMMERCIAL REAL ESTATE							
	2014	2013	2012	2011	2014/2013	2013/2012	2012/2011
New orders (in millions of euros excluding VAT)							
Total	190	544	176	644	-65.2%	210.1%	-72.7%
Backlog in value (in millions of euros excluding VAT)							
Total	449	486	383	709	-7.7%	27.0%	-46.0%

The Commercial real estate division's order backlog totalled €449 million at 31 December 2014, compared with €486 million a year earlier. This backlog amounts to 20 months of revenue (based on 2014 Commercial real estate revenue).

9.3.1.3 Services and Distribution Networks

The Services and Networks division recorded revenue of €484.4 million (up 8.7% from 2013).

REVENUE			
(in millions of euros excluding VAT)	2014	2013	Change 2014/2013
Services - Property management	294.0	247.9	18.6%
Services - Other services to individuals and companies	160.0	167.5	-4.5%
Franchise networks	30.4	30.1	1.0%
Total for Services and Distribution Networks	484.4	445.5	8.7%

Despite the churn in the property management portfolio, revenue for that segment was up 18.6%, buoyed in particular by the positive impact of changes in scope (increase of €49 million with the consolidation of Oralia since 1 April 2014).

Revenue for other real estate services to individuals and companies (down 4.5% from 2013) was dented by Keops' slow full-year performance and lower occupancy rates at Studéa student residences compared with the previous year.

Against the backdrop of the administrative implementation of the ALUR Act, which slowed the conversion of promissory agreements into sales, franchise networks revenue held its own and even improved (up 1.0% from 2013) amidst a 2.4% year-on-year contraction in the market for sales of existing properties (source: CGEDD).

9.3.1.4 Other activities

Revenue for the Other activities division (€47.2 million) mainly reflected the disposal of shares in the OPCI real estate investment fund that owns the Aviso, a three-building office complex in Puteaux (Hauts-de-Seine), in connection with the Group's investment activities and, to a lesser extent, asset management fees and rents collected as part of those investment activities.

9.3.2 Current operating profit

Operating profit was €183.7 million in 2014 (versus €192.4 million in 2013), giving an operating margin of 7.0%, the same as in 2013.

CURRENT OPERATING PROFIT		
(in millions of euros)	2014	2013
Residential real estate	142.8	166.1
% of revenue	7.8%	9.1%
Commercial real estate	45.6	37.9
% of revenue	17.0%	8.4%
Services and Distribution Networks	26.7	22.1
% of revenue	5.5%	5.0%
Other activities	(31.4)	(33.7)
Total	183.7	192.4
% of revenue	7.0%	7.0%

9.3.2.1 Residential real estate

The Residential real estate division's current operating profit for operations in France was €170.1 million, versus €171.4 million in 2013 (a decrease of 0.8%), and it maintained a strong operating margin (9.6% in 2014 versus 9.9% in 2013). After including losses incurred outside France, the division's operating profit was down 14% year-on-year to €142.8 million, with a margin of 7.8% (9.1% in 2013).

Operating profit for the new home business in France held stable and continued to yield a very good margin (9.6% in 2014 versus 9.9% in 2013). Due to restatements in the opening balance sheet and the fair value measurement of assets and liabilities, the contribution of PERL, which had been consolidated since 1 July 2014, was not material.

Operating profit for subdivisions was down slightly, with the drop in revenue resulting in less coverage of overhead costs, although the business maintained an operating margin of close to 10%.

The results of international operations (a loss of €27.3 million) reflected €25.9 million in respect of the margins on projects delivered in Italy, the amendment of offerings (in line with the local market downturn), uncertainty as to the successful completion of certain ongoing developments, the fair value measurement of land inventory, and costs tied to the reorganisation of the subsidiary, which underwent a change of management. It also included the start-up cost of operations in Poland.

CURRENT OPERATING PROFIT

(in millions of euros)

	2014	2013
New homes	156.1	156.2
% of revenue	9.6%	9.9%
Subdivisions	14.0	15.2
% of revenue	9.7%	10.1%
International	(27.3)	(5.3)
Total for Residential real estate	142.8	166.1
% of revenue	7.8%	9.1%

9.3.2.2 Commercial real estate

The Commercial real estate division's current operating profit came to €45.6 million at 31 December 2014, versus €37.9 million at 31 December 2013. The operating margin for the period was very high (17.0% versus 8.4% in 2013) because of some non-recurring items (successful legal outcomes, reversals of provisions on developments delivered in 2013) as well as the successful technical execution of ongoing projects.

In May 2013, Nexity delivered the Basalte building in La Défense (Société Générale trading room) with a floor space of 42,850 sq.m. The delivery date for this building had been pushed back following a fire that occurred at the worksite in March 2011. Société Générale had initiated legal proceedings in 2012 against the Group's special-purpose subsidiary in charge of the project, filing for damages on the grounds of losses allegedly incurred as a result of the project's delayed delivery. At end-2014, the legal proceedings initiated between Société Générale and Nexity were terminated.

CURRENT OPERATING PROFIT

(in millions of euros)

	2014	2013
Commercial real estate	45.6	37.9
% of revenue	17.0%	8.4%

In total, the combined operating profit of Nexity's property development businesses (Residential real estate + Commercial real estate) was €188.5 million in 2014, versus €204.1 million in 2013, giving an operating margin of 9.0%, up 0.1 point from 2013.

9.3.2.3 Services and Distribution Networks

The Services and Networks division turned in a current operating profit of €26.7 million, versus €22.1 million at year-end 2013 (an improvement of 20.9%), and an operating margin of 5.5% (versus 5.0% at 31 December 2013).

In the Services business, operating profit from property management more than doubled to €22.3 million in 2014, thanks to the contribution from Oralia from the second quarter onwards, improved cost management and the full effect of the tax credit in support of competitiveness and employment (CICE). The profit margin for property management thus came in at 7.6% in 2014, compared with 4.1% in 2013, in spite of profit being adversely affected by non-recurring rationalisation costs.

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Comparison of the financial years ended 31 December 2014 and 31 December 2013

The profitability of the Studéa student residence management business declined sharply in 2014 as a result of a reduction in the stock of residences, a drop in occupancy rates and increased price competition in this market segment.

In Real estate services to companies, Keops, the bulk of whose business is in deals of less than €25 million, bore the full brunt of the downturn in this market segment (down 30% from 2013), making a negative contribution to the division's operating profit.

Profit from franchise operations was up (€3.8 million versus €3.5 million at year-end 2013), essentially as a result of increased revenue providing better coverage of fixed costs.

CURRENT OPERATING PROFIT

(in millions of euros)	2014	2013
Services - Property management	22.3	10.2
% of revenue	7.6%	4.1%
Services - Other services to individuals and companies	0.5	8.4
% of revenue	0.3%	5.0%
Franchise networks	3.8	3.5
% of revenue	12.4%	11.5%
Total for Services and Distribution Networks	26.7	22.1
% of revenue	5.5%	5.0%

9.3.2.4 Other activities

The result posted by Other activities notably includes the results from the investments business and the holding company (expenses not invoiced), research and overhead costs incurred by Villes & Projets, profit from innovation start-ups in the incubation phase and major digital projects, the results of support solutions for clients, and IFRS expenses on share-based payments.

This result was a net loss of €31.4 million (including €7.6 million from IFRS expenses on share-based payments), versus a €33.7 million loss in 2013 (including €11.2 million in IFRS expenses on share-based payments).

The division's disposal of 80% of its asset management arm, Nexity Reim, and its exit from the Aviso OPCI fund did not significantly impact the Group's financial statements for 2014.

9.3.3 EBITDA

In 2014, Nexity's EBITDA came to €220.7 million, versus €228.0 million in 2013 (down 3%). The Group's EBITDA margin was 8.4%.

EBITDA

(in millions of euros)	2014	2013
Residential real estate	152.4	173.5
% of revenue	8.3%	9.5%
Commercial real estate	41.2	40.3
% of revenue	15.4%	8.9%
Services and Distribution Networks	36.1	33.8
% of revenue	7.5%	7.6%
Other activities	(9.1)	(19.6)
Total	220.7	228.0
% of revenue	8.4%	8.3%

9.3.4 Operating profit

Operating profit, which totalled €133.8 million, is derived from current operating profit (€183.7 million), adjusted for goodwill impairment (a charge of €50.0 million).

Following the tests run at year-end 2014, impairment losses of €26.3 million and €23.6 million respectively had been recorded in the Services CGU (cash-generating unit) and the Franchise networks CGU. These write-downs are the result of revised assumptions about the medium-term growth in earnings power of the businesses in question, except as far as property management is concerned.

9.3.5 Net profit/(loss)

The following sections describe the various line items by which operating profit is adjusted to net profit.

9.3.5.1 Net financial income/(expense)

Net financial expense was €16.6 million, versus €7.2 million in 2013. It breaks down as follows:

NET FINANCIAL INCOME/(EXPENSE)

(in millions of euros)	2014	2013	Change 2014/2013
Interest expense	(22.3)	(13.4)	66.4%
Interest income and income from sale of marketable securities	5.0	6.4	-22.3%
Cost of net financial debt	(17.4)	(7.0)	147.2%
Other financial income/(expense)	0.8	(0.1)	-691.3%
Total	(16.6)	(7.2)	131.2%

The cost of debt increased from €13.4 million at 31 December 2013 to €22.3 million at 31 December 2014, mainly as a result of an increase in the average outstandings for debt used, following a dual-tranche bond issue totalling €171 million in May 2014 and a €180 million convertible bond issue in June 2014 (€598 million in average debt in 2014, as against €339 million in 2013). With a higher cash balance but lower interest rates than in 2013, the Group's short-term cash holdings generated financial income of only €5.0 million in 2014 (€6.4 million in 2013).

9.3.5.2 Income taxes

The Group's income tax expense was €78.9 million at 31 December 2014, versus €78.0 million at 31 December 2013. This expense includes the 3% contribution on dividends, applied to the €108.1 million dividend paid in May 2014 in respect of the 2013 financial year. The effective tax rate in 2014 was 48.7% (42.0% in 2013) and included the increase in additional corporate income tax to 10.7%, which raised the benchmark tax rate for large companies in France to 38%. The increase in the taxation rate in 2014 resulted in particular from the non-allocation of losses outside France to the Group's taxable income. After neutralising the effect of this non-allocation, Nexity's effective tax rate was 39% of profit before tax and the goodwill impairment charge.

9.3.5.3 Net profit from equity-accounted investments

Equity-accounted investments generated a profit of €0.8 million (as compared to a loss of €1.4 million in 2013).

9.3.5.4 Net profit attributable to non-controlling interests

This result, which represents the portion of profit attributable to minority interests in consolidated companies, was €3.4 million at 31 December 2014 (€5.8 million at 31 December 2013). The key minority interests are the shares held by third parties in joint development projects with the Residential real estate division and by La Française AM in the Real estate services to companies business.

9.3.5.5 Group share of net profit

The Group share of net profit was €35.7 million in 2014 (versus €100.1 million in 2013). The difference in net profit between the two periods was mainly due to the decline in operating profit (a €58.6 million decrease of which €50 million was attributable to goodwill impairment) and the €9.4 million increase in net financial expense.

9.4 ECONOMIC UNCERTAINTIES

French real estate markets recovered in 2015 – a trend that is expected to continue in 2016 in spite of persistently weak economic indicators (unemployment) preventing a return to pre-crisis levels.

More generally, 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 described in chapter 4, 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;

9 FINANCIAL POSITION AND PERFORMANCE

Economic uncertainties

- changes in regulatory constraints or applicable tax law; and
- changes in interest rates.

10 CASH AND SHARE CAPITAL

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The financial information presented in this section comes from the Group's consolidated financial statements. These statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) interpretations, as adopted by 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 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 financial data presented hereinafter are from the Group's consolidated financial statements with joint ventures proportionately consolidated, in millions of euros, for the financial years ended 31 December 2014 and 2015.

10.1 CASH AND CASH EQUIVALENTS

At 31 December 2015, cash flow from operations after financial and tax expenses recognised came to €148.9 million (versus €116.9 million at 31 December 2014). Net cash from operating activities amounted to €240.1 million, markedly higher than the €37.8 million recorded in 2014, due to the increase in cash flow from operations (up €32.0 million) and the decrease in operating working capital (excluding tax) in 2015 (down €87.0 million, compared with an increase of €79.1 million in 2014).

Net cash from financial investments totalled €0.3 million, with the sale of Ciloger offsetting the acquisitions of property management firms. Net cash used in operating investments (€19.6 million) mainly corresponds to IT investments and property improvements.

Nexity's free cash flow in 2015 was €220.5 million, versus free cash flow of €8.5 million the previous year, and amply covered the payment of the 2015 dividend of €108.4 million.

Net cash from financing activities came to €41.1 million in 2015. A dividend of €108.4 million was paid out in the first half. The Group's cash holdings increased by €153.5 million over the period to €798.4 million.

STATEMENT OF CASH FLOWS

(in millions of euros)	2015	2014
Cash flow from operating activities after financial and tax expenses	148.9	116.9
Change in operating working capital (excluding tax)	87.0	(79.1)
Changes in tax-related working capital, dividends from equity-accounted investments and other	4.2	0.1
Net cash from operating activities	240.1	37.8
Net cash from/(used in) financial investments	0.3	(195.6)
Net cash from/(used in) operating investments	(19.6)	(29.3)
Net cash from/(used in) financing activities	41.1	360.3
Dividends paid by Nexity SA	(108.4)	(108.1)
Changes in cash and cash equivalents for the period	153.5	65.1

10.1.1 Net cash from operating activities

Cash flow from operating activities after financial and tax expenses

The Group's cash flow from operating activities came to €148.9 million for the period ended 31 December 2015 (versus €116.9 million for the period ended 31 December 2014). This item mainly consists of net profit for the period (€123.5 million) adjusted for depreciation, amortisation and provisions for the period (€21.3 million), IFRS expenses related to share-based payments (€10.8 million), gains and losses on asset sales (a loss of €5.5 million), changes in fair value (a loss of €3.8 million) and the share of profit attributable to minority interests (€2.0 million).

Change in working capital requirement

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.

Working capital requirements on a by-division basis changed as follows:

WORKING CAPITAL REQUIREMENT

(in millions of euros)	2015	2014	Change 2015/2014
Residential real estate	588.9	632.8	(43.9)
Commercial real estate	(9.6)	(12.3)	2.7
Services and Distribution Networks	(63.9)	(53.0)	(10.9)
Other activities	9.6	59.9	(50.4)
Total WCR excluding tax	525.0	627.4	(102.4)
Corporate income tax	8.1	(0.7)	8.8
Total	533.1	626.7	(93.6)

The Group's working capital requirement excluding tax (€525.0 million) decreased by €102.4 million in comparison to 31 December 2014 (€627.4 million), with the declines mainly recorded by Residential real estate and Other activities.

The WCR of the Residential division fell by €43.9 million with respect to year-end 2014 thanks to the implementation of a comprehensive action plan during the year, amidst a recovery in business activity and higher paces of sales.

The working capital requirement of Other activities mainly arose from Villes & Projets urban regeneration projects and from asset portfolio transactions. Sales of development rights at Villes & Projets and the transfer of one of its portfolio assets to Residential real estate, following the issuance of the building permit, led to a €50.4 million reduction in the WCR of this division.

The change in WCR on the balance sheet in the amount of €102.4 million is reflected in the cash flow statement by a change of only €87.0 million, insofar as the cash flow statement does not take into account changes in the scope of consolidation (acquisitions and disposals of property management firms), and, to a lesser extent, changes in receivables and payables for fixed assets.

At 31 December 2015, tax-related working capital was comprised of a corporate income tax receivable in the amount of €8.1 million, which is expected to be received in the first half of 2016.

10.1.2 Net cash from/(used in) investing activities

Net cash from financial investments was nearly zero (€0.3 million), as income from the disposals of Ciloger and property management businesses was offset by acquisitions of property management firms.

Net cash used in operating investments was €19.6 million (versus €29.3 million in 2014, the year having seen the relocation of staff working at various locations in Paris and Lille to single sites). These investments mainly included the adaptation of information systems and improvement projects at the Solstys building (the Group's new head office in the 8th *arrondissement* of Paris), at the property management agencies, and in Toulouse and Marseille, where Nexity's teams were relocated to single sites.

10.1.3 Net cash from/(used in) financing activities

Net cash from financing activities was €41.1 million, mainly reflecting the net impact of debt issues and repayments of borrowings on projects in the Residential division.

Nexity paid a total of €108.4 million in dividends in 2015, versus €108.1 million in 2014.

10.2 FINANCING

Nexity's consolidated net debt at the end of 2015 was €102.3 million (compared with €166.5 million at the end of 2014).

The decrease of €64.2 million was mainly due to the improvement in operating working capital (€87.0 million excluding changes in scope), cash flows from operations (€148.9 million) and the change in tax-related working capital and similar items (€4.2 million), which were only partially offset by dividend payments (€108.4 million), operating investments (€19.6 million), the reclassification of a capital lease contract under fixed assets (€9.8 million), the inclusion of liabilities from acquisitions in the opening balance sheet (€4.5 million) and the undertaking to buy out minority interests (primarily LFP Nexity Services Immobiliers for €25.7 million). See the statement of cash flows in Section 10.1 "Cash and cash equivalents".

NET DEBT

(in millions of euros)	2015	2014
Bond issues (incl. accrued interest and arrangement costs)	538.8	534.9
Loans and borrowings	350.2	272.0
Other financial borrowings and other financial receivables	11.7	4.5
Net cash	(798.4)	(644.9)
Total net debt/(cash)	102.3	166.5

At 31 December 2015, the total face value of all bond issues (€551 million) differs from their total amount on a consolidation basis (€538.8 million) due to the restatement of derivatives and the equity component of OCEANE bonds as well as the amortisation of bond issue costs.

Under the terms of the bond issues (except OCEANES), the Group is required to comply with the financial ratios presented in Note 22.1 to the Group's consolidated financial statements provided in Annex 1, which are calculated every six months on a rolling 12-month basis. All ratios were met at 31 December 2015.

Loans and borrowings, based on the amounts set out contractually in the corresponding credit agreements, break down as follows:

LOANS AND BORROWINGS

(in millions of euros)	Authorised 2015	Drawn 2015	Drawn 2014
Non-allocated credit facility – Residential real estate	300.0	-	-
Non-allocated credit facility – Services	42.0	42.0	42.0
Facilities for the acquisition of companies and non-current assets – Real estate services	55.9	55.9	60.3
Put options granted to minority shareholders	75.2	75.2	44.0
Total corporate loans	473.1	173.1	146.3
Project-related loans	363.8	177.1	122.6
Total credit facilities	836.9	350.2	268.9
Fair value adjustment of derivatives			3.1
Total loans and borrowings	836.9	350.2	272.0

For its Residential real estate division, the Group has access to a non-allocated credit facility with a syndicate of banks in the amount of €300 million, maturing at 31 December 2018. The credit facility, which is undrawn to date, comes with an additional €840 million in guarantees (*engagements par signature*). This credit facility is subject to financial covenants, which are described in Note 22.2 to the Group's consolidated financial statements provided in Annex 1. At 31 December 2015, the Group was in compliance with all financial ratios under these covenants.

Special credit facilities may also be taken out for "major" operations, i.e. those exceeding revenue of €20 million including VAT, and for development projects carried out through joint ventures with other developers or by PERL or Iselection or outside France.

In the Commercial division, specific bank loans may be set up for developments that are not financed in percentage-of-completion instalments by the investor.

In Services, Oralia has a €42 million corporate credit line, put in place to finance its operating needs.

In Other activities, debt is incurred to finance tangible fixed assets, urban regeneration projects (Villes & Projets) and Investments activities.

The Group's liabilities for acquisition finance include:

- an €8 million loan taken out in June 2013, maturing in June 2018 and repayable by amortisation over the last three years, intended to refinance acquisition debt and IT development in Commercial real estate services;
- loans in the amount of €47.9 million at 31 December 2015, used to partially finance certain acquisitions of individual property management firms by Services (in particular at Oralia); and
- liabilities relating to undertakings to buy out minority shareholders in consolidated companies. At 31 December 2015 they amounted to €75.2 million, mostly concerning PERL, Térénéo and LFP Nexity Services Immobiliers. Their maturity schedule is based on the probable date of performance of the contractual obligations.

At 31 December 2015, the Group's borrowings and financial liabilities with credit institutions totalled €350.2 million, consisting of €173.1 million in medium-term corporate debt and €177.1 million in project-specific bank loans.

The Group has authorised credit facilities totalling €836.9 million, of which €350.2 million has been drawn down. The Residential real estate division's undrawn lines of corporate credit total €300 million, and are available at any time.

10.3 OFF BALANCE SHEET COMMITMENTS

The Group's main off balance sheet commitments excluding (equity-accounted investments) at 31 December 2015 are described below:

Off balance sheet commitments related to the Group's scope of reporting

The Group has granted seller's warranties of €5.2 million as of 31 December 2015.

Commitments received in respect of seller's warranties came to €172.7 million.

Off balance sheet commitments related to Group financing

The Group pledges assets to guarantee certain loans from financial institutions (see for example Section 6.4 "Company assets used as collateral"). Those pledges totalled €38.1 million at 31 December 2015, versus €47.7 million at 31 December 2014.

Off balance sheet commitments related to ordinary operating activities

COMMITMENTS GIVEN

(in millions of euros)	2015	2014
Counter-guarantees on:		
Performance bonds	1,455.0	1,346.6
Deposit payment bonds	32.8	31.8
Other commitments given	308.3	396.6
Total	1,796.1	1,775.0

The most significant item in this category is the counter-guarantees given by the Group in the ordinary course of business on performance bonds issued by banks to buyers in real estate development projects in accordance with existing law. Such a guarantee has never been exercised. The Residential real estate division's outstanding commitments increased to €1,096.5 million at 31 December 2015, versus €999.7 million at 31 December 2014. The Commercial real estate division's outstanding commitments also increased to €358.4 million at 31 December 2015 (versus €346.9 million at 31 December 2014).

Conversely, this division also had €538.4 million in client payment guarantees on real estate development contracts at 31 December 2015 (versus €503.8 million at 31 December 2014).

Other commitments given (€308.3 million at 31 December 2015) consisted of guarantees on deferred payments relating to land purchases and urban planning taxes and duties.

BILATERAL COMMITMENTS

Pursuant to the provisions of the Hogue Act, a total amount of €866.6 million as of 31 December 2015 was granted in professional sureties for property managers and real estate agents licensed to manage client working capital accounts for the Services business.

Note 35 to the Group's consolidated financial statements, presented in Annex 1, provides further detail on the Group's off balance sheet commitments.

10.4 MAIN FINANCIAL RISKS AND UNCERTAINTIES TO WHICH THE GROUP IS EXPOSED

Detailed information on the risks and uncertainties faced by the Group is provided in Section 4 "Risk factors".

The Group's main financial risks are described below.

10.4.1 Liquidity risk

The Group's outstanding debt and financial liability excluding current accounts held as such totalled €901.2 million at 31 December 2015, with 90.6% falling due in more than one year. Credit facilities negotiated

with financial institutions totalled €776.2 million at 31 December 2015. The amortisation schedule is presented in Note 22.3 to the Group's consolidated financial statements provided in Annex 1.

With its current bank financing, the bonds issued in January 2013, May 2014 and June 2014, and its level of available cash, the Group believes it has the necessary funds to honour its financial commitments and satisfy its day-to-day liquidity needs for 2016.

The Group's cash is invested in UCITS funds applying a "standard money-market management" approach with portfolios favouring liquidity and a high level of security, as well as in demand deposit and term deposit accounts with leading banks offering immediate or short-notice access to liquidity.

10.4.2 Interest rate risk

Bonds issued by Nexity pay a fixed rate. Most of the Group's bank borrowings are at floating interest rates.

Cash and cash equivalents are invested in floating-rate UCITS-type funds or deposited in fixed-rate demand deposit accounts.

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.

The cost of financing on debt drawn down by the Group was 3.3% in 2015 (3.3% in 2014).

At 31 December 2015, the portion of fixed-rate or hedged debt was approximately 74% of total debt.

An interest rate sensitivity analysis is presented in Note 25.1 to the Group's consolidated financial statements provided in Annex 1.

10.4.3 Currency risk

The Group's exposure to currency risk is not material because it has no material operations outside the euro zone.

10.4.4 Equity risk

The Group's portfolio does not include any listed shares. However, within the scope of the existing liquidity agreement, the Group may hold treasury shares, up to the amount of the resources allocated to the liquidity agreement, thus €5 million. At 31 December 2015, the Group did not hold any treasury shares.

The Group thus currently deems itself not exposed to any material equity risk.

10.4.5 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 financial 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.

11 RESEARCH AND DEVELOPMENT, INTELLECTUAL PROPERTY

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11.1 RESEARCH AND DEVELOPMENT

Since 2012, the Group has further structured its research and development activities by putting in place a team to coordinate and monitor innovation projects. This team consists of the Strategy and Development Director and the Sustainable Development and Strategic Marketing Director.

This team reports to the Group CEO and is continuing with actions previously initiated by the Group in this area. After reviewing relevant issues, the new team identified or confirmed priority actions, appointed innovation project leaders and allocated central resources.

Nexity's innovation strategy can be broken down into a number of dimensions:

Sourcing and supporting start-ups, via:

- financial investment in two professional venture capital funds:
 - the Demeter 3 Seed Fund, which specialises in cleantech start-ups operating in the eco-industry and eco-energy sectors, and
 - the "Booster 1" fund, managed by Newfund, which is developing an entrepreneurial approach to financing innovation, particularly in the digital field (smart cities, connected objects, etc.).

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, and
- increase 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.
- participation in open innovation programmes using the ecosystems of local stakeholders.

In 2015, Nexity was involved in two open innovation programmes:

- 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, Vinci Énergies, Setec, Suez Consulting and Cisco, 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.
- the Happy City "Well-being and quality of urban life" Awards.

Following the success of the first Nexity Innovation Awards in 2014 for "Well-being and quality of life in buildings", in 2015 Nexity joined forces with AG2R La Mondiale, Sodexo and Suez Environnement to create the Happy City Awards for "Well-being and quality of urban life". The Happy City Awards recognised the five start-ups that put forward the best initiatives to sustainably improve the well-being and quality of life of inhabitants in a given neighbourhood.

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

The start-up sourcing and support strategy provides the Group with opportunities to develop operational partnerships with some start-ups with the aim of enhancing its product and service innovation.

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 the principle of the circular economy; 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 since acquired by 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-2015, a total of 14 vehicles were based at seven residences in the Paris region.
- Weroom, the first social network devoted to home sharing (ranked among the 100 most innovative companies in Europe by Red Herring magazine), which is 99% owned by Nexity.

For several years, Nexity has been encouraging employees to develop innovations under an intrapreneurial approach, giving rise to new product lines.

The two most iconic such innovations are as follows:

- Nexity 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-framed office buildings, using a construction process that adheres to the highest environmental standards (particularly as regards energy and carbon efficiency). Thanks to this innovation, Nexity is now France's number one developer of wood-framed office buildings, with 32,500 square metres delivered at end 2015 and a number of notable achievements (including the delivery of France's first energy-plus business park built from solid wood structures and the country's tallest wood-framed office building to date); and
- Nexity Blue Office (see Section 6.3.7.1 "Nexity Blue Office"), an innovative offering initiated by an in-house project team in 2012, with the first sites opened in 2014. Blue Offices are remote office environments located in residential areas, designed and managed by Nexity to facilitate and optimise remote working for employees, but also to stimulate local economies. Blue Office is a response to the changing relationship with work entailed by digital mobility. At end-2015, five Blue Offices were open in the Paris region.

11.2 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. A new brand image has also been put in place.

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;
- Weroom, which has created a social network to help people find shared accommodation and joint tenants. The company works with a large number of estate agencies active in the market, and also operates under its own brand; and
- Oralia and Bérard, given the specific nature of their business and their strong brand identity in the property management 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.

Management of the intellectual property rights portfolio of the Group and its subsidiaries is centralised and coordinated by the Group's Legal Affairs department. 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.

12 TRENDS

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12.1 RECENT DEVELOPMENTS

Partnership with the developer Edouard Denis (press release of 16 February 2016)

Nexity, the investment fund MBO Partenaires and Mr Edouard Denis have made commitments with a view to the acquisition by Nexity of a 55% stake in the share capital of the real estate development group Edouard Denis. The remaining 45% stake will be held by Mr Edouard Denis.

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.

Edouard Denis recorded 1,676 net reservations in 2015, generating revenue of approximately €180 million. Its profitability is in line with Nexity's expectations with regard to the operating margin for new homes in France, and its portfolio of projects and land options should provide it with robust growth in 2016 and 2017.

Mr Edouard Denis will chair and manage the company, under its own brand and with a significant level of considerable operational independence.

This transaction is consistent with Nexity's expressed strategy of continuing to develop its business activities in residential real estate. As an addition to its own-brand operations, Nexity aims to help entrepreneurs in the sector amplify their growth by granting them access to its know-how and financial resources in an open-architecture model, as it did with PERL and Iselection.

The transaction will be financed by Nexity using its own financial resources.

The transaction will remain subject to the condition precedent of the French Competition Authority and is expected to take place before the end of the first half of 2016.

12.2 OUTLOOK

Upon releasing its 2015 annual results¹, in addition to the forecasts given for 2016 (see Section 13 "Profit forecast and estimates"), the Group announced its aim of delivering current operating profit of €300 million in 2018.

¹ See the press release dated 16 February 2016 on Nexity's 2015 annual results.

13 PROFIT FORECAST AND ESTIMATES

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13.1 FORECASTS

The term “order backlog” refers to reservations that have been signed but are not yet reflected in revenue.

ORDER BACKLOG

(in millions of euros)	2015	2014	Change
New homes ⁽¹⁾	2,573	2,591	-1%
Subdivisions	233	243	-4%
Residential real estate division	2,806	2,834	-1%
Commercial real estate division	487	449	9%
Group total	3,293	3,283	0%

⁽¹⁾ Including Iselection, PERL and International

The Group's order backlog at 31 December 2015 was €3,293 million, stable as compared to 31 December 2014. This backlog is equivalent to 16 months' revenue from Nexity's development activities (based on 2015 revenue), giving good visibility on Nexity's upcoming revenue:

- Order backlog in the Residential real estate division totalled €2,806 million, down slightly (by 1%) from the preceding year. This backlog amounts to nearly 16 months of revenue (based on 2015 Residential real estate revenue); and
- the Commercial real estate division's order backlog totalled €487 million at 31 December 2015, compared with €449 million a year earlier. This backlog amounts to 15 months of revenue (based on 2015 Commercial real estate revenue).

In its publication of 2015 business activity and annual results, the Group provided the following outlook for 2016:¹

- External growth: partnership with Edouard Denis, Nexity takes a majority stake;²
- Growth in Nexity's new home reservations, consistent with estimated French market volume of 105,000-110,000 reservations for 2016;
- Order intake in Commercial real estate of about €250 million;
- 2016 revenue: stable, around €3 billion;
- 2016 current operating profit target: at least €235 million (up 7%); and
- Proposed dividend per share up 10% (€2.20).³

¹ Financial data and indicators based on Nexity's operational reporting, with joint ventures proportionately consolidated (see Section 9.1.2 “Key figures for 2015”).

² See press release of 16 February 2016. All 2016 indicators are presented exclusive of Edouard Denis.

³ Pending the decision of Nexity's Board of Directors and approval at the Shareholders' Meeting.

13.2 STATUTORY AUDITORS' REPORT ON THE COMPANY'S PROFIT FORECAST

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 13 of Nexity's 2015 Reference Document.

In accordance with the provisions of Commission Regulation (EC) No. 809/2004 and the ESMA guidelines applicable to profit forecasts and estimates, you have taken full responsibility for the compilation of this forecast and the principal assumptions on which it is based.

It is our duty to express a conclusion on the basis of our work, in the terms pursuant to Annex I, Item 13.2 of Commission Regulation (EC) No. 809/2004, on the proper compilation of this forecast.

We have performed those duties deemed necessary by us in accordance with the professional guidelines of France's national auditing body, the CNCC, as applicable to this engagement. Our duties included an assessment of the procedures implemented by the Management when compiling the forecast, in addition to verifications that the forecast was prepared on a basis comparable with that used for Nexity's historical information. We also gathered all information and explanations that we deemed necessary in order to obtain reasonable assurance that the forecast had been properly compiled on the basis stated.

We note that, given the uncertain nature of profit forecasts, actual figures may depart materially from those compiled herein, and we do not express any conclusions as to whether any of the forecast figures can or cannot be achieved.

In our opinion:

- the forecast has been properly compiled on the basis stated;
- and the accounting basis used for this forecast is consistent with Nexity's accounting policies.

This report is issued for the sole purpose of filing the Reference Document with the Autorité des Marchés Financiers and, where applicable, for any public offering in France and other European Union countries in which a prospectus approved by the AMF and including this Reference Document has been filed; it may be put to no other use.

Courbevoie and Paris La Défense, 13 April 2016

The Statutory Auditors

KPMG Audit IS

MAZARS

Philippe Mathis
Partner

Olivier Thireau
Partner

Michel Barbet-Massin
Partner

14 ADMINISTRATIVE, SUPERVISORY AND MANAGING BODIES

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14.1 BOARD OF DIRECTORS AND SENIOR MANAGEMENT

A descriptive summary of the main provisions of the Company's Articles of Association and Board rules and regulations can be found in Section 16.1 "Functioning of administrative and managing bodies".

14.1.1 Members of the Board of Directors

The Board of Directors has 11 members: 4 women and 7 men, including a director representing the employees (pursuant to Article L. 225-27-1 of the French Commercial Code).

Having stepped down to make way for directors' terms of office to be staggered, Alain Dinin, Hervé Denize and Miguel Sieler were re-elected to the Board at the Shareholders' Meeting held on 19 May 2015, for a four-year term expiring at the end of the Annual Shareholders' Meeting to be held in 2019 to approve the financial statements for the period ending 31 December 2018. Agnès Nahum was also elected as a director at the same Shareholders' Meeting and for the same term of office.

The terms of office of Jacques Veyrat, elected to the Board at the Annual Shareholders' Meeting held on 23 May 2013, and Soumia Belaidi Malinbaum, co-opted to replace Martine Carette, who stepped down, for the remainder of her predecessor's term of office, expire at the end of the Annual Shareholders' Meeting to be held in 2017 to approve the financial statements for the period ending 31 December 2016.

Anne-Marie de Chalambrat and Luce Gendry were re-elected to the Board at the Shareholders' Meeting held on 10 May 2012, for a four-year term expiring at the end of the next Annual Shareholders' Meeting.

Jérôme Grivet and Jean-Pierre Denis were co-opted on 23 July 2015 to replace Christine Fabresse and Daniel Karyotis respectively for the remainder of their predecessors' terms of office, expiring at the end of the next Annual Shareholders' Meeting.

Stanislas Augem was appointed to the Board as a director representing the employees by the works council of UES Nexity Promotion Construction on 30 September 2014 for a four-year term.

A single Works Council representative attends 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, replacing Evelyne Mistler, 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. Pascal Oddo was thus co-opted on 24 July 2014 to serve as a non-voting director, replacing Charles-Henri Filippi for the remainder of his predecessor's term of office, expiring at the end of the next Annual Shareholders' Meeting. His appointment was ratified at the Shareholders' Meeting held on 19 May 2015. Gérard Bayol was co-opted on 23 July 2015 to replace Jean-Pierre Denis, previously elected as a non-voting director at that same Shareholders' Meeting for a three-year term, who stepped down on 23 July 2015 in order to serve as a director. Subject to ratification at the next Shareholders' Meeting, Gérard Bayol's term of office will expire at the end of the Annual Shareholders' Meeting to be held in 2018 to approve the financial statements for the year ending 31 December 2017. The Board of Directors met seven times during the financial year ended 31 December 2015.

The Directors can be reached at the Company's head office: 19, rue de Vienne – TSA 50029 – 75801 Paris Cedex 08 – France.

The table below shows the members of the Company's Board of Directors as of 16 February 2016, their main positions, the number of shares held in the Company at 31 December 2015, their main outside activities, where material, as well as their other offices and positions held over the five years preceding 31 December 2015.

Name of person or company	Date first co-opted or appointed	Date of term expiry	Number of shares held in the Company	Main position in the Company	Offices and positions held at other companies over the past five years
Alain Dinin 65 years old French national	28/09/2004 Appointment renewed on 19/05/2015 pursuant to a vote at a Shareholders' Meeting determining reappointment in accordance with directors' staggered terms of office	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	1,310,059 (directly held)	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), • Director of Isodev SA, • Chairman (since 12/12/2014) and member of the Supervisory Board (since 15/01/2015) 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, • Deputy Chairman and member of the Supervisory Board of Saggel Holding SA, • Chairman and member of the Supervisory Board of Oralisa Partenaires SAS, • Co-manager of Clichy Europe 4 SARL, • Legal representative of Nexity chairing Nexity Franchises SAS and Lilas Paul Meurice SAS, • Legal representative of Nexity acting as Deputy Chairman, CEO and Director of Eco Campus à Châtillon SAS, itself Chairman of Mercedes SAS, • Permanent representative of Saggel Holding SA on the Board of Directors of LFP Nexity Services Immobiliers SAS, • Permanent representative of Nexim 1 SAS on the Boards of Directors of Ufiame SA and Ressources et Valorisation SA, • Director of Nexity Logement SAS, Weroom SAS, PERL SAS and Oralisa Investissements, • Permanent representative of Nexity Logement SAS on the Board of Directors of Férial SA, • Permanent representative of George V Gestion SAS on the Board of Directors of Chantiers Navals de l'Estrel SA. Outside France: • Chairman of the Supervisory Board of Nexity Polska 303 Spółka Akcyjna (Poland) and NP 7 Spółka 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: • 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, • Director and Chairman of the Board of Directors 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 Saggel Transactions SA (until 24/11/2011), Nexibel 1 (Belgium) (until 10/12/2015) and Nexity IG (Belgium) (until 10/12/2015), • Permanent representative of SIG 30 Participations on the Supervisory Board of Geprim SAS (until 16/12/2011),

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Board of Directors and senior management

Name of person or company	Date first co-opted or appointed	Date of term expiry	Number of shares held in the Company	Main position in the Company	Offices and positions held at other companies over the past five years
					• 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).
Hervé Denize 62 years old French national	28/09/2004 Appointment renewed on 19/05/2015 pursuant to a vote at a Shareholders' Meeting determining reappointment in accordance with directors' staggered terms of office	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	383,878 (directly held)	Deputy Chief Executive Officer Member of the Investment Committee	Current appointments: Outside the Group: • Co-manager of SCI Avenir and SCI Futur Antérieur, • Member of the Supervisory Board (since 15/01/2015) and CEO (since 15/01/2015) of New Port SAS. In the Group: • 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 (from 01/04/2014), • Director of Nexity Immobilier d'Entreprise SA, Werroom SAS and PERL SAS, • CEO (non-director) of SA Crédit Financier Lillois (CFL), • CEO of SAS Iselection, • Chairman and member of the Supervisory Board of Saggel Holding SA, • 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, SA Guy Hoquet l'Immobilier, SAS LFP Nexity Services Immobiliers, • Representative of Nexity chairing SAS Lilas Paul Meurice, • Chairman and representative of Nexity Franchises chairing the Board of Directors of Financière Guy Hoquet l'Immobilier SAS (since 21/05/2015), • 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, • Permanent representative of Nexity Franchises on the Board of Directors of SAS Financière Guy Hoquet l'Immobilier, • Legal representative of SAS Nexim 4 chairing SAS Canton 1, • Legal representative of Sari Investissements chairing SAS Neximmo 5, SAS Insoon and SAS Massena Paris 13ème, • Legal representative of Sari Investissements managing 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

Name of person or company	Date first co-opted or appointed	Date of term expiry	Number of shares held in the Company	Main position in the Company	Offices and positions held at other companies over the past five years
					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, • Legal representative of Sari Investissements co-managing 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, • Legal representative of Sari Investissements, designated as the liquidator of SCI Bordeaux Bastide 1 (since 29/10/2015), • Legal representative of Nexity Lamy, which serves as Chairman of SAS Cabinet Pierre Bérard (since 02/06/2015), • Legal representative of Nexity Lamy, which serves as CEO of SAS Nexity E-gérance (since 15/04/2015), • Legal representative of Sofap-Helvim - Société Française d'Accession à la Propriété SAS, managing director of 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). Expired appointments: • Chairman of SAS Régie Immobilière Pondeveaux (until 14/01/2015), • 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), • 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 Iselection SA (until 21/12/2011), Century 21 France SAS (until 25/06/2013), • Permanent representative of Nexity on the Board of Directors, Remuneration and Appointments Committee and Investment Committee of Eurosic SA (until 21/06/2011), • Director of Nexity España (Spain) (until 25/09/2013), • Legal representative of Sari Investissements: chairing SAS Vaneau (until 07/03/2011), SAS Nexicom 3 (until 04/10/2012), SAS Neximmo 10 (until 23/10/2013), SAS Neximmo 32 (until 23/10/2013) and Nexicom 2 (until 31/03/2014), • Legal representative of SAS Nexim 4 chairing SAS Canton 9 (until 24/12/2011), • Legal representative of Sari Investissements, which manages 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

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Board of Directors and senior management

Name of person or company	Date first co-opted or appointed	Date of term expiry	Number of shares held in the Company	Main position in the Company	Offices and positions held at other companies over the past five years
					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-manages SCI Marseille Avenue Viton (until 13/01/2011), SCI Marseille 165 Avenue du Prado (until 07/03/2011), 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 Neximmo 19, liquidating SNC Aubert Egalité, SNC Lieusaint Parc du Levant A2 and SNC Carrières Embarcadère (until 24/12/2014), • Permanent representative of Sari Investissements on the Supervisory Board of SAS Geprim (until 16/12/2011), • Legal representative of Nexity Lamy chairing SAS Francelpes 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), • Liquidator of Companhia Imobiliara do Sena (Portugal) (until 24/01/2011), • Director of Nexity Belgium (Belgium) (until 14/01/2011), SAS Apollonia (until 10/12/2015), and Nexibel 6 (Belgium) (until 10/12/2015), • Chairman of SAS Neximmo 4 (until 07/03/2011), Neximmo 8 (until 07/03/2011), SAS Neximmo 11 (until 25/03/2011), SAS Neximmo 16 (until 23/10/2013), Neximmo 17 (until 23/10/2013) and SAS Pellissier-Ronzino (until 31/12/2014), • General manager of SCI Montreuil Rue Cuvier (until 13/01/2011), SNC Neximmo 28 (until 08/05/2011), SNC Neximmo 29 (until 23/11/2011), SNC Rue du Petit Clamart (until 08/03/2011), SNC Aubert Egalité (until 29/11/2011) and SNC Quai d'Arenc (until 23/10/2013), • Permanent representative of SIG 30 Participations as Director and Chairman of 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 chairing SAS Massena Paris 13ème, co-managing SNC Promotions M7 (until 22/10/2015),

Name of person or company	Date first co-opted or appointed	Date of term expiry	Number of shares held in the Company	Main position in the Company	Offices and positions held at other companies over the past five years
Anne-Marie de Chalambert 72 years old French national	26/10/2004	At the conclusion of the Shareholders' Meeting at which the shareholders are asked to approve the financial statements for the year ended 31/12/2015	200	Director Member of the Investment Committee Member of the Remuneration and Appointments Committee	- Permanent representative of George V Gestion on the Board of Directors of SAS George V Région Nord (until 19/09/2013). Current appointments: - Chairman of AMCH SASU, - Director of Société Foncière Lyonnaise (SFL) (listed company), - Director of Mercialis 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, - General 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, - General manager of the Société Civile du Golf de Morfontaine.
Miguel Sieler 66 years old French national	10/05/2005	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	200	Director Chairman of the Remuneration and Appointments Committee Member of the Audit and Accounts Committee	Current appointments: - CEO of Neovacs SA (listed company), - Chairman of Plasmaprime SAS, - 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 the following companies: Bayer Santé, Bayer Santé Familiale, Bayer Classics, 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.
Luce Gendry 66 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 ended 31/12/2015	1,850 <i>(directly and indirectly held)</i>	Deputy Chairman since 17 February 2015 Senior Independent Director since 24 March 2015 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 (listed company), - Director of FFP (listed company) and member of the Finance and Audit Committee, - Director of Sucres et Denrées, - Director of Numéricable (listed company) and Chairman of the Finance and Audit Committee. Outside France: - Chairman of Cavamont Holdings. Expired appointments: - Managing partner, Rothschild et Cie (until 30/06/2011), - Managing partner, Rothschild et Cie Banque (until 05/09/2011), - Director of Foncière INEA (listed company) (until June 2014).
Jacques Veyrat	23/05/2013	At the conclusion	250	Director	Current appointments:

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Board of Directors and senior management

Name of person or company	Date first co-opted or appointed	Date of term expiry	Number of shares held in the Company	Main position in the Company	Offices and positions held at other companies over the past five years
53 years old French national		of the Shareholders' Meeting at which the shareholders are asked to approve the financial statements for the year ending 31/12/2016		Member of the Remuneration and Appointments Committee Member of the Investment Committee	- Chairman of Impala SAS, - Member of the Supervisory Board of Eurazeo (listed company), - Director of Fnac (listed company), HSBC France, - Non-voting director of Louis Dreyfus Armateurs, Sucres et Denrées, Direct Énergie. Expired appointments: - Director of Imerys (listed company), - Chairman of Louis Dreyfus Holding and Louis Dreyfus SAS.
Stanislas Augem 61 years old French national	30/09/2014	29/09/2018	63	Director representing the employees Member of the Remuneration and Appointments Committee	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.
Soumia Belaidi Malinbaum 53 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	200	Director	Current appointments: - Director of the Lagardère group (listed company). Expired appointments: - Director and Chairman of the Audit Committee of France Média Monde.
Agnès Nahum 55 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	200	Director	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).
Jean-Pierre Denis 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 ended 31/12/2015	500	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 (listed company), - Director of Altrad Investment Authority, - Director of Paprec Holding, - Director of Avril Gestion, - Director and treasurer of Ligue de Football Professionnel. Expired appointments: - Director of Confédération Nationale du Crédit Mutuel (until 16/03/2011), - Permanent representative of Crédit Mutuel Arkéa on the Board of Directors of CFCAL Banque (until 20/05/2011), - Permanent representative of Crédit Mutuel Arkéa on the Board of Directors of CFCAL SCF (until 20/05/2011), - 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).

Name of person or company	Date first co-opted or appointed	Date of term expiry	Number of shares held in the Company	Main position in the Company	Offices and positions held at other companies over the past five years
Jérôme Grivet 54 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 ended 31/12/2015	200	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 (listed company), - Director of Crédit Agricole Assurances, Caceis, Icade SA (listed company) and Korian SA (listed company), - Chairman of CA Life Greece, - Permanent representative of Predica on the Board of Directors of Foncière des Régions SA (listed company), - Chairman of Fonds Stratégique des Participations, permanent representative of Predica. Expired appointments: - CEO of Crédit Agricole Assurances, - Director of CAAGIS, - Non-voting member of the Boards of Directors of Crédit Agricole Immobilier, La Médicale de France and Aéroports de Paris, - 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 Cedcam, - 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 as a non-voting member of the Board of Directors of Siparex Associés, - Member of the Supervisory Board of Korian, - 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.

The following directors resigned during the 2015 financial year. The following table shows their main positions in the Company until the date given for their resignation, the number of shares held in the Company at 31 December 2015, their main outside activities, where material, as well as their other offices and positions held over the five years preceding 31 December 2015.

Name of person or company	Date first co-opted or appointed	Date of term expiry	Number of shares held in the Company	Main position in the Company	Offices and positions held at other companies over the past five years
Bernard Comolet 68 years old French national	05/11/2008	Resignation effective 17 February 2015	200	Term of office as Vice-Chairman of the Board of Directors and Director ended on 17 February 2015	Current appointments: - Member of the Board of Directors of the French National Committee for UNICEF. Outside France: - Member of the Supervisory Board of Banque BCP Luxembourg, SA with Management Board and Supervisory Board (Luxembourg). Expired appointments: - Member of the Supervisory Board and Chairman of the Audit Committee of Banque BCP SAS (until 10/04/2015), - Member of the Board of Directors of CE Participations SA (until August 2010),

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Board of Directors and senior management

Name of person or company	Date first co-opted or appointed	Date of term expiry	Number of shares held in the Company	Main position in the Company	Offices and positions held at other companies over the past five years
					• Director of Financière Océor SA (until 30/04/2010), • Legal representative of CEP IDF on the Supervisory Board of EFIDIS, SA d'HLM with Management Board and Supervisory Board (until 16/12/2010), • Deputy Chairman of the Board of Directors of the European Savings Banks Group, • Director of Sopassure SA, • Deputy Chairman of the Supervisory Board and member of the Audit Committee of CNCE, SA with Management Board and Supervisory Board, • Chairman of the Management Board of CEP Île-de-France Ouest, SA with Management Board and Supervisory Board, • Non-voting director of CNP Assurances SA, • Legal representative of CNCE on the Supervisory Board of GIRCE Stratégie GIE and GEMO RSI GIE, • Deputy Chairman of the Supervisory Board and Remuneration Committee of Natixis, SA with Management Board and Supervisory Board, • Legal representative of CE IDF on the Supervisory Board of SEDI RSI GIE, • Chairman and CEO of the SICAV investment fund Ecureuil Dynamique +, • Permanent representative of CE IDF Paris on the Board of Directors of Eulia Caution SA, • Director of Eurotevea (formerly Euro Sofac) SA, • Member of the Supervisory Board of IXIS CIB, SA with Management Board and Supervisory Board, • Permanent representative of CE IDF Paris on the Boards of Directors of the following companies: Odacia SA, Saccef SA and Socamab Assurances SA, • Member of the Supervisory Board of BCPE, SA with Management Board and Supervisory Board, • Chairman of the Management Board of CEP Île-de-France (CEP IDF), SA with Management Board and Supervisory Board, • Legal representative of CEP IDF on the Supervisory Board of GCE Business Services GIE and GCE Technologies GIE, • Permanent representative of CEP IDF on the Board of Directors of Immobilière 3F, SA d'HLM, • Director of Paris Habitat OPH EPIC, • Member of the Board of Directors at CE Holding Promotion, SAS with Board of Directors.
Martine Carette 65 years old French national	31/05/2005	Resignation effective 17 February 2015	26,500	Director Term of office ended on 17 February 2015	Current appointments: • Chairman of Boréales Consultants SAS. Expired appointments: • Member of the Supervisory Board of FCPE Nexity Actions.
Christine Fabresse 51 years old French national	24/07/2013	Resignation effective 27 May 2015	200	Director Term of office ended on 27 May 2015	Current appointments: • Chairman of the Management Board of Caisse d'Épargne LR (from 25/04/2013), • Director of FNCE (since April 2013), GIE IT-CE (since April 2013), Crédit Foncier (since April 2013) and Compagnie de Financement Foncier (since March 2014), • Director of Ellisphere (since December 2015). Expired appointments: • Director of Banque des Mascareignes (from 08/07/2013), Natixis Financement (from 11/07/2013), Natixis Consumer Finance (from 11/07/2013), BPCE Assurances (from May 2013) and Serm.
Daniel Karyotis 55 years old French national	18/12/2013	Resignation effective 27 May 2015	200	Director (term of office ended on 27 May 2015) Member of the Audit and Accounts Committee (until 27	Current appointments: • Member of the Management Board of BPCE (Finance, Risk and Operations), • Permanent representative of BPCE on the Board of Directors of SA Natixis (listed company), • Permanent representative of BPCE on the Board of Directors of SA Crédit Foncier de France,

Name of person or company	Date first co-opted or appointed	Date of term expiry	Number of shares held in the Company	Main position in the Company	Offices and positions held at other companies over the past five years
				May 2015) Resigned from the position of Co-chairman of the Audit and Accounts Committee effective 17 February 2015	- Deputy CEO and permanent representative of BPCE on the Board of Directors of SAS CE Holding Promotion. Expired appointments: - Director of Coface SA, - Chairman of the Management Board of SA Banque Palatine, - Chairman of the Supervisory Board of Palatine Asset Management, - Director of Acxior Corporate Finance, - Permanent representative of Banque Palatine on the Supervisory Board of GCE Capital, - Permanent representative of Banque Palatine on the Board of Directors of Palatine Etoile 9, - Permanent representative of Banque Palatine on the Board of Directors of OCBF.
CE Holding Promotion	28/07/2010	Resignation effective 14 September 2015	18,095,597	Director (represented by Marguerite Bérard-Andrieu) Term of office ended on 14 September 2015 (Resigned from the position of Deputy Chairman of the Investment Committee effective 17 February 2015) Term of office as member of the Remuneration and Appointments Committee and the Investment Committee ended on 14 September 2015	Principal position: - Legal person, subsidiary of Groupe BPCE. Current appointments: - Director of SAS Habitat en Région Services (represented by Stéphanie Paix since 21/12/2015). Expired appointments: - Director of SA Valoénergie (represented by Alain Denizot) (term of office ended on 31/12/2015), - Member of the Supervisory Board of SA GCE Habitat (represented by Jean Merelle).
Marguerite Bérard-Andrieu 38 years old French national Permanent representative of CE Holding Promotion since 25/07/2012	25/07/2012	Resignation effective 14 September 2015	See CE Holding Promotion	Permanent representative of CE Holding Promotion on the Board of Directors (until 14/09/2015) (Resigned from the position of Deputy Chairman of the Investment Committee effective 17 February 2015) Term of office as member of the Remuneration and Appointments Committee and the Investment Committee ended on 14 September 2015	Principal position: - Deputy Managing Director – Strategy, Legal Affairs and Compliance of BPCE. Current appointments: - Director of BPCE IOM, - Director of Natixis Coficine, - Chairman of the SAS and Chairman of the Board of Directors of S-Money, - Chairman of the SAS and Chairman of the Board of Directors of Issoria, - Permanent representative of BPCE on the Board of Directors of Coface SA (listed company), - Permanent representative of BPCE on the Board of Directors of Banque Palatine, - Director of Maison France Confort (listed company), - Director of SCOR. Expired appointments: - Permanent representative of GCE Participations on the Board of Directors of Demain, - Chairman of the SAS and Chairman of the Board of Directors of BPCE Domaines, - Permanent representative of BPCE on the Supervisory Board of FLCP (until 30/09/2013), - Chairman of the Board of Directors of Meilleurtaux (until 16/04/2013), - Chairman of Oterom Holding (until 04/12/2013), - Permanent representative of BPCE, Chairman of the SAS and Chairman of the Board of Directors of BPCE Domaines (until 31/07/2013 and 09/07/2013), - Permanent representative of BPCE chairing Issoria (until 31/07/2013),

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Name of person or company	Date first co-opted or appointed	Date of term expiry	Number of shares held in the Company	Main position in the Company	Offices and positions held at other companies over the past five years
					- Permanent representative of BPCE chairing Issoria International Trading (until 31/07/2013), - Chairman of SAS Issoria International Trading (until 10/06/2015).

Pascal Oddo and Gérard Bayol serve as non-voting directors.

The main positions held outside the Company by Pascal Oddo, 64 years old, of French nationality, are as follows:

- Member of the Supervisory Board of LBO France Gestion SAS;
- Chairman of Atlante SAS;
- Permanent representative of Atlante SAS, member of the Supervisory Boards of Gravotech Holding, Jiamia 2, Consolis Holding, Geoxia, MBMA Holding, Financière Jumbo and Boxer Holding; and
- Chairman of the Supervisory Board of New Port.

The main positions held outside the Company by Gérard Bayol, 62 years old, of French nationality, are as follows:

- Deputy Managing Director of Crédit Mutuel Arkéa;
- Chairman of the Management Board of Arkéa Banque Entreprises et Institutionnels (ABEI);
- Permanent representative of ABEI on the Board of Directors of Arkéa Public Sector SCF;
- Permanent representative of Crédit Mutuel Arkéa on the Boards of Directors of Tikehau Investment Management, Polylogis, Coopérer pour Habiter SA d'HLM and non-voting director of Spirit; and
- Member of the Supervisory Board of New Port.

14.1.2 Senior management

The Company's senior management consists of the members of the Group's Executive Committee and Management Committee (see Section 16.1.2 "Executive management").

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 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).
- Hervé Denize, Director and Deputy CEO of Nexity as of September 2004, joined the George V group in 1996 as Corporate Secretary and then Deputy Managing Director, before being named Nexity's Chief Financial Officer. He has also presided over the Services business since 15 November 2012. He previously worked as an auditor for Streco (Ernst & Young) until 1979, CFO of Plâtres Lambert from 1980 to 1990, and then CFO of the CNIT and Sari-Seeri. He is a graduate of the École Supérieure de Commerce et d'Administration des Entreprises de Rouen and holds an advanced degree in accounting (DECS).
- Julien Carmona, Deputy Managing Director, head of Finance, Strategy and Digital Technology. 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 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 of the Group in charge of the Residential and Commercial real estate divisions, 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 division. He holds an advanced degree (DESS) in business and tax law.

- Jean-Philippe Ruggieri 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.
- Catherine Stephanoff, Company Secretary and Legal Affairs Director, has worked as an associate lawyer, legal administrator at STAC (GIE Assurance Construction) until 1983, legal affairs manager at the Établissement Public d'Aménagement de Saint-Quentin-en-Yvelines from 1983 to 1987 and then Corporate Secretary of the real estate division of Campenon Bernard Construction until 1997. She subsequently joined CGIS (Compagnie Générale d'Immobilier et de Services) as a project manager and later Legal Affairs Director in 1999 before taking up the latter role at Nexity in 2000. She holds a law degree and a Certificat d'Aptitude à la Profession d'Avocat (French lawyer's qualification).
- Frédéric Verdavaine, Managing Director of Real estate services to individuals since September 2014, began his career in 1993 in the human resources 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 from 2007 to 2011 as Managing Director of GHI, a leading social housing operator in the Nord Pas-de-Calais region, he was appointed Managing Director of Nord de France Immobilier (NDFI), operator of the No. 1 real estate agency network in this same region, with activities across the full spectrum of real estate services: brokerage, property management, buy-to-let investment, asset management and advisory. 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.

Management Committee

The Management Committee is comprised of the members of the Executive Committee and the following senior executives:

- 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 15 November 2012. He was previously Managing Director of the Networks and Client Relations division and also 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 (Ecole 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 Phoenix, 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 Property management unit of Nexity's Real estate services to companies division 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.
- Thomas de Saint Léger, Business Strategy and Development Director, joined the Group in early 2011. He began his career in 1988 at Banque Indosuez. He became Director of Mergers & Acquisitions at Natexis after

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Board of Directors and senior management

holding various other positions since 1991. In 1998 he joined the Crédit Lyonnais group as Director of Mergers & Acquisitions, and then became Managing Director of Calyon Securities in 1999. In 2005 he joined Sodica (Crédit Agricole Corporate Finance Midcaps) as Managing Director before moving over in 2008 to the Paprec group, where he led external growth operations. He is a graduate of HEC (Ecole des Hautes Études Commerciales).

- Eric Lalechère, Deputy Chief Financial Officer of the Group since 2006, 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 Sustainable Development 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 Nexity-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.

14.1.3 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 €
Alain Dinin (and related persons, excluding New Port)	Chairman and Chief Executive Officer	Sale		197,352	39.01
		Acquisition	Shares	53,011	37.22
New Port (related person: Alain Dinin)		Acquisition	Shares	1,491,911	35.82
Hervé Denize	Deputy Chief Executive Officer	Sale	Shares	34,500	38.84
Julien Carmona	Executive Vice President	Acquisition	Shares	3,000	38.72
Jean-Philippe Ruggieri	Executive Vice President Residential real estate	Sale	Shares	17,687	38.90
Catherine Stephanoff	Company Secretary Legal Affairs Director	Sale	Shares	5,500	40.22
CE Holding Promotion	Director	Sale	Shares	11,144,131	37.06
Jean-Pierre Denis	Director	Acquisition	Shares	500	42.44
Luce Gendry (and related persons)	Director	Acquisition	Shares	1,625	37.22
Soumia Malinbaum	Director	Acquisition	Shares	200	37.75
Agnès Nahum	Director	Acquisition	Shares	200	40.50
Gérard Bayol	Non-voting director	Acquisition	Shares	200	40.63
Pascal Oddo	Non-voting director	Acquisition	Shares	4,000	38.15

Source: statements made to the AMF and/or the Company

14.1.4 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 past five years: (i) no member of the Board of Directors or Senior Management has been convicted of fraud; (ii) no member of the Board of Directors or Senior Management has been involved in bankruptcy, receivership, or court-ordered liquidation proceedings; (iii) no member of the Board of Directors or Senior Management has been officially charged or publicly penalised by a legal or regulatory authority or by a designated professional organisation; (iv) no member of the Board of Directors or Senior Management has been prevented by the courts from acting as member of an issuer's administrative, supervisory, or managing bodies or from being involved in the management or running of an issuer's business.

14.2 CONFLICTS OF INTEREST INVOLVING 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 conflict of interest, including a future or potential situation, 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.

15 EXECUTIVE REMUNERATION AND BENEFITS

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15 EXECUTIVE REMUNERATION AND BENEFITS

Remuneration and benefits paid to Nexity senior management in 2015

15.1 REMUNERATION AND BENEFITS PAID TO NEXITY SENIOR MANAGEMENT IN 2015

In determining and presenting its executive remuneration, the Company applies the AFEF/MEDEF Code (available from www.medef.fr).

15.1.1 Remuneration and benefits paid to executive company officers in 2015

Remuneration paid to executive company officers of Nexity in respect of 2015 is broken down as follows:

	Financial year 2015 ⁽¹⁾		Financial year 2014 ⁽¹⁾	
	Amount due ⁽²⁾	Amount paid ⁽³⁾	Amount due ⁽²⁾	Amount paid ⁽³⁾
Alain Dinin (in euros)				
Remuneration for company officer duties				
Fixed remuneration	650,000	650,000	650,000	650,000
Annual variable remuneration ⁽⁴⁾	1,300,000	1,304,000	1,304,000	1,224,000
Multi-year variable remuneration (see below)	None	None	None	None
Total remuneration	1,950,000	1,954,000	1,954,000	1,874,000
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	1,950,000	1,954,000	1,954,000	1,874,000

⁽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 2015, based 60% on the amount of current operating profit, 20% on the backlog level, 10% on the amount of current operating profit for the Services business, and 10% on market share in Residential real estate, 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 2015, Alain Dinin's variable remuneration amounted to 200% of his fixed remuneration.

	Financial year 2015 ⁽¹⁾		Financial year 2014 ⁽¹⁾	
	Amount due ⁽²⁾	Amount paid ⁽³⁾	Amount due ⁽²⁾	Amount paid ⁽³⁾
Hervé Denize (in euros)				
Remuneration for company officer duties				
Fixed remuneration	450,000	450,000	450,000	450,000
Annual variable remuneration ⁽⁴⁾	669,300	673,000	673,000	632,400
Multi-year variable remuneration (see below)	None	None	None	None
Special remuneration	None	None	None	30,000
Total remuneration	1,119,300	1,123,000	1,123,000	1,112,400
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	1,119,300	1,123,000	1,123,000	1,112,400

⁽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⁾ Based 60% on the amount of current operating profit, 20% on the backlog level and 20% 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 2015, Hervé Denize's variable remuneration amounted to 149% of his fixed remuneration.

Alain Dinin and Hervé Denize receive no remuneration from other BPCE group companies in respect of their duties at Nexity.

Executive company officers	Employment contract	Supplementary 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: 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

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 or (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 or (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.

Multi-year variable remuneration

At its meetings of 28 April 2015 and 12 April 2016, the Board of Directors decided that remuneration equal to the average annual fixed and variable remuneration over the term of office could be granted to two company officers to the extent that the target is achieved for current operating profit over three years beginning in 2016.

This remuneration will be paid in full (100%) if the level of current operating profit achieved exceeds the targets indicated in the Business Plan, whose details must be kept confidential. 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 recipients undertake 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.

15.1.2 Remuneration and benefits paid to other Board members in 2015

Apart from directors' fees, the other members of the Board of Directors received no remuneration in respect of 2015, either from the Company or from any other Group company, with the exception of the director representing 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 17 February 2015 (with no changes with respect to the rules set in 2013 and 2014). 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 2015, in consideration of their terms of office within the Company, came to €280,000, of which €102,600 was paid out during the year. The sum of €165,400 was also paid out in 2015 for the remaining directors' fees due in respect of financial year 2014.

In 2014, the total amount of directors' fees due to all members of the Board of Directors in 2014, 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 DIRECTORS ⁽¹⁾

Non-executive company officers (in euros)		Financial year 2015		Financial year 2014	
		Amount due	Amount paid	Amount due	Amount paid
Stanislas Augem Director representing the employees, appointed on 30 September 2014, whose remuneration is exclusive of directors' fees	Directors' fees	None	None	None	None
	Other remuneration	46,800	46,800	50,000	50,000
G�rard Bayol From his appointment on 23 July 2015	Directors' fees	4,951	0	Not applicable	Not applicable
	Other remuneration	None	None	None	None
Martine Carette Until she stepped down on 17 February 2015	Directors' fees	3,301	18,811	26,011	19,572
	Other remuneration	None	None	None	None
CE Holding Promotion Represented by Marguerite B�rard-Andrieu until it stepped down on 14 September 2015	Directors' fees	21,454	33,991	35,191	29,682
	Other remuneration	None	None	None	None
Anne-Marie de Chalambert	Directors' fees	36,306	33,991	35,191	30,651
	Other remuneration	None	None	None	None
Bernard Comolet Until he stepped down on 17 February 2015	Directors' fees	3,301	21,871	29,071	20,496
	Other remuneration	None	None	None	None
Alain David Until he stepped down on 12 December 2013	Directors' fees	Not applicable	Not applicable	Not applicable	13,112
	Other remuneration	None	None	None	None
Jean-Pierre Denis From 19 May 2015 as a non-voting director until 23 July 2015, when he was co-opted as a director	Directors' fees	13,203	1,200	Not applicable	Not applicable
	Other remuneration	None	None	None	None
Christine Fabresse Until she stepped down on 27 May 2015	Directors' fees	13,202	26,011	26,011	15,324
	Other remuneration	None	None	None	None
Charles-Henri Filippi Until he stepped down on 21 July 2014	Directors' fees	Not applicable	2,850	7,650	6,924
	Other remuneration	None	None	None	None
Luce Gendry	Directors' fees	48,409	42,152	43,352	41,007
	Other remuneration	None	None	None	None
J�r�me Grivet From his appointment on 23 July 2015	Directors' fees	11,002	0	Not applicable	Not applicable
	Other remuneration	None	None	None	None
Daniel Karyotis Until he stepped down on 27 May 2015	Directors' fees	0	0	Not applicable	Not applicable
	Other remuneration	None	None	None	None
Olivier Klein Until he stepped down on 30 June 2013	Directors' fees	Not applicable	Not applicable	Not applicable	2,310
	Other remuneration	None	None	None	None
Xavier Larnaudie Eiffel Until the term of office of Caisse des D�p�ts et Consignations expired on 23 May 2013	Directors' fees	Not applicable	Not applicable	Not applicable	141
	Other remuneration	None	None	None	None
Soumia Malinbaum From her appointment on 28 April 2015	Directors' fees	18,153	4,800	Not applicable	Not applicable
	Other remuneration	None	None	None	None
Agn�s Nahum From her appointment on 19 May 2015	Directors' fees	14,853	2,400	Not applicable	Not applicable
	Other remuneration	None	None	None	None
Pascal Oddo From his appointment on 24 July 2014	Directors' fees	9,902	4,800	0	0
	Other remuneration	None	None	None	None
Miguel Sieler	Directors' fees	58,861	47,252	48,452	49,839
	Other remuneration	None	None	None	None
Jacques Veyrat	Directors' fees	23,104	27,871	29,071	26,679
	Other remuneration	None	None	None	None
Total	Directors' fees	280,000	268,000	280,000	255,737
	Other remuneration	46,800	46,800	50,000	50,000

⁽¹⁾ By Nexity or the companies it controls as per Article L. 233-16 of the French Commercial Code

15.2 PENSIONS AND OTHER BENEFITS

At 31 December 2015, 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.

16 OPERATION OF ADMINISTRATIVE, SUPERVISORY AND MANAGING BODIES

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16.1 OPERATION OF ADMINISTRATIVE AND MANAGING BODIES

16.1.1 Board of Directors

16.1.1.1 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 14.1 "Board of Directors and senior management".

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 14.1 "Board of Directors and senior management".

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.

At the most recent Shareholders' Meeting on 19 May 2015, an amendment to the Articles of Association (Article 14) was adopted, allowing the Vice-Chairman to convene meetings of the Board of Directors if the Chairman is 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 directors

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. This representative was appointed on 30 September 2014.

16.1.1.2 Meetings of the Board of Directors

The Board of Directors met seven times during the financial year under review. The subjects covered at each Board meeting and each member's rate of attendance at meetings are set out in the Chairman's special report in Annex 3.

16.1.1.3 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.

16.1.1.4 Internal rules and regulations of the Board of Directors

The Board of Directors has adopted a set of internal rules and regulations to govern its activity as a supplement to existing laws, regulations and the Articles of Association. These internal rules and regulations were last amended on 24 March 2015, in particular to align them with recent legislative developments and changes in the corporate governance code for listed companies (the AFEP/MEDEF Code), and to set out the duties, responsibilities and prerogatives of the Senior Independent Director. The internal rules and regulations are available on the Company's website.

In particular, the internal rules and regulations stipulate that, upon his or her appointment, each director must become fully familiar with these internal rules and regulations as well as all other provisions laid down by law, regulations and the Company's Articles of Association relating to his/her position, as well as the recommendations of the AFEP/MEDEF Code. This includes regulations relating to stock market offences. They also state that directors (i) represent all the shareholders, notwithstanding the fact that they are themselves shareholders holding at least 200 shares each, and must always act in the Company's best corporate interests; (ii) are required to inform the Board of any actual or potential conflicts of interest, and abstain from voting on related matters; (iii) must devote the necessary time and attention to their duties; (iv) must keep a good attendance record and participate at all Board meetings and, where applicable, meetings of any committees of which they are members; (v) must consider themselves to be bound by a strict obligation of confidentiality extending beyond the mere obligation of discretion laid down in legislation and regulations pertaining to non-public information obtained in the course of their duties; (vi) are bound by a duty of loyalty; and (vii) must refrain from trading in Company securities, as stipulated in the Guide to the Prevention of Insider Trading last amended on 16 February 2016.

The internal rules and regulations stipulate that the Board must be informed of all significant events pertaining to the running of the Company, and more specifically its financial position, cash position and commitments. They also state that the Chairman, assisted by the Board Secretary, must provide each director in timely fashion with all documentation and information necessary for the fulfilment of his or her duties. To this end, each director may ask the Chairman and CEO to provide, within appropriate timescales and subject to any confidentiality requirements, the information he or she needs to effectively address the items on the Board's agenda, as well as any other information that might help him or her fulfil his or her duties.

The Board's internal rules also require that the non-executive directors meet at least once each year in the absence of the executive or internal directors, for a session chaired by the Senior Independent Director.

The criteria for directors' independence laid down in the Board rules and regulations are aligned with the following criteria set out in the AFEP/MEDEF Code, under which an independent director may not:

- be an employee or company officer of the Company, or an employee or director of a company that has sole or joint control over the Company as defined in Article L. 233-3 of the French Commercial Code, or over one of its consolidated companies, and may not have been such at any time during the previous five years;

- be a 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 a company officer of the Company (in office at any time during the last five years) serves as a director;
- 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;
- be a close relative of a company officer;
- have been an auditor of the Company at any time during the last five years;
- 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.

At its meeting held on 12 February 2016, the Remuneration and Appointments Committee discussed the criteria for director independence. The Committee analysed each director's circumstances in light of these criteria, particularly as regards the materiality of business relationships.

At its meeting of 16 February 2016, the Board of Directors reviewed the Committee's findings and concluded that the following five directors met the independence criteria set out in the AFEP/MEDEF Code: Anne-Marie de Chalambert, Luce Gendry, Soumia Malinbaum, Agnès Nahum and Miguel Sieler. The Board noted, on the basis of criteria specified in the Report of the Chairman of the Board of Directors on the manner in which the Board's work is prepared and organised and on internal control procedures (included in Annex 3 of this document), that none of its directors were involved in material business relationships with the Company or its Group.

As the Company is no longer considered controlled by CE Holding Promotion (see Section 18.2 "Control of the Company"), more than half of the members of its Board are independent directors.

Once a year, under the supervision of the Senior Independent Director, the Board of Directors devotes one agenda item to an assessment of its operation. This assessment aims, among other things, to (i) review the Board's working methods, (ii) verify that important issues are appropriately addressed, (iii) measure each director's actual contribution to the work of the Board on the basis of his or her expertise and involvement in decisions and (iv) evaluate the composition of the Board, particularly as regards diversity of skills and gender equality. At 31 December 2015, 40% of directors were women, in line with the target set out in the AFEP/MEDEF Code for 2016.

The Chairman of the Board prepares a report on the preparation and organisation of the Board's work and the internal control procedures put in place by the Company. This report is appended to the Annual Management Report approved by the Board, and may be found in Annex 3.

The report contains a summary of directors' appointments during the year and their impact on Board diversity, as well as an analysis and a table showing each director's position as regards the independence criteria set out in the AFEP/MEDEF Code.

16.1.2 Executive management

The office of Chief Executive is held by Alain Dinin, Chairman of the Board of Directors.

Since becoming a *société anonyme* on 28 September 2004, the Company has always opted to combine the offices of Chairman and Chief Executive Officer. This approach has always appeared best suited to the Company's image and needs, particularly for its day-to-day management. 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.

As CEO, the Chairman of the Board is vested with all powers to act on behalf of the Company in all circumstances. 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 CEO's recommendation, the Board of Directors has also appointed Luce Gendry as Vice-Chairman and Hervé Denize as Deputy CEO. The Deputy CEO has the same powers as the CEO.

The CEO and Deputy CEO are assisted in their duties by:

- an Executive Committee consisting of the managers of the Company's main functional and operating divisions; and
- a Management Committee consisting of the members of the Executive Committee and other operational and functional managers.

For a list of the members of each of these Committees and detailed information on each member, see Section 14.1.2 "Senior Management".

16.2 OPERATION OF SUPERVISORY BODIES

In accordance with the internal rules and regulations of the Board of Directors, the Board may decide to establish one or more permanent or temporary committees, intended to facilitate the work of the Board of Directors and to contribute effectively to the preparation of its decisions.

Board committees play a strictly advisory role. The Board of Directors has full discretion as to how it may or may not act on their recommendations. Each director is free to vote as he or she sees fit, regardless of any studies, investigations or reports, and is not bound by any recommendations from a Committee.

There are three Committees: the Audit and Accounts Committee, the Remuneration and Appointments Committee and the Investment Committee. Each director's rate of attendance at Board committee meetings is set out in the Chairman's report in Annex 3.

16.2.1 Audit and Accounts Committee

The Audit and Accounts Committee consists of no fewer than three and no more than five directors, appointed by the Board of Directors.

Following the resignation of Daniel Karyotis and the appointment of two new members, the Audit and Accounts Committee's current members are Luce Gendry (Chairman), appointed on 21 February 2012, Miguel Sieler, re-appointed to the Committee on 19 May 2015 after stepping down to allow for the staggering of directors' terms, and Jérôme Grivet and Jean-Pierre Denis from 23 July 2015, the date when they were both appointed to the Committee.

At its meeting of 16 February 2016, the Board of Directors noted that, in light of their professional experience, all of the Committee's members had expertise in finance or accounting:

- 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).
- Miguel Sieler is a graduate of the Institut d'Etudes Politiques de Paris and the University of Tübingen (Germany). He spent a large part of his career with the Bayer group, where he held numerous senior positions including Chairman of the Management Board of Bayer SAS. He is currently Chief Executive Officer of Neovacs SA and Chairman of Plasmaprime SAS and Stratoz SAS.
- 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 successively held executive management positions at Dalkia, Veolia and Banque du Développement des PME.

At that same meeting, the Board noted that Luce Gendry and Miguel Sieler met the independence criteria set out in the AFEP/MEDEF Code.

The Audit and Accounts Committee met four times in 2015. It met, in the absence of the company officers, with members of Nexity's Finance Department.

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 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; and
- 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.

Concerning financial disclosures:

- to review draft financial press releases (interim and annual financial statements, quarterly updates on revenue and business activity).

16.2.2 Remuneration and Appointments Committee

The Remuneration and Appointments Committee is comprised of no fewer than three and no more than five directors, appointed by the Board of Directors.

Following the resignation of CE Holding Promotion, the Remuneration and Appointment Committee's current members are Miguel Sieler, re-appointed as a member and re-elected as the Committee's Chairman on 19 May 2015; Anne-Marie de Chalambert, appointed on 23 July 2007; Jacques Veyrat, appointed on 23 May 2013; and Stanislas Augem, the director representing employees, appointed on 29 October 2014.

The Committee met seven times during the 2015 financial year.

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 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

Information on service agreements binding members of the Board of Directors, senior management or supervisory bodies to the Company or any of its subsidiaries

- 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.

16.2.3 Investment Committee

The Investment Committee is comprised of no fewer than six and no more than nine members, appointed by the Board of Directors.

Following the resignation of CE Holding Promotion, the Investment Committee's current members are Alain Dinin (Chairman) and Hervé Denize, both re-appointed as members of the Committee on 19 May 2015; Anne-Marie de Chalambert, appointed on 26 October 2004; Luce Gendry and Jacques Veyrat, both appointed on 23 May 2013; and Jérôme Grivet and Jean-Pierre Denis, both appointed on 23 July 2015.

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 Committee met once in 2015. Furthermore, all the directors took part in a one-day seminar devoted to the Group's strategy, which the members of the Management Committee were invited to attend.

16.3 INFORMATION ON SERVICE AGREEMENTS BINDING MEMBERS OF THE BOARD OF DIRECTORS, SENIOR MANAGEMENT OR SUPERVISORY BODIES TO THE COMPANY OR ANY OF ITS SUBSIDIARIES

When reviewing the independence of certain of its members at its meeting of 16 February 2016, the Board of Directors concluded that there were no service agreements binding members of the Board of Directors, senior management or supervisory bodies to the Company or any of its subsidiaries under which material benefits could be granted.

16.4 STATEMENT ON CORPORATE GOVERNANCE

With a view to ensuring public transparency, the Company has implemented a set of measures based on the AFEP/MEDEF Code. This means internal control procedures in finance and operations alike, including the establishment of the various committees described above. These measures are described in the Chairman of the Board's special report, set out in Annex 3 to this Reference Document. This report is drawn up with reference to the AFEP/MEDEF Code, with which the Company complies.

17 WORKFORCE AND HUMAN RESOURCES

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17.1 EMPLOYEE DATA

17.1.1 Total workforce

At 31 December 2015, the Group's workforce (including all fully consolidated companies) consisted of a total of 6,913 employees, compared with 6,949 at 31 December 2014.

The Group's workforce has therefore remained stable.

Ninety-two percent of the Group's employees are on permanent contracts. The use of fixed-term contracts is usually linked to seasonal activities or the employment of young people on work-linked training programmes.

The table below shows the change in the composition of the workforce by type of employment contract between 2014 and 2015:

WORKFORCE BY TYPE OF CONTRACT

(number)	2015	2014
Permanent contracts	6,391	6,451
Fixed-term contracts and work-linked training	522	498
Total	6,913	6,949

The average age was 41 and the average length of service was 8.7 years; these averages have remained stable for several years. 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. In France for example, only 16% of the workforce has been with Nexity for less than one year.

At 31 December 2015, Nexity's senior management consisted of 16 people, with an average age of 53.

17.1.2 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 based. The other European countries where Nexity has locations are Belgium, Italy, Poland, Switzerland and the United Kingdom.

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, 44% of the Group's employees in France work in the Paris region and 56% 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 2013:

	31/12/2015	%	31/12/2014	%	31/12/2013	%
France	6,728	97%	6,731	97%	6,024	96%
Belgium	61		62		62	
Italy	25		35		55	
Poland	94		92		83	
Switzerland	4		28		28	
United Kingdom	1		1		0	
Europe (excluding France)	185	3%	218	3%	228	4%
Total	6,913	100%	6,949	100%	6,252	100%

The following table presents a breakdown of the Group's workforce in France since 2013:

	31/12/2015	%	31/12/2014	%	31/12/2013	%
Paris region	2,962	44%	2,674	40%	2,398	40%
Lyon and Greater Lyon	718	11%	513	8%	459	8%
Lille	304	5%	363	5%	325	5%
Bordeaux	285	4%	265	4%	237	4%
Marseille	243	4%	298	4%	266	4%
Strasbourg	145	2%	180	3%	161	3%
Toulouse	136	2%	175	3%	157	3%
Besançon	111	2%	165	2%	147	2%
Nantes	123	2%	146	2%	131	2%
Other cities	1,701	25%	1,952	29%	1,743	29%
Total	6,728	100%	6,731	100%	6,024	100%

Workforce by professional category and by UES

Management-level staff (*cadres* in French), 52% of whom are men and 48% are women, make up 44% of the workforce. The remaining 56% is made up of non-management staff, 24% of whom are men and 76% are women.

The Group's organisation is structured around social and economic units (UES), each formed of several companies with similar economic and workforce profiles.

The table below shows a breakdown of the workforce by professional category and by UES at 31 December 2015:

UES	Management-level			Non-management staff			Total	%
	Men	Women	Total	Men	Women	Total		
Nexity Promotion Construction	680	421	1,101	197	532	729	1,830	26%
Nexity Saggel Services	171	154	325	36	111	147	472	7%
Nexity Lamy	422	630	1,052	441	1,661	2,102	3,154	46%
Financière de la Baste	42	14	56	4	29	33	89	1%
Non-UES	283	257	540	230	598	828	1,368	20%
Group total	1,598	1,476	3,074	908	2,931	3,839	6,913	100%

UES Nexity Promotion Construction encompasses employees working in France in three Group businesses – Residential real estate, Commercial real estate and Urban Redevelopment – as well as the corporate functions within the holding company.

UES Nexity Saggel Services encompasses the Group's property management staff, which comprises 78% of the workforce of the Real estate services to companies business.

UES Nexity Lamy encompasses 81% 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 non-UES companies are Naxos, Guy Hoquet l'Immobilier, Iselection, Nexity Conseil et Transaction (formerly Keops), Weroom, Nexity Blue Office, PERL, Pierre Bérard and the Oralix subsidiaries.

Workforce by business line

The table below shows changes in the composition of the workforce by business line at the end of each of the last three years:

NUMBER OF EMPLOYEES

Business lines	2015	2014	2013
Residential real estate ⁽¹⁾	1,754	1,670	1,554
Commercial real estate	72	64	72
Real estate services to individuals ⁽²⁾	4,012	4,047	3,468
Real estate services to companies	603	667	680
Franchise networks	160	167	161
Villes & Projets ⁽³⁾	15	13	25
Central departments, Nexity Blue Office and Weroom ⁽¹⁾	297	321	292
TOTAL	6,913	6,949	6,252

⁽¹⁾ DMCRC was transferred from the Other activities division to the Residential real estate division in 2015.

⁽²⁾ Including Oralia since 2014.

⁽³⁾ Including the Asset Management business until 30 June 2014.

17.1.3 Joiners and leavers

In 2015, the Group's annual employee turnover rate was 12.7%.

Joiners

In 2015, a total of 1,886 staff joined the Group, excluding joiners tied to external growth transactions, broken down as follows:

- 800 permanent contracts (43% management-level); and
- 1,086 fixed-term contracts (8% management-level).

Added to these hires were the 131 joiners resulting from the Group's acquisitions: Pierre Bérard in the Paris region for SIP Lamy and several firms acquired by Oralia.

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 of student residences within the Real estate services to individuals business.

Leavers

A total of 2,053 employees¹ left in 2015, broken down as follows:

- 961 permanent contracts were terminated (including 290 dismissals);
- 207 contracts were terminated at the end of trial periods; and
- 885 fixed-term contracts were terminated.

These figures do not include internal moves within the Group (internal job moves, transfers, and inter-company transfers between departments). During the financial year, 228 employees changed positions within the Group (inside and outside France), 98 of which were internal job moves.

External contractors

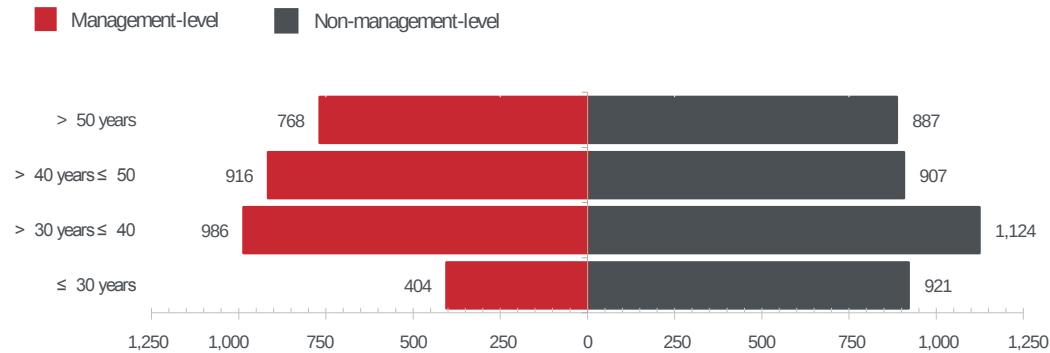
In France, the use of temporary staff remains very limited, with only 17 full-time equivalents in 2015, i.e. 0.3% of the total workforce in France (stable versus 2012).

¹ For companies consolidated during the year, only employees having left the Group after the first consolidation of their companies were taken into account.

Employee age and length of service breakdown

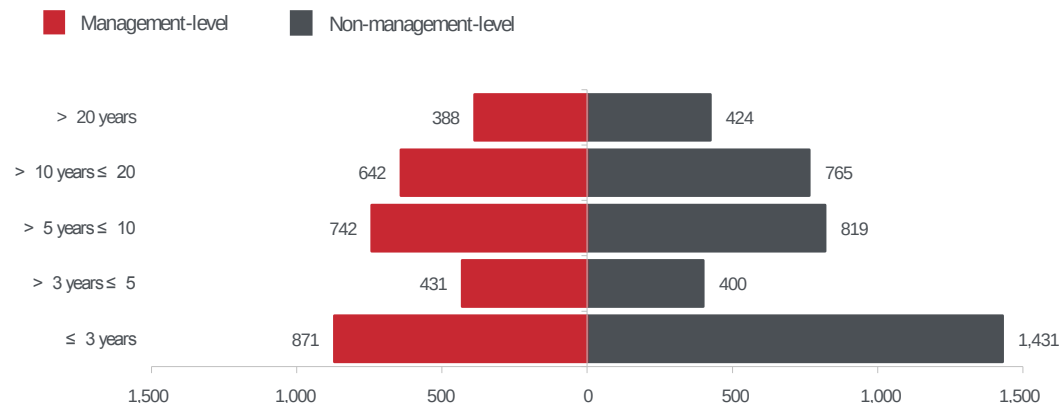
At end-2015, the average age of Group employees was 41. The average age was 42 for management-level and 40 for non-management staff. These figures have remained stable for several years.

Age breakdown at 31 December 2015



In 2015, the average length of service of Group employees was 8.7 years: 9.1 years for management-level and 8.3 years for non-managerial staff. These averages have also remained stable for several years.

Length of service breakdown at 31 December 2015



17.1.4 Organisation of working time and number of hours or days worked

At 31 December 2015, 6,490 employees were working full-time and 423 had chosen to work part-time (with the latter thus accounting for 6% of the total workforce).

The organisation and management of working hours are specific to each company or group of companies belonging to a UES, in particular according to the type of business activities pursued and the terms of any applicable agreements. They depend upon an employee's status and level of responsibility.

For example, the procedures for the management of working hours are defined by collective bargaining agreements at the level of each UES and each company, with the exception of PERL and Iselection.

17.1.5 Absences – Work-related accidents

At 3.4%, the absence rate for the Group's operations in France remained stable compared with 2014.

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 365. Employees of foreign subsidiaries are not included in the calculation of this rate.

In 2015, 107 work-related accidents having resulted in lost days were declared (versus 86 in 2014), broken down into 64 workplace accidents and 43 commuting accidents.

Owing to the types of business activities pursued by the Group, the severity and frequency rates are very low, as shown in the table below:

Scope: France	2015	2014
Workplace accidents	64	50
Commuting accidents	43	36
Frequency rate ⁽¹⁾	5.4	4.2
Severity rate ⁽²⁾	0.3	0.2

⁽¹⁾ Number of lost-time workplace accidents over 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.

No occupational illnesses were reported in the Group in 2015.

17.1.6 Remuneration

Nexity's remuneration policy aims to recognise and reward employees for their contributions, taking into account both individual and collective performance, while guaranteeing fairness and promoting solidarity.

This policy is founded on the following principles:

- **a structured, consistent salary review system:** ensuring that reward principles are applied consistently and fairly across the entire Group through a comprehensive, structured system consisting of a dual review of each employee's situation by line management and Human Resources;
- **recognising individual performance:** rewarding individual performance using a selective approach designed to recognise each employee's contribution;
- **valuing collective performance:** rewarding collective performance:
 - by determining the funds available for payroll increases and allocating certain amounts to the recognition of actual performance and the effort expended by operating entities, based on their results and the change in their payroll and workforce and in compliance with the established budget process, and
 - by way of employer matching contributions directly linked to the Group's results for employee savings plans;
- **guaranteeing fairness:** ensuring that effort is fairly rewarded, with remuneration based on a factual, objective assessment of each individual's contribution and all forms of discrimination prohibited; and
- **a system based on solidarity:** demonstrating our commitment to solidarity by devoting particular attention to the lowest salaries.

In 2015, average annual gross remuneration within the Group (excluding employer's social security contributions) amounted to €42,462, with management-level employees paid an average of €57,592 and non-management staff paid an average of €28,592. The average annual gross remuneration within the Group was up compared to 2014.

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.

17.1.7 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. All of the Group's human resources processes (in particular recruitment and the setting of salaries) are governed by the fundamental principle of non-discrimination. Any

decision based on non-professional grounds or prohibited subjective criteria – particularly relating to age, religious affiliation, sexual orientation, gender, political opinion, ethnic origin or disability – is prohibited.

The Group complies with the principles of human rights, all ILO recommendations and international conventions relating to the prohibition of forced or compulsory child labour. For example, Nexity's youngest employees are 18 years of age and were recruited under apprenticeship contracts.

17.1.8 Employee relations and collective bargaining agreements

Ever attentive to the specifics of each of its business lines and professions, Nexity is building on the Group-wide shared framework for employee relations in order to further strengthen its commitment to fair employment practices, solidarity and the continued recognition of both individual and collective performance. This shared framework today consists of a health and related benefits plan, employee savings plans and occasional awards of free shares to all employees.

Nexity is reaffirming its commitment to maintaining constructive, open lines of communication with employee representative bodies, resolutely positioned as a genuine partner and socially responsible employer, at the corporate level as well as in relation to each and every company and UES within the Group.

At the level of the three UES structures, agreements on the methodology for the prevention of psychosocial risks were signed (in 2010 for UES Lamy and UES Saggel and in 2012 for UES Promotion Construction), along with various agreements and action plans on gender equality (two collective bargaining agreements signed at UES Promotion Construction and UES Saggel, and four action plans implemented at Iselection, Nexity Conseil et Transaction, PERL and UES Lamy).

Group Works Council

A Nexity Group Works Council was established 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.

In 2015, collective bargaining agreements negotiated at the level of Group entities mainly concerned the following topics:

- 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;
- renewal of the membership of employee representative bodies; and
- changes in UES scopes.

17.1.9 Employee and trade union representation

Informing employees and giving them a shared voice at the company and UES level: the role of works councils and DUPs

Works councils have a twofold purpose, meeting business objectives on the one hand and social and cultural objectives on the other. The material and financial resources required by works councils in order to function properly are made available by the companies represented.

From a business standpoint, consultation is one of the key duties of the Works Council, in particular as it relates to the business development of the company or UES, the organisation of work, working conditions, employment, professional training and the general operations of the company or UES.

There are three Works Councils within the Group (UES Nexity Promotion Construction, UES Nexity Saggel Services and UES Nexity Lamy).

The Délégation Unique du Personnel (DUP) combines the responsibilities of employee representatives and those of the Works Council within a single elected body at companies with less than 200 employees.

Currently, there are five DUPs within the Group, at Nexity Conseil et Transaction, Iselection, Régie de l'Opéra (an Oralia company), PERL and UES Financière de la Baste.

Questions relating to safety and working conditions: the role of the Committee on Health, Safety and Working Conditions (CHSWC)

This body is set up at the level of certain entities by the works council or DUP, which appoints its members. Its purpose is to help protect the health and safety of all employees, while ensuring good working conditions on a day-to-day basis. The Committee thus is informed and consulted on all issues relating to safety and working conditions within the company.

If there is no CHSWC, these responsibilities are entrusted to the employee representatives.

Within the Group, three UESs have a CHSWC (Nexity Promotion Construction, Nexity Lamy and Nexity Saggel Services).

Three Group companies have established CHSWCs: Régie de l'Opéra, Iselection and Nexity Conseil et Transaction.

Liaisons at the local level: the role of employee representatives

The main role served by employee representatives is to communicate the individual and collective grievances of employees relating to the application of labour regulations at the company. Employee representatives are elected for four-year terms in all establishments with at least 11 employees.

In establishments with fewer than 50 employees or in companies lacking a CHSWC, the employee representatives also fulfil the duties otherwise entrusted to this body.

At Group companies in France, there were a total of 310 employee representatives (including both representatives and their alternates) in 2015, broken down by company and UES as shown in the table below:

Non-UES companies	Representative body	Members	Standing	Alternate
Iselection	Combined representation via DUP	11	6	5
	CHSWC	3		
Subtotal: Iselection		14		
NCT (formerly Keops)	Combined representation via DUP	5	5	
	CHSWC	3		
Subtotal: NCT (formerly Keops)		8		
PERL	Combined representation via DUP	7	4	3
Subtotal: PERL		7		
Oralia	Combined representation via DUP	6	3	3
	Employee representatives	18	10	8
	CHSWC	3		
Subtotal: Oralia		27		
Guy Hoquet l'Immobilier	Employee representatives	3	2	1
Naxos	Employee representatives	4	2	2
Total: non-UES companies		63		
Number of representatives overall		310		

17.1.10 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.

Accordingly, Nexity is a constant innovator in this area, in particular by making use of all the educational methods available in the market and by taking advantage of the opportunities offered by digital tools and platforms.

The aim is to continually expand the reach of the Group's training efforts to ensure that employee skills keep pace developments in its professions.

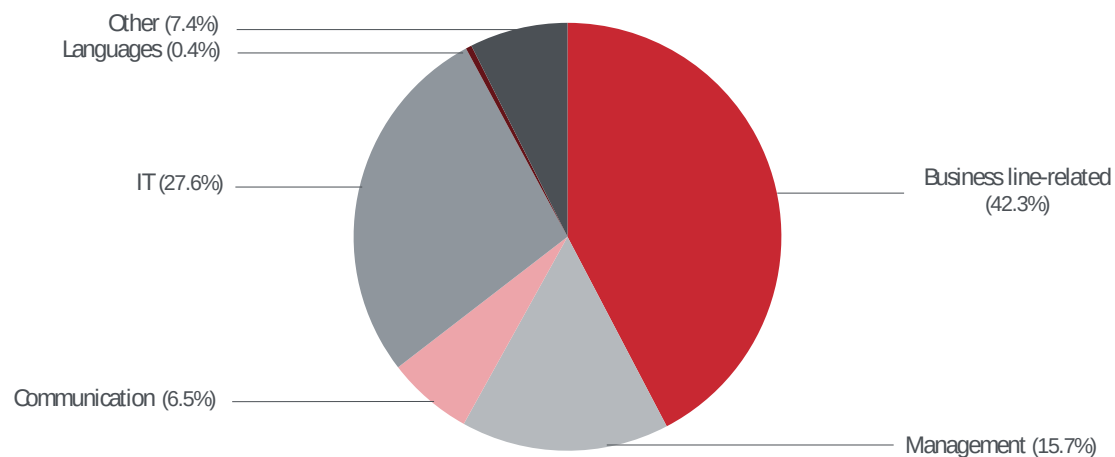
In 2015, Nexity invested more than €4 million in training activities in France, comprised of:

- €3.5 million in ongoing training for its employees; and
- €0.5 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	1,015	18,387
Commercial real estate	59	834
Real estate services to companies	379	8,212
Real estate services to individuals	1,678	36,902
Franchise networks	42	733
Villes & Projets	6	48
Central departments, Weroom, Nexity Blue Office	275	4,251
Digital/e-learning training content (all business lines)	459	-
Total	3,912	69,366

* These figures are exclusive of contributions for individual paid leave to pursue external training.

A breakdown of training delivered in 2015 by type of training is as follows:



In 2015, 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 2015 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 2015, 532 employees received training and assistance provided by Nexity's Centre for Managerial Excellence. The breakdown of training courses attended by Nexity's managers was as follows:

- "Fundamentals of Management": 132 employees,
- "Communication for Managers": 77 employees,
- "Managing Buy-in": 72 employees,
- "Managing Team Buy-in": 19 employees,
- "Keys to a Successful Annual Mutual Engagement Interview": 74 employees,
- "Leading a Best Practices Workshop": 2 employees,
- "Nexity Project Manager": 12 employees,
- "Managing Your and Your Colleagues' Stress", as part of the continuous development of training offerings for managers and with a view to improving quality of life in the workplace, was taken by 127 employees,

- “Negotiation for Managers”, a new training course, was taken by a pilot group of 17 managers;
- face-to-face training courses continue to be supplemented by distance-learning courses, offered through 88 business-specific e-learning and/or blended-learning modules co-written with Nexity experts, on office tools, 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”. The Group’s training offerings, which are all structured around job categories and professions, were given greater visibility and made easier to understand in 2015;
- the transformation of career-development pathways into “academies” was stepped up during the year. Nexity’s 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 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.

UES Nexity Promotion Construction continued to develop its employees’ skills via:

- the technical academy, designed to respond to strategic issues relating to cost control and reduction as well as the need to foster excellence in technical skillsets.
- In 2015, 171 employees took the “Soundproofing and Thermal Insulation Techniques” course and 63 employees took the “Cost Estimate Tool” course; and
- the sales school, which offers in-house certification, delivered upon successful completion of an examination. In 2015, eight employees obtained this certification. Training is usually delivered by internal staff members recognised as experts in their field, though the Group occasionally recruits external experts for specific modules. This year, the academy’s core module, relating to sales methods, was revised to respond to observed changes in client behaviour.

Lastly, the VAE professional experience accreditation scheme was renewed in 2015, offering three diplomas: six employees took advantage of this scheme (one for the “Assistant Manager” BTS, one for the “Real Estate Professions” BTS and four to obtain the title of “Programme Manager”).

In 2015, UES Nexity Saggel Services placed particular emphasis on:

- the “Client Satisfaction” distance training for all employees, with face-to-face sessions attended by employees in direct contact with clients. Ten sessions were organised, resulting in the training of 92 employees. This training will continue in 2016 and 2017;
- the security of managed properties and their occupants focusing on seven different topics, with courses attended by 128 employees and 214 interns; and
- one employee took advantage of the VAE scheme to pursue a “Real Estate Professions” BTS.

The Nexity Lamy UES rolled out a training programme focusing on the four key areas summarised below.

Developing client relations and a sales-oriented approach:

- innovative face-to-face modules, offered to the network’s employees, in order to help them better meet clients’ expectations, and to improve service quality;
- the roll-out of the “6C” sales method in 2015 to property management and managing agent staff, with the aim of training staff in the use of a structured sales method allowing them to attract and retain more clients. To this end, nine training sessions for property managers and seven training sessions for managing agents were organised, with a total of 105 employees trained; and
- the continuation of the “Management of Difficult Situations” training course, built around real-world business cases and giving employees tools to deal with complex situations. This training, initially intended for condominium managers, their assistants and Studéa staff, has also been adapted for accountants.

Building business line expertise:

- existing distance-learning modules on the legal framework for condominium properties and brokerage, and the creation of a distance-learning module on the legal framework for rental property management;

- continued training courses for new employees in managing agent services (25 employees received training) and brokerage (109 employees received training);
- the creation of a training course for client working capital accountants; and
- the creation of a training course to build knowledge of the construction industry, in particular with a view to enhancing condominium managers' understanding and use of technical vocabulary and concepts (for technical diagnostics).

Supporting managers by offering:

- training courses at the managerial coaching centre from the moment they join the Group (courses on management fundamentals, effective managerial communication and the Mutual Engagement Interview);
- short refresher modules on the essentials of management accessible via the e-learning system;
- an existing Keys to Successful Recruitment module, training managers in a new recruitment method (42 managers received training); and
- the creation of managerial workshops exploring key topics (optimal time management, realignment, delegation, leading a briefing or meeting).

Building proficiency in the use of software tools and sales offers:

- the face-to-face training modules on the Group's CRM tool (LINK) and SIGEO were updated with the addition of a tool to simulate realistic situations and apply the lessons learned; and
- distance-learning modules and a course delivered via videoconference were offered to familiarise employees with the use of Mobility (a tool for carrying out building visits).

In addition, for the fourth consecutive year, five employees pursued diplomas under the VAE professional experience accreditation scheme (one for the "Assistant Manager" BTS, four for the "Real Estate Professions" BTS).

Lastly, as part of the Group's efforts to raise awareness among employees around occupational safety, 70 employees took the "Occupational First Aid" and "Safety" training courses.

17.1.11 Employment and integration of workers with disabilities

At 31 December 2015, the Group employed 81 people with disabilities in France (versus 72 at 31 December 2014). 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, a network for the collection and recycling of office waste. Dedicated wastepaper baskets and bins have been installed at the Group's main sites (Paris, Clichy, Lille, Lyon and most recently Marseille); and
- Ateliers Denis Cordonnier, providing scanning services for employee 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.

17.1.12 Social and cultural activities

Nexity's contributions to the Group's various Works Councils for social and cultural activities in 2015 amounted to €1.6 million, broken down by company and UES in the table below.

Financial year 2015 (in thousands of euros)		
	Contributions	Operating budget
UES Nexity Promotion Construction	626.0	218.4
UES Nexity Sagel Services	175.8	39.9
UES Nexity Lamy	674.6	210.8
UES Financière de la Baste	5.7	7.6
Nexity Conseil et Transaction	54.5	21.8
Iselection	16.5	41.4
PERL	31.5	12.6
Oralia and its subsidiaries	8.2	3.3
Group total	1,592.8	555.8

The total operating budget in 2015 for the various works councils came to €0.6 million.

17.1.13 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.

17.2 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 2015, Nexity's human resources policy was organised around four main priorities:

- supporting every employee from the start of the induction process, in order to move forward together and assess progress;
- digitalising a comprehensive system for two-way communication and exchange;
- engendering and promoting professional development for each employee; and
- fairly compensating everyone's individual and collective performance while maintaining solidarity.

17.2.1 Supporting every new employee from the start of the induction process, in order to move forward together and assess progress

New recruits

To ensure that all employees understand the importance of their individual contributions to the Group, it is vital to make them aware of the key challenges faced and the value chain formed by the Group's business lines and areas of expertise.

For this reason, every employee is invited to take part in an induction day at some point during his or her first eight months at Nexity (excluding trial periods and fixed-term contracts). This induction process also involves digital content, with three online modules ("Nexity in Twenty Questions", "Sustainable Development at Nexity" and "The Digital Academy"). This online course is made available to every new recruit one month after joining the Group, regardless of his or her position, providing each employee with keys to understanding the Group and its goals.

Five such induction seminars were held in 2015, allowing 204 new employees to benefit from this day-long event, which aims to provide a comprehensive overview of the Group's history and strategy, promote a better understanding of the challenges faced and provide a detailed introduction to the Group's various business lines and areas of expertise. In 2015, these seminars were based around a Nexity welcome game led by Nexity HR staff and structured meetings with senior managers from the Group's divisions and support functions.

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 related to a role and the individual serving in that 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.

A new appraisal tool was introduced in 2011 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. This Mutual Engagement Interview (MEI) is the core component of the Group's strategy to promote individual and collective performance. The aim 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.

With effect from 2013, the interview process now includes personal portals on the Group's intranet to help track individual development plans as well as better consolidating training plans and internal job applications.

Since 2014, an e-learning module entitled “Tips for a Successful MEI” has been made available to all managers and employees. A total of 1,606 employees and managers completed this module in 2015. All new managers are required to take the Group’s face-to-face training course on this same topic.

Relations with educational institutions and integration of young people

In 2015, Nexity hosted 183 work-study students and 359 interns across all its establishments in France. Through internships, work-study 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 2015, 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: Journée Entreprises du Group IGS, Salon des Métiers de l’Immobilier, ESPI speed-networking and Forum ETP, among others. During the year, the Group’s human resources teams, and some operational representatives, also took part in events open to a wider audience, such as the Salon des Commerciaux and the Paris pour l’Emploi forum.

Nexity’s relationships with educational institutions especially target schools preparing graduates for the real estate development and real estate services professions. For example, the Group expanded its partnership with the Ecole Spéciale des Travaux Publics (ESTP) in 2015, notably by launching a mentoring programme pairing 14 Nexity employees with 14 students from the class of 2017, selected on the basis of applications and interviews, to take part in seminars as well as breakfast meetings at Nexity’s head office. This new partnership thus complements another initiative, already in place for several years, with ESPI, which offers degree programmes to its students in the fields of real estate development and real estate services to companies and individuals.

As part of a sponsorship arrangement, Nexity is also partnering with master’s degree courses in “Territorial and Urban Strategies” and “Governing the Large Metropolis” run by Sciences Po.

The year also saw the launch of a sponsored class in partnership with the Institut du Management des Services Immobiliers (IMSI), which is affiliated with IGS. Nexity Services Immobiliers aux Particuliers has selected 20 students, who have joined Nexity’s agencies in Paris and its region and will be trained in managing agent, brokerage or rental management services. In 2016, these students will be working towards the IMSI bachelor’s degree in property management and brokerage.

Nexity has also been 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 effort to retain its top talent in 2015, the Nexity group put a new career development programme in place, targeting employees identified as fulfilling certain objective criteria during the talent review meetings held each year.

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 12 months with a view to building the skills of the selected employees and furthering their careers.

This tailored programme involving the participation of both human resources personnel and operational managers will be continued in 2016.

17.2.2 Digitalising a comprehensive system for two-way communication and exchange

In 2015, the Group redesigned its internal communication system, introducing a comprehensive solution with a strong digital component that is also aligned with Nexity’s organisational structure. The system offers regular information updates and helps to foster both individual and collective engagement.

An increasingly digital communication and change management system

News and information about the Group and its strategy is distributed, shared and explained using a variety of complementary media.

This system was enhanced during the year with the launch of HUB, the Group's first online platform for internal communication. HUB provides a multimedia community forum for all staff and features a daily news feed with regular highlights (the weekly quiz on Tuesdays, the Friday stock market update, etc.). Everyone can post articles and photos relating to current events and the Group's professions.

News and recent exchanges are always available via the Group's intranet, accessible at all workstations, complemented by monitors placed in common areas, where information is updated continuously, tracking events as they unfold. Since 2014, the Actus du Jeudi ("Thursday update") has covered economic news, the quarterly in-house magazine Le Hublot (formerly Notre Mag) has provided inside information on trends and performance, and the Flash has shared news on current events. Business-specific newsletters round out the information provided at local level. This comprehensive information system ensures that all staff in every business area are fully up to speed with Group culture.

Opportunities for sharing and discussion throughout the year

In 2015, opportunities for communication and discussion were continued and stepped up. Such opportunities are designed and scheduled to support the fulfilment of collective commitments and to foster discussion of and buy-in to Nexity's key messages and priorities.

The Group's direction for the year was communicated at the beginning of the year in the form of a document presenting the roadmap for each business line.

Events bringing together the Group's managers (the Club 100 meetings and the Universités Managériales seminars) instil Nexity's strategy across all business lines, helping managers appreciate its cohesive focus and encouraging them to serve as its advocates. Subsequently, "Nexity Connects Everyone" days are used by managers to unite and mobilise their teams, including activities to help them better understand and assimilate team objectives. This approach is rounded out by team seminars organised within each business line.

Facilitating innovation and teamwork

In 2015, the Nexity group introduced a participatory innovation and idea generation platform. Promoted by way of national or business-specific campaigns, this method for the collective exploration of ideas is supported by a fluid and adaptive website. "Brainstorming Box 3.0", a key feature of this platform, allows everyone to ask questions, identify their scope of application and then collect suggestions from participants. Team members can "like" particular ideas, comment on them and add more information. Using this participatory voting process, three or four ideas are thus selected by the participants themselves during each campaign. In 2015, six campaigns of this type gave rise to innovative ideas, all sources of value creation for Nexity.

17.2.3 Engendering and promoting professional development for each employee

The annual mutual engagement interview method implemented across the entire Group, grounded in a set of mutual commitments, serves to 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 2015, this system allowed 98 employees to move into a new position: 44 transferred to a different division within the Group and 54 moved to another company in the same division.

The Group's ongoing training programmes also help meet the career development needs of every employee (see Section 17.1.10 "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 17.2.1 "Retaining top talent").

17.2.4 Fairly compensating everyone's individual and collective performance while maintaining solidarity

Nexity's remuneration policy aims to recognise and reward 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. The plans put in place in 2015 are in keeping with the continued application of this policy.

Salary reviews in 2015: 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.

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 actual results achieved and the efforts brought to bear by operating entities (profit-sharing) and by the Group (employee savings plan whose level of employer matching contributions is tied to the Group's results).

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.

Nexity demonstrates its commitment to solidarity by paying particular attention to the lowest-paid employees.

Employee savings: applying the principle of mutual benefit

On 26 March 2015, Nexity reached a unanimous agreement with all trade union and employee representatives for the establishment of a new approach to employee savings offered to all Group 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 fund; and
- the Group collective retirement savings plan (PERCOG) with 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. Accordingly, based on the principle of mutual benefit, the greater the latter's growth, the higher the contribution.

In recognition of its development of this new approach, Nexity received the "Mutual Benefit" prize for 2015, jointly awarded by RH&M, a French network of human resources think tanks, and Club ORAS, a think tank focusing on remuneration and employee benefits in particular.

Sharing added value: free share awards

This year, as in 2011 and 2012, Nexity offered its employees the chance to take a stake in its value creation as shareholders. On 16 December 2015, acting on a proposal from Alain Dinin, Chairman and Chief Executive Officer, the Board of Directors decided to award 40 free shares to every Group employee. A total of 240,000 free shares were thus awarded to Nexity employees at the end of the year.

At the end of the vesting period (thus 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. If they decide not to transfer their shares to the plan, they will be able to sell or transfer them at the end of the holding period, thus from 18 December 2019.

17.2.5 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 (20-30 places per year).

In 2015 under this new partnership, 30 employees were offered a childcare place near their home or their workplace. Babilou also offers supplemental emergency services 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. In 2015, the Group financed, for each interested employee, up to five working days per year completed in a Blue Office rather than at the employee's usual workplace.

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 have been accessible since 2013 via the HR information pages set up for each employee ("Mon espace privé RH") and since 2015 on the HR information pages set up for managers as well.

17.3 SHARES AND OPTIONS HELD BY COMPANY OFFICERS

At 31 December 2015, Nexity's company officers held shares and options as shown in the tables below:

Shareholders	Number of shares ⁽¹⁾	Percentage of the share capital
Alain Dinin ⁽²⁾	1,325,059	2.45%
Hervé Denize ⁽²⁾	388,878	0.72%

⁽¹⁾ Statements made to the AMF and/or the Company.

⁽²⁾ And related persons.

Nexity's company officers do not benefit from any free share award plans. Alain Dinin has waived his entitlement to such a plan since 2006, as has Hervé Denize since 2009.

Company officers, like all directors, are required to hold all the shares they own in registered form.

Since the number of shares they hold represents several years' worth of remuneration, it has not appeared necessary to the Board of Directors to set a minimum shareholding threshold.

17.4 COMPULSORY AND VOLUNTARY PROFIT-SHARING AND GROUP SAVINGS PLAN

Employee savings schemes are a very effective way to reward the collective performance of the Group's workforce. For this reason, Nexity has decided to develop compulsory profit-sharing agreements and, if possible, voluntary profit-sharing agreements, in each UES or company with more than 50 employees.

These entity-level agreements are supplemented by two Group-wide employee savings plans, offered at all establishments: a Group savings plan (PEG) and a Group collective retirement savings plan (PERCOG).

This lets Group employees optimise their savings and benefit from special tax advantages, with access to a diversified range of quality savings products, at very competitive rates.

17.4.1 Compulsory profit-sharing ("Participation")

In 2015, the Group paid its employees €2.6 million in compulsory profit-sharing in respect of the 2014 financial year.

The compulsory profit-sharing agreements in place within the Group are as follows:

- an agreement signed on 20 April 2004 for UES Nexity Promotion Construction, under which employees receive a benefit in proportion to their salary;
- an agreement signed on 29 June 2006 for UES Nexity Saggel Services, under which employees receive a benefit in proportion to their salary;
- an agreement signed on 29 December 2006 for UES Nexity Lamy, whereby profit-sharing is allocated in proportion to actual hours worked;
- an agreement signed on 20 September 2004 for UES Financière de la Baste, under which employees receive a benefit in proportion to their salary;
- an agreement signed on 25 March 2008 for Iselection, under which employees receive a benefit in proportion to their salary;
- an agreement signed on 22 March 2011 for Nexity Conseil et Transaction, under which employees receive a benefit in proportion to their salary; and

- an agreement signed on 28 September 2012 for PERL, under which employees receive a benefit in proportion to their basic salary (75%) and the amount of time they were present at the company during the financial year (25%).

17.4.2 Voluntary profit-sharing (“*Intéressement*”)

In 2015, the Group paid its employees €6.9 million in voluntary profit-sharing in respect of the 2014 financial year.

The voluntary profit-sharing agreements in force are as follows:

- On 25 June 2013, UES Nexity Promotion Construction signed a new voluntary employee profit-sharing agreement. Under this agreement, all employees receive equal benefit in proportion to actual hours worked. Total voluntary profit-sharing may not exceed 7% of gross payroll, and compulsory and voluntary profit-sharing combined may not exceed 8% of gross payroll;
- On 29 May 2015, UES Nexity Saggel Services signed a new voluntary employee profit-sharing agreement. The total amount for voluntary profit-sharing is divided among the eligible employees in proportion to the gross salary received in the year. Total voluntary profit-sharing may not exceed 7% of gross payroll, and compulsory and voluntary profit-sharing combined may not exceed 8% of gross payroll;
- On 30 June 2014, UES Nexity Lamy signed a new voluntary employee profit-sharing agreement. The total amount for voluntary profit-sharing is split into two components:
 - a collective component divided uniformly among all employees and calculated each year once the trigger point tied to operating profit has been reached, and
 - a component for each work unit based on that unit’s performance and divided among the employees assigned to that work unit in proportion to their salaries.

Compulsory and voluntary profit-sharing combined may not exceed 9% of gross payroll;

- PERL signed a voluntary profit-sharing agreement on 8 June 2015. The total amount is divided among the eligible employees in relation to the actual or equivalent hours worked during the year; and
- Iselection entered into a voluntary profit-sharing agreement on 26 June 2015. The total amount is divided among the eligible employees in relation to the actual or equivalent hours worked during the year. Compulsory and voluntary profit-sharing combined may not exceed 8% of gross payroll.

17.4.3 Group employee savings plans

To strengthen its shared foundation for employee relations, Nexity has chosen to implement a Group-wide employee savings system for all its employees. This system is founded on the principle of mutual benefit. Accordingly, in order to reward the collective commitment of employees, employer matching contributions are tied to the Group’s current operating profit. This system of employer matching contributions is structured in tiers, with the aim of favouring the first payment brackets.

17.4.3.1 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 2015, FCPE Nexity Actions held 1,030,864 shares, representing 1.9% of the Company’s share capital.

17.4.3.2 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 comprehensive and clear range of investment funds: the same five FCPE Amundi mutual funds offered by the PEG as well as a pension fund. In addition, the PERCOG offers the possibility of opting for guided investment management.

17.5 STOCK OPTIONS AND FREE SHARES

17.5.1 Share subscription and share purchase option plans (stock options)

None.

17.5.2 Issues of free shares

The characteristics of the Company's free share award plans in force at 31 December 2015 are set out in the following table (all information is as at 31 December 2015):

Date allotted by the Board of Directors	Total number of shares allocated, not cancelled and not vested	End of vesting period ⁽¹⁾
18/12/2012	322,000	Q1 2016
18/12/2013	263,000	Q1 2016
18/12/2013	196,000	Q1 2017
18/02/2014	7,000	Q1 2016
17/12/2014	331,000	Q1 2017
28/04/2015	92,000	Q1 2018
27/10/2015	11,000	Q1 2018
16/12/2015	240,360	Q4 2017
TOTAL	1,462,360	

⁽¹⁾ Based on date of Board meeting at which vesting conditions were approved

Once the shares have vested, they may not be transferred or sold for a further two years.

In addition, the shareholders voted at the Shareholders' Meeting to grant the Board the right until 18 July 2016 to allocate 1% of the share capital for the granting of free shares (with a minimum two-year vesting period and conditional upon certain conditions being met). A total of 251,360 free shares have already been allocated under this authorisation.

The maximum potential dilution (as a percentage of equity ownership) is 2.6% in the event of the vesting of all free shares that have been granted, and 3.1% including the free shares that may be granted.

No free shares have been awarded to Nexity's company officers.

18 KEY SHAREHOLDERS

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18.1 OWNERSHIP STRUCTURE

18.1.1 Breakdown of share capital at 31 December 2015

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 2015, as reported to the AMF at that date:

Shareholders (at 31 December 2015)	Number of shares	% of capital and voting rights
Alain Dinin ⁽¹⁾	1,325,059	2.45%
New Port concert group and other senior executives ⁽²⁾	5,316,788	9.81%
Other employees	326,717	0.60%
FCPE Nexity Actions (employees)	1,030,864	1.90%
Free float	33,703,371	62.20%
CE Holding Promotion ⁽³⁾	6,951,866	12.83%
CAA Predica ⁽⁴⁾	2,824,901	5.21%
CM Arkéa + Suravenir ⁽⁵⁾	2,709,451	5.00%
Treasury shares	0	0.00%
Total	54,189,017	100%

⁽¹⁾ And related persons.

⁽²⁾ Based on declarations of significant changes in share ownership on 4 February 2015 and 28 May 2015.

⁽³⁾ Based on declarations of significant changes in share ownership on 29 May 2015, 10 July 2015 and 31 July 2015.

⁽⁴⁾ Based on the declaration of a significant change in share ownership on 28 May 2015.

⁽⁵⁾ Based on the declaration of a significant change in share ownership on 1 June 2015.

On 29 January 2015, approximately 120 other executives formed a group around Alain Dinin, Chairman and CEO of Nexity, in order to act in concert, with the result that the group acting in concert initially formed of approximately 60 shareholders in December 2014 came to hold 10.17% of the Company's share capital and thus declared to the AMF that it had exceeded the legal threshold of 10% on 4 February 2015 (see below).

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.

18.1.2 Changes in ownership over the past three years

The following table shows a breakdown of the Company's share capital at the dates shown:

Shareholding structure	2015		2014		2013	
	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⁾	1,325,059	2.45%	1,469,400	2.71%	1,730,652	3.23%
New Port concert group and other senior executives	5,316,788	9.81%	3,145,759	5.81%	1,361,616	2.54%
Other employees	326,717	0.60%	1,511,923	2.79%	1,438,933	2.69%
FCPE Nexity Actions (employees)	1,030,864	1.90%	1,084,919	2.00%	1,079,658	2.02%
Free float	33,703,371	62.20%	26,180,607	48.32%	20,716,334	38.67%
CE Holding Promotion	6,951,866 ⁽²⁾	12.83%	18,095,597 ⁽³⁾	33.40%	21,882,749 ⁽⁴⁾	40.84%
CAA Predica	2,824,901	5.21%	-	-	-	-
CM Arkéa + Suravenir	2,709,451	5.00%	-	-	-	-
Generali France	-	-	2,692,782 ⁽³⁾	4.97%	2,692,782 ⁽⁴⁾	5.03%
Bpi France Participations (formerly FSI)	-	-	-	-	2,673,860 ⁽⁵⁾	4.99%
Treasury shares	-	-	-	-	-	-
Total	54,189,017	100%	54,180,987	100%	53,576,584	100%

⁽¹⁾ And related persons.

⁽²⁾ Based on their filings at 31 December 2015.

⁽³⁾ Based on their filings at 31 December 2014.

⁽⁴⁾ Based on their filings at 31 December 2013.

⁽⁵⁾ Based on the notification of a significant change in share ownership on 5 November 2013.

In 2015, the Company increased its share capital as follows:

- by €10,150 on 17 February 2015 by creating 2,030 new shares arising from the vesting of free shares allotted on 10 May 2011 and 24 October 2012; and

- by €30,000 on 24 March 2015 by creating 6,000 new shares arising from the vesting of free shares allotted on 9 May 2012.

Reporting of significant changes in share ownership under Article L. 233-7 of the French Commercial Code and Article 223-14 of the Autorité des Marchés Financiers (AMF) General Regulation

In a letter received on 4 February 2015 by the Autorité des Marchés Financiers, New Port SAS, in concert with certain executives and employee shareholders of the Company, declared that it had exceeded the threshold of 10% of the Company's voting rights. This group acting in concert, formed in order to implement a voting policy with the aim of furthering the current strategy pursued by the Company, under the leadership of the Executive Management team in place, declared that it neither anticipated taking control of the Company nor wished to be represented on the Board of Directors (although it should be noted that two members of the group acting in concert, namely Messrs Dinin and Denize, already serve on the Board). As the only legal entity member of the group acting in concert formed around Alain Dinin, New Port announced on that occasion that it planned to increase its stake in the Company depending on market opportunities and that it had no intention to sell its shares in the Company.

In letters received on 28 May 2015 by the Autorité des Marchés Financiers, New Port SAS and Crédit Mutuel Arkéa, acting in concert with certain executives and employee shareholders of the Company, declared that, on 22 May 2015, they had exceeded the threshold of 15% of the Company's share capital and voting rights.

In a letter dated 28 May 2015 and in a statement made to the Autorité des Marchés Financiers, Crédit Agricole SA indicated that it had exceeded the legal threshold of 5% of the Company's share capital and voting rights as well as the 3%, 4% and 5% thresholds provided for in the Articles of Association, indirectly via its subsidiaries which it controls: Crédit Agricole Corporate and Investment Bank, and Predica (which exceeded them individually).

In a letter dated 29 May 2015 sent to the Company and in a statement made to the Autorité des Marchés Financiers, BPCE declared that, on 27 May 2015, it had fallen below the legal thresholds of one-third, 30% and 25% of the Company's share capital and voting rights as well as all thresholds, by multiples of 1%, between 33% and 23% inclusive, of the Company's share capital and voting rights provided for in the Articles of Association.

In a letter dated 1 June 2015 sent to the Company and in a statement made to the Autorité des Marchés Financiers, Crédit Mutuel Arkéa reported that it had exceeded the threshold of 5% of the Company's share capital and voting rights. Following the sale to its subsidiary Suravenir of a number of shares representing 1.5% of the Company's share capital and voting rights, Crédit Mutuel also declared that it had individually fallen below the thresholds of 5% and 4% of the Company's share capital and voting rights, as its subsidiary held 1.5% of the share capital and voting rights.

In a letter dated 10 July 2015 sent to the Company and in a statement made to the Autorité des Marchés Financiers, BPCE declared that, on 30 June 2015, its shareholding via CE Holding Promotion had fallen below the legal threshold of 20% of the Company's share capital and voting rights as well as the thresholds of 21% and 20% of the Company's share capital and voting rights provided for in the Articles of Association.

In a letter dated 28 July 2015 sent to the Company, Invesco Ltd declared that its shareholding via its subsidiary Invesco Asset Management Ltd had exceeded the threshold of 4% of the Company's share capital and voting rights.

In a letter received on 31 July 2015 by the Autorité des Marchés Financiers, CE Holding Promotion, a company controlled by BPCE, declared that, on 30 July 2015, it had fallen below the threshold of 15% of the Company's share capital and voting rights as well as all thresholds, by multiples of 1%, between 19% and 13%, of the Company's share capital and voting rights provided for in the Articles of Association.

18.1.3 Shareholders' agreements

At the date of this Reference Document, the Company is not aware of any shareholders' agreements.

18.2 CONTROL OF THE COMPANY

Following the 2007 tie-up between Nexity and Groupe Caisse d'Epargne, Caisses d'Epargne Participations (formerly CNCE, part of the BPCE group), and an internal restructuring within the BPCE group in 2010, CE Holding Promotion became the Company's principal shareholder. However, following the aforementioned disposals, at 31 December 2015 CE Holding Promotion only held 12.83% of Nexity's share capital.

Consequently, at 31 December 2015, Nexity was no longer considered controlled within the meaning of Article L. 233-3-II of the French Commercial Code.

On 2 March 2016, CE Holding Promotion completed the sale of the 12.83% stake it held until then.

As the Company is no longer controlled, within the meaning of the AFEP/MEDEF Code, 50% of the members of the Board of Directors must be independent directors. The Company has achieved compliance with the Code since at 31 December 2015, Nexity's Board of Directors had five independent directors out of a total of eleven members including the director representing the employees; it should be noted that the director representing the employees is not taken into account when calculating the percentage of independent directors (see Section 16 of this document and the Chairman's report on internal control in Annex 3).

18.3 AGREEMENTS POTENTIALLY ENTAILING CHANGES IN CONTROL OF THE COMPANY

At the date of this Reference Document, the Company was not aware of any agreements between shareholders that might entail a change in control of the Company.

19 RELATED PARTY TRANSACTIONS

See the Statutory Auditors' report on regulated agreements and undertakings for 2015 in Annex 2 of this Reference Document as well as the Statutory Auditors' report on regulated agreements and undertakings for 2014 on pages 336 to 344 (French version) of the 2014 Reference Document filed with the AMF on 8 April 2015 under number D. 15-0297 and the Statutory Auditors' report on regulated agreements and undertakings for 2013 on pages 329 to 336 (French version) of the 2013 Reference Document filed with the AMF on 8 April 2014 under number D. 14-0304.

See also Note 37 to the Group's consolidated financial statements in Annex 1, which sets out information on related parties.

20 FINANCIAL INFORMATION CONCERNING NET ASSETS, FINANCIAL POSITION AND RESULTS

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20.1 CONSOLIDATED DOCUMENTS

The Nexity Group's consolidated financial statements and the Statutory Auditors' report for 2015 are included in Annex 1 of this Reference Document.

Pursuant to Article 28 of Commission Regulation (EC) 809/2004 on prospectuses, the following information is included for reference in this Reference Document:

- the Group's consolidated financial statements and the Statutory Auditors' report on the consolidated financial statements for the year ended 31 December 2014, as presented on pages 261 to 335 of the original French version of the Reference Document filed with the AMF on 8 April 2015 under number D. 15-0297; and
- the Group's consolidated financial statements and the Statutory Auditors' report on the consolidated financial statements for the year ended 31 December 2013, as presented on pages 265 to 326 of the original French version of the Reference Document filed with the AMF on 8 April 2014 under number D. 14-0304.

Both of the aforementioned Reference Documents are available on the website of the Autorité des Marchés Financiers (<http://www.amf-france.org>) and on the Company's website (<http://www.nexity.fr>).

20.2 PARENT COMPANY DOCUMENTS

20.2.1 Parent company financial statements

Nexity's parent company financial statements and the Statutory Auditors' report in respect of 2015 can be found in Annex 4 of this Reference Document.

20.2.2 Table of Nexity's results over the past five years

Financial year-end date	31/12/2015	31/12/2014	31/12/2013	31/12/2012	31/12/2011
Length of financial year (months) (in euros)	12	12	12	12	12
Year-end capital					
Share capital	270,945,085	270,904,935	267,882,920	264,170,225	262,010,725
Number of ordinary shares	54,189,017	54,180,987	53,576,584	52,834,045	52,402,145
Maximum number of new shares issuable:					
- in respect of conversion rights	4,373,327	4,153,207			
- in respect of subscription rights	1,462,360	1,154,000	1,463,070	1,769,094	1,946,076
Activities and performance					
Pre-tax revenue	85,083,930	82,299,111	80,855,851	76,511,403	74,007,193
Profit before tax, depreciation, amortisation and provisions	24,403,410	57,178,787	133,294,783	177,025,494	72,472,549
Income taxes	11,979,247	10,894,359	22,910,785	27,343,025	33,953,447
Net additions to depreciation, amortisation and provisions	(50,541,018)	(85,739,296)	(43,797,643)	(96,302,077)	(133,827,001)
Net profit/(loss)	(14,138,362)	(17,666,150)	112,407,925	108,066,442	(27,401,005)
Distributed profit	108,378,034	108,366,034	108,075,968	106,592,090	105,668,090
Earnings per share					
Profit after tax and profit-sharing and before depreciation, amortisation and provisions	0.67	1.26	2.92	3.87	2.03
Profit after tax, profit-sharing, depreciation, amortisation and provisions	(0.26)	(0.33)	2.10	2.05	(0.52)
Dividends distributed	2.20 ⁽¹⁾	2.00	2.00	2.00	2.00
Workforce					
Average headcount	252	222	214	206	209
Salaries and wages	22,686,450	20,250,200	18,736,892	19,631,676	20,162,468
Amount paid in employee benefits (social security, social and cultural activities, etc.)	10,282,026	9,210,724	8,813,271	8,519,240	9,060,006

⁽¹⁾ Subject to approval at the Shareholders' Meeting of 31 May 2016

20.2.3 Comments on Nexity's parent company financial statements for the year ended 31 December 2015

20.2.3.1 Information on the Company

Activities

The Company is the parent holding company of Nexity group.

Key developments in 2014

The following significant events took place in 2015:

- BPCE reduced its equity holding in Nexity from 33.4% at 31 December 2014 to 12.8% at 31 December 2015, in line with its strategic plan. The four directors representing BPCE resigned; and
- Over the course of the financial year, four new directors were appointed, two of whom were independent. The appointments of three directors (including Alain Dinin and Hervé Denize) were renewed for a term of 4 years ending at the approval of the 2018 financial statements.

Activities of subsidiaries and equity-accounted investments

The Company controls the Group's principal subsidiaries:

- Nexity Logement, the holding company for the Residential real estate division, which consists of the French new home development and subdivisions (Aménagement & terrains à bâtir) businesses, Iselection, PERL, Nexity Polska and Nexity Holding Italia;
- Nexity Immobilier d'Entreprise, which contributes to the activities of the Commercial real estate division, and programme-specific vehicles;
- Nexity Lamy, Oralia Partenaires, Saggel Holding, GCE Services Immobiliers and Nexity Franchises, which encompass the activities of the Services and Distribution Networks division; and
- Villes & Projets, which takes part in urban regeneration projects; and structures supporting investment operations.

Foreseeable developments and future prospects

The Company intends to maintain its investments in its operating subsidiaries.

20.2.3.2 Nexity income statement for the year ended 31 December 2015

Operating profit/(loss)

The Company generated revenue of €85.1 million in 2015, compared with €82.3 million in 2014. Revenue mainly consists of support fees and the trademark fee billed to the Group's subsidiaries.

Operating expenses net of reversals of provisions totalled €97.7 million in 2015, compared with €96.9 million in 2014, and consisted of costs related to the Group's central departments and the holding company's overheads.

Operating profit/(loss) came in at €(12.6) million, compared with €(14.6) million in 2014.

Net financial income/(expense)

Net financial income/(expense) came in at €(12.5) million in 2015, compared with €(11.2) million in 2014.

Net financial income/(expense) may be broken down as follows:

- €31.1 million in dividends and shares of profit received from Group subsidiaries and investments (compared with €66.9 million in 2014);
- €(40.6) million in respect of additions to and reversals from inter-company current accounts and equity interests based on the projected earnings of subsidiaries (compared with €(79.9) million in 2014); and
- a €3.0 million financial expense on cash and cash equivalents (compared with income of €1.8 million in 2014), consisting of €15.5 million in interest expenses on bank borrowings and inter-company current account advances from subsidiaries, less €12.5 million in net income on investment securities and interest income on inter-company current account advances to subsidiaries.

Net profit/(loss)

Net non-recurring expense came to €1.1 million in 2015 (compared with a net non-recurring expense of €2.7 million in 2014).

Corporate income tax, which includes the tax benefit arising from the Group's tax consolidation arrangement, totalled €12.0 million, compared with €10.9 million in 2014.

In light of these items, the Company's net profit/(loss) came to €(14.1) million (compared with €(17.7) million in 2014).

Workforce

The average workforce in 2015 was 252 employees, compared with 222 in 2014.

Non-deductible expenses

In 2015, the Company recognised €64,135 in expenses covered by Article 39.4 of the French General Tax Code.

20.2.3.3 Nexity's financial position at 31 December 2015

Changes in equity

Shareholders' equity totalled €1,782.1 million at 31 December 2015, down €122.0 million relative to the position at 31 December 2014.

This change in equity was mainly driven by the following:

- Profit/(loss) for the year: €(14.1) million
- Dividends paid in the year: €(108.4) million

Cash and cash equivalents

At 31 December 2015, cash and cash equivalents had increased by €138.7 million to €473.8 million (compared with €335.1 million at 31 December 2014). This increase was mainly driven by the following:

- €38.9 million in cash flows from operating activities (including €33.9 million arising from dividends and shares of profits paid by subsidiaries);
- €(7.4) million in net cash from/(used in) investing activities; and
- net cash from/(used in) financing activities (€107.3 million), including the dividend payment (€108.4 million) and the net change in financial current accounts (an increase of €215.7 million).

The Company's net debt at the year-end totalled €27.3 million (compared with a net cash position of €(79.3) million at end-2014). This consists of gross cash and cash equivalents (€(473.8) million) plus loans and receivables (€(54.0) million) less the amount of bond issues (€555.0 million).

Maturity of trade payables

Under the terms of the 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 €12.4 million at 31 December 2015, compared with €8.4 million at 31 December 2014. A maturity schedule of trade payables is as follows:

TRADE PAYABLES		
(in thousands of euros)	2015	2014
Payable by 31/01 of following year	1,108	650
Payable by 28/02 of following year	188	193
Payable after 28/02 of following year	-	-
Invoices not received	10,762	7,465
Other	308	108
Total	12,366	8,416

The items not yet payable mainly consist of invoices not received, several disputed invoices and invoices pending approval.

20.3 DIVIDEND POLICY

20.3.1 Dividend policy

When it released its 2015 trading update and annual results, the Company stated that it intended to propose the payment of a dividend of €2.20 per share (compared with €2 per share in 2014) at the Shareholders' Meeting called to approve the 2015 financial statements and that it was considering proposing, at the Shareholders' Meeting called to approve the 2016 financial statements, the payment of a further dividend of €2.20 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.

20.3.2 Dividends per share over the past five years

Year	2014	2013	2012	2011	2010	2010
Number of shares	54,189,017	54,037,984	53,296,045	52,834,045	52,402,145	51,992,887
Dividend per share	€2.00 ⁽¹⁾	€2.00 ⁽¹⁾	€2.00 ⁽¹⁾	€2.00 ⁽³⁾	€4.00 ⁽²⁾	€2.00 ⁽¹⁾
Total amount paid out	108,378,034	108,075,968	106,592,090	105,668,090	209,608,580	103,985,774

⁽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 eligible payees, €1.974 of this dividend is eligible for the 40% income tax exemption laid down in Article 158-3-2° of the French General Tax Code.

⁽³⁾ For tax purposes, this dividend amount in its entirety constitutes a reimbursement of paid-in capital.

20.3.3 Proposed appropriation of 2015 earnings and dividend

It is proposed to the shareholders at the Shareholders' Meeting that:

- the loss for the year, totalling €(14,138,361.52), be charged to the "Contribution premiums" account;
- after appropriation of the loss for the year, the balance on the "Contribution premiums" account thus be noted as €800,837,709.99;
- a dividend of €2.20 per share be paid to the shareholders, equating to a total of €120,522,637.40; and
- this amount be deducted in its entirety from the "Contribution premiums" account, the balance on which would thus be reduced to €680,315,072.59.

The distribution of the amounts deducted from the "Contribution premiums" account, totalling €120,522,637.40 euros, equating to €2.20 per share, is eligible to be treated as the reimbursement of paid-in capital 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 the repayment of a contribution, as provided by Article 112-1° of the French General Tax Code, and is thus not taxable. In addition, as the reimbursement of paid-in capital, it is also not subject to the various French social security contributions (CSG, CRDS) or to the mandatory withholding of 21%.

The amounts to be paid out would be paid on or after 7 June 2016.

Shareholders' equity after the proposed appropriation and dividend would total €1,661,538,335.73.

20.3.4 Statutory limitation period

Any dividends not claimed within five years of their payment date are forfeited to the French state.

20.4 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 4.3.2 "Policy with respect to insurance", and 4.3.3 "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 against such litigation.

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.

20.5 MATERIAL CHANGES IN THE FINANCIAL OR COMMERCIAL POSITION

To the Company's knowledge, and after taking into account the information referred to in Section 12.1 of this Reference Document, entitled "Recent developments", there have been no other significant changes in the Company's or the Group's financial or commercial position since the end of 2015.

21 ADDITIONAL INFORMATION ON SHARE CAPITAL AND REQUIREMENTS UNDER THE ARTICLES OF ASSOCIATION

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21.1 INFORMATION ON SHARE CAPITAL

21.1.1 Share capital

At 31 December 2015, the Company's share capital totalled €270,945,085, divided into 54,189,017 fully paid-up shares with a par value of €5 each.

21.1.2 Securities not representing capital

At the date on which this Reference Document was filed, there were no securities not representing the Company's capital.

21.1.3 Treasury shares

At the Shareholders' Meeting held on 19 May 2015, the shareholders voted to adopt a resolution authorising the Board of Directors, for a period of 18 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 19 May 2015.

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 agreement 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) an employee savings scheme, 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 19 May 2015, 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 agreement 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 20 May 2014, 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 up to 30 September 2015 were purchased under the liquidity agreement entered into in November 2008 with Rothschild et Compagnie Banque. At this date, the balance of the liquidity account was €4,712,614.70. A new liquidity agreement with Oddo Corporate Finance, acting as investment services provider, entered into force on 1 October 2015. The total amount allocated to the liquidity account for the implementation of this agreement was €5,712,614.70.

Cumulative information for 2015	Shares	% of capital
Number of shares constituting the issuer's capital at the beginning of the programme initiated on 19 May 2015	54,189,017	100.00%
Directly and indirectly held treasury shares at the beginning of the programme	0	0.00%
Number of shares held at 31 December 2014	0	
Number of shares held at 31 December 2015	0	
Number of shares bought back during the year	976,467	
Number of shares sold during the year	976,467	
Average purchase price (€)	38.75	
Average selling price (€)	38.94	
Book value of portfolio (€)	0	
Par value of portfolio (€) ⁽¹⁾	0	

⁽¹⁾ Based on the share price at 31 December 2015

21.1.4 Schedule of authorisations granted at Shareholders' Meetings

The following table shows a summary of authorisations granted by shareholders at the Combined Shareholders' Meetings held on 20 May 2014 and 19 May 2015 and which were valid at the date of this document or were valid or used in 2015:

Purpose of the authorisation	Date and duration of the authorisation	Maximum nominal amount of capital increase	Amount used and decision to use
Issue of shares			
1. Issue with pre-emptive subscription rights			
Capital increase, with pre-emptive subscription rights, through the issue of shares or other marketable securities providing access to the share capital	Shareholders' Meeting of 20 May 2014 (18th resolution) 26 months, to 19 July 2016	€70 million ⁽¹⁾⁽⁵⁾⁽⁶⁾	Not used
2. Public issue without pre-emptive subscription rights			
Capital increase through the issue of shares or other marketable securities providing access to the share capital	Shareholders' Meeting of 20 May 2014 (19th resolution) 26 months, to 19 July 2016	€60 million ⁽²⁾⁽³⁾⁽⁵⁾⁽⁷⁾	Not used
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 marketable securities providing access to the share capital	Shareholders' Meeting of 20 May 2014 (20th resolution) 26 months, to 19 July 2016	€60 million ⁽³⁾⁽⁴⁾⁽⁵⁾⁽⁷⁾ not to exceed 20% of the Company's share capital in each 12-month period following the initial use of this authorisation	On 12 and 13 June 2014, 4,153,207 bonds were issued that may be converted and/or exchanged for new or existing Nexity shares (OCEANE). The total amount issued was €179,999,991.38. The initial conversion ratio of 1 share per OCEANE bond was adjusted to 1.053 shares per OCEANE bond following the distribution approved at the Shareholders' Meeting of 19 May 2015.
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 19 May 2015 (30th resolution) 14 months, to 18 July 2016	€67 million ⁽⁸⁾⁽⁹⁾⁽¹⁰⁾ not to exceed 20% of the Company's share capital in each 12-month period following the initial use of this authorisation	Not used
5. Capitalisation of reserves, earnings, premiums or other accounts			
	Shareholders' Meeting of 20 May 2014 (22nd resolution) 26 months, to 19 July 2016	€70 million ⁽⁶⁾	Not used

21 ADDITIONAL INFORMATION ON SHARE CAPITAL AND REQUIREMENTS UNDER THE ARTICLES OF ASSOCIATION

Information on share capital

Purpose of the authorisation	Date and duration of the authorisation	Maximum nominal amount of capital increase	Amount used and decision to use
6. 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 20 May 2014 (23rd resolution) 26 months, to 19 July 2016	€60 million ⁽⁴⁾⁽⁷⁾	Not used
7. Issue of shares or other marketable securities in exchange for contributions in kind granted to the Company comprising equity securities or marketable securities conferring access to the share capital	Shareholders' Meeting of 20 May 2014 (24th resolution) 26 months, to 19 July 2016	10% of share capital at date authorisation used ⁽⁴⁾	Not used
8. Capital increase during the course of a public offer Authorisation to use Authorisations 1, 2, 3, 5, 6 and 7 as per this table during the course of a public offer under the reciprocity exception	Shareholders' Meeting of 20 May 2014 (25th resolution) 18 months, to 19 November 2015	Ceilings set forth under the applicable authorisations in effect	Not applicable as of 1 July 2014.
Issues reserved for employees or eligible company officers			
9. Allocation of free shares	Shareholders' Meeting of 20 May 2014 (26th resolution) 14 months, to 19 July 2015 Superseded by the authorisation below	1% of the share capital at the date on which the grant was decided by the Board	Allocation of 331,000 free shares at Board of Directors' meeting of 17 December 2014 and 92,000 free shares at Board of Directors' meeting of 28 April 2015.
10. Allocation of free shares	Shareholders' Meeting of 19 May 2015 (23rd resolution) 14 months, to 19 July 2016	1% of the share capital at the date on which the grant was decided by the Board	Allocation of 11,000 free shares at Board of Directors' meeting of 27 October 2015 and 240,360 free shares at Board of Directors' meeting of 16 December 2015.
11. Issues reserved for participants in Group company savings plans	Shareholders' Meeting of 19 May 2015 (32nd resolution) 14 months, to 18 July 2016 Superseded the previous authorisation given at the Shareholders' Meeting of 20 May 2014 (27th resolution)	1% of diluted share capital at date of Shareholders' Meeting of 20 May 2014	Not used
Share repurchase and reduction in share capital			
12. Repurchase of treasury shares by the Company	Shareholders' Meeting of 19 May 2015 (21st resolution) 18 months, to 18 November 2016 Superseded the previous authorisation given at the Shareholders' Meeting of 20 May 2014 (16th resolution)	10% of the share capital, adjusted to reflect transactions affecting the share capital after 20 May 2014, for each 24-month period	See Section 21.1.3
13. Reduction in share capital via the retirement of treasury shares	Shareholders' Meeting of 19 May 2015 (22nd resolution) 18 months, to 18 November 2016 Superseded the previous authorisation given at the Shareholders' Meeting of 20 May 2014 (17th resolution)	10% of the share capital, adjusted to reflect transactions affecting the share capital after 19 May 2015, for each 24-month period	Not used

⁽¹⁾ Where debt instruments are issued with pre-emptive rights, the amount of debt issued may not exceed €300 million and may not result in the Company's share capital increasing by a nominal amount of more than €70 million.

⁽²⁾ This amount is counted against the maximum total nominal amount of €70 million for issues with pre-emptive rights.

⁽³⁾ Where debt instruments are issued without pre-emptive rights, the amount of debt issued may not exceed €250 million, is counted against the maximum amount of €300 million above (see Note 1), and may not result in the Company's share capital increasing by a nominal value of more than €60 million, allocated from the maximum amount of €70 million (see Note 2).

⁽⁴⁾ This amount is counted against the maximum total amount of €60 million for issues without pre-emptive rights (see Note 2), which itself is counted against the maximum total nominal value of €70 million for issues of shares with pre-emptive rights (see Note 1).

⁽⁵⁾ Overallotment option: the Board of Directors may increase the number of securities to be issued within thirty days of the subscription period end, within the limit of 15% of the original issue and at the same price as the original issue. The nominal amounts of any potential increases in share capital will be counted against the maximum amount or amounts that apply to the issue in question.

⁽⁶⁾ Equal to 26% of the share capital, based on a total number of 54,037,984 shares constituting the share capital at the date of the Shareholders' Meeting of 20 May 2014.

⁽⁷⁾ Equal to 22% of the share capital, based on a total number of 54,037,984 shares constituting the share capital at the date of the Shareholders' Meeting of 20 May 2014.

⁽⁸⁾ Equal to 25% of the share capital, based on a total number of 54,189,017 shares constituting the share capital at 28 April 2015.

⁽⁹⁾ Separate ceiling from the ceilings set at the Shareholders' Meeting of 20 May 2014. Where debt instruments are issued without pre-emptive rights, the amount of debt issued may not exceed €280 million and may not result in the Company's share capital increasing by a nominal amount of more than €67 million.

⁽¹⁰⁾ Overallotment option: the Board of Directors may increase the number of securities to be issued within thirty days of the subscription period end, within the limit of 15% of the original issue and at the same price as the original issue. The nominal amounts of any potential increases in share capital will be counted against the maximum amount or amounts that apply to the 30th resolution.

21.1.5 Share subscription options

None.

21.1.6 Issues of free shares

See Section 17.5.2 “Issues of free shares”.

21.1.7 Other securities giving access to the share capital

On 12 and 13 June 2014, the Company completed a private placement (Section II of Article L. 411-2 of the French Monetary and Financial Code) of 4,153,207 convertible or exchangeable bonds. The total amount of bonds issued was €179,999,991.38.

The prospectus providing details of the terms of the offering (the “Prospectus”) was approved by the AMF on 12 June 2014 under number 14-288. The bonds were admitted for trading on Euronext Paris on 19 June 2014.

Bondholders may request to have their securities converted into or exchanged for newly issued or existing shares at any time. Following its adjustment on 26 May 2015, the bond conversion or exchange ratio, which was originally one share per bond, was 1.053 shares per bond at the date of this document.

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 2020.

21.1.8 Shares given as collateral

At the date on which this Reference Document was filed, the Company had not given any shares as collateral.

21.1.9 Conditional or unconditional options or agreements over the capital of any Group member

In October 2014, Nexity acquired 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. Under certain conditions, Nexity has mechanisms at its disposal under which it has the option of ultimately acquiring the company in full.

On 28 May 2014, the Group acquired 76.43% of the share capital of PERL, a leader in usufruct solutions for social and intermediate housing. Under certain conditions, Nexity has mechanisms at its disposal under which it has the option of ultimately acquiring the company in full.

On 1 April 2014, Nexity acquired 100% of property management group Oralia. Following the vesting of shares granted to certain Oralia employees subsequent to this acquisition, Nexity’s stake came to 99.53%. Under certain conditions, Nexity has mechanisms at its disposal under which it has the option of ultimately acquiring the company in full.

On 30 December 2011, the Group entered into a partnership agreement with the La Française AM group in the area of property management (real estate services and sales aimed mainly at business customers). This agreement led to the creation of a joint venture (LFP Nexity Services Immobiliers) in which the Group holds a 75.36% stake. In 2015, the Group entered into an agreement with La Française AM to buy back its stake in LFP Nexity Services Immobiliers. The buyout was completed in February 2016 after being approved by the French Competition Authority at the end of 2015.

Given the relative size of the businesses concerned, these commitments pose no risk to the Group’s financial structure.

21 ADDITIONAL INFORMATION ON SHARE CAPITAL AND REQUIREMENTS UNDER THE ARTICLES OF ASSOCIATION

Information on share capital

21.1.10 Changes in the Company's share capital over the past three years

Date of decision	Action	Number of shares issued/retired	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
19/02/2013	Capital increase on 19/02/2013 by partial capitalisation of "Share issue premiums" account	440,300 ⁽¹⁾	€5	€2,201,500	€(2,201,500)	€266,371,725	53,274,345
28/03/2013	Capital increase on 28/03/2013 by partial capitalisation of "Share issue premiums" account	21,700 ⁽¹⁾	€5	€108,500	€(108,500)	€266,480,225	53,296,045
29/10/2013	Capital increase on 29/10/2013 by partial capitalisation of "Share issue premiums" account	280,161 ⁽¹⁾	€5	€1,400,805	€(1,400,805)	€267,881,030	53,576,206
18/12/2013	Capital increase on 18/12/2013 by partial capitalisation of "Share issue premiums" account	378 ⁽¹⁾	€5	€1,890	€(1,890)	€267,882,920	53,576,584
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

⁽¹⁾ Shares created following the vesting of free shares.

At the date when this Reference Document was filed with the Autorité des Marchés Financiers, the following capital increases had also been recognised in 2016:

Date of decision	Action	Number of shares issued/retired	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
16/02/2016	Capital increase on 16/02/2016 by partial capitalisation of "Share issue premiums" account	577,000 ⁽¹⁾	€5	€2,885,000	€(2,885,000)	€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

⁽¹⁾ Shares created following the vesting of free shares.

21.2 REQUIREMENTS UNDER THE ARTICLES OF ASSOCIATION

21.2.1 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.

21.2.2 Financial year

The Company's financial year runs from 1 January to 31 December.

21.2.3 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.

21.2.4 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.

21.2.5 Shareholders' Meetings

21.2.5.1 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, in accordance with the type of resolution to be voted on.

21.2.5.2 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 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 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 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 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.

21.2.5.3 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.

21.2.6 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.

21.2.7 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, duly recorded in the minutes of a Shareholders' Meeting, of one or more shareholders holding at least 3% of the Company's share capital or voting rights, 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.

22 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 towns have now been selected by SNI for intermediate housing development.

SNI reserved 124 housing units in 2014 and a further 686 units (across 19 housing programmes) in 2015 (directly or indirectly via the intermediary of the *fonds de logement intermédiaire* - intermediate housing fund). This increase reflects the growing momentum of this partnership, which is expected to give rise to a higher number of reservations in 2016, due to the development projects currently in the structuring phase that have already been accepted by SNI.

23 INFORMATION FROM THIRD PARTIES AND EXPERTS AND DECLARATIONS OF INTEREST

Not applicable.

24 PUBLICLY AVAILABLE DOCUMENTS

The Company's press releases, annual reports including historical financial information about the Company, and annual Reference Documents 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 08 (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.

Investor Relations

investorrelations@nexity.fr

Phone: +33 (0)1 85 55 15 49

Address: Nexity, 19 rue de Vienne – TSA 50029 – 75801 Paris Cedex 08 (France)

25 SUBSIDIARIES AND EQUITY-ACCOUNTED INVESTMENTS

The Company's principal subsidiaries and equity-accounted investments are listed in Note 39 to the Group's consolidated financial statements, presented in Annex 1.

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