



REGISTRATION DOCUMENT

INCLUDING THE ANNUAL FINANCIAL REPORT

2018

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A French *société anonyme* with share capital of €280,648,620

Registered office: 19, rue de Vienne – TSA 50029 – F-75801 Paris Cedex 08

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REGISTRATION DOCUMENT

INCLUDING THE ANNUAL FINANCIAL REPORT

2018



The original French version of this document was filed with the Autorité des Marchés Financiers (AMF, the French securities regulator) on 4 April 2019, in accordance with Article 212-13 of the AMF's General Regulations. It may be used in connection with a financial transaction only if supplemented by a prospectus relating to the transaction officially approved by the AMF. The signatories of this document, prepared by Nexity, are responsible for the information contained herein.

Pursuant to Article 28 of Commission Regulation (EC) 809/2004, the following information is incorporated by reference into this Registration Document:

- The management report, the consolidated financial statements for financial year 2017 and the corresponding Statutory Auditors' report, set out on pages 91 to 109, 110 to 158 and 159 of the original French version of the Registration Document filed with the AMF on 5 April 2017 under number D.18-0272; and
- The management report, the consolidated financial statements for financial year 2016 and the corresponding Statutory Auditors' report, set out on pages 99 to 109, 110 to 158 and 159 of the original French version of the Registration Document filed with the AMF on 6 April 2016 under number D.17-0335.

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

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

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1 INTRODUCTION TO THE GROUP

Nexity in brief

1.1 NEXITY IN BRIEF

Nexity¹ is France's leading integrated real estate services group, with business operations in all areas of real estate development and services (Residential Real Estate, Commercial Real Estate, Real Estate Services to Individuals and Real Estate Services to Companies, franchise networks and major urban projects) and enjoys a strong presence across all industry cycles (short, medium and long term).

Nexity's primary purpose is to serve its clients, society and the world in which it operates by:

- Creating social and economic value for each of its clients;
- Providing its clients with well-being, quality of life and social connections in cities; and
- Jointly creating sustainable and resilient cities in which the impacts of climate change are anticipated.

Serving a clear purpose is a prerequisite for achieving a sustainable business performance.

Selected financial information

2018 business activity

- **New home reservations in France:** 19,609 units (up 7% by volume compared to 2017) representing €3.9 billion including VAT (up 10% by value in comparison with 2017), equating to a market share of 12.4% (up 1.6 pt relative to 2017)
- **Commercial Real Estate order intake excluding VAT:** €349 million compared to €402 million in 2017
- **Development backlog:** €4.5 billion (up 12%)

2018 financial performance

- **Revenue: €4.1 billion (up 16%)**
 - Individual Clients: €3,550 million (up 12%)
 - Commercial Clients: €581 million (up 43%)
- **EBITDA²: €523 million (up 14%)**
 - Individual Clients: €477 million (up 15%)
 - Commercial Clients: €72 million (up 7%)
- **Group share of net profit before non-recurring items³: €198 million (up 12%)**
- **Net financial debt before application of IFRS 16⁴: €757 million**

Strengthening the services platform through external growth

- **Ægide-Domitys:** acquisition of a controlling stake (63% of share capital) in France's number one operator of senior independent living facilities (83 residences and 9,800 units under management); and
- **Morning Coworking:** partnership including acquisition of a majority stake (54% of share capital) in the leading player in the Paris ready-to-use office space market (20 locations and 5,000 coworkers).

Nexity exceeds all its financial targets in 2018⁵

	2018 (Actual)	2018 (Guidance)	
Increase in Nexity's Residential Real Estate market share	12.4%	Growing (10.9% in 2017)	✓
Commercial Real Estate order intake	€349 million	€400 million	✗
Revenue growth	+16%	> +12%	✓
EBITDA growth	+14%	> +12%	✓

✓: target exceeded. ✗: target not met.

Target order intake in Commercial Real Estate was not achieved due to delays in obtaining final administrative authorisations. The projects in question are likely to be confirmed in 2019.

¹ Hereinafter also referred to as "the Company" or "the Group".

² EBITDA is defined by Nexity as equal to current operating profit before depreciation, amortisation and impairment of non-current 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. Depreciation and amortisation includes rights of use calculated in accordance with IFRS 16, together with the impact of neutralising internal margins on disposal of an asset by development companies, followed by take-up of a lease by a Group company.

³ Non-recurring items totalled €79.2 million, giving Group share of net profit of €277 million (up 52%).

⁴ Net debt totalled €1,567 million, of which €810 million corresponded to lease liabilities accounted for under IFRS 16.

⁵ Guidance issued on 20 February 2018 and partially revised upward on 25 July 2018.

Condensed financial statements

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

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

The following tables summarise the Group's consolidated financial statements with joint ventures proportionately

consolidated, in millions of euros, for the financial years ended 31 December 2016, 2017 and 2018.

The 2017 data has been restated by applying IFRS 15 and IFRS 16, and by reclassifying the CVAE levy under "Income taxes" and applying the new segmentation so as to improve its comparability. A breakdown of the restatements completed is shown in section 5.1.5 "Changes in reporting standards and operational segments" of this Registration Document.

These principal accounting and financial data should be read in conjunction with section 5.1 "Operating and financial review" of this Registration Document.

The consolidated financial statements for financial year 2018 are provided in section 5.3 of this Registration Document, "Consolidated financial statements - 31 December 2018", and the consolidated financial statements for financial years 2016 and 2017 are included for comparison purposes.

Condensed consolidated income statement (operational reporting)

(in millions of euros)	2018	2017 restated	2017 published	2016 published
Revenue	4,135.0	3,571.3	3,506.1	3,072.7
EBITDA	523.0	460.6	368.5	304.7
Current operating profit	372.7	337.9	320.5	266.5
Operating profit	451.9	337.9	320.5	266.5
Net profit ⁽¹⁾	276.9	182.7	185.6	139.1
Net profit before non-recurring items	197.7	175.8	178.7	139.1

(1) Attributable to equity holders of the parent company.

Condensed consolidated statement of financial position (operational reporting)

ASSETS

(in millions of euros)	2018	2017 restated	2017 published	2016 published
Non-current assets	2,638.3	1,724.2	1,424.1	1,404.5
Current assets	4,977.4	4,258.6	4,571.5	3,956.1
TOTAL ASSETS	7,615.8	5,982.8	5,995.6	5,360.5

LIABILITIES AND EQUITY

(in millions of euros)	2018	2017 restated	2017 published	2016 published
Equity – attributable to equity holders of the parent company	1,754.9	1,662.7	1,638.6	1,589.3
Non-controlling interests	8.9	6.0	4.9	4.9
Total equity	1,763.8	1,668.8	1,643.4	1,594.1
Non-current liabilities	1,952.5	1,070.7	813.5	814.0
Current liabilities	3,899.5	3,243.3	3,538.7	2,952.4
TOTAL LIABILITIES AND EQUITY	7,615.8	5,982.8	5,995.6	5,360.6

1 INTRODUCTION TO THE GROUP

Strategy

Consolidated statement of cash flows (operational reporting)

(in millions of euros)	2018	2017 restated	2017 published	2016 published
Cash flow from operating activities after interest and tax expenses	350.0	311.4	239.3	181.6
Change in WCR and deferred taxes	(80.0)	(46.9)	(54.4)	9.3
Net cash flow from/(used in) operating activities	270.0	264.5	184.9	190.9
Net cash from/(used in) investing activities	(126.3)	(43.2)	(43.2)	(80.4)
IFRS 16 lease payments made	(103.9)	(79.5)		
Net cash from/(used in) financing activities	(89.6)	(0.9)	(0.9)	(232.5)
CHANGE IN CASH AND CASH EQUIVALENTS FOR THE PERIOD	(49.8)	(140.8)	140.8	(122.0)

1.2 STRATEGY

Nexity's strategy cannot be defined independently from the general-interest mission embraced by the Company, and without which no long-term strategy would be possible.

1.2.1 An integrated real estate operator model with a real estate services platform

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 need or request, and as a market leader or major player in France 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, franchise networks, and serviced residences), while also expanding into new geographical areas (by improving its coverage of regional markets in France).

From 2010, following the creation of its Services division (mainly the result of external growth), Nexity has aimed to leverage the synergy of its businesses by placing the client at the heart of its organisational and marketing approach, to serve clients as their real estate needs evolve (purchases, rentals, property management, building operations, sales, investment, etc.) so as to offer "smart real estate solutions for life". In early 2012, the Group's main brands were brought together under the "Nexity" brand. All of the Group's 200 agencies providing services to individuals (formerly the Lamy network) were then brought under the Nexity trade name. With the Nexity brand now well established, the Group has adopted a policy of diversifying its brands and access channels to clients (including Edouard Denis, Oralia, iSelection and franchise networks).

Nexity can provide an unprecedented range of services and trade expertise, enabling it to meet all of the real estate needs of its clients – whether individuals, companies or local authorities. Today, Nexity defines itself as a real estate services platform, organised per client type, and characterised by ever closer integration between its development operations and its real estate services, with the prospect of additional value creation.

Nexity currently performs more than 100 real estate services professions for its clients: Individual Clients, Commercial Clients, Local Authority Clients and Internal Clients.

Its business model capitalises on the specific characteristics of French housing development regulations. With VEFA off-plan sales, the Group need not bear the commercial risk through to delivery: title is transferred as construction proceeds for houses that can be sold as soon as the developer has bought the land and obtained building permits. Moreover, land is chiefly managed through purchase options and provisional agreements (in contrast to an unconditional acquisition). Land acquisition and the launch of construction work is generally subject to a minimum level of pre-sold units.

The Group thus has no operations based on the long-term ownership of assets. As such, Nexity's business model is geared more towards flows and services than ownership of inventories (see sections 1.3.2.1 paragraph "Legal and financial framework of property development in France" and 2.1 "Risk management policy" of this Registration Document).

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

- A model which is asset-light and less capital-intensive;
- Lower exposure to the risk of interest rate fluctuations;

- Providing more agility and flexibility; and lastly
- Preventing any conflicts of interests between real estate development and property ownership, thus reassuring clients, in particular Nexity's institutional investors (who are not in competition with a Group investment fund).

Nexity enjoys an unrivalled presence across the entire real estate value chain in France save for a few rare segments which are deliberately excluded. Without being dependent on a single industry sector or client category, Nexity relies on all of its business lines to develop and diversify its supply sources, flesh out its range of products, services and solutions aimed at each of its three types of clients, and ensure that these offerings are consistently competitive, in particular by developing products, services or solutions that meet the needs of the market, backed by the Group's vast, diversified and complementary distribution networks.

The Group's diversification gives it the required resilience to mitigate the impact of market cycles, by increasing the percentage of revenue generated by activities little or less exposed to these cycles. Moreover, its integrated model

entails synergies (particularly in terms of client acquisition, complementarity of activities, or cross-selling).

Nexity is able to offer specific solutions, products and services to its various Clients (Individual, Commercial and Local authority), addressing the full spectrum of real estate needs. Nexity has developed original and innovative offerings for both Individual Clients (such as packages for investors, guarantee against rental vacancy or capital losses upon reselling a property) and companies (such as its occupancy cost guarantee on buildings built by the Group, and its shared office space offering).

In addition to its property development, brokerage, management and advisory businesses, Nexity aims to further develop its position as a major provider of personal services (specifically those related to real estate, the Group's core field of expertise, upon which it has built its reputation among its clients). In particular, it is pursuing this ambition through the residence management business (which includes student residences and, to a growing extent, senior independent living facilities).

1.2.2 Nexity's value creation model

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

The Group serves three types of clients: individuals, companies and investors, and local authorities.

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

- **For individuals**, this includes a wide selection of residential properties for homebuyers and buy-to-let investors (including a bare ownership offering), a broad subdivisions offering, a comprehensive range of services (property management for individuals, sales of real estate assets, and operation of serviced residences, notably for students and seniors), and a property sales offering *via* the Group's franchise networks (Century 21 and Guy Hoquet l'Immobilier);
- **For companies and investors**, Nexity offers a range of commercial properties (office space, high-rise buildings, logistics space, business parks, hotels, retail premises, etc.) and construction processes (concrete, wood), sustainable improvement solutions for existing

office buildings, a selection of residential buildings for professional landlords, and a full complement of services (commercial property management, building management, real estate advisory and brokerage services) as well as a co-investment offering; and

- **For local authorities**, Nexity serves as a partner for the design and execution of major urban projects or large-scale urban regeneration schemes.

As a policy, Nexity has no income-yielding real estate assets.

The Group was one of the leading players in French real estate markets in 2018. It has a diversified client base and its geographical coverage is well balanced between the Paris region and elsewhere in France.

Nexity's value creation model rests on a certain number of inputs, whose composition and weighting are directly linked to the Group's strategic model, described below.

The service company model chosen by Nexity thus entails that real estate capital is practically absent from its production factors, while the presence of financial capital is relatively moderate (in comparison with some of its competitors or peers whose business model is more focused on land and real estate ownership, which is the case for most property companies abroad and, in France, for actors in "real estate property company and developer"). Likewise, the limited amount of intellectual capital is due to the characteristics of the real estate sector (little fundamental research but a lot of innovation, which is generally not patentable).

OUR BUSINESS MODEL

NEXITY IS FRANCE'S LEADING INTEGRATED REAL ESTATE SERVICES GROUP, WITH BUSINESS OPERATIONS SPANNING ALL AREAS OF REAL ESTATE DEVELOPMENT AND SERVICES AND A STRONG PRESENCE ACROSS ALL INDUSTRY CYCLES. OUR REAL ESTATE SERVICE PLATFORM IS FOCUSED ON THE NEEDS AND EXPECTATIONS OF OUR CLIENTS.



OUR CHALLENGES

Incorporating new uses and thinking about future uses



OUR CAPITAL AND OUR RESOURCES

Human capital

- **>10.000** employees
- **~17%** of the share capital held by employees
- Peerless array of real estate skills and expertise

Investment capital

- Conservative risk profile and moderate appetite for risk
- Market capitalisation of **€2.2 billion** at 31 December 2018
- Solid track record

Relational and reputational capital

- Strength of Nexity's brand
- Regional coverage **>400 locations**
- Leadership across all market segments
- **27** stakeholders engaged in the Group's CSR approach

Environmental and societal capital

- **No. 1** partner to social housing operators, **No. 1** intermediate housing operator and **No. 1** in priority urban planning districts (QPV)
- **1st** real estate operator to have put in place a climate trajectory for its real estate development activities
- Major force in energy renovation projects for existing properties
- Social and economic value unlocked in the regions

Organisational and intellectual capital

- Open architecture and “flotilla”-based model
- Culture of intrapreneurship and innovation
- Project mode harnessed and flatter management structure

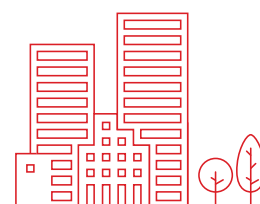
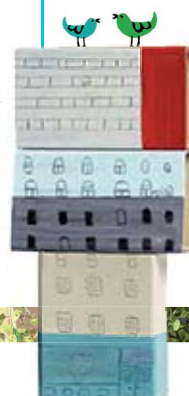


OUR REAL ESTATE SERVICES PLATFORM

Our client-focused platform helps our model to grow through the development of new real estate services so that we can achieve leadership in digital real estate, leveraging our ambitious CSR strategy.

- Development of new homes and subdivisions
- Property Management for Individuals, brokerage
- Franchise networks
- Distribution
- Serviced residences (students and seniors)

Individual Clients



Conserving
resources

Helping meet demographic
challenges and social priorities

Seizing opportunities arising
from continuing urbanisation

Nexity Enterprise Solutions

- Commercial real estate development
- Commercial property management, commercial real estate advisory and space planning
- Coworking

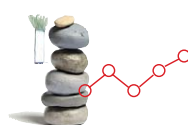
Commercial Clients

Internal Clients

Employees are at the heart of the transformation of Nexity, which is pursuing an approach focused on clients and user experience.

Local Authority Clients

Villes & Projets:
urban planning,
urban projects,
new urban uses



OUR RESULTS AND OUR IMPACT IN 2018

Human development

- **31%** of Club 100 members are women
- **9%** voluntary turnover rate
- **>120.000 hours** of training provided

Sound financial performance

- **€4.1 billion** in revenue (up 16%)
- **€523 million** in EBITDA (up 14%)
- Development backlog: **€4.5 billion** (up 12%)
- Dividend: **€2.50** per share
- Total Shareholders Return over the past 5 years: 85%

Leading integrated real estate operator

- Expansion in market share
- More than **1 million** clients

Socio-economic impact

- **1** job at Nexity = **11** jobs supported (>100,000 jobs supported⁽¹⁾)
- **€340 million** in taxes and levies paid in France including €80 million in corporate income tax (2017 data)

Civic engagement

- Initiative to provide housing for those in need (Nexity Non Profit)
- **More than 50** non-profit organisations supported through the Nexity Foundation

Environmental impact kept on under control

- **10%** reduction in the carbon footprint per employee since 2014
- **4%** reduction in the carbon footprint per sq.m of housing since 2014
- **84,000 sq.m** of timber-frame office space delivered since **2011**
- On the **CDP A List** of green businesses⁽²⁾

Market leader in digital real estate

- **12 million** visits to Web platforms and the nexity.fr website
- **16** projects incubated by the Startup Studio
- Selective acquisitions policy

(1) 2019 study.
(2) Formerly the Carbon Disclosure Project.

1.2.3 A growth and development plan covering all of Nexity's business lines

1.2.3.1 Economic, social and environmental trends

All of Nexity's business lines show medium- and long-term growth potential, given the economic, social and environmental background and trends in its underlying markets.

Demographic change

In France, demographic changes are generating a structural need for new homes, due to population growth, smaller households, and insufficient construction over recent decades. This housing need is estimated at around 400,000 new homes per year (see section 1.3.2.1 "Overview of the Residential Real Estate market and competitive environment" in this chapter).

This housing need concerns home ownership and, to an even larger extent, housing rental. Due to the characteristics of the French financial and banking system, combined with the relatively high property prices in large cities, home ownership is difficult to achieve for a certain number of households. This gives rise to a strong need for rental housing, whether owned by public investors (social housing operators), private investors (property companies dedicated to housing), or individual investors.

In this context, the strong, enduring appeal of real estate as a financial investment – boosted by the current low interest rates and a general worry among the French population concerning their future pension entitlements – should constitute a long-term support factor for both residential and commercial real estate.

Beyond the prospects offered by population growth, Nexity pays constant attention to current and upcoming demographic and sociological changes (insufficient student accommodation, shortage of appropriate housing for single-parent and/or reconstituted families, etc.). The major investment made by Nexity in 2018 with the acquisition of a majority stake in its partner Ægide-Domitys (the leading provider of serviced senior independent living residences), reflects the Group's strategy in respect of the population ageing trend.

"Metropolisation"

"Metropolisation" covers the following trends:

- The concentration of job growth, and thus housing needs, in France's 20 largest cities (the largest of which is Greater Paris) and their surrounding areas, to the detriment of rural areas, medium-size cities, and certain outer suburbs. Nexity is focusing most of its staff and its resources on these attractive major urban areas; and

- The development of major mixed-use urban projects (housing, offices, public facilities, retail premises, etc.) in these same urban areas, with growing use of partnerships between local authorities and private real estate operators, namely those which – like Nexity – have the size, resources, expertise, innovation capacity, and very wide product range needed to meet this new demand.

Nexity considers that its extremely wide product range (which covers practically all real estate segments, except for certain aspects such as the development of large shopping centres), as well as its capacity to intervene both upstream (through its property development expertise) and downstream (through long-term property management), gives it a competitive edge in large cities.

Service-oriented trend in real estate

The shift from a "product" approach to a "usage" approach, is particularly illustrated by:

- A growing need for local services (concierge services, serviced residences for seniors, students, mixed generations, etc.), and flexible real estate, based on use rather than long-term ownership (subletting, short-term rental, shared office space, division of property ownership, etc.);
- A strong trend for the development of shared-use solutions (co-living, coworking, co-design, car sharing, etc.);
- The emergence of digital property management solutions based on open platforms ("smart home", "smart building", "smart city", etc.);
- The development of new, increasingly digital modes of access to end clients, and the restructuring of value chains with a search for platform-type positions: real estate portals, matching platforms (e.g. for short-term rental), and the digitisation of data and documents; and
- The perspective of new data-based business models (e.g. property value estimators).

Nexity holds a strong position, often as a pioneer, in the various facets of this service-oriented shift of the real estate market (called "real estate as a service"), as shown, for example, by its leading position in student and senior residences and in coworking premises in the Paris region, as well as its significant stake in the new-generation real estate portal Bien'ici.

Climate and sustainable development challenges

The inclusion of these challenges involves:

- A move towards sustainable standardisation (increasingly stringent standards, proliferation of certifications, often imposed by investors and partners) and the setting of specific targets, for example in terms of carbon trajectory (the real estate sector accounts for around 20% of all greenhouse gas emissions);
- The need for large local authorities and major cities to adopt said approach and make it a key element of their decision-making processes for selecting their real estate operator partners;
- Concerning existing buildings (residential or commercial), the growing obsolescence of part of the stock (e.g. buildings that do not meet the current energy efficiency standards), which opens up development or renovation opportunities;
- Beyond the climate and energy concern, which is of major importance, the emergence of new requirements, such as circular economy or biodiversity (and nature in the city); and lastly
- The first signs of the revival of the “density” concept, which involves the construction of high-rise buildings in supply-constrained areas, as density (which is often

politically contested) fully meets the economic and ecological constraints of urban development (optimisation of development rights through better construction feasibility, limitation of urban sprawl, and thus the reduction of soil artificialisation and urban car use). Should the first signs of this possible revival be confirmed, the impact would be highly positive for Nexity.

Buoyed by these positive macro-trends, as well as economic conditions that remain favourable over the short term (interest rates remaining very low, and France’s relatively positive economic situation despite a slump in the fourth quarter of 2018), a generally favourable regulatory environment, and the Group’s leading positions in its markets, Nexity intends to perpetuate, over the coming years, the robust growth it has enjoyed since 2014.

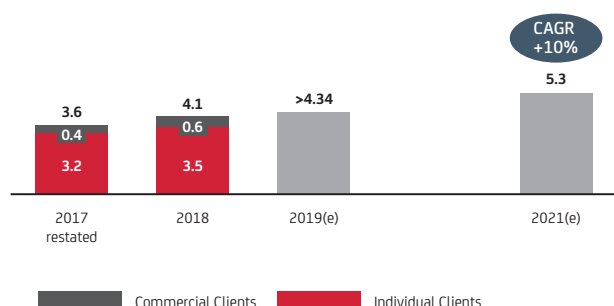
Under these conditions, and being fully aware of the risks associated with the markets in which it operates (see chapter 2 “Risk management” of this Registration Document), as well as the fragility of the French economy and society, Nexity held an Investor Day on 19 June 2018. The event, led by Alain Dinin and the Executive Committee, was dedicated to the presentation of Nexity’s strategic ambitions, its business strategies, and its medium-term business targets and financial objectives (2018-2021). The main objectives of this presentation are set out hereunder.

1.2.3.2 Nexity’s strategic plan and medium-term objectives

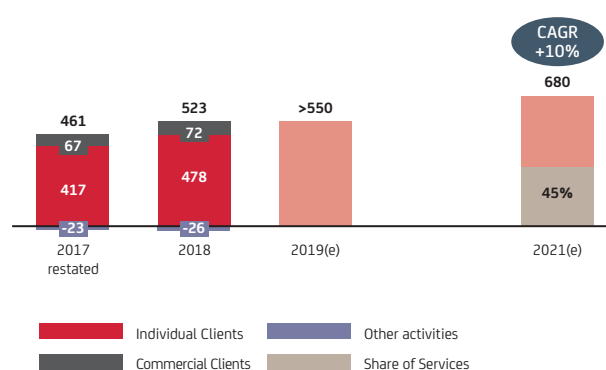
Since the Investor Day of November 2014, Nexity has made considerable progress in all areas and across all its indicators. The plan unveiled during the Investor Day of June 2018 constitutes a new stage in Nexity’s growth trajectory. With a backlog exceeding €4 billion and a potential of over €12 billion in revenue, not to mention recurring service activities, the Group has very good visibility.

On 19 June 2018, Nexity’s Board of Directors, chaired by Alain Dinin, announced the following **medium-term objectives**:

- Compound annual revenue growth rate of 10% (2017–2021);



- Compound annual EBITDA growth rate of 10% (2017–2021).



This compound annual growth rate should not be seen as linear, given the volatility of the Commercial Real Estate business.

This growth (already partially secured by the backlog, the potential of development operations and the stock of management contracts generating recurring income for the services activities) should be backed by:

- The underlying positive growth of the main markets in which Nexity operates (irrespective of those markets’ cyclic fluctuations);

1 INTRODUCTION TO THE GROUP

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- Nexity's capacity to continue to increase its market share; and
- The launch of new offerings and the development of new business lines, either organically or through partnerships or external growth.

All the Group's business lines will contribute to this growth, especially its Services businesses, which are expected to account for 45% of the Group's total EBITDA by 2021.

This strong anticipated growth will go hand in hand with a controlled increase in the Group's debt (target level for net financial debt of about 2.5x EBITDA, excluding IFRS 16). This target level will allow Nexity to proceed with carefully selected external growth transactions in its different businesses.

The external growth operations, as well as the partnerships and organic developments initiated by Nexity, are appraised according to a multi-criteria grid, which notably highlights:

- The usefulness of the envisaged development in view of the needs and expectations of Nexity's clients, and society at large;
- The existence, skills and motivation of a team capable of efficiently managing the asset or company;
- Compliance with the target levels of operating profitability and return on investment, with an appraisal based on growth potential; and
- Compliance with Nexity's controlled risk profile requirement.

This growth policy will be accompanied by an ever-watchful eye on profitability, the maintenance of a prudent risk profile and a strong solvency position. The Group's investments over the period will amount to around €65 million each year, including €30 million dedicated to information systems, the balance being linked to business investments.

The dividend will be set at a minimum of €2.50 per share¹ in respect of each financial year in the period 2018–2021. Furthermore, Nexity's Board of Directors has decided that the Company will buy back shares each year, in the proportion necessary to offset the dilution caused by the vesting of free shares with the Group's employees.

These financial targets will be supplemented by a full range of CSR initiatives, including the reduction of greenhouse gas emissions resulting from the projects developed by Nexity, namely:

- Residential Real Estate: 30% per home completed;
- Commercial Real Estate: 21% per square metre of floor space delivered; and
- Administrative sites: 35% per employee in 2030.

Detailed data is presented in Chapter 3 – Statement of non-financial performance of this Registration Document.

Individual Clients

Currently the leading player in the French residential market, Nexity has additional growth potential for the coming years through:

- Its **multi-product, multi-brand model** of open architecture (with assets such as Edouard Denis – a company in which Nexity acquired a majority stake in 2016 – and Nexity Partners – “industrial” and financial partnership solution offered by Nexity to small and medium-sized independent developers, which is meeting with growing success);
- Its **position as a leader** in practically all major French cities and a key player in high-potential niche markets (priority urban planning districts, student residences, senior residences, single-family houses developed in groups, etc.); and
- While remaining at **the top level in its sector in terms of operating profitability**, the Residential Real Estate division is targeting **strong growth in market share** over the coming years (gain of 3 percentage points between 2017 and 2021).

Nexity's property management for individuals activities will push ahead with their digital transformation and continue to stand out through the quality and diversity of the services offered to their clients. While strengthening their profitability, these business lines should record growth in the number of units under management over the 2019/2021 period.

The growth in services should also stem from the development capability of the distribution activities (PERL, iSelection, etc.) and franchise networks.

¹ Subject to the decision of Nexity's Board of Directors and approval at its Shareholders' Meeting.

A major advantage of Nexity's business model is its capacity to develop and market innovative services (such as the smart home and residents' social network solution called Eugénie, and the Bien'ici website, which has taken less than three years to become France's No. 3 real estate portal for new and existing properties). Another advantage is the Group's expertise in terms of cross-selling – which should intensify over the period of the plan – and its innovative packaged offers combining property development and services.

Lastly, the Group's acquisition of a majority stake in Ægide-Domitys, completed in June 2018, is a major growth engine for Nexity's Real Estate Services to Individuals. Ægide-Domitys is currently the leading provider of serviced senior independent living residences. It intends to roll out an ambitious development plan, in France and abroad, in this potentially high-growth market¹.

Commercial Clients

In Commercial Real Estate, Nexity has greatly increased its business potential through a strong position in the Paris region combined with a growing presence in major regional cities, in particular for wood-frame office buildings – for which Nexity is No.1 in France. This allows Nexity to foresee the possible doubling of order intake over the 2018-2021 period compared to previous years, *i.e.* around €650 million per year on average.

1.2.4 Main lines of Nexity's strategy

1.2.4.1 Corporate Social Responsibility (CSR)

Nexity's strategy takes full account of sustainability issues and the new economic models – more responsible and less resource-hungry – being developed to respond to them (such as the collaborative economy, circular economy and social and solidarity economy). The Group places this commitment at the heart of its actions because it creates sustainable value – for society at large as well as for Nexity and promotes the development of the region.

Since 2017, Nexity has included sustainable development in its wider corporate social responsibility (CSR) strategy, in order to fully embody its strategy as a responsible employer, promote the company's ethical goals and ensure that its governance meets the highest standards.

This strategy, which is underpinned by a desire to demonstrate and enhance the societal benefits of Nexity's activities (see chapter 3 "Statement of non-financial performance" of this Registration Document), is structured around five commitments:

- Designing sustainable, responsible cities;

Beyond that, Nexity intends to develop its range of products and services, in particular for office building users, as well as reinforce its planing capacity and the provision of advisory services to users. It also intends to modernise its property management business through digital solutions, in order to position itself as the partner of choice for its Commercial Clients.

Local Authority Clients

Nexity intends to reinforce its position as a major player in private planing in France, by developing new services, around the inclusive smart city concept and new urban uses, and to complete its offer by the forthcoming creation of a land bank investment vehicle, a tool for local authorities' development, whose capital will be majority owned by third-party investors.

Internal Clients

With more than 10,000 employees, Nexity's strength lies in its human capital. To confirm and reinforce its objective of being a "preferred employer" in its sector, the Group will push forward with its employee shareholding policy (employees and managers held 17% of Nexity's share capital at end-2018), as well as its policy regarding the development of talents, the testing-out of new working methods, entrepreneurial culture and innovation.

- Better access to housing and higher-quality neighbourhoods;
- Better building practices for higher quality of life at work;
- Being recognised as a preferred employer; and
- Upholding high standards in corporate governance and business ethics.

Now underpinned by quantitative targets, the Group's CSR strategy is poised to play a greater role in Nexity's growth plans as it moves closer to becoming a real estate services platform. The Group aims to create social and environmental value both upstream and downstream of its activities, as an urban and regional planner, property developer or condominium manager.

The development strategy for the main business areas is described in more detail in sections 1.3.1 "Development strategy for Individual Clients" and 1.4.1 "Development strategy for Commercial Clients" of this chapter.

¹ The serviced senior residence market could grow six-fold over the next 20 years, from 50,000 to 300,000 units.

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1.2.4.2 Client-centric strategy

The definition of a client-centric strategy – in which the focus on “Clients” now has precedence over the “product” focus in Nexity’s organisation and management – rests on a certain number of common themes:

- The ongoing aim of making “client value” and client satisfaction an integral part all of its services and all of the Company’s policies, which involves a joint design and joint construction approach to new services with clients;
- The ongoing gradual development of a client database and a top-level Client Relationship Management (CRM)

1.2.4.3 Nexity’s position as digital real estate leader

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

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

This cross-cutting project aims to bolster and defend Nexity’s competitive position, while improving service quality and client satisfaction. It is backed by a significant increase in the resources allocated by Nexity to the development and improvement of its IT systems, digital tools and technologies (see Section 1.6 “Internal Clients” of this chapter).

system, allowing for optimal client treatment across the various business lines, and increased cross-selling, on the basis of products developed by Nexity or its partners; and

- The introduction of services platforms, for example on the basis of the online client account (mynexity.fr) or a connected homes management platform (Eugénie application), allowing for the launch of new open architecture services.

In digital customer relations, the goal is to increase the online capture rate by making use of new ways to humanise the relationship (such as videoconferencing) and highlighting offerings using high-quality visuals and 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 and digital schools, Nexity aims to continue to launch five major innovations every year with the goal of further simplifying the multichannel client journey and conquering new markets linked to disintermediation. For example, Nexity took part in creating and then incubating Bien’ici, a next-generation property listings website that has seen strong growth. Nexity also developed the “Eugénie” smart property management platform together with a network of technical partners. Its roll-out started in 2018.

1.3 INDIVIDUAL CLIENTS

Through its real estate services platform strategy, Nexity aims to meet all its clients’ real estate needs, at every stage of their life, by creating packaged offerings supported by the power of the brand and the wealth of data available to the Group.

To implement this strategy more effectively, in 2018 Nexity continued to roll out its individual client-focused organisational structure, with a single management team – the Individual Clients Committee – providing integrated oversight of Residential Real Estate and Real Estate Services to Individuals. The marketing, sales and digital functions and organisational teams were brought together

within two departments covering the whole of the Individual Clients segment.

Starting in 2019, client satisfaction is now monitored and managed across all business lines; Nexity’s call centre – which handles over a million calls a year – and customer service team now cover the whole of the Individual Clients business. Synergies and cross-selling between the various business lines have increased. One result of this development is that, of the 12 million visits to the Group’s web platforms and the nexity.fr website in 2018, some 11% looked at more than one business line.

1.3.1 Development strategy for Individual Clients

1.3.1.1 Residential Real Estate

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

In order to achieve these objectives, 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 for individuals, assistance with finding the first tenant, insurance and 24-hour assistance for emergency service requests,
 - Establishing an offering of homes aimed at professional landlords, namely social housing operators for the most part, but also and to a growing extent institutional investor, 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 21% of net reservations in 2018: chiefly student residences in partnership with Nexity Studéa, among other entities, and senior residences in partnership with Ægide-Domitys),
 - Developing sustainably designed, environmentally friendly and energy-efficient homes, and

1.3.1.2 Serviced residences

In less than 20 years, the Ægide-Domitys Group has become the leading player in senior independent living facilities. This new concept, which it created and which it sells under the Domitys brand, corresponds to the expectations of independent seniors and is attracting a growing number of individual and institutional investors. It is a high potential market, closely linked to the challenge of an ageing population. Ægide-Domitys is responding to this issue thanks to its know-how and its mastery of three areas:

- 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, by:
 - Expanding the operations of its existing regional offices,
 - External growth transactions, targeted acquisitions of land portfolios and/or partnerships with local developers (Nexity Partners),
 - Building synergies between its subdivision and new home businesses, especially in regions where the size of the local market does not warrant the direct presence of a subsidiary on a permanent basis for the new home business, and
 - Taking advantage of the additional distribution capacity provided by iSelection, which has signed partnership agreements with the Caisse d'Épargne and Banque Populaire networks;
- Pursuing its policy of aiming for the highest possible profit margin (in a given context) rather than simply increasing sales volume, by renegotiating the purchase price of land or centralising the purchasing of certain equipment (such as lifts or bathroom furniture) and services (such as lift maintenance); and
- Seizing land acquisition opportunities, particularly in the Paris region, that arise in connection with the Group's urban regeneration business (Villes & Projets), described in section 1.5.3 "Urban regeneration (Villes & Projets)" of this Registration Document.

real estate development, marketing and residential operations.

Backed by this unique positioning, the aim is to:

- Pursue its ambitious development policy both in France and abroad, in particular in the European countries facing the same challenges; and
- Improve commercial efficiency and advisory services to investors, namely with the development of Domitys Invest.

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1.3.1.3 Other Real Estate Services to Individuals

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

- Continually improving its services, developed in cooperation with clients;
- Increasing the perceived value of its services by ensuring that clients are satisfied and remain loyal;
- Enhancing the client experience by capitalising on Nexity's expertise in all its business areas and its ability to propose innovative solutions;

- Differentiating itself through its transparent sales strategy and pricing policy, and through the digital transformation of Nexity's service businesses, so that it can offer innovative products that meet clients' emerging needs;
- Reinforcing the Group's presence in the market of serviced residences (student residences with Studéa, serviced senior residences with Ægide-Domitys); and
- Securing external and partnership-based growth in a business that is becoming increasingly industrialised;
- Structuring an offer aimed at institutional investors by creating an investment fund (PERL); and
- Opening up to new individual investor targets through packaged products.

1.3.2 Residential Real Estate

Nexity is a major player in the development of new homes and subdivisions in France. In 2018, the Group recorded 19,609 reservations for new homes in France, ranking it

among the country's top new home developers, together with 2,063 reservations for subdivisions.

The table below shows the number of reservations recorded in the years ended 31 December 2016, 2017 and 2018:

RESERVATIONS (FRANCE)			
At 31 December	2018	2017	2016
Reservations (number)			
New homes	19,609	18,351	15,893
o/w Ægide (reservations made independently of Nexity)	549	-	-
Subdivisions	2,063	2,601	2,518
TOTAL	21,672	20,952	18,411

The Group operates its property development and subdivision activities throughout France. In 2018, 37% of the new home reservations recorded by the Group were for units located in the Paris region, with the remaining 63% elsewhere in France, managed through the Group's 26 regional arms.

In 2018, 15% of the subdivision reservations were recorded in the Paris region, and 85% elsewhere in France, managed by the Group's 23 agencies. Furthermore, this business recorded 73% of its reservations in non supply-constrained areas (B2 and C zones).

Nexity's Residential Real Estate clients are:

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

Residential Real Estate thus serves a broad range of clients. A breakdown of Nexity's business activity in 2018 is set out in chapter 5 "Financial report" of this Registration Document.

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

The table below shows the average age and annual income of Nexity's Individual Clients:

RESIDENTIAL	2018	2017
Owner-occupiers – Main residence		
Average age	37	38
Average annual income (in euros)	42,812	43,019
Average home price (in number of years' income)	6.2	6.0
o/w first-time buyers		
Average age	34	34
Average annual income (in euros)	39,093	38,322
o/w buyers who are already homeowners		
Average age	51	49
Average annual income (in euros)	56,741	59,881
Owner-occupiers – Second home		
Average age	58	56
Average annual income (in euros)	61,219	78,556
Average home price (in number of years' income)	3.7	3.7
Investors		
Average age	46	47
Average annual income (in euros)	76,723	76,609
Average home price (in number of years' income)	2.5	2.5
All clients		
Average age	43	43
Average annual income (in euros)	61,219	62,774
Average home price (in number of years' income)	3.7	3.5

Source: Nexity (based on statements made by buyers, excluding iSelection, PERL, Ægide, International and bulk sales).

1.3.2.1 Overview of the Residential Real Estate market and competitive environment

In 2018, the French market for sales of new homes began to shift after a record year in 2017. This change is due to a slowdown in reservations for individual investors and professional landlords in a context of a one-off problem

Demographic factors¹

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

Demand for new housing in France is structurally expanding, principally due to demographic factors. According to INSEE, France's population at 1 January 2019 was 67 million. The population has been growing at a more moderate pace than in previous year: up 0.3% in 2018 and 2017, versus 0.4% per year between 2014 and 2016 and 0.5% per year between 2008 and 2013. The growth in France's population mainly stems from the natural balance (+144,000 people) rather than immigration (+58,000 people).

Population growth is highest in the outer suburbs of the major urban areas (+0.8% per year between 2011 and 2016, versus an average of +0.4% in France). It should be noted that this growth is continuing at a much less steady pace than between 2006 and 2011 (+1.2% per year). Conversely, following a decrease in the immigration deficit, the pace of growth in the major metropolitan areas is

relating to the approach of the municipal elections in the spring of 2020 and to the fact that prices were too high in some locations.

increasing (+0.4% per year between 2011 and 2016 versus +0.3% per year between 2006 and 2011). Small and medium-sized areas are not affected by growth and their population is no longer progressing.

At 1 January 2018, with 13% of the European Union's population, France remained the second-most populous country in Europe, behind Germany (16%) and ahead of the United Kingdom and Italy. In 2018, France's fertility rate stood at 1.87 children per woman. Despite a consistent decline over the past four years, it remains the highest in Europe.

According to INSEE, France had 28 million households in 2015, 1.2 million more than in 2010 (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 and increasing numbers of people living alone and single parents.

¹ Sources: INSEE Issue 1730 "Demographic overview 2018" for data on population; INSEE "Couples-Families-Households in 2015" from June 2013 for data on households; INSEE Issue 1619 of November 2016 "Projection of the population by 2070" for projections by INSEE.

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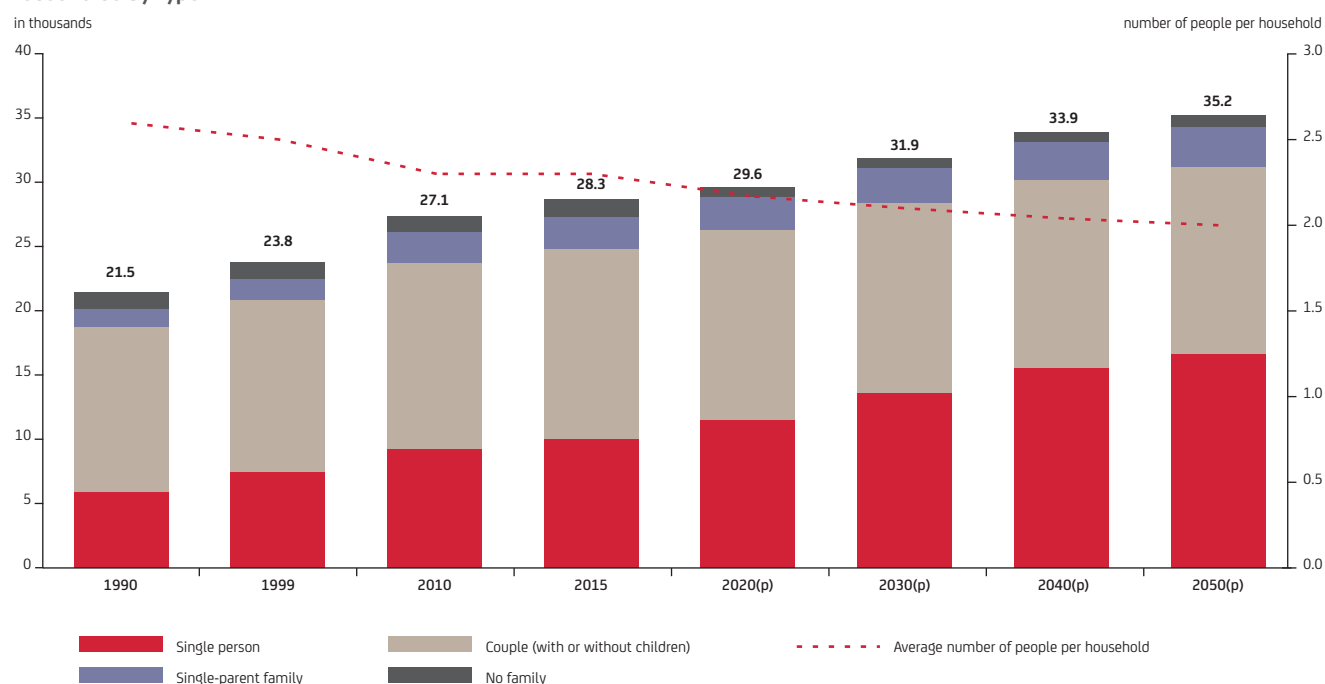
Individual Clients

Households consisting of people living alone have shown the highest growth over the past few years (up 810,860 between 2010 and 2015). They account for 35% of households. Couples with no children and single-parent

families are also increasing in number (up 170,187 and 246,290 respectively), while the number of couples with children is declining (down 55,438).

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

Households by type



Sources: INSEE, Commissariat Général au Développement Durable (CGDD), Observatoire et statistiques No. 135 August 2012.

Demand for new housing is also supported by the growing proportion of the French population aged 65 and over: at 1 January 2019, 20% of the population was at least 65

years old, an increase of 4.5 percentage points in 20 years. According to projections produced by INSEE, the proportion of the population over 65 will have risen to 29% by 2070.

Financial capacity of households¹

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 have remained low (1.44% in the last quarter of 2018). The duration of the loans considerably increased in 2018, reaching a record of nearly 19 years. This has partly offset the decline in the financial capacity of modest households, affected by the rise in property prices and the dwindling of state support. According to the monitoring bodies, the average mortgage rates should only see a moderate rise in 2019.

For new-builds, the relative cost of development came in at 4.9 years' income for the fourth quarter of 2018. This particularly high figure is comparable to that of the fourth quarter of 2017.

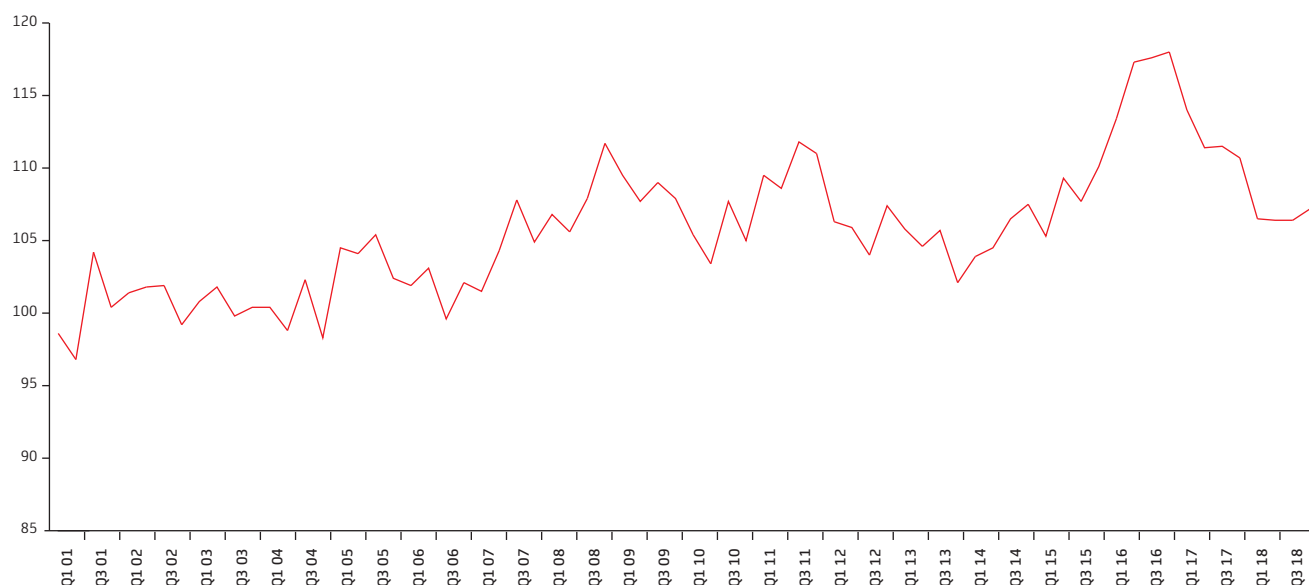
The average cost of development by households in 2018 continued to increase more rapidly than previously (up 3.1%, versus 2.3%).

The income of the households conducting these operations is still increasing more slowly than the cost of development, even though they are rising more quickly than in the past (up 2.8% in 2018, versus down 0.3% in 2017). At the same time, average deposits put down diminished in 2018 (down 6.2%, versus up 1.5% in 2017) due to the softening of lending terms to maintain the solvency of households.

However, although credit conditions remained attractive, household financial capacity did not see improvement due to the sharp increase in the cost of developments.

¹ Source: Observatoire Cr dit Logement.

House hold financial capacity (index base: 100 in 2001) in the new-build market

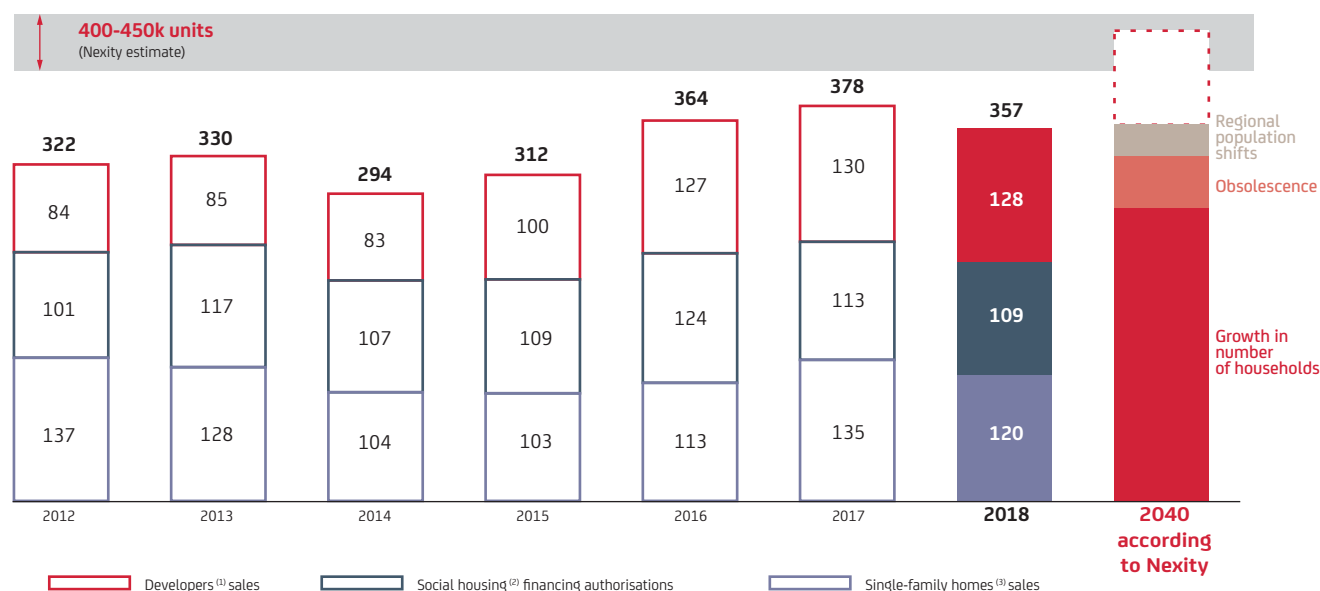


Source: Observatoire Crédit Logement/CSA du Financement des Marchés Résidentiels.

New-build homes

In France, demographic changes are generating a structural need for new homes, due to population growth, smaller households, and insufficient construction over recent years.

The chart below illustrates Nexity's estimate of the need for new homes in France:



(1) Gross sales of developers, i.e. individual and collective housing - source: Commissariat Général au Développement Durable

(2) Number of housing units financed, excluding ANRU - source: Ministère de l'égalité des territoires et du logement - Bilan des logements aidés 2012-2017 - Ministère de l'égalité des territoires et du logement for 2018.

(3) Construction contracts for individual houses - source: Union des Maisons Françaises 2012 - LCA/FFB for 2017 and 2018.

According to the France's Commissariat Général au Développement Durable, the continuous decline in the number of housing starts recorded since 2011 halted in 2015 with housing starts that progressed until 2017, with 427,800 new housing starts. In 2018 housing starts were

down by 7% compared to 2017 to 398,100 units. The decline spanned all segments: -4% for groups of single-family homes, -5% for individual single-family homes, -7% for collective housing and -20% for homes in serviced residences.

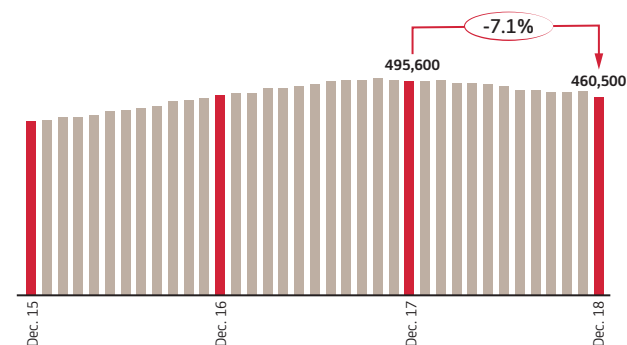
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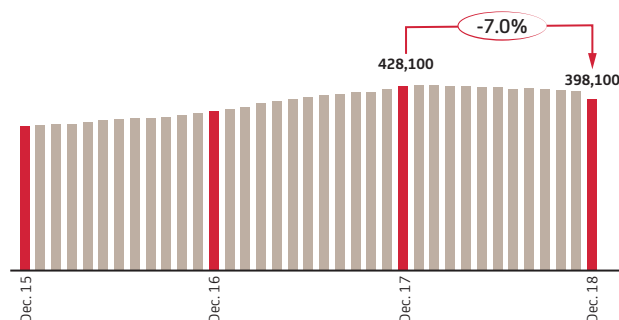
The Group is primarily active in private residential development (apartment blocks, serviced residences and houses developed in groups) and bulk sales to social and

intermediate housing operators, although it is also active in the individual home market through its subdivisions business.

Trend concerning building permits and housing starts



Source: CGDD



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 France's *Commissariat Général au Développement Durable*.

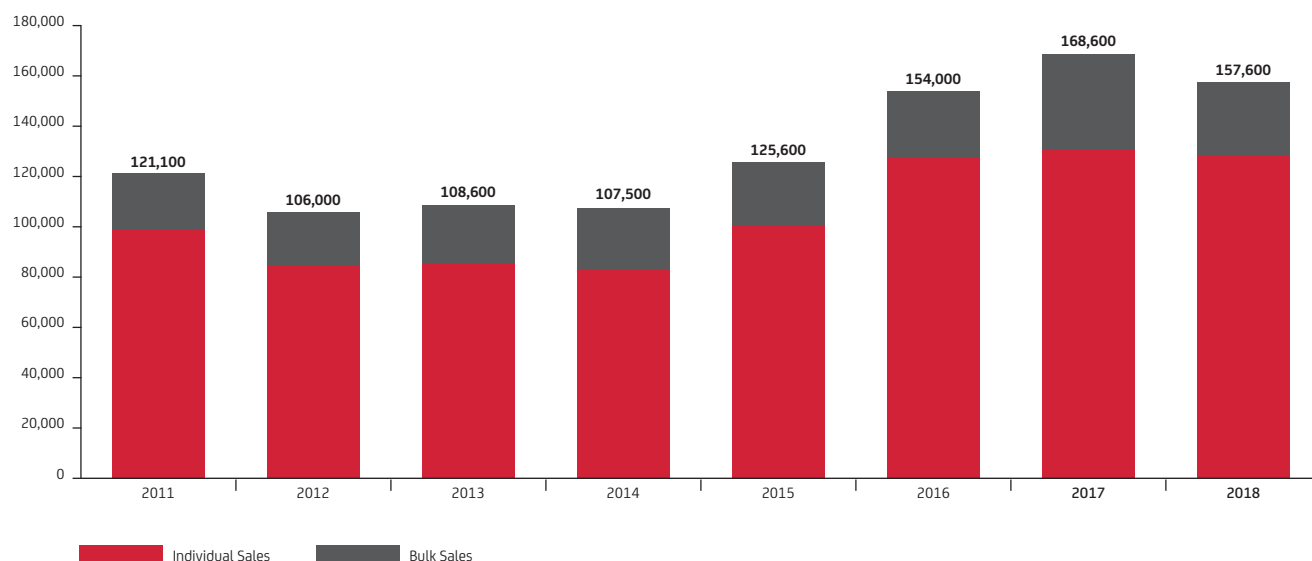
The ECLN covers developments and building permits for five or more homes intended for sale to residential buyers, irrespective of financing method and end use (main residence, secondary residence or buy-to-let). It excludes multi-ownership reservations and homes built to be let directly by the developer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

Other surveys exist but may cover a different scope, an example being the FPI (*Fédération des Promoteurs*

Immobiliers – French Federation of Real Estate Developers) 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.

To estimate the overall market for private residential development, Nexity has decided to compare the data from retail sales from ECLN with the data from bulk sales by the FPI. The chart below shows the change in sales of new homes in France. In 2018, retail sales fell by -2% to around 128,000 units (source: ECLN). Bulk sales fell even further (-22% to 29,600 homes according to the FPI). The overall market saw a decline of -7% to 157,600 sales after peaking at 168,600 homes in 2017.

Number of new home reservations in France



Sources: CGDD, SOes, ECLN and FPI.

Buyers of new homes in France

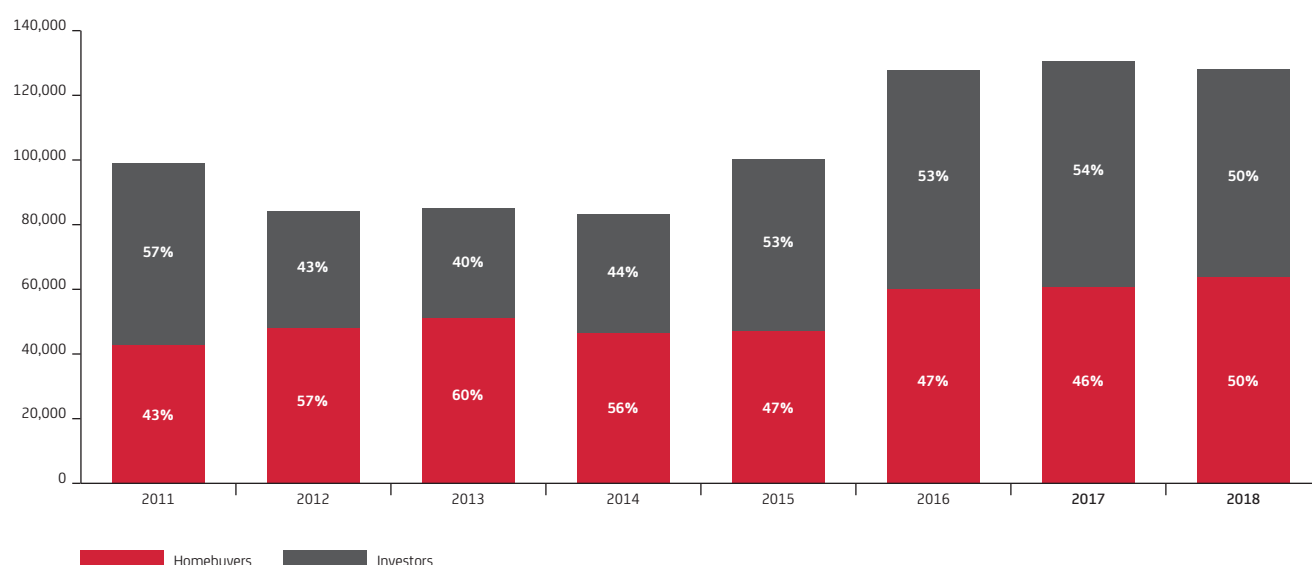
Private buyers of new homes in France break down into two categories: those planning to live in the home (owner-occupiers) and individual buy-to-let investors.

The year 2018 saw a wait-and-see attitude by individual investors. Sales to investors fell by -8% to around 64,100 units. They now represent 50% of the reservations market for individuals (versus 54% in 2017).

The other half of sales were made to homebuyers. Thanks to favourable financing conditions, sales to home buyers rose by +5% to 63,800 units.

The following chart shows the history of retail sales of new homes in France (source: ECLN), broken down with the FPI breakdown between home buyers and individual investors:

Estimated breakdown of retail sales of new homes in France between homebuyers and individual investors



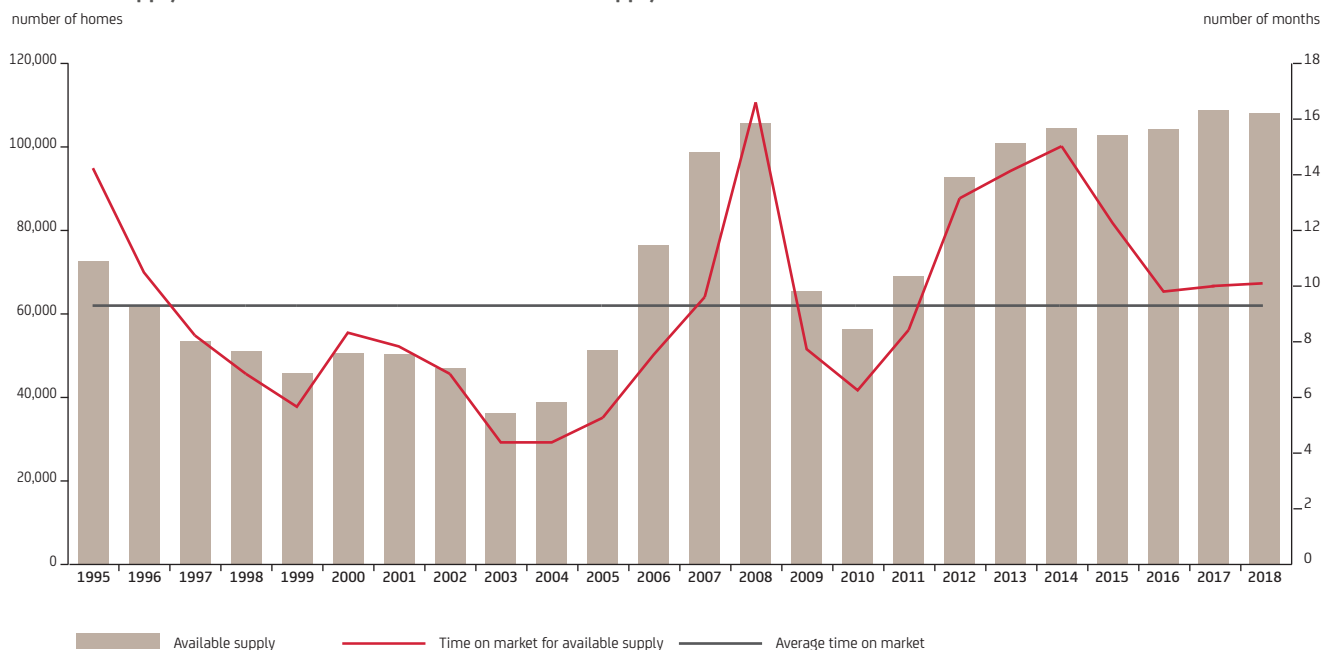
Sources: Fédération des Promoteurs Immobiliers / CGDD, SOes, ECLN.

1 INTRODUCTION TO THE GROUP

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

New home supply for sale and time on market for available supply



Sources : CGDD, SOeS, ECLN.

Between the end of 2017 and 2018, the available market supply has remained relatively stable. At end-2018, there were a total of 108,020 homes available, equivalent to 10.1 months' sales.

It can be broken down into 99,197 new apartments and 8,823 single-family houses developed in groups.

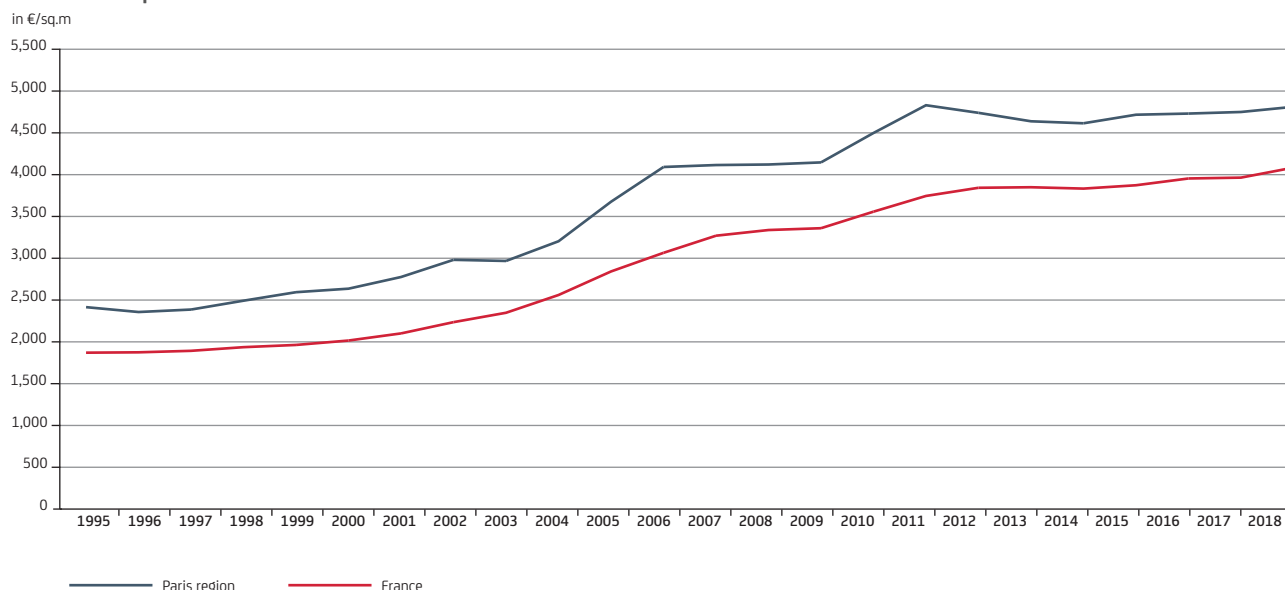
84% of new apartments available for sale are located in supply-constrained areas (A bis, A and B1 zones) compared to 58% for groups of single-family houses.

The average sale price of new apartments in France exceeded the €4,000 per squares metres mark in 2018 (+3.0% in one year to €4,084 per square metre). The average selling price of single-family homes was €264.3 thousand (up 0.6% compared with 2017).

In ten years, prices rose by 22.4% for apartment blocks and by 5.6% for groups of single-family homes.

The chart below shows the growth in selling prices per square metre for new units in apartment blocks in France since 1995:

Price of new apartments



Sources: CGDD, SOeS, ECLN.

Legal and financial framework of property development in France

VEFA off-plan sales contracts model

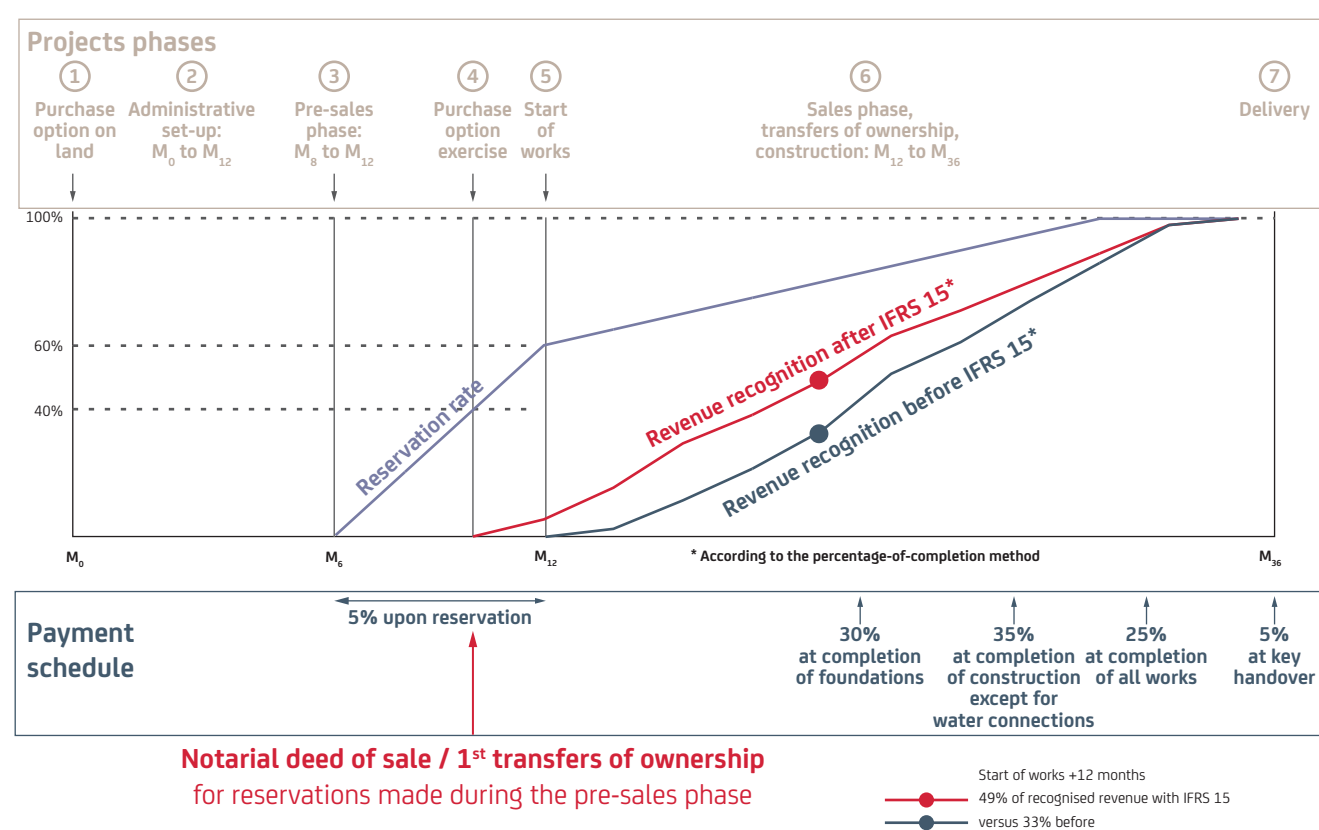
Property development in France falls almost entirely within the VEFA off-plan framework, an original model arising from the Act of 3 January 1967 and gradually perfected, characterised by a limited level of risk (relative to other models) for developers, clients and banks.

Furthermore, most market operators secure options on land, with conditions precedent that must be met before

those options can be exercised, thus reducing the risk borne by Nexity.

The introduction of IFRS 15 with effect from 1 January 2018 has affected the timing of the Group's revenue recognition. A detailed description of how this new accounting standard will be implemented is presented in Note 2.2 to the consolidated financial statements at 31 December 2018 in section 5.3.2 of this Registration Document.

VEFA model



Form of sale and schedule of payments

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

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

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

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

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Fiscal framework intended to favour real estate development in France

Tax arrangements intended to favour buy-to-let investment

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

With effect from 1 September 2014, the Pinel scheme, based on the principle of an income tax reduction, replaced

the earlier Duflot scheme, introduced on 1 January 2013 (which had itself replaced the depreciation-based Scellier, Robien and Borloo schemes).

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

The Pinel scheme

All taxpayers, regardless of their tax bracket, who purchase new or off-plan (VEFA) homes between 1 September 2014 and 31 December 2021 are eligible for tax relief tied to the amount of their investment provided that they undertake to rent out the property as a main residence for at least 6 years, with the option to extend the lease for two further 3-year periods.

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 square metre 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 6 years, increasing to 18% for a 9-year commitment and 21% for a 12-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 5, 8 or 11

years following at a rate of 2% each year for nine years and then 1% each year for the following three years.

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

Rents are also capped depending on which zone the property falls into and how large it is. Municipalities located in B2 zone are eligible for the scheme provided they have been granted prior approval and the permit was applied for before 31 December 2017. In addition, to ensure eligibility, the sales contract must have been concluded before 15 March 2019.

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

The 2019 Finance Act sets out the measures aimed at capping the amount of fees and commissions paid by developers to intermediaries involved in the sale of housing units covered by the Pinel scheme.

The Censi-Bouvard scheme

A tax relief option known as the Censi-Bouvard scheme, 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:

- Serviced student accommodation;
- Accredited serviced accommodation for seniors or residents with disabilities; and
- Accredited social and medical care facilities.

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

Under the 2019 Finance Act, this scheme will remain in force until 31 December 2021.

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

Tax relief ceilings

The annual income tax relief granted to any given household in respect of its expenditures, investments and financial aid qualifications is subject to an overall ceiling.

Since 1 January 2013, this overall cap has been set at €10,000 per fiscal year.

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 interest-free loans can be used to finance the following:

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

In order to be eligible for this scheme, 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
- Must pass a means test based on income in Y-2 (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 (A, B1, B2 and C zones); and
- The buyer's income basis for tax purposes based on the year before last (*i.e.* 2014 for a purchase in 2016).

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

- Raised ceilings for household income;
- Reduction to three income brackets for repayment terms, each with a total deferment of 5, 10 or 15 years;
- Extension of the 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.

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

The 2019 Finance Act extended the scheme for investments located in supply-constrained areas, but did not amend the planned extinction of the scheme in non supply-constrained areas (B2 and C zones) at 31 December 2019.

Reduced-rate VAT in ANRU and QPV areas

France's National Housing Commitment Act (ENL) of 13 July 2006 introduced reduced-rate VAT eligibility for purchases of new homes in or within 500 metres of neighbourhoods covered by a "CRU" urban renovation agreement, subject to the buyers (who need not necessarily be first-time buyers) using the property as their main residence and passing a means test according to their geographic location and household situation. The Act of 25 March 2009 on mobilisation for housing and the prevention of social exclusion 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.

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

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

This measure should apply to around 450 QPVs. The 2018 Finance Act made the reduced-rate VAT accessible to homes situated in the 300- to 500-metre apron surrounding QPVs, based uniquely on the signing of a prefatory memorandum (*protocole de préfiguration*) for a future NPNRU agreement, provided that the latter is signed within 24 months of the signing of the prefatory memorandum (for building permit applications filed from 1 January 2018).

The 2019 Finance Act did not amend the scheme.

VAT rate applicable for new-build homes intended for social housing

The 2018 Finance Act raised the VAT rate applicable to all new-build homes intended for social housing from 5.5% to 10% (developments under the direct supervision of social housing operators, off-plan (VEFA) purchases of social housing from real estate developers, homes developed under the social usufruct rental scheme with division of property ownership, etc.).

In order to maintain the level of construction starts for social housing, the French government announced a

package of financial measures designed to offset the impact of this 4.5% increase in the cost or purchase price of these homes: 2-year freeze on the interest rate for the “Livret A” savings account and therefore the borrowing rate for social housing operators with Caisse des Dépôts et Consignations, maturity extensions of up to 10 years for social housing loans marketed by Caisse des Dépôts in particular.

Competitive environment

New homes

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

& Broad (active in the markets for new homes, 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 for France's leading residential property developers:

HOUSING ⁽¹⁾	2018	2017	2016	2015
Nexity (new homes)	19,609	18,351	15,893	11,741
Bouygues Immobilier	13,449	15,199	13,866	11,183
Altarea Cogedim	11,782	11,189	10,011	6,011
Kaufman & Broad ⁽²⁾	9,122	9,027	8,017	6,901
Vinci Immobilier	6,333	6,330	5,485	4,189
Icade Promotion	4,938	5,776	5,665	3,999

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

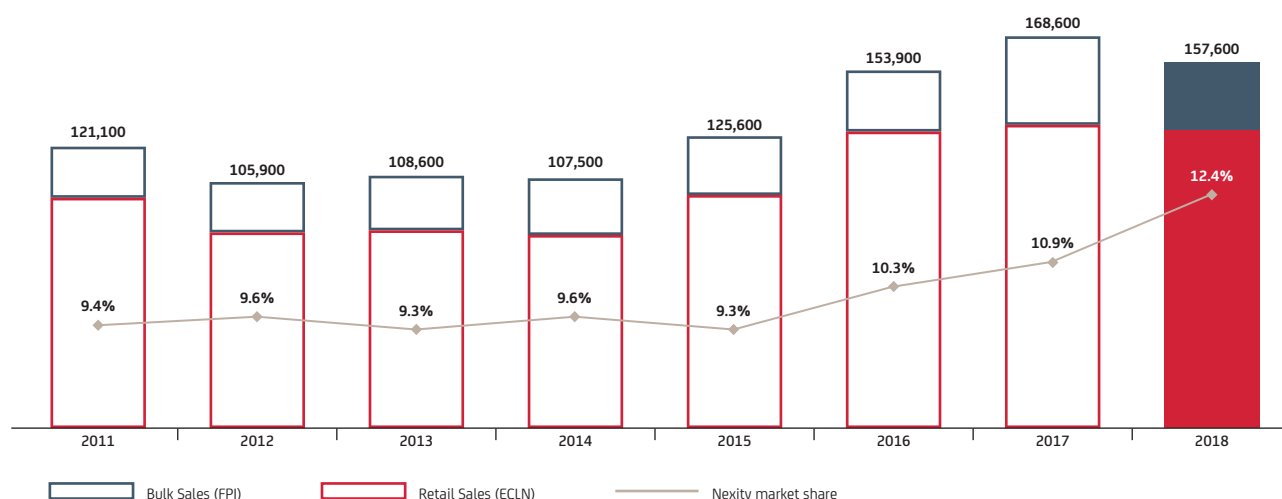
(2) Financial year differs from calendar year.

Sources: company press releases.

Nexity's market share figures are now calculated using an estimate of the number of new home reservations booked in France, retail and bulk sales, set out in the section 1.3.2.1 paragraph “Private residential development” above.

New housing market (retail and bulk sales) - Nexity market share

in units

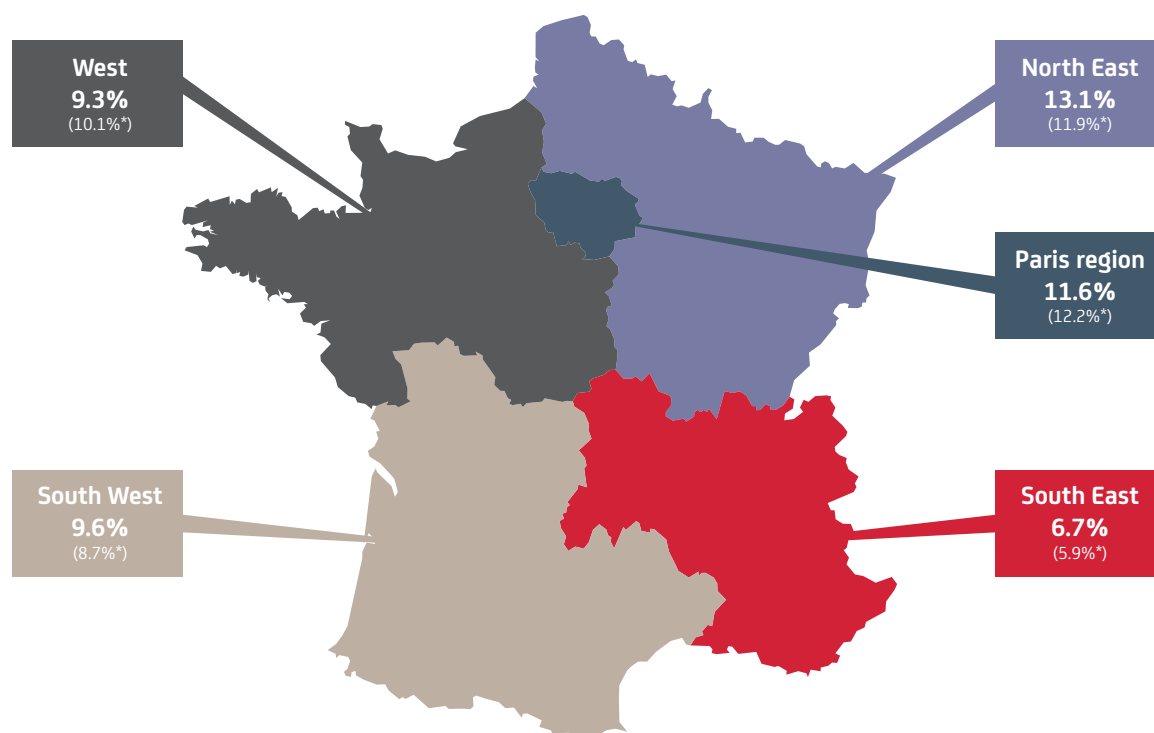


Sources: *Fédération des Promoteurs Immobilier (FPI)* for bulk sales; *Commissariat Général au Développement Durable (ECLN)* for retail sales.

In financial year 2018, the Group's market share grew by 1.6 percentage points to an all-time high of 12.4%.

The market share is stable at 14.1% in the Paris region and is up 2.1 points to 11.6% in the rest of France.

The Group's market shares by region (excluding bulk sales) are shown below:



* 2017 market share figures, based on data published in *Enquêtes sur la Commercialisation des Logements Neufs (ECLN)*, a French survey of new home sales
Source: new housing orders: *Commissariat Général au Développement Durable (ECLN)*.

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In 2018, 121,500 new homes were put on the market, down 3.9% from 2017. This decline is due exclusively to apartment blocks (down 4.5%) while individual is up 2.4%. With new sales up 4.6%, the Paris region is resisting while

sales are down in the rest of France (-7.2%). Nexity's share of new retail sales on the market attributable to Nexity held steady at 11% in 2018.

Site development and subdivisions

Through its Site development and subdivisions business, the Group is one of the leaders in this market, with 2,063 reservations in 2018. The other national players are mainly Capelli, Procvivis Immobilier, Francelot, Angelotti and Ataraxia. The Site development and subdivisions market is

highly fragmented. The remaining players not mentioned above are either regional or local, with average annual new business volumes of fewer than 100 subdivision lots, or public operators such as publicly controlled companies (*sociétés d'économie mixte*).

1.3.2.2 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. The Group also helps its homebuyer clients manage their homes in environmentally friendly ways. At the same time, Nexity continues to examine economic solutions that may be put in place to facilitate and assist with access to housing for low-income populations.

Social housing

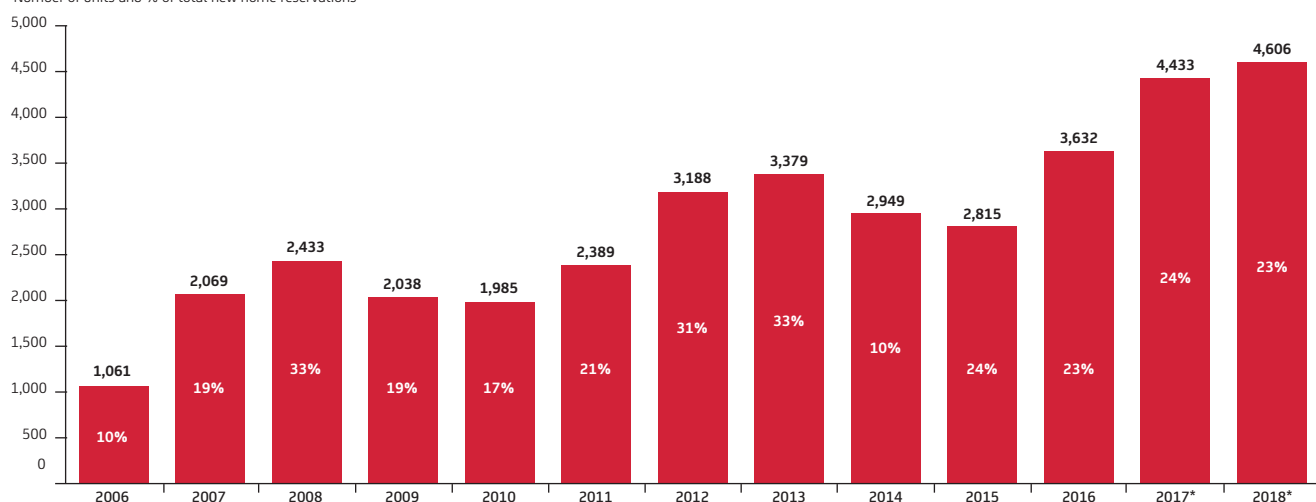
Article 55 of the Solidarity and Urban Regeneration Act (*Loi SRU*) of 13 December 2000 established a minimum threshold of 20% social housing to be achieved in certain municipalities. The penalties imposed on local authorities not achieving these thresholds have gradually been stepped up. The Act of 18 January 2013 on the use of public land for housing raised the minimum threshold from 20% to 25% in areas that need extra social housing to be built. This social obligation imposed on local authorities is passed on to developers *via* urban planning authorisations.

As such, since 2011, new social housing built by Nexity has exceeded the 20% threshold laid down in the Solidarity and Urban Regeneration Act (23% in 2018, or 4,606 reservations).

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

Sales to social housing operators

Number of units and % of total new home reservations



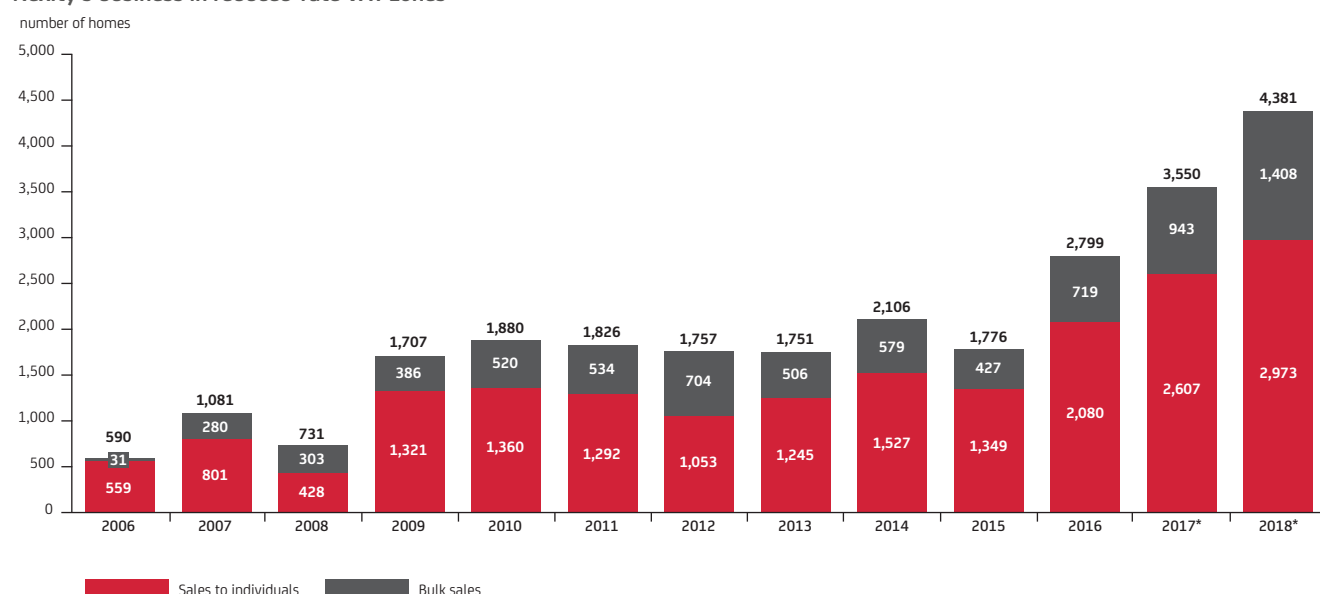
* Including Edouard Denis and Primosud.

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. In order to make more homes accessible to lower-income households in France, the Group is committed to increasing the number of homes targeted to social housing operators, investors that use an intermediate or low-income rental housing loan to finance

their investment, and buyers eligible for an interest-free or low-income home loan. This strategy of diversifying toward social housing operators and institutional investors aims to provide each social housing operator with the most suitable solutions, notably by offering off-plan (VEFA) contracts for homes that meet criteria relating to geographic location, price and environmental standards.

Reduced-VAT zones: ANRU urban regeneration zones and QPV priority urban planning districts

Nexity's business in reduced-rate VAT zones



* Excluding Edouard Denis and Primosud.

Back in 2005, Nexity resolved 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 the reduced-rate VAT in ANRU urban regeneration zones, and its extension to priority urban planning districts (called QPV in French) in January 2015, the Group has conducted numerous operations under the reduced-rate VAT scheme, amounting to 4,381 homes in 2018, representing 22% of its new home reservations.

Intermediate rental housing

While confirming the importance of developing social housing, the government, in its Ordinance No. 2014-159 of 20 February 2014, developed a new form of housing, intermediate rental housing.

Accordingly, since 1 January 2014, two new tax advantages have been introduced to stimulate intermediate rental housing, exclusively offered to non-individual buyers (legal

A detailed description of the system is presented in the Section "Fiscal systems intended to favour first-time buyers" included in this chapter.

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

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

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

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- A property tax exemption for built assets for the duration of building ownership, not to exceed 20 years.

SNI (a subsidiary of Caisse des Dépôts and founder of the first intermediate housing fund (*Fonds de Logement Intermédiaire* – FLI), tasked by the French government to acquire 30,000 to 35,000 intermediate rental housing units by end-2019), signed a framework protocol with Nexity in December 2014, subsequently revised in October 2018. This agreement now provides for an annual volume of 5,000 intermediate housing reservations and 3,000 social housing units for a period of three years, versus 800 to 1,100 intermediate rental housing units per year under the previous agreement (see section 1.9 “Material contracts” of this chapter).

Other residential bulk sales

As well as reservations with social housing operators or for intermediate rental housing, Nexity also makes bulk sales to institutional investors (such as banks, insurers and asset managers). In 2018, these reservations accounted for 20% of the Group’s bulk sales (versus 12% in 2017), *i.e.* 1,471 reservations, notably in serviced residences.

Geographical breakdown of new home reservations

The number of new home reservations recorded by the Group outside the Paris region rose from 2,577 units in 1997 to 12,314 units in 2018 (63% of the total). The Group also continued to capitalise on its historically strong position in the Paris region, representing 37% of the

In 2017, a number of new market players and investors entered the intermediate housing sector. On 23 January 2018, Action Logement announced its plans to acquire 100,000 residential units in France between now and 2025 intended for middle-income workers and households, including 80,000 in the Paris region *via* its subsidiary in’li. A framework protocol was signed with Nexity in October 2018 for 3,000 intermediate housing units over a period of three years (see section 1.9 “Material contracts” of this chapter).

In 2018, Nexity recorded 1,029 intermediate rental housing reservations.

The Group is also working to expand the range of solutions offered to professional landlords (social housing operators and other professional investors): serviced senior independent living facilities, multigenerational social senior residences, social-purpose apartment hotels, and career starters’ residences.

reservations booked in 2018 (versus an average of 35% between 2008 and 2018).

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

RESERVATIONS BY ZONE	2018	2017	2016	2015	2014	2013	2012
A bis, A and B1 zones ⁽¹⁾	87%	89%	87%	88%	87%	86%	84%

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

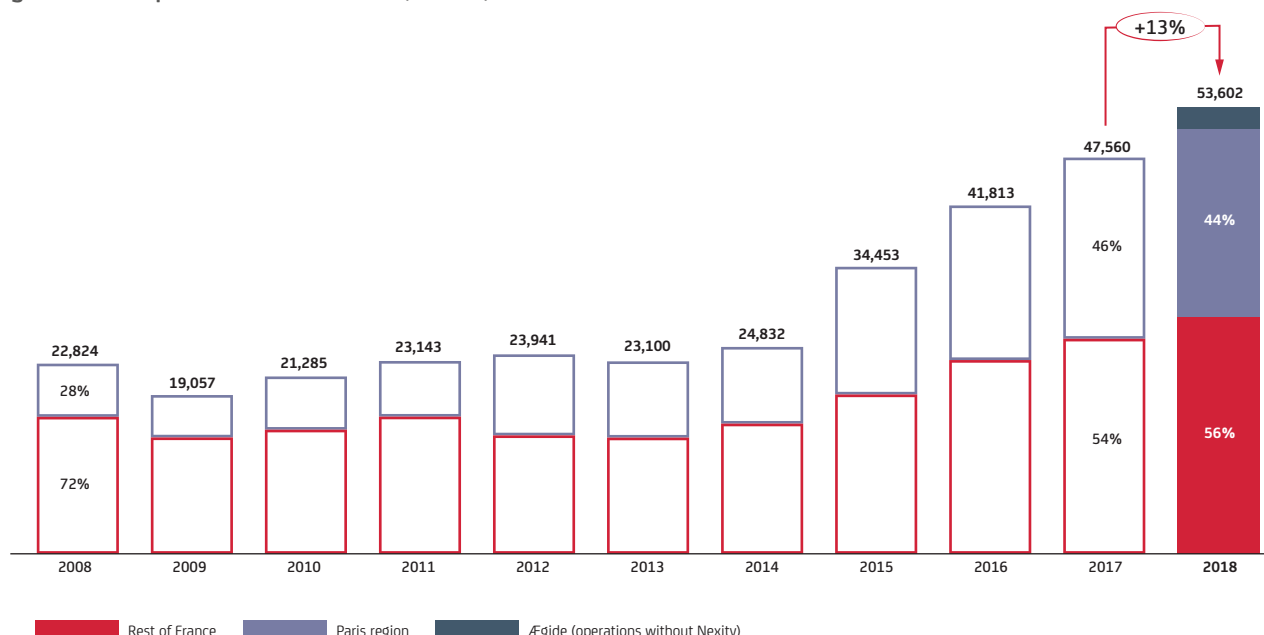
Business potential

The following chart shows Nexity’s business potential¹ for new homes over the past ten years.

At 31 December 2018, this represented 2.7 years’ development revenue and approximately €12 billion in potential revenue.

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

Change in business potential for new homes (in units)



Project procedures and risk management

The process of developing a new residential programme generally involves a number of steps: land selection, signature of the land contracts, validation of the project by the Commitments Committee (described below), permit request, marketing, land acquisition (after validation by the

Purchasing Committee), building start, construction and delivery. Each programme is monitored by the relevant local subsidiary, the Commitments Committee and the Group's financial, legal and management control departments.

Land selection

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

Land contracts

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

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

renovated or restructured, to test for asbestos. When soil samples indicate the possible presence of pollutants, the Group's obligation is also conditional upon environmental evaluations and, where necessary, site rehabilitation measures.

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

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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.

Approval for small projects is given by a Commitments Sub-Committee, composed of Residential Real Estate general management, as well as the Managing Director of the relevant subsidiary, and possibly others working on the project; approval for the biggest projects is given by the Group Commitments Committee, on which the Nexity general management has a mandatory seat. The Committees meet whenever necessary, including any time the programme planned for a given site is changed in a significant way. Implementation of the

Commitments Committees' decisions is followed up by the Group's legal and financial departments.

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

Permit requests

Once the purchase option has been signed, the subsidiary in charge of the project requests a building permit from the local authorities in whose jurisdiction the site is located. This request is examined by the local government's planning department and is closely monitored by the subsidiary. The examination often takes longer than the legal examination period, which is three to five months. Once a permit is issued, the Group must observe a waiting period of three months before starting construction. This includes the period during which third parties, such as associations or local residents, may contest the permit on the grounds that it does not comply with local urban

planning laws, zoning plans (ZAC, etc.) or the Town Planning Code (two months and fifteen days from the posting of the permit at the mayor's office and at the building site). This waiting period also covers the time during which the State's local representative (*préfet*) can challenge the legality of the permit, which runs from the date the *préfecture* (subregional administrative authority) received the decision granting the permit. In addition, this three-month period covers the time during which the permit may be rescinded by the granting authority (usually the mayor), who must do so no later than three months after the date of issuance of the permit.

Financing plan

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

The Group has an unallocated credit facility of €500 million, along with €1.8 billion in guarantee, signed in

September 2018 and maturing in 5 years, to finance and guarantee its property development activities.

If appropriate, the Group can assemble program-specific bank financing, the amount of which is set according to the project's cash flow plan (see section 5.1.6.3 "Financial Structure" of this Registration Document). The Group can also finance the programme in part or in whole *via* its available cash.

Suppliers and subcontractors

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

The Group does not have any exclusivity policies with specific subcontractors or suppliers. However, it forges special relationships with certain suppliers and subcontractors that satisfy its qualitative and financial criteria, and the Group consults them regularly for bids.

In 2018, the Residential Real Estate division's leading supplier accounted for €44 million, representing 4.8% of total costs, while the top ten suppliers accounted for a total of €223 million, representing 24.2% of total costs (including VAT).

A Group supplier selection and approval policy enables better control of the price and quality of certain products such as lifts, bathroom components, tiles, partitions and doors.

The subsidiary decides whether to use specialised service providers. During the preparation of the project, the subsidiary may hire one or more bureaux d'études (specialised engineering firms) to provide technical advice and to assist with technical recommendations, plans and the selection of subcontractors. Certain technical studies may also be required by insurance companies for the arrangement of structural defects (*Dommages-Ouvrage*) insurance. 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 from outside the Group to design the programme through a competitive bidding process or a private agreement.

The subsidiary considers technical skills, financial terms, organisation and quality of prior work, particularly that carried out for Nexity, 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

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;

Sales and construction

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

The average size of a new-build residential development is around 74 units.

Generally, before construction can begin, the Group requires that at least 40% of the value or number of homes in the relevant project or project stage be reserved. In addition to the percentage of housing reserved, the Group also checks on the status of the buyers' loans. However, the progress of the marketing of each programme (including the type of homes reserved in light of those still remaining in the programme) is considered on an individual basis before construction begins. Accordingly, the average rate of successful pre-selling that the Group recorded before beginning construction of new homes was 69% in 2018 (78% in 2017 and 72% in 2016).

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

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).

- 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 management control teams.

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

section 1.3.2.1 paragraph "Legal and financial framework of property development in France" of this chapter for a description of the schedule of payments).

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

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

1 INTRODUCTION TO THE GROUP

Individual Clients

After-sales service

The Group provides buyers with after-sales service for two years following delivery of the home. The purpose of this service, which is provided by the Group's subsidiaries and which was created at the request of its insurers, is to provide buyers with high-quality client service, avoid increases in insurance premiums and minimise insurance claims by managing the warranties provided with the purchase of a home: perfect completion warranty (*garantie de parfait achèvement*) and proper operation warranty

(*garantie de bon fonctionnement*). When a client claims a defect (whether during inspection of the home at delivery or later) covered by the 1-year perfect completion warranty or the 2-year proper operation warranty, the Group's after-sales service team handles the claim, coordinates any work to be done with the relevant subcontractors (who are also bound by the warranties) and, where appropriate, contacts the insurance companies (see section 2.6 "Policy with respect to insurance" of this Registration Document).

Client assistance during the marketing process

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

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

The Group considers its client assistance programme to be one of its key assets. As part of its Question Immo programme, the Group provides its clients with a real estate information and assistance service, in person or *via* the Nexity internet site, which also offers the option of modelling the financial implications of a planned property 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.

Warranties given by the Group

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 10-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).

For Residential Real Estate, the Group systematically obtains the mandatory insurance, including structural defects (*Dommages-Ouvrage*) insurance, to cover its commitments under the proper operation and 10-year warranties (see section 2.6.2 "Main insurance policies" of this Registration Document).

The Group also ensures that the insurance of the subcontractors it hires adequately covers its respective obligations under the proper operation and 10-year warranties, and that their insurance premiums are paid.

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

1.3.2.3 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 plots per development. This activity gives the Group an indirect presence on the individual house building market, which is a major sector of the French real estate market.

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

For local authorities, the Site development and subdivisions subsidiary develops neighbourhoods designed to meet economic, social and environmental challenges. Apart from

assessing and controlling environmental consequences on soil, rainwater, traffic, urban landscapes and biodiversity, the development of these residential districts also focuses on:

- Building energy performance (BBC-Effinergie® certification, HQE® approach, etc.);
- A bioclimatic approach to district planning in which buildings use passive solar energy;
- Social diversity;
- The possibility for low-income households to purchase houses and land; and
- Controlled management of traffic.

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

In 2018, the Site development and subdivisions business recorded 2,063 reservations.

Particularities of subdivision projects

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

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

Client assistance during the marketing process

Clients of the Group's subdivisions business have access to professional advisers, a dedicated website and a free phone number. The Group's advisers assist clients in determining the best layout and integration of their projects on the land

they are considering buying, and in establishing a financing plan and schedule for the work to be performed. Advisers also provide information on clients' rights and the construction process.

Warranties given by the Group

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

In addition, the Group obtains insurance covering its civil liability for ten years (as of delivery date) for any defects that may compromise the structure's solidity or render the work or equipment unsuitable for its intended use (see section 2.6.2 "Main insurance policies" of this Registration Document).

1 INTRODUCTION TO THE GROUP

Individual Clients

1.3.2.4 International

Outside France, the Group is present in the segment of new home development in Italy, Poland, Belgium and, since 2018, Portugal.

In Italy, developments in the marketing phase were mostly located in the Milan and Turin regions. In 2018, three reservations were recorded and building permits were filed for three new operations, representing 239 units.

There were 362 new home reservations in Poland, all in Warsaw, in 2018. Six agreements were signed for the purchase of land, corresponding to 1,446 plots.

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

At year-end 2018 the business potential for international activity represented 5,757 units.

Particularities of residential projects outside France

Residential developments outside France can differ in certain respects from residential developments in France. In particular, land may be purchased before the required final building permits have been obtained, and ownership may not be transferred until construction is complete, leading to

a higher working capital requirement. The development and marketing process for these projects is adapted to the legal and economic particularities of each country, and care is taken to maintain a consistent level of risk management within the local context.

1.3.2.5 Operational organisation of the Residential Real Estate division

The organisation of the Residential Real Estate division is based on a strategy of permanent local establishments (subsidiaries and 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. By giving its operating subsidiaries significant autonomy in their marketing and technical approaches to land searches and team management and maintaining centralised Group-level control over legal and financial risks as well as the allocation of Group resources (including equity, lines of credit, human resources, information technology resources and management resources), the Group provides subsidiaries with high-quality resources and allows staff at subsidiaries and agencies to focus on their specialities. Nexity's Residential Real Estate division has a presence in France's main metropolitan areas.

At 31 December 2018, the Group's Residential Real Estate division had 2,238 employees, 62 of whom were assigned to projects outside France.

In France, the Residential Real Estate division's territory is divided into various regional departments in addition to national ones (including Créateur de Quartiers, Immobilier Patrimonial, the Site development and subdivisions business, and Conseil & Patrimoine).

The Group's Residential Real Estate division is made up of a holding company (Nexity Logement), operating subsidiaries (nominal partnerships called "*sociétés de moyens*" corresponding to the regional and national departments described above), a joint company (George V Gestion) that provides management and supervisory services to the operating subsidiaries and programme-specific vehicles that are established for each residential programme, in the

form of either multi-programme companies having the status of simplified public limited companies ("*SAS*" or *sociétés par actions simplifiées*), special-purpose real estate companies ("*SCI*" or *sociétés civiles immobilières*), or partnerships ("*SNC*" or *sociétés en nom collectif*), generally 100% owned by the Group. For subdivisions, the resources of the Site development and subdivisions business as well as the work on the projects themselves, with rare exceptions, are managed by a single company (which has local agencies instead of regional subsidiaries).

The Group's operating subsidiaries or agencies are responsible for the entire real estate project and are staffed by specialists. Specific service companies common to the entire Group may also assist its operating subsidiaries by setting up specialised operations or providing marketing or technical assistance.

In addition, some projects may be co-developed with partners that operate locally or nationwide through Nexity Partners, whereby the various technical and management responsibilities involved in the projects are divided among the co-developers. Of the 394 projects under construction at end-2018, 49 involved co-development arrangements.

The Group's project portfolio includes developments currently being sold to clients, as well as its land portfolio, which consists of "secured" land that it has the right to purchase under contracts or options. This portfolio, which gives the Group a certain degree of visibility regarding its future business, is comprised of the number of new homes and plots it could produce if all of its potential programmes (ongoing programmes and projects planned on secured land) were realised. For a description of the land search process and the process of buying land, see section 1.3.2.2 paragraph "Project procedures and risk management" of this chapter.

Controlling construction costs

The Production and Cost Control Department is a cross-functional department that helps operational teams reduce costs through optimisation in the following areas:

- The Access Design and Other Construction Methods team develops innovative construction methods aimed at offering clients controlled-price homes and provides them to regional development teams;
- The whole of the available range is based on industrialised construction processes that make substantial use of wood. Apart from the Access Design product, other new offerings were developed in 2015: intergenerational residences, houses and student residences;
- With these products, Nexity aims to encourage home ownership through very competitive selling prices (as much as 15-20% lower than market prices) while meeting the most stringent demands for comfort, to improve the quality of delivery and to shorten delivery timescales, in accordance with a high-performance environmental approach (FSC or PEFC accreditation, a preference for materials sourced from France, the hygroscopic properties of wood, etc.);
- The Procurement and Services team selects and catalogues building fixtures and designs ranges of

services for new homes. As such, part of its work is to centralise procurement. This approach aims to optimise the cost and quality of procurement and propose services suited to the various target categories of clients while lowering construction costs;

- Nexity's in-house multidisciplinary design office, Nexity Ingénierie, dedicated to all the Group's Residential Real Estate businesses (whatever a building's destination), carries out project management (design and execution at competitive prices); and
- The Tools and Processes unit constitutes an operational centre of excellence that designs and consolidates best practice and develops and distributes shared tools, notably *via* the technical academy (an in-house construction project management training programme). The various training modules offered by the technical academy are designed to provide complete training to each member of technical staff in a maximum of 36 months;

The average construction cost for a conventional residential property varies according to its geographical location in 2018 (€1,421 per square meter on average in the Paris region (excluding Paris), and €1,181 per square meter on average in other areas.

Project costs

The following table presents the distribution of the average cost of projects by type of cost for projects delivered during the 2016-2018 period:

<i>(as % of total cost)</i>	2018	2017	2016
Land costs	22.3	21.2	22.2
Roads & miscellaneous infrastructure (land development)	4.4	3.9	3.5
Construction work	50.1	50.9	51.5
Fees and insurance ⁽¹⁾	15.1	15.5	14.7
Financial expense	1.1	0.9	1.0
Marketing and advertising ⁽¹⁾	7.0	7.6	7.2
TOTAL	100.0	100.0	100.0

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

For a description of financing arrangements for the Group's programmes, see section 5.1.6.3 "Financial structure" of this Registration Document.

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 homesales 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.

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

1 INTRODUCTION TO THE GROUP

Individual Clients

1.3.3 Serviced residences

Nexity is a major player in France's serviced residence market :

- Student residences: under the Studéa brand, Nexity offers solutions meeting the specific requirements of students and career starters while managing residences and providing rental income to investor-owners under long-term leases; and

- Senior independent living facilities: Nexity offers under the Domitys brand an appropriate response to independent seniors' need for housing by operating residences and paying rental income to investor owners (individual or institutional) in cases of long-term leases.

At the end of 2018, a total of 205 student and senior residences were under operation, representing nearly 25,000 housing units managed.

1.3.3.1 Overview of the market and competitive environment

Student residences

The student residence market is highly dynamic, due to a number of factors. They include the significant growth of the student population (up 1.7% on average between 2018 and 2020), the students' strong drive to leave the family home, heavy rental pressure on the stock of private studio apartments in major French cities, and an increasingly international market due to the growing mobility of students.

Furthermore, the stock of student residences posts a positive development rate, but which proves insufficient to meet student demand. Difficult development due to the rarity of quality plots near student hubs. In student residences, occupancy rates are thus generally above 90%, with a highly positive market potential¹.

Student housing is a growth market buoyed by a growing drive to leave the parents' home, and motivated by the choice of a selective education programme and the growth in the number of international students in France, who totalled more than 320,000 in 2018.

Today, the student real estate market seems to be affected by three trends:

- Ongoing real estate development: the size of the student residence stock does not match that of the student population in certain under-equipped or high-growth regions (e.g. Toulouse);
- International clientèle: it creates direct demand, due to the mandatory move away from the parents' home and to specific needs in terms of access to housing; and
- An increase in institutional and private investments to diversify portfolios and capitalise on an asset class that performs well and shows resilience in an economic downturn.

A change in students' housing needs and expectations in terms of client experience is also to be noted. This concerns flexibility, convenience, ease of access, and central living

quarters (closer to the city centre, or near public transport for easier access to the campus and the city centre).

In the specific market for student residence management, under the Studéa brand, the Group is France's leading private operator of managed student residences, with a market share of 14.9%, ahead of the Réside Études (*les Estudines*), Appart'City, Club Étudiant O.S.E., and Studélites Résidences BNP Paribas groups¹.

New French and international players with a relatively small market share are emerging:

- **French players** with mid-range offerings – such as Kley (Investor/Manager), Student Factory by Vinci (developer-operator), Opener by Quartus (developer-operator) – whose distinctive features are large-size offerings focused on client experience and principles of common spaces; however, they are located outside city centres and are accessible from the campuses;
- **International players** intent on developing premium large-capacity offerings to meet the needs of the international clientèle and providing greater flexibility, a broader range of services and mixed use in places such as The Student Hotel and Chapter.

Studea is continuing to innovate in terms of offering as well as products in order to optimise the return on its residences. For example, by developing an offer of short- and medium-length stays for workers looking for a well-situated room at an affordable price, as well as a Happy Hours offer which is highly popular with students, and personalised student support to help them develop their potential and cope with the difficulties of a new environment.

The current trend is accordingly to modernise the offering, with a new generation of residences with more services, a more relevant design, and more common spaces for a variety of uses.

¹ Source: XERFI survey, "*Les résidences étudiantes*", September 2017.

A new real estate product is emerging in the form of a co-living residence intended for young workers, people on short stays, travellers or creators of startups. This is a residence with a purpose-specific design, offering numerous

services and common spaces, and access to a lively, caring community. Nexity is a partner of Urban Campus, which operates five residences in Spain and is continuing to develop in Europe.

Senior residences

In 2018, there were 17.5 million people over the age of 60 in France, *i.e.* more than one person in four (26.1%); in 2050, they will total 22.3 million, *i.e.* one person in three¹. Life expectancy at birth is also rising, with 79.5 years for men and 85.3 years for women in 2017, and 84 years for men and 91 years for women by 2050.

Starting in 2025, the number of people aged 75 to 84 – the core target of serviced senior residences, will increase tenfold due to the ageing of the baby boomer generation².

Moreover, it is estimated that one quarter of people over the age of 75 live in housing that is ill-suited or unsuited to their degree of self-sufficiency.

Public opinion concerning senior residences is changing significantly. Nearly one person in two envisages moving to a serviced senior residence when they retire and 83% of the French population have a good opinion of them³.

In 2018, there were more than 745 senior residences in France, *i.e.* nearly 58,000 units. This corresponds to an accommodation rate of less than 1% of seniors over the age of 75⁴ and a market share of 16.9% for Domitys, which accounted for 9,800 units at the end of 2018.

In the "new generation" senior serviced residences market, Domitys has a market share of 31%. The residences managed by Domitys represent more than its three main competitors together (Les Jardins d'Arcadie; Les Senioriales; Cogedim Club).

Domitys' acceleration is reflected in growth exceeding that of the market: +14% in 2018 compared to +12% for the market. Domitys also has a stronger contribution in the regions when we consider average residence size. Each Domitys residence has 25% more units than its competitors. Domitys' senior residences contribute to increasing the density of the local residential offering for independent seniors⁴.

Lastly, Domitys has confirmed its leadership role in senior serviced residences in France by becoming deeply involved in the creation of the first quality label for this sector. Called VISEHA (Vie Senior & Habitat), this initiative is based on 13 real estate and service criteria. VISEHA is a tool for organising the market and clarifying the offering in a context of the arrival of a large number of new players.

1.3.3.2 Student residences

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

For each new student residence, which the Group manages under the Nexity Studéa brand, the Group now commits to a fixed 10-year term under a commercial lease agreement, as provided for by the Pinel Act. The Group thus leases each property for ten years from its investor-owner, who receives guaranteed rental income over this entire period; it then becomes a lessor, sub-letting the furnished property to a tenant found by the Group. However, residences that entered into operation before the implementation of the Pinel Decree are not affected; their 9-year lease terms remain valid. Driven by the increasing demand for housing for the younger population, Studéa student residences are a tailored and long-term response to a pressing societal issue in France.

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 also intended for young workers.

The Group also operates outside France, with three student residences in Geneva and Lausanne.

In 2018, Nexity launched nine new student residences (eight in 2017), representing 956 housing units. At 31 December 2018, the portfolio of residences managed by Nexity consisted of 122 residences representing over 15,200 units in France and Switzerland.

Three new residences were opened in 2018 in Bagnolet (218 units), Paris (154 units) and Toulouse (164 units).

¹ Source: INSEE.

² Source: XERFI survey, "Les résidences séniors", January 2018.

³ Source: IFOP survey for Synerpa, "Grand âge et enjeux du vieillissement", April 2017.

⁴ Source: Domitys Observatoire de la concurrence, February 2019

1 INTRODUCTION TO THE GROUP

Individual Clients

1.3.3.3 Senior residences

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

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

Senior independent living facilities

In June 2018, Nexity acquired a block of shares representing 18% of Ægide's equity capital, thus increasing its stake to 63.16%, while the rest of the share capital is held by the three founding directors.

Founded in 1999, the Ægide-Domitys group develops a concept of new-generation independent living residences for seniors (restaurant, housekeeping services, round-the-clock assistance, etc.). The group designs, develops and manages its residences. Their management is handled by Ægide's wholly owned subsidiary Domitys.

Domitys' serviced senior residences generally comprise 120 apartments (from studio to 2-bedroom apartments) of a surface area averaging 48 square metres, as well as 800 to 1,000 square metres of space dedicated to a comprehensive range of services for residents. The service offering is structured around three pillars: comfort, safety

and conviviality. These services cover access to quality catering (meals prepared on site with fresh products), the possibility of engaging in regular physical activities (open-access sports hall and swimming pool, aqua-aerobics or gentle exercise sessions) as well as numerous cultural, social and sporting activities (over 50 activities available each month at each residence).

At 31 December 2018, the Ægide-Domitys group had 2,407 employees, versus 2,053 at end-2017 (up 17%). In 2018, the Ægide group launched the marketing of 16 programmes, representing approximately 1,930 housing units, of which seven representing 863 housing units, are being co-developed with Nexity. At 31 December 2018, Domitys managed 83 residences, representing 9,800 housing units, versus 72 residences and 8,400 housing units at end-2017.

Social residences for seniors

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

Nexity launched COMPLICITY®, a multi-generational residence, in response to the demographic transition and co-living requirements. COMPLICITY® provides social programmes to assist senior residents in tailored accommodation and residential spaces, and to facilitate inter-relations among all residents and harmonious co-living. This ambitious social project, hailed by local elected officials, is the fruit of joint development with the municipality, the social housing operator, the condominium managing agent services (in the case of private-sector operations) and the social life coordinator.

At the end of 2018, COMPLICITY® had a total of 12 projects under way across France (i.e. over 1,000 housing units) and over 20 dossiers under development. The first deliveries are expected in 2021.

1.3.3.4 Operational organisation of serviced residences

At 31 December 2018, Studéa, had 251 employees and managed 114 residences (representing nearly 14,500 units) in France, spread across 50 cities. Outside France, it operates three residences in Geneva and Lausanne (Switzerland) totalling 450 units.

At 31 December 2018, Domitys managed 83 residences in France, including 2 in Belgium, for a total of over

9,900 units. 11 residences (including 1 in Belgium) opened in 2018. At cruising speed, a Domitys residence employs around 20 to 22 full-time equivalent employees to ensure the residents' well-being.

In addition, the Group manages five senior independent living residences under the Edenéa brand name, representing nearly 300 units.

1.3.4 Other Real Estate Services to Individuals

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

- Real Estate Services to Individuals, including all property management services (condominium management, rental property management, sales and lettings), whether they be owner-occupiers, investors or tenants, are 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. Following the 2015 sale of its Swiss commercial property management business, the Group's European presence outside of France is limited to Belgium and Poland;
- Large corporations and private investors, to assist family offices and institutional clients in the management and enhancement of their residential real estate assets by offering them a set of tailored real estate services, as well as assistance in the unit sale of their assets;
- Franchise networks, with the brands Century 21 France and Guy Hoquet l'Immobilier; and

- Distribution activities through PERL and iSelection; PERL operates at a crossroads of societal interests: in housing through the production of social and intermediate housing, and retirement by offering individuals an investment in bare ownership for secure retirement income. iSelection's business is to select and market residential units as buy-to-let investment products for its clients. Its distribution network is built in particular on a partnership agreement signed with regional banks in the Caisse d'Épargne network, Banque Populaire branches, and a number of independent financial advisors.

At the end of 2018, the Group's Services managed nearly 897,000 units (including nearly 31,200 outside France), consisting of 175,000 under rental property management and 721,000 under condominium management.

Nexity's service policy helps ensure that the Group is providing clients with relevant and responsible solutions, for better control of occupancy costs, the enhancement of the assets, energy efficiency renovation, and the improvement of residents' comfort through measures such as the condominium energy performance contract (*Contrat de Performance Énergétique* – CPE), the occupancy cost guarantee (*Garantie de Performance Énergétique* – GPE).

1.3.4.1 Overview of the market and competitive environment

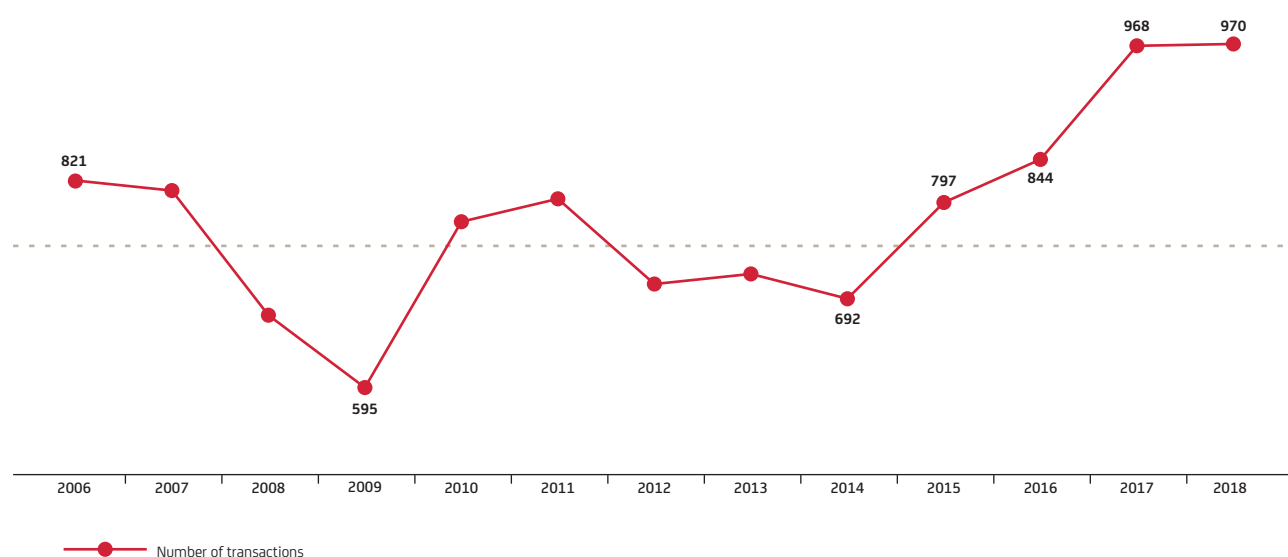
Real Estate services to individuals and franchise networks in France

The Real Estate services to individuals market includes rental management for owners, condominium management and also brokerage (rental and property sales) activities.

In the French market for Real Estate Services to Individuals, one indicator used to measure activity is the number of existing home sales recorded. Transactions reached an all-time high in 2018 at 970,000 – stable compared with 2017¹.

Existing homes market

In thousands of transactions



Sources: CGDD of the DGFIP (MEDOC) and notarial bases 2006 to 2018.

¹ Source: notary-INSEE index No. 48 published on 28 February 2019.

1 INTRODUCTION TO THE GROUP

Individual Clients

The real estate services market is highly fragmented. There are more than 50,000 companies active in the sector, most of which are small, independent entities. But this fragmentation belies the existence of a number of franchise networks and groupings with a considerable market presence. In fact, it is estimated that between 20% and 25% of all real estate agencies are affiliated with these overarching structures, which account for over one third of all revenue generated. Alongside the brick-and-mortar agencies, “virtual” umbrella organisations of independent agents (such as CapiFrance and I@D) began entering the market in the early 2000s with the rise of the Internet (source: XERFI, “*Les agences immobilières pour particuliers*”, January 2016). In 2018, certain networks (Keller Williams and Keymex) continued their development in France, coming back to the initial model of the agency-free network, with the deployment of large business centres. In 2018, Digit RE (CapiFrance, OptimHome and Refleximmo) was acquired by the investment company LFPI.

In France’s residential market there are between 6,500 and 7,000 individual property management firms (source: XERFI, “*Les nouveaux modèles dans l’administration de biens*”, October 2016). 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.

Distribution activities

Distribution

The distribution market, especially the one for rental property investment, consists of many players, developers and platforms in relation with developers, subsidiaries of banking groups.

Division of property ownership

The division of property comprises players who are solely marketing agents (such as I Plus – Foncia group, and Fidex), as well as real estate developers who market part of their production through this model.

With nearly 1.3 million condominium units and about 330,000 rental units under management, Foncia is the leading individual property management firm in France. Nexity ranks second in this sector, with 721,000 condominium units and 175,000 rental units under management.

The sector is also facing new challenges, such as the rise of digital technology and the changing needs and consumption patterns of users of real estate services.

Market players are looking to set themselves apart from the competition by developing activities in related areas (estate planning, asset management, insurance brokerage, etc.) and by becoming comprehensive providers of services like Foncia, which offers to put its clients in touch with professionals for cleaning, maintenance and home improvement, gardening, car rental and ride sharing services.

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

The top five real estate agencies in France (ORPI, Century 21 France, Laforêt immobilier, Guy Hoquet l’Immobilier and Era Immobilier) operate around 3,500 agencies (sources: agencies’ websites, internal data for Century 21 and Guy Hoquet l’Immobilier).

The business of the Nexity subsidiary iSelection is to select and market residential units as buy-to-let investment products for Individual Clients.

1.3.4.2 Property management and franchise networks

Property management for 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.

In 2018, Nexity continued the digitisation of its activities, to the benefit of its clients as well as its suppliers:

- Supply of a mobile application for client accounts aimed at condominium owners, landlords, tenants, investors and first-time buyers, to enable them to:
 - Find information concerning their housing units and contracts,
 - Access the documents,
 - Track their accounts,

- Contact their adviser and keep track of the status of their requests, and
- Keep track of worksite progress;
- Each client's MyNexity page offers them a platform of useful services (some 350,000 connected clients) including paperless documents and means of payment. The client is now interconnected with agency employees and Nexity's suppliers (*via* a private space

dedicated to suppliers). Each of them has access to real-time information on the operations under way in the buildings managed by Nexity. Each client's MyNexity page also offers services (building work, decoration, administrative transfer, optimisation of energy contracts, moving assistance, etc.) which go beyond the standard contractual framework and reflect Nexity's desire to be a facilitator of happy living in one's home and with others.

Property management for individuals and brokerage

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

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

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

Professionals operating in these roles must comply with the provisions of Act 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 agreements. Professionals may only act where they hold a written agreement signed by the individual on whose behalf they are acting and stating their responsibilities and the amount and terms of their remuneration. Each such agreement must be numbered and recorded in a register. Any professional who does not comply with this requirement is liable to incur criminal penalties (up to two years in prison and a €30,000 fine) and administrative sanctions including having his or her professional licence revoked, such that he or she is no longer able to carry on the profession.

Condominium management services

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;
- Common areas in buildings are well maintained;

- Condominium maintenance expenses are well managed and under control; and
- Regulatory developments and changes in safety standards are monitored on a constant basis.

1 INTRODUCTION TO THE GROUP

Individual Clients

Rental 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;

Lettings

Working in close collaboration with the Group's rental management teams, this service handles all aspects of the letting process. This includes arranging visits, drafting lease

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

Energy efficiency

Actively seeking to make living together better, Nexity is guiding the condominiums' energy transition throughout the territories.

Since 2012, Nexity has actively undertaken the renovation of condominium properties in order to provide concrete solutions to its clients. The goals are to reduce their energy bills, improve their living comfort, increase the value of their assets, and improve living conditions for everyone.

As a signatory to the charter for the energy renovation of condominiums in 2015, Nexity fulfilled its commitments in 2018 by signing a Green Deal with the Sustainable Building Plan (*Plan Bâtiment Durable* – a voluntary commitment contract co-signed with the French government) comprising a certain number of precise objectives to be achieved by 2020, including the following:

Awareness of the importance of energy renovation

In 2018, more than 100 employees of the Real Estate Services to Individuals department received training on the importance of energy renovation during workshops, thereby contributing to the emergence of projects.

Over recent years, the Group has been rolling out an information campaign for its clients on the topic of energy renovation in condominiums (including information meetings, posters, leaflets, videos, newsletters sent to condominium boards, etc.).

- Regulatory and safety standard monitoring; and
- Guarantees against loss of rental income due to tenant non-payment, property damage or vacancy periods.

Two management contracts have been created: a "Security Contract" for existing properties and a "Serenity Contract" for new properties. In both cases, the client is offered a management contract that guarantees income if the property is vacant, rent is unpaid or no tenants are found when the property is first offered for rent.

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

agreements, carrying out property inspections and taking care of administration.

to technical, legal or administrative issues; drafting provisional sale agreements and following the sale through to completion.

- Having qualified at least 20 employees as energy renovation specialists (training validated by an external third party and completion of a renovation project); and
- Having overseen and allowed the renovation of at least 30 condominiums.

Nexity supports the initiatives and commitments of ANAH (France's national housing agency) and signed its better housing charter in 2018.

Beyond its specific condominium goals, Nexity aims to assist all of its clients sellers, buyers, landlords, tenants, and co-owners in their property improvement and eco-renovation projects.

In 2018, Nexity continued to organise client evenings in the form of round table discussions (in Créteil, Dijon, Lyon, Montpellier, Annecy, etc.) to raise the awareness of condominium owners on the importance of energy renovation.

The report produced in 2018 on the renovation operations carried out or still under way in the Group raised the awareness of its clients on the major trends observed in these operations (types of work carried out, total cost of the operations, average cost per owner, and expected energy savings).

Energy renovation projects

In order to offer an efficient and “turnkey” assistance solution to condominium owners for the preparation and structuring of projects and the renovation work itself, Nexity enlisted the services of two specialists in this field, SOLIHA and Urbanis, to ensure the presence of a project management team at each site.

As such, the Nexity and project management assistance teams support condominium owners at every stage of a project (from awareness-raising and diagnostics to renovation solutions and financing plans). This technical, social and financial support provides certain condominium renovation solutions that have made it possible to achieve energy savings ranging from 30% to 60%, with financing

plans including up to 90% collective and individual financial support (depending on co-owners' income).

In 2018, some 10 condominium properties have been renovated and some 100 buildings have stated their interest, of which around 45 have requested project management assistance or are under renovation. Such is the case for two of the biggest real estate complexes managed by Nexity – in Nice (Alpes-Maritimes) for nearly 1,000 units, and in Saint Priest (Rhône) for over 800 housing units.

Nexity also takes part in the programmes launched by local authorities, such as Operation MuriMur 2 in Grenoble (Isère), Ecoréno'v in Lyon (Rhône), and Eco-Rénovons in Paris.

Innovative solutions

Nexity is always looking for innovative solutions to finance and guarantee condominium energy costs.

Energy performance contract

In 2012, on the behest of a condominium property in Neuilly-sur-Marne (Seine-Saint-Denis), Nexity signed the first private condominium energy performance contract (*Contrat de Performance Energétique* – CPE) in France, following the winning of a call for proposals launched by ADEME.

The objective of the CPE is to guarantee a 45% reduction in the condominium property's heating consumption over a period of ten years. The work carried out in 2013 mainly

focused on the buildings' thermal insulation and on improving the heating system. This work made it possible to obtain the BBC-Renovation® certification. Over the 2014-2015 season, the savings in heating energy amounted to more than 46%.

Since 2015, the building has achieved a heating energy saving in the region of 50% compared to its pre-renovation situation (*i.e.* in line with the Group's commitments).

Financing energy renovations

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

One third-party financing solution has already been tested

by Nexity at a first condominium building in the Hauts-de-France region.

With the assistance of the dedicated Nexity team and Hauts-de-France Pass Copropriété since November 2014, Résidence Hélène, which comprises 228 residential units divided between two buildings, launched a renovation programme in April 2016 to achieve energy savings of nearly 44%.

Business outside France

Outside France, the Group is present in various types of real estate services in two European countries:

- **Belgium:** with 37 employees and a portfolio of more than 12,800 condominium units for which Nexity serves as managing agent and 225 units for which Nexity provides rental property management services, the Group is now one of the leading firms in this sector in Brussels; and

- **Poland:** with premises in Warsaw, Lodz, Wrocław and Gdansk and 71 employees, the Group is a significant real estate management player in this country, where it operates under the Gestor brand, with a portfolio of nearly 18,080 condominium units under management.

Franchise networks

The Group controls two of the leading real estate franchise networks in the French market – **Century 21 France** and **Guy Hoquet l'Immobilier**. The 1,361 agencies open at 31 December 2018 signed over 66,000 provisional sale agreements in 2018.

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

1 INTRODUCTION TO THE GROUP

Individual Clients

At the end of 2018, the 867 agencies of **Century 21 France**, the country's leading real estate franchise network, were involved in all the real estate professions: brokerage, rental property management and managing agent services for clients in the residential sector as well as brokerage for office space, retail and other business or industrial premises for clients in the commercial sector.

In 2018, 48,500 provisional sale agreements were signed through the Century 21 France network.

1.3.4.3 Distribution activities

PERL

Nexity is the majority shareholder of PERL, a pioneer and leader of a real estate model based on the temporary separation of property ownership from property use. PERL has retained its own brand, governance and open architecture, for the benefit of the partners that the company has managed to bring together (property developers, social housing operators, and marketing networks). As principal shareholder, Nexity is in charge of the risk control functions.

Since 2000, PERL has been offering individual investors the possibility of acquiring the bare ownership of a property. At the same time, it sells the use of the property to an institutional operator, which manages and maintains the property throughout the investment period (between 15 and 20 years).

iSelection

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

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

- New furnished apartments in serviced residences, eligible for LMNP status (non-professional landlords of furnished property) for amortisation or under the Censi-Bouvard scheme (see "Fiscal framework intended to favour real estate development in France" in Section 1.3.2.1 of this chapter). These serviced residences are intended for students, seniors, holiday-makers and business travellers;

Naxos, a Century 21 France subsidiary, develops and distributes software for Century 21 agencies.

The Group holds a 95% stake in **Guy Hoquet l'Immobilier**, France's third-largest real estate franchise network, with 494 agencies at end-2018.

In 2018, 17,600 provisional sale agreements were signed through the Guy Hoquet l'Immobilier network.

The model attracts a growing number of investors looking for an appropriate investment solution. PERL offers its clients a secure investment through a range of personalised services, and handles all stages of the investment scheme.

As the leader in this segment and since its creation, PERL has operated in more than 100 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), and regularly works with nearly 70 social housing operators.

In 2018, PERL recorded 701 reservations. Out of these reservations, 115 were recorded through the division of existing property. The remainder corresponded to new home reservations recorded within Residential Real Estate sales.

- Unfurnished units covered by tax relief schemes for individual buy-to-let investors, notably the Pinel scheme; and
- Investments in bare ownership covered by the Malraux Act (historic monuments) and property tax losses.

In 2018, iSelection recorded 3,592 reservations. Out of these reservations, 2,186 were recorded on behalf of third-party real estate developers. The remainder corresponded to new home reservations recorded within Residential Real Estate sales.

In a slumping market for buy-to-let investments in 2018 (down 13% over one year according to FPI figures), iSelection recorded 3,800 notarised agreements, representing revenue of €666 million, the company's best performance since its launch in 1996.

1.3.4.4 Operational organisation of Other Real Estate Services to Individuals

Property management for individuals and franchise networks

With 3,400 employees and a nationwide network of 210 local agencies, the Real Estate Services to Individuals business is a leader in the French market for individual property management. These services are offered under three brands: Nexity, Oralia and Bérard (with the latter only in Paris and the surrounding region).

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

- A strong, professional and stable management team;

- Efficient management tools, particularly in the areas of sales performance and client satisfaction;
- An ability to innovate so as to meet clients' expectations as fully as possible, which means innovating not just in technology but also with respect to the Group's organisation and marketing;
- Transparent client communications, in particular *via* the Group's individual property management survey of charges (the first of its kind in the French market), which clearly shows what condominium and management charges relate to;
- Professionalism of 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;
- Proximity with the buildings managed through the network of agencies spread out throughout the country. With this coverage, the Group can make the most of its in-depth knowledge of the local players, properties and specific uses on each market;
- Transparency in client relationships, by providing clear and accurate legal and accounting documentation

tailored to each client's situation and expanding the personalised content made available *via* each client's My Nexity page;

- Innovation and offerings that set Nexity apart in the market, including an effective information system, a website serving as a genuine showcase for the Group's range of products and services, and numerous initiatives to promote sustainable development and corporate responsibility;
- Enhanced skills in digital marketing and business development;
- A dedicated structure serving large, private investors such as family-owned groups, offering services tailored to each client's circumstances, including budget, cash flow and taxable income simulations, and assistance from a network of preferred experts, particularly for tax- and banking-related matters, focused on portfolio valuation and optimisation; and
- A key accounts team, together with a national structure dedicated to niche business (high-rise buildings, shopping centres, combined office and retail premises, etc.).

At 31 December 2018, the Century 21 and Guy Hoquet l'Immobilier networks together totalled 9,709 employees: 6,752 employees at Century 21 and 2,957 at Guy Hoquet l'Immobilier.

Distribution activities

With 93 employees spread across seven sites in metropolitan France, **PERL** is the leading player in bare ownership investment through the structuring of real estate development projects in social, intermediate and freely accessible rental usufruct.

iSelection had 216 employees as of 31 December 2018. Its distribution network is built in particular on a partnership agreement signed with regional banks in the Caisse d'Épargne network, Banque Populaire branches, Milleis Banque branches, and a number of independent financial advisers.

1.4 COMMERCIAL CLIENTS

Nexity's real estate services platform strategy aims to provide a comprehensive response to all of its clients' real estate needs, at each stage of their life cycle, by creating packaged offers and relying on the power of its brand and data storehouse.

In order to better implement this strategy, in 2018, Nexity deployed its organisation focused on Commercial Clients, with the creation of Nexity Enterprise Solutions, bringing together the most complete range of expertise of the market for users and investors.

1.4.1 Development strategy for Commercial Clients

Commercial Real Estate is being transformed in the wake of the digital revolution and new uses. For Commercial Clients, the development strategy is based on the analysis of societal changes, with the backing of the Group's legacy business lines real estate development and property management. The ultimate goal is to build an offering centred on client uses, *i.e.* a turnkey offering.

The Nexity services platform has been enhanced with Nexity Enterprise Solutions. This offering is intended to accelerate companies' transformation capacity from the design phase to the operating phase by increasing the flexibility of their real estate through turnkey solutions and real-time management tools. For clients, this means faster, simpler and more flexible processes.

1 INTRODUCTION TO THE GROUP

Commercial Clients

1.4.1.1 Commercial Real Estate

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

- Focusing development efforts on:
 - Securing prime real estate within the city of Paris and its inner suburbs for office buildings, and in the northern Paris region and Rhone valley region for logistics facilities,
 - Stepping up prospecting activity among investors with a view to helping them restructure their obsolete properties,
 - Relationships with end-users, particularly such that investors may be offered "safe" projects (*i.e.* those with total or partial pre-leasing), highlighting the know-how acquired in carrying out complex operations and the ability to offer innovative, value-sharing solutions,
 - Expanding operations in regions other than Paris *via* specially adapted products (Ywood and Téréneo for timber-frame office buildings),
 - Diversifying the product offering by developing retail premises and hotels, and more generally,
 - Closely monitoring clients' changing behaviours and new ways of working;

1.4.1.2 Real Estate Services to Companies

Services to companies have become a major focus, as the definition of the workplace evolves, fostering the development of ever more comprehensive solutions. These solutions may target building owners (expanding range of property management services), occupying companies (planning, optimisation and management of office space), as well as their employees (well-being in the workplace).

The Property Management division's development strategy consists in strengthening the Group's leading position by creating more added value for its clients:

- Transforming operating models (new technologies, contract re-engineering, transformation of profiles);
- Conquering strategic asset types (commercial districts, high-rise buildings, logistics facilities and complex products); and
- Diversifying the product range and using a target-specific approach according to client segments.

This development is backed by the reinforcement of the digital strategy and, most importantly, the partnership with Intent a strategic commercial partnership signed in December 2018 providing a platform capable of

- Improving and accelerating its research and development efforts in order to offer products that are innovative (such as offices with occupancy cost guarantees) and suited to new user requirements (hybrid work spaces). Collaborative workshops have brought together many businesses since 2012, looking at a wide range of topics such as users' well-being and comfort, new workspaces, expense management, services and digital technology);
- Integrating the most stringent energy efficiency standards to meet the requirements of major investors;
- Mainstreaming the Building Information Modelling (BIM) process to enhance the value of models through data quality and accuracy;
- Maintaining a rigorous risk management and cost control policy; and
- Developing the interior fitting offering in order to offer turnkey real estate development solutions (rehabilitation of all or part of the real estate assets, tenant assistance during the leasing transaction, or vacancy reduction).

aggregating large amounts of data from the building ecosystem. Intent is France's leading for social housing. For Nexity, it offers great potential for the acquisition and processing of building data and the creation of value. This partnership will eventually lead to the creation of a digital platform integrating the data of the main suppliers in order to offer high-added-value analyses to Group clients.

Nexity has stepped up the creation of its services platform by developing its management activity. It signed a partnership agreement involving the acquisition of a 54% stake in Morning Coworking (BAP group), one of France's leading coworking players. Nexity has thus positioned itself as a key player in the Paris market of ready-to-use offices.

To round off its integrated offering to Commercial Clients, Nexity developed its Week'in offering for the management of work spaces and communities. This was supplemented with the acquisition of the concierge service company Service Personnel in November 2018.

At the beginning of 2019, Nexity Enterprise Solutions acquired 71% of Accessite, a property management company specialised in retail premises and offering marketing and advisory services.

1.4.2 Commercial Real Estate

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

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

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

- Large private or institutional investors, French or foreign, seeking to derive rental income from real property and eventually profit from capital gains on their real estate assets; and

- End-user businesses having buildings constructed to meet their own space needs.

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

The backlog amounted to €308 million in revenue at 31 December 2018, versus €465 million at 31 December 2017 restated.

In 2018, the Group carried out 15 operations representing 126,300 square metres of office space.

To round off its range of services for Commercial Clients, Nexity set up a general contractor business called Nexity Contractant Général in 2015. It assists tenant companies in their space planning and development projects, and in the management of changes in major transformation projects by working on the employer brand, the brand image and the client, employee, candidate experience.

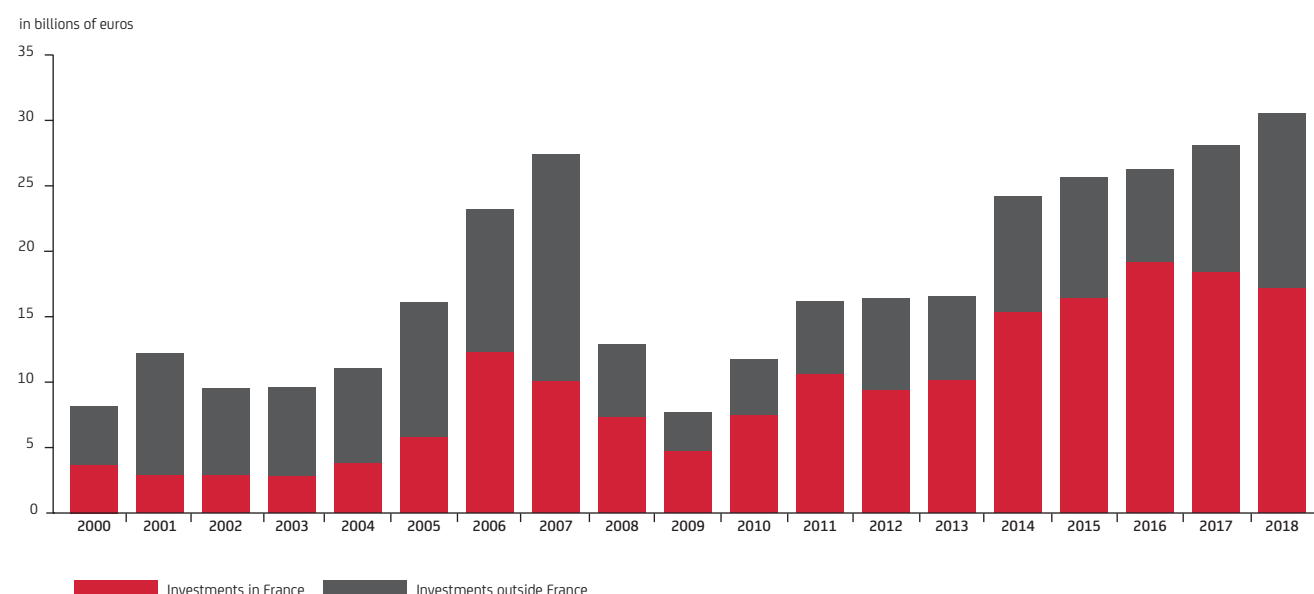
1.4.2.1 Overview of the market and competitive environment

The investment market¹

The French commercial real estate market broke a record in 2018 after four years of continuous growth. Volumes committed amounted to €30.5 billion in 2018, *i.e.* an increase of 8% per year. By way of comparison, the previous record was €27 billion in 2007.

There are many factors explaining this dynamism: a buoyant international environment, property rates spread versus risk-free financing which is always attractive, a favourable yield/risk ratio and an abundance of capital. This is confirmed by the return of foreign investors in 2018, attracted by "the Macron effect" but also prompted to return to France in the face of deep uncertainty affecting France's principal neighbours.

Investments in commercial real estate in France*



Source: CBRE.

*Other so-called commonplace assets: offices, warehouses, business premises and commercial offices excluding specialised assets (hotels, recreation, etc.)

¹ Source: CBRE.

1 INTRODUCTION TO THE GROUP

Commercial Clients

While most rental market indicators have shown generally positive trends, investors have particularly opted for well-established, central, structured markets with high levels of activity in order to minimise risks. Their appetite for prime, secure, well-situated properties, as well as larger transaction volumes, was confirmed. Over two thirds of investment volumes were thus focused on core products, and over 60% of commitments in 2018 concerned 80 transactions amounting to more than €100 million each. Despite very high prices, Paris has remained the target of choice, attracting 40% of volumes.

With investments totalling €23 billion, office spaces accounted for 76% of commercial real estate investments (versus 69% in 2017). With €4 billion in commitments, the VEFA off-plan segment once again showed good performance, despite a slight decline compared to 2017, which had been a record year. The proportion of speculative rental investments dropped significantly to 35%.

Concerning retail premises, with transactions totalling €3.8 billion, volumes showed a slight rise (up 4% year-on-year), but the market remained constrained by its dichotomy and persistent questions regarding secondary locations and products. Ground-floor retail premises thus accounted for 59% of investments, emphasising investors' interest in such assets located in really prime areas (Champs Élysées, St-Honoré or Paris 9).

For industrial and logistics real estate, transactions totalled €3.7 billion. This volume is well below that of 2017, which had however been marked by two exceptional sales. Aside from these transactions, logistics continued to attract

capital, mainly from abroad (particularly North America), in search of high yields. Portfolio transactions confirmed their supremacy, as they accounted for two thirds of transaction volumes.

2018 saw the strong comeback of foreign players, who accounted for 44% of transactions (37% in 2017), due in particular to the signing of several large-scale transactions in the office segment and in the industrial and logistics segment.

The national paliers – particularly general-public real estate investment funds such as SCPIs and OPCIs (accounting for only 4% of total acquisition commitments in 2018) – were down due to a drop in the amounts invested and a cooling-off period after several years of intense activity. In 2018, investment funds and listed property companies accounted for over two thirds of the acquisition amounts, while property developers accounted for 12%.

Prime yields remained stable for the best office assets, ranging between 3% and 4.25% at the year-end in Paris Centre West (4.15% in La Défense). For Logistics assets, the prime rate decreased to 4.50% at the year-end.

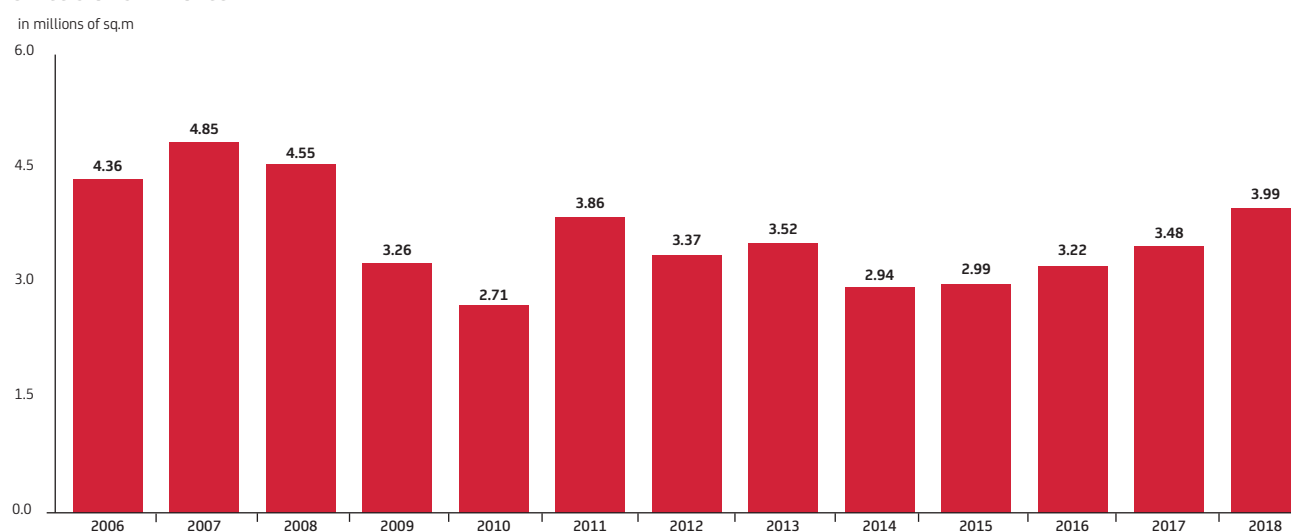
Barring an economic reversal, the ongoing deferral of the prospect of a rise in key interest rates in the euro zone, along with a turbulent market environment, is a guarantee of an ongoing attractive spread for real estate assets, which show little volatility. In 2019, capital to be invested in real estate will continue to be plentiful and drive the market. The prime assets which are the most secure and comprehensible will continue to win the most favour as investors become more selective.

Office starts

In 2018, with 4 million square meters, the surface area start-ups in France were up 15% compared with 2017. This volume surpasses the ten-year average by 18%. In the Paris region, the increase amounted to 8%; the rest of France

was clearly favoured, with a total of 2.8 million square meters started. Thus the amount of new starts in the pipeline is quite high although clearly below pre-crisis levels.

Office starts in France

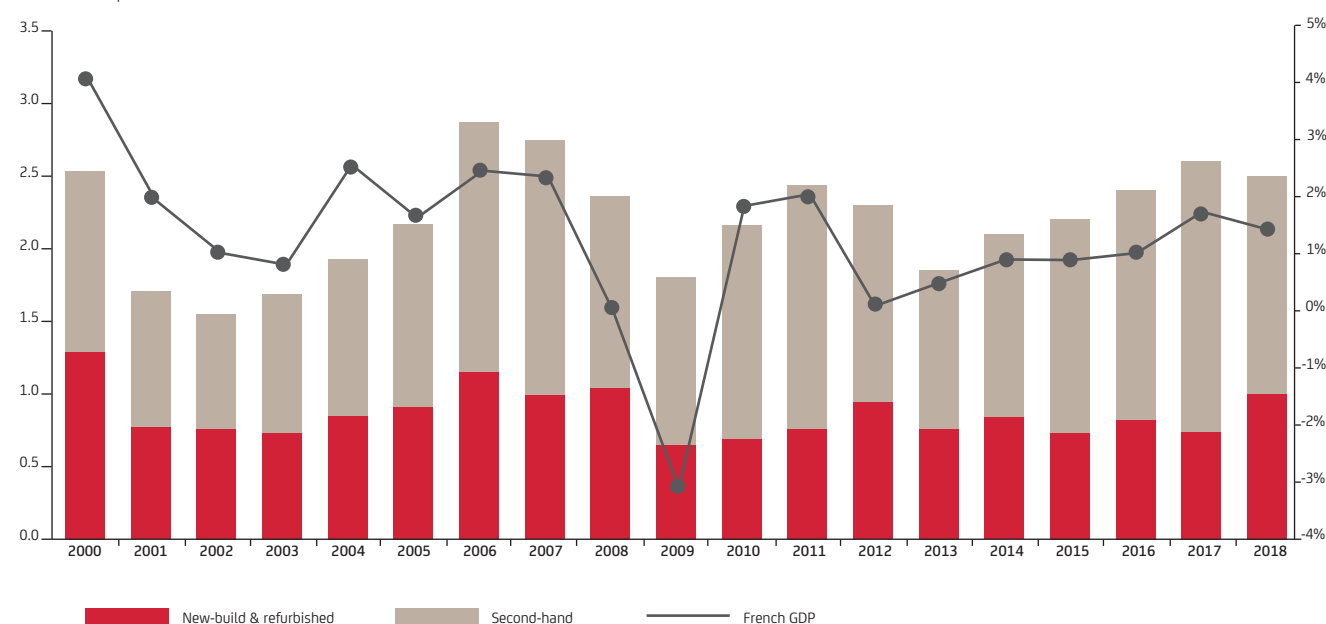


Source: Sitadel in floor area

The office market

Take-up* of office space in the Paris region

in millions of sq.m



Source : CBRE, OCDE.

*Take-up refers to all transactions, both sales and lettings, by end-users.

In the Paris region office market, there is a strong correlation between take-up and economic growth (GDP). Unsurprisingly, after the 2008 financial crisis, the volume of transactions fell sharply in the Paris region. Since then, and despite a relatively tense economic environment, real estate rationalisation strategies abound, generating significant momentum in the real estate market. Since 2014 in particular, net absorption (net take-up less departures) has once again become positive, attesting to the vigour of the Paris office sector. The main drivers of this momentum are thus rationalisation, modernisation and extension due to job creation.

The vigour of the employment market, as well as the vitality of the French tech industry (which boosts demand for small premises) and the new working modes are spurring appetite for modern premises and generated sustained take-up in 2018. The high volume of transactions, the reduction of vacant premises and the rise in average rental values reflect this market's sound fundamentals.

A total of 2.5 million square metres were marketed in the Paris region in 2018, representing a 5% drop compared to 2017, but a volume which is still 10% higher than the 10-year average.

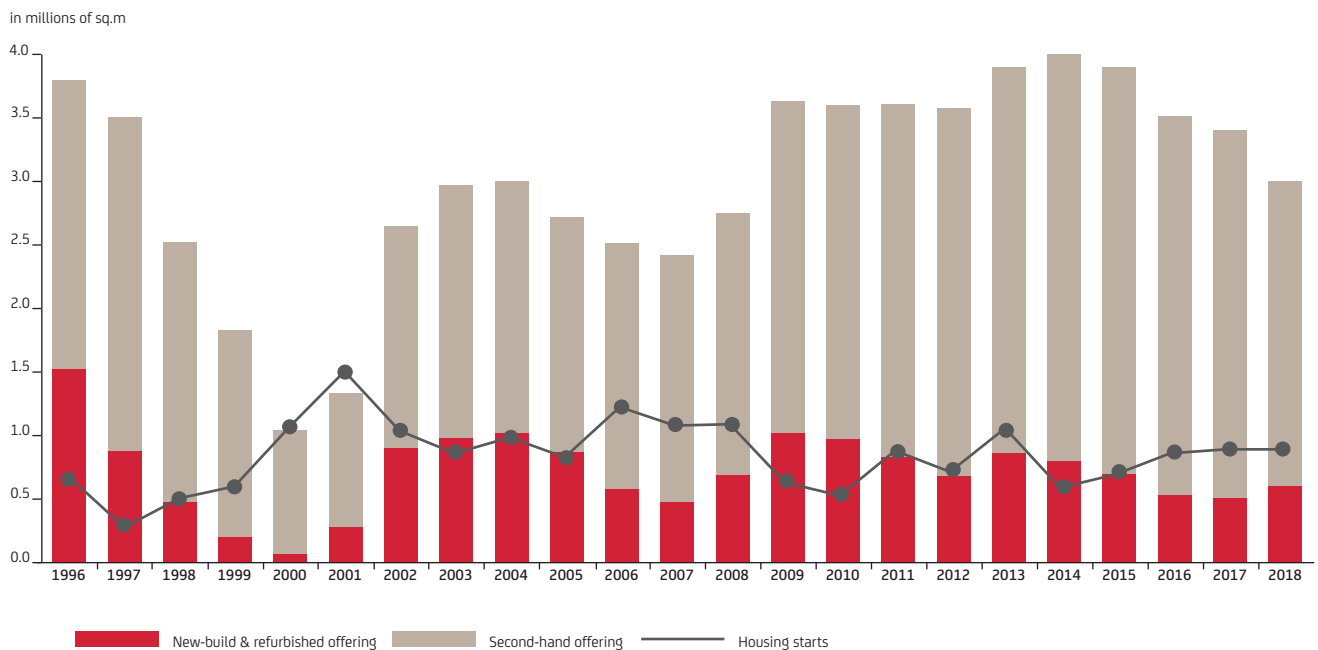
The market for large transactions of over 5,000 square metres (81 contracts signed for a total of nearly 1 million square metres) was down, after a record year in 2017. In that segment, one third of take-up was concentrated in Paris, with seven leases going to coworking operators, while the Western Crescent stood out with 28% of volumes. Moreover, 2018 saw a boom in intermediate transactions, with an upswing in the 1,000-5,000-square metres segment, reflecting good economic performance.

Furthermore, while the total take-up rate was down, new and restructured buildings attracted an increasing number of users. Over 1 million square metres were marketed in 2018, versus an average of 750,000 square metres over the past five years.

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Immediate supply in the Paris region



Source : CBRE / Immostat.

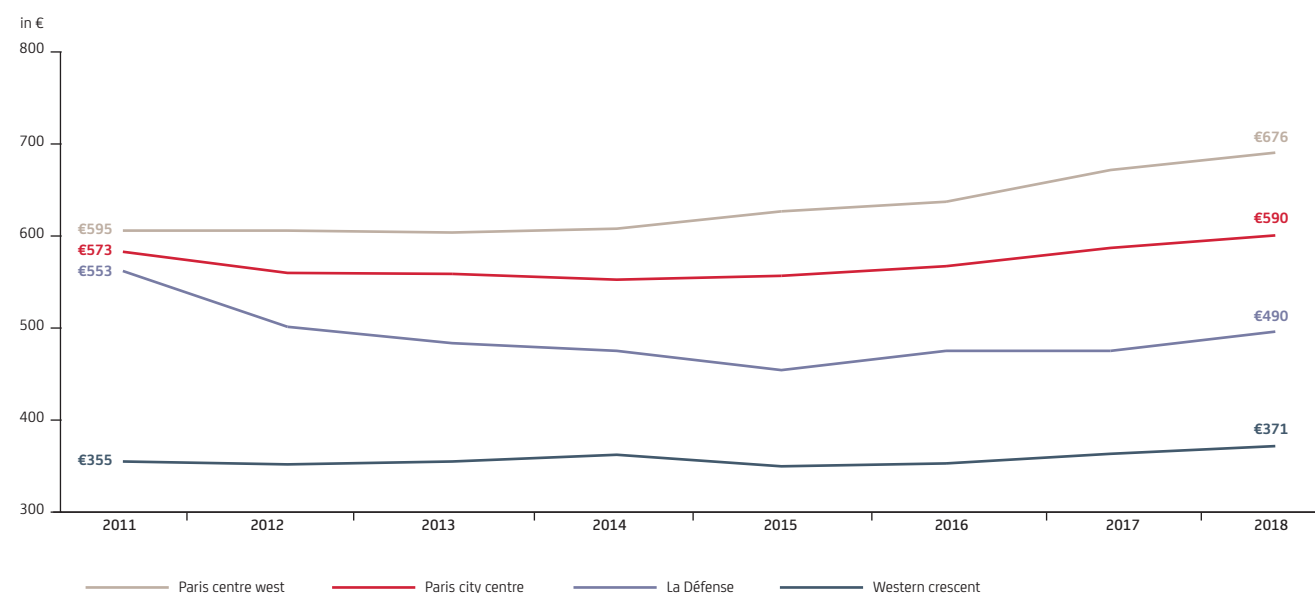
After the 2008 crisis, the aggregate supply of immediately available office space in the Paris region significantly increased, reaching a high point of 4 million square metres in 2014. Since then, the supply of immediately available space has steadily decreased, with an acceleration between 2017 and 2018. On 31 December 2018, immediate supply in the Paris region stood at 2.94 million square metres, a fall of 10% in a year. The biggest decrease was in Paris Centre West, which is the users' most sought-after location, and where only 160,000 square metres are immediately available. La Défense also hit a rock-bottom level with a vacancy rate below the regional average (5.1%). However, it should be noted that the percentage of new or restructured premises increased slightly for the first time in several years, accounting for 20% of vacant volumes at the end of 2018.

Definite future supply, *i.e.* under construction and not yet marketed, remained stable in 2018 but, by 2021, the market supply should be significantly enhanced by the combined effect of tenant departures, projects under

construction and authorised projects, particularly at La Défense and Paris' northern inner suburbs. Nevertheless, there was a temporary pause in new buildings delivered in 2018 (volume of delivered premises 18% lower than the 5-year average). In parallel, the proportion of new buildings launched on a speculative basis remained high, with construction started on nearly 300,000 square metres in 2018, while the launch of speculative restructuring operations diminished (volume down one third compared to 2017).

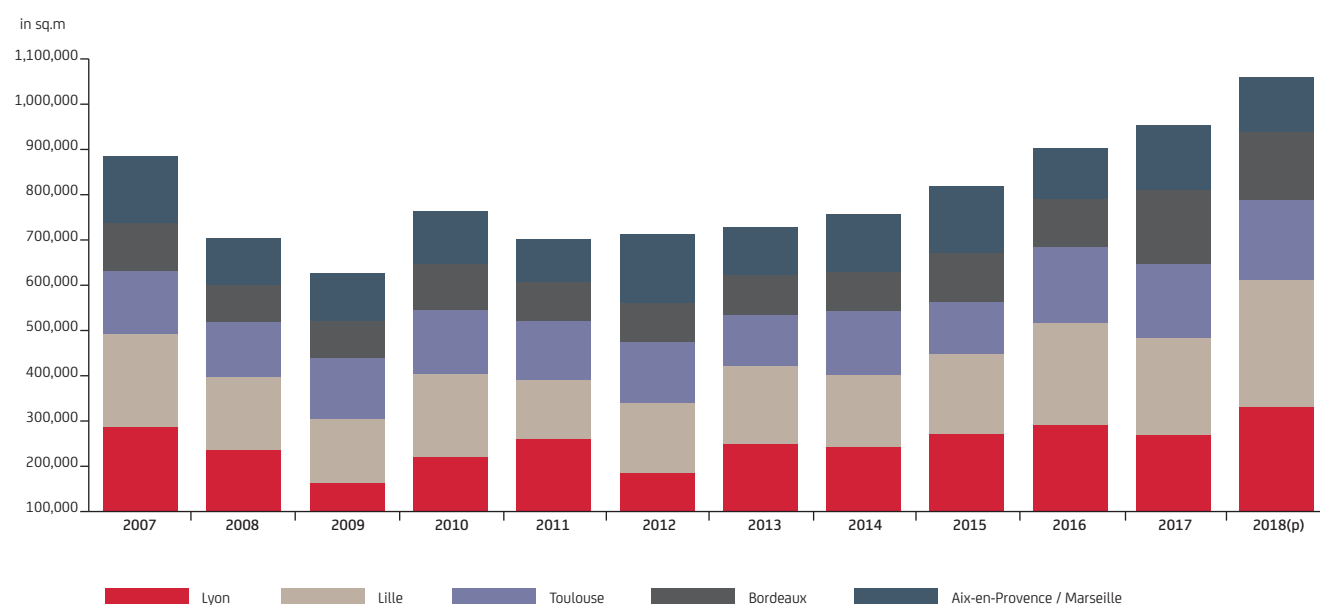
A positive factor was that the expected short-term supply of new buildings remained more moderate than in the previous cycle, thereby reducing the risk of overcapacity and value impairment, including in the event of an economic reversal. The scarcity of the offering in Paris is partly responsible for the shift of take-up to Western Paris and the rise in headline rents and economic rents (year-on-year increase of 2.2% to 4.2% on the average headline rent in established commercial districts).

Average headline rates for new and refurbished surface areas



Source: CBRE - average theoretical rents (difference between prime and bottom-bracket rents) in current euros.

Take-up in the top five metropolitan areas



Sources: CBRE & Local Observatories.

In the main French cities¹, the volume of office transactions made by users totalled 1.6 million square metres, up 5% compared to 2017. With 684,000 square metres, new premises accounted for 43% of the total.

The Lyon metropolis accounted for 21% of take-up, followed by Lille (18%), Toulouse (11%), Bordeaux (9%) and Aix/Marseille (8%).

The Lyon market was thus more than 30% above the average observed since 2010, boosted by the signing of four contracts for over 10,000 square metres (leases taken up by EDF and Engie, among others). As for the Lille market, it significantly surpassed the last two years' take-up which was already high with a year-on-year increase of more than 30% between 2017 and 2018.

¹ Aix/Marseille, Lyon, Lille, Bordeaux, Nantes, Strasbourg, Grenoble, Montpellier, Nice/Sophia, Rennes, Rouen, Toulouse.

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Except for Aix/Marseille which remained close to its historical average – the big provincial cities, like the Paris region, recorded excellent levels of office rental activity,

The logistics market

2018 proved to be a new year of performance for the market for logistics space, despite a drop compared with the exceptional volumes in 2017: 4.1 million square meters were marketed in 2018. The market remains buoyant, driven by e-commerce and the multi-channel reconfiguration of logistics circuits.

In 2018 the Paris region market remains somewhat dynamic while the large regional markets of the north/south side of the country (Lille, Lyon, Marseille) reported sharp increases in sales. The Lyon region alone accounted for 648,000 square metres, a record.

In 2018, the market was spurred by logistics service providers, who accounted for 47% of business.

Competitive environment

In office real estate, very few groups have Nexity's broad expertise. The Group's direct competitor, operating in the same business lines, is BNP Paribas Real Estate (commercial real estate development, advisory / brokerage, transactions, and property management). Vinci Immobilier operates in commercial real estate development and

confirming the major need to modernise the commercial real estate stock.

For France as a whole, the immediate supply remained relatively stable at 2.5 million square metres on 1 January 2019 (year-on-year decrease of 2%).

On the other hand, the offering of ready-to-start projects (authorisations obtained) increased significantly, reaching a total of 2.3 million square meters speculative launches, which had been down since the economic crisis, were also up in 2018, a sign of confidence of the players. At the end of 2018, a little less than 500,000 square metres under construction were offered to users.

The vigour of the logistics market is expected to remain stable over the next two years despite questions concerning the future needs of major retail.

property management. Bouygues Immobilier and Altarea Cogedim are both involved in the development of office buildings.

In the Paris region, Nexity has had a 7.4% of market share on average over the last seven years (2012-2018)¹.

1.4.2.2 Commercial Real Estate

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.

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

All office developments delivered in the Paris region in 2018 (85,300 square metres), excluding Ywood and Térénéo wood-frame buildings:

- HQE®-certified (excellent or exceptional);
- Recycled at least 70% of site waste; and
- Have planted areas.

In addition, 85% of the total office space delivered in the Paris region (i.e. 72,150 square metres) achieved at least RT 2012-20% performance level.

The development of wood-frame office solutions under the Ywood and Térénéo brands complements the Group's offering. By the end of 2018, nearly 84,000 square metres of wood-frame office buildings had been delivered (since 2011), of which 29,300 square metres in 2018.

¹ Source: CAPEM

Through these innovative and environmentally friendly construction processes, Nexity is providing practical low-carbon solutions and anticipating future regulatory requirements. Ywood offices are built using cross-laminated timber (CLT) from sustainably managed European forests (100% PEFC-accredited).

This alternative construction method offers:

- Excellent performance (energy, insulation, greater fire resistance than concrete);
- An optimised carbon footprint compared with traditional concrete construction;
- A clean building site (waste reduction and re-use);
- Building processes tailored to the operation; use of materials such as large-size CLT panels, wood frame or mixed-material frame;
- Building façade in keeping with clients' preference: wood, mixed materials, zinc, or greyed wood;
- The search for optimum thermal and acoustic comfort; and
- Shorter delivery lead-times: construction is twice as fast as for a conventional structure.

Land development potential

The Group has a portfolio of 1,126,000 square metres of projects underway or at the planning stage, including 521,000 square metres of long-term value enhancement through its urban regeneration business (see section 1.5.3 "Urban regeneration (Villes & Projets)" of this chapter), and 605,000 square metres currently in the construction, development, or structuring phase in the Commercial Real Estate division. This category encompasses as yet undelivered projects for which an agreement with an investor or end-user has been reached and/or a promise to sell/purchase (under certain conditions) has been signed.

Project types

Most of the projects conducted by Nexity are pre-sold, before it purchases the land involved. For these projects, the Group uses two distinct types of legal instruments:

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

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

Wood-frame buildings are designed to combine daily comfort and compliance with the most stringent environmental standards:

- Involvement of all players from the project planning phase and throughout the design phase;
- Use of natural, renewable, recyclable, energy-efficient materials;
- Focus on the quality of the living environment and employee well-being: joint optimisation of thermal inertia, natural lighting, energy consumption, and the lower carbon footprint of wood compared to concrete; and
- Compliance with the latest environmental standards, labels and certifications – BBCA, BEPOS, BREEAM, BDM, etc.

Alongside its office building projects, the Group develops retail and hotel premises for its clients. Since 2000, the Group has also been operating in the field of logistics (warehouses) and industrial estates (production buildings, factories, workshops and laboratories).

The Group has a project portfolio representing potentially worth €2.8 billion (or 5.5 years of Commercial Real Estate development). That represents the total volume of developments at a given date, expressed in terms of potential revenue excluding taxes, consisting of future projects, validated at the Committee stage, on land secured through options or already acquired, all stages of completion combined, including Villes & Projets; the potential includes the existing and future supply for sale.

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

The Group may also conduct speculative or semi-speculative projects in which it acquires land and starts the construction work on a building without having found 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.

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Project procedures and risk management

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

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

All financial commitments for Commercial Real Estate purposes must receive prior validation from the Group's Commitments Committee.

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

- Generally securing land for purchase on the conditions precedent that the necessary permits be obtained and satisfactory soil quality assessments performed, with the right to withdraw in return for an option fee usually amounting to 5-10% of the land value;
- Limiting speculative projects, or *projets en blanc* (see previous paragraph "Project types" of this section) 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;

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 (*Sécurité et protection de la santé* or SPS) coordinator who will help

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

- Following the risk control procedures defined centrally by the Group's Finance and Legal departments, including monitoring each project's total budget on a quarterly basis; and
- For office buildings, retail space, or hotels, incorporating project consultants (*assistants à maîtrise d'ouvrage*) with technical expertise into each project team, particularly to monitor construction costs on an ongoing basis.

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

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

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

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).

From the commercial point of view, 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.

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 clients (investors and/or users). The Group then signs an agreement promising to sell the building planned for construction to the prospective client. 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.

Construction phase

Subcontractors and suppliers

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

The Group does not have any exclusivity policies with specific subcontractors or suppliers. However, it enjoys

Environmental management and preventing disturbances

In the construction phase, the Group applies the provisions of the HQE®, BREEAM and LEED certifications applicable to low-impact construction sites. In particular, construction sites are subject to requirements governing waste management, sorting and recovery. Likewise, a procedure

Management of soil pollution and soil quality

Before acquiring any land or buildings, Nexity generally commissions an evaluation of the quality and pollution levels of the soil and subsoil, the history of the land at the site, and the presence of any asbestos in buildings to be refurbished or rebuilt. Nonetheless, the Group may still encounter environmental or soil quality problems during or after construction. Although the seller or most recent user of the land or building can typically be held liable for such matters, discovery of environmental or soil quality problems may result in serious delays as well as additional costs and may have significant financial consequences. The Group has not had any significant legal action based on

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

- Puts in place any bank financing needed for the project (see paragraph "Project financing" below);
- 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 client.

privileged relationships with certain contractors and suppliers that satisfy its qualitative and financial criteria, and the Group consults them regularly for bids. Depending on the number of development projects in a given year, the leading supplier may potentially account for a significant portion of the Group's Commercial Real Estate expenses that year. The Group verifies the financial soundness of the subcontractors and suppliers it hires as well as their financial and human resources capacity to meet their obligations (in light of the subcontractor or supplier's size in relation to the project). Nexity also closely monitors employment conditions for on-site personnel to ensure that they are legally compliant.

for the regular monitoring of water use at construction sites is implemented by Nexity for all Commercial Real Estate projects seeking HQE®, BREEAM and/or LEED certification. Lastly, measures to limit noise pollution are applied at all of the Group's construction sites.

environmental claims brought against it in the past. Asbestos-related risks for development projects are marginal and are accounted for in offers to purchase land and buildings.

The same procedures also apply to residential property and Villes & Projets developments.

Aside from the specific issues raised above, Nexity is not exposed to any other environmental risks, given the nature of its activities.

No provisions have been established in the Group's financial statements for environmental risks or guarantees.

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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 client. Once the building

has been handed over to the investor, the client 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 client is also covered by the benefit of a perfect completion warranty

covering defects noted in the year following the building's delivery (during the period, the Group obtains a certificate stating compliance is not being disputed), and a two-year proper operating warranty and a 10-year warranty.

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

When the client 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 client 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 client (cession Dailly).

When the client 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.

Warranties given by the Group

Completion bonds

As part of any project carried out under a VEFA or CPI agreement, the Group provides a financial completion warranty similar to that required by the regulations applicable to the VEFA off-plan contracts entered into by the Residential Real Estate division. The 10-year warranty

and proper operation warranty also apply to commercial real estate developments (see sections 1.8 "Legislative and regulatory environment" and 2.6.2 "Main insurance policies" of this Registration Document).

Rental guarantees

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

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

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

- The amount covered by the rental guarantee (rent and building expenses);
- The type of tenants that the investor will have to accept and the rent levels at which the property may be leased; and

- The conditions for terminating the guarantee, which require that one or more potential tenants be found, but do not cover their solvency or adherence to lease clauses.

1.4.2.3 Nexity Contractant Général

Through its interior fitting expertise, Nexity Contractant Général can refurbish all or part of the real estate assets of its owner clients. It also offers them assistance to limit vacancy in their buildings and to help their tenants during the leasing process.

Nexity Contractant Général can also help owners upgrade their office buildings in line with user expectations.

The Group always includes, within each project budget, the cost that would be incurred if the rental guarantee were called upon, thus allowing for forecasts of two different profit outcomes depending on whether or not the guarantee is exercised.

The architects and designers produce tailored solutions to transform entrance halls, make company restaurants and common areas multi-functional, and upgrade office floors to current rental standards.

In 2018, Nexity Contractant Général took orders with a value of €19.9 million through operations, mainly in Paris and the Paris region, but also in Lyon, Marseille, Montpellier, Rennes, Lille, Reims and Strasbourg.

1.4.2.4 Operational organisation of the Commercial Real Estate division

In France, the Commercial Real Estate division is organised around teams bringing together the required skills.

The Commercial Real Estate business encompasses the development of office space, hotels, logistics facilities and other industrial space. It also includes the development of wood-frame office buildings. Such an organisation enables the Group to segment its offering.

Since the market is concentrated in the Paris region, most of the 95 commercial real estate employees are based at the head office in Paris. Regional establishments in Lille, Lyon and Marseille help take a hands-on approach to local business development, particularly regarding the development of wood-frame office buildings (Ywood/Térénéo). To find customers and obtain permits, the Commercial Real Estate division also takes advantage of synergies with the Residential Real Estate division's

regional development subsidiaries, which have denser territorial coverage in France.

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

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

Of the 274,350 square metres of commercial real estate delivered in France over the past three financial years, only 8% was developed in partnership with other developers.

Nexity Contractant Général has 14 employees, based mainly in the Paris region.

1.4.3 Real Estate Services to Companies

In this business line, the Group offers companies, institutional investors and public and para-public bodies a full range of services covering every stage in a building's life cycle, from advisory services for those planning to acquire properties, to the management of real estate assets possibly including either unit or bulk sales and, where applicable, condominium management. Real Estate Services to Companies mainly comprise:

- Activities where 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;

- Real Estate Services to Companies, specialising in the management of portfolios of residential properties, offices or other business premises (property management, *site* development); and
- Comprehensive real estate services offered by Nexity Conseil et Transaction to commercial users and owners seeking to lease or sell, make further investments or optimise their real estate assets (including office space, logistics facilities, retail premises, etc.).

At the end of 2018, the Group's Services covered 18.6 million square metres managed in commercial buildings.

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1.4.3.1 Overview of the market and competitive environment

The property management market

The traditional core activities of property managers – rental management, accounting and technical management is supplemented with numerous ancillary missions: tax advice, audits, energy recommendations, technical management solutions, construction assistance, selection of suppliers, platform of services for occupants, etc. Over recent years, the sector has had to cope with pressure on prices, the compression of demand, and the ending of the annuity income model following the erosion of interest rates. The paradigm shift induced by higher-quality expectations on the part of occupants now offers key prospects to property managers able to rise to the smart building challenges and deal with energy, consumption, comfort and security issues through efficient data management. The increasing broadening of the service offering involves a variety of rôle – including a building management system, dashboards and a data room to track performance as well as connected objects and services dedicated to occupants. These structural changes, combined with the mass return of foreign investors in

2018, have modified the landscape by unleashing the market's hitherto limited growth potential.

Within the French **property management** market, some 15 operators manage surface areas exceeding 2 million square metres. The property management subsidiaries of BNP Paribas Real Estate and Nexity dominate the competitive landscape in France. They are the only operators to manage more than 10 million square metres. It should be noted that Foncia entered the market at the end of 2016 through the acquisition of Icade PM, a major property management group aiming to develop its business in the non-residential segment. Unlike in the residential segment, the number of operators able to meet the requirements of major investors in terms of management and reporting is limited. The increase in the size of the assets managed by the leading operators (in particular Nexity, BNP Real Estate PM, Adyal, Yxime, Septime, Telmma, CBRE PM, and Foncia) acts as a barrier to potential newcomers.

The fitting-out market

Over recent years, the traditional office real estate model and the workspace layout have taken a radical turn, driven by open space concepts, flexible working hours and nomadic work, in an increasingly digitalised and connected environment. In addition, occupational well-being has become a major concern for numerous companies, as employees seek a better work/life balance. In view of these developments, companies are seeking to adapt their workspaces while also providing a new service offering.

The classic office concept is being challenged and users are favouring facilities that optimise the workspace, increase collaborative work and provide agility. In 2018, the most innovative constructions have included aspects such as: flex offices, adaptable shared spaces, privacy bubbles, coworking spaces, the integration of relaxing activities, and

the design of spaces dedicated to services. Small-scale users are increasingly seeking “plug and play” offices.

Among those specialising in **the fitting out of workspaces**, four types of players stand out:

- Specialists in commercial real estate services such as JLL (Tétris) and CBRE (CBRE Design & Project);
- Commercial real estate development players like Vinci Immobilier with its Openwork concept;
- Consultancy firms specialised in fitting-out projects: Majorelle, Artdesk Group, Goodwill Management; and
- Coworking players, such as Morning Coworking and WeWork, with a concept and solutions inspired by their own coworking spaces.

The market of services to building occupants

Influenced by multiple trends, users are increasingly demanding services integrated into the building. Among these trends are nomadism, the increase in remote working, the streamlining of real estate parks, the influence of digital natives on tools and the organisation of work, the heavy competition to attract talent and the arrival of the new thinking valuing well-being at the work place. To adapt to these new usages and increase the attractiveness of their facilities and their brand, businesses are stepping up initiatives adding service in the broad sense for their employees. These initiatives are varied and sometimes still in the experimental phase, with for example, renewed management of food service spaces, current services to

employees or focused on well-being, namely through an increased supply of concierge services (17% growth in private and corporate concierge markets in 2017).

With significant growth levels, concierge services are raising a lot of interest. Through a variety of players – including digital players, independent specialists (like To Do Today), upmarket players, facility management groups like Vinci Facilities, and insurance companies – strategies are crossing paths and the landscape is taking shape. On the whole, in terms of services to building occupants, numerous players have taken position, and the increasing hybridisation of the various sectors (office, hotel, and retail) should generate growing competition in the future.

Another basic trend, third party locations, flexible/hybrid spaces or co working centres are developing rapidly around the work, particularly in major cities. In France, there were nearly 1,800 third party locations, 238 coworking spaces in the Paris region in 2017 (140 in 2015), nearly 150 in Paris in 2017 versus 81 in 2015. The boom in these new spaces corresponds largely to new expectations by office users in terms of flexibility in time and space. The dynamism of the digital economy, the explosion in the number of start-ups, particularly digital, and in the number of independent workers, and, more recently, the demand by major corporate accounts for more flexibility in their organisations are driving the market up.

The major coworking names are inevitably becoming renters in business districts around the world. Like in New York and London, the current trend is for the opening of large hybrid workspaces (exceeding 2,000 square metres, and up to 20,000 square metres). Since 2016, coworking centres of more than 2,000 square metres have accounted for 69% of new openings, versus 38% between 2008 and 2015. In 2017, the average surface area involved in the transactions reached nearly 4,000 square metres.

The transaction market

In the segment of transaction services and advice to investors/users, the core markets are mainly covered by a few major players: BNP RE, CBRE, JLL and Cushman. Alongside Colliers, Savills, Knight Frank and other office real

estate firms, certain specific market segments have seen significant market share gains by smaller players over recent years, such as Arthur Lloyd (regional markets) and EOL (logistics).

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1.4.3.2 Nexity Property Management

At the end of 2018, the portfolio managed by Nexity Property Management (NPM) represented 18.6 million square metres, including 8 million square metres dedicated to technical management, the Group's service offering, illustrated by the renewal of the contract with SNCF and the signing of two management contracts in the fourth quarter, with EDF and Enedis.

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

Property management consists in taking charge of all or part of the real estate assets of the Group's clients, whether institutional, public, or private, with the constant goal of optimising the financial return on the assets managed (rental return and capital yield through a dynamic approach focused on tenant satisfaction for the benefit of the owner). In France, Property Management is governed by the Hoguet Act.

The services offered include rental management (lease negotiation and contracting, surveys, legal monitoring,

accounting, financial reporting, etc.), technical management (scheduling of maintenance operations, services and regulatory checks, energy and fluid management, and preparation and implementation of multi-annual work plans).

The work overseen includes the refitting, renovation and refurbishment of buildings of all sizes. It involves providing assistance to the owner or delegated project management.

The other activities include security management, insurance management, the management of jointly-held commercial buildings and shopping centres, as well as occupancy cost guarantees.

A wide sustainable development offering is available, such as energy monitoring for the buildings managed by Nexity, environmental certifications (HQE®, BREEAM, LEED EBOM), a collaborative platform for the follow-up of environmental annexes, as well as a tool to analyse the attractiveness of the buildings (attractiveness index).

In early 2019, Nexity pursued its services platform strategy for Commercial Clients by taking a majority stake in the company Accessite, providing property management services as a broker and specialised adviser in retail real estate.

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Commercial Clients

1.4.3.3 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:

- Building branding: project management support as well as architectural and marketing solutions to promote a building's brand;
- Digital solutions: development of digital collaboration platforms for buildings and users;
- Services to users: concierge services, events, marketplace, etc.;
- Consultancy: helping clients bring their plans to fruition by carrying out technical, regulatory, organisational and financial audits and drawing up specifications;
- Building works supervision and transfer management: this area of expertise, serving clients interested in renovating and outfitting their office space, encompasses space planning, drawing up specifications,

managing invitations to tender, supporting project owners and providing guidance on transfers of undertakings as part of the occupant services offering; and

- Technical solutions consulting for the real estate and construction sectors, providing property owners, construction project owners and real estate asset managers with high added-value technical solutions (technical expertise, assistance to construction project owners, renovation project management) and/or compensation-related solutions (assistance with claims management).

In 2018, Nexity pursued its services platform strategy for Commercial Clients by taking a new majority stake in:

- Intent, a digital platform specialising in the installation of information sensors in buildings, allowing real-time data analysis; and
- Morning Coworking, a leading player in the Paris ready-to-use office space market.

1.4.3.4 Commercial Real Estate brokerage and advisory services

The Group also provides brokerage services for property lettings or sales (retail or bulk) on behalf of commercial clients.

- **Residential:** Real Estate: owners may decide to sell individual units in their buildings in order to secure the best prices. Thanks to its expertise in this area, the Group is able to offer assistance throughout the process:
 - In the preliminary phase, by preparing detailed reports on the property's sales potential (market and product surveys, provisional balance sheets) and completing pre-sale formalities (such as diagnostics, establishment of condominium status and legal recommendations),

- During the selling process itself, in particular by managing relations with current tenants, who constitute the initial pool of potential buyers, and
- By offering units for sale on an individual basis; and
- **Commercial:** Real Estate: the Group offers a full range of services to users and owners who wish to let or sell, make further investments, or assess or optimise real estate assets, including office space, logistics facilities, retail premises, hotels and land parcels.

1.4.3.5 Operational organisation of Real Estate Services to Companies

The Group's commercial property management business has 538 employees, mainly based in the Paris region but serving all regions of France, with a network linking the major urban areas overseen by 19 regional offices.

Through its subsidiary Nexity Conseil et Transaction (a commercial real estate brokerage and advisory services firm), the Group employed 137 people in France at 31 December 2018 and conducted nearly 500 transactions

in 2018. In the rest of France, Nexity Conseil et Transaction has offices in Marseille, Lyon and Bordeaux as well as a franchise based in Toulouse.

As a result of negotiations opened in January 2019, Nexity sold the majority of the equity in its subsidiary Nexity Conseil et Transaction to the management on 29 March 2019. Nexity retains a 16.3% stake in Nexity Conseil et Transaction.

1.5 LOCAL AUTHORITY CLIENTS

1.5.1 Summary of activities with Local Authority Clients

As a key player in urban development, Nexity maintains close, long-term partnerships with Local Authority Clients throughout France. Local authorities can rely on the Group's territorial coverage, extensive know-how and expertise to provide them with comprehensive and enduring urban solutions that are tailored to the needs of their municipalities and regions.

As a major player in the private urban planning and design market in France, Nexity initiates reflections on the definition of the urban project, in line with the local authorities' requirements. It provides concrete solutions to

the transformation of the city and its uses. The subsidiary Villes & Projets, dedicated to the Group's major urban projects, coordinates the skills available to Local Authority Clients, in order to put together and control the urban projects' entire value chain.

To deal with the problems involved in the release of land from strategic land banks and the rehabilitation of urban wastelands, Nexity Villes & Projets is involved in the rehabilitation of potentially polluted sites and acts as a third-party requester.

1.5.2 Overview of the market and competitive environment

Urban areas are constantly increasing in number and in size. This has led Nexity to reconsider its relationship to space, the city, mobility and services. In France, like everywhere else in the world, big cities are growing and imposing new equilibria. There is a need to reinvent districts, rehabilitate peripheral areas or wastelands, and create new living environments for inhabitants. Designing and building housing is no longer enough. There is a need to be able to deal with complex projects, by finding a balance between urban density and efficiency and by putting forward an appealing approach to height.

Aware of these new challenges, Nexity has changed from being a single-product real estate development company to being a real estate services platform, centred on its clients' needs and expectations rather than on its business activities as in the past. Today, its development model is centred on how the buildings are used by their occupants.

For the Group, local authorities are essential partners for the creation of tomorrow's cities. Generally perceived as order givers, Nexity has turned local authorities into full-fledged clients, on par with Individual Clients or Commercial Clients.

As a player with a long-term commitment to urban development, the Group assists local authorities in all of their transformations and provides them with the comprehensive solutions needed to meet future demands.

To this effect, the Group has developed a structured approach to urban regeneration with the set-up of its subsidiary Villes & Projets in 2001.

Villes & Projets supports local authorities in their urban development projects, from design to delivery. Serving as a genuine liaison between the various stakeholders involved in urban development, Villes & Projets adopts a long-term strategy encompassing all aspects of these projects:

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

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

In this manner, through its subsidiary Villes & Projets, 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. Creating genuine urban projects, Villes & Projets provides a comprehensive solution to local authorities by reinventing districts and creating new living environments for inhabitants with innovative services suited to their needs.

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 strategy that takes into account regional, economic, social and environmental considerations to contribute to the sustainable use of local land as a green value source, rebuilding cities within their existing limits and redensifying city centres, often by reappropriating former industrial sites.

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

Villes & Projets is now one of the French leaders in private urban development, having launched 20 major urban projects over the past ten years.

Several national competitors have come up with a similar approach. They include the following: Eiffage, Bouygues (Linkcity and UrbanEra), Cogedim, BNP Paribas Immobilier, Icade and Vinci (Adim).

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Local Authority Clients

1.5.3 Urban regeneration (Villes & Projets)

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1.5.3.1 Arranging and structuring development projects

Villes & Projets takes part in urban development projects from their earliest stages. Its project teams bring together all the skills and expertise needed for design and execution. These teams, whose composition varies depending on the

type of properties involved (homes, offices, retail premises, hotels or business parks) may also enlist the services of external partners with specific expertise (such as urban planners, engineering firms, etc.).

Site planning projects

Once the project has reached an advanced stage, the Group sets up a special-purpose entity to acquire land rights, carry out preparatory works and resell construction rights to the

Group's real estate development companies or to third-party operators designated by the local authorities (social housing operators in particular).

Urban design operations

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

1.5.3.2 Land development potential

The Group is currently developing ten urban projects with a total potential floor area of 635,400 square metres. At the end of 2018, 70% of these projects were located in the Paris region, with the remaining 30% elsewhere in France.

The highlights of 2018 were the following:

- The acquisition of PSA's 9-hectare industrial site located in the municipality of La Garenne-Colombes (Hauts-de-Seine), in partnership with Engie, to transform it into an eco-district and house Engie's future eco-campus; and
- The acquisition of seven hectares of agricultural wasteland for its future transformation into an eco-district of 400 housing units in ZAC des Laugiers Sud, through a development concession granted by the municipality of Solliès-Pont (Var).

The following table summarises the programmes in the portfolio:

Locality	Total floor area in sq.m SDP*	Residential in sq.m SDP*	Commercial in sq.m SDP*
Paris-region portfolio			
Saint-Ouen (Seine-Saint-Denis) Alstom site	75,600	44,900	30,700
Asnières-sur-Seine (Hauts-de-Seine) PSA site	60,300	16,200	44,100
Montreuil (70% share) (Seine-Saint-Denis) ZAC Boissière Acacia	48,200	44,200	4,000
Le Blanc-Mesnil (Seine-Saint-Denis)	20,600	20,600	-
Bry-sur-Marne and Villiers-sur-Marne (Val-de-Marne)	140,000	100,000	40,000
La Garenne-Colombes (51% share) - (Hauts-de-Seine) PSA site	98,000	500	97,500
Subtotal	442,700	226,400	216,300
Other regions of France			
Saint-Priest (Metropolis of Lyon) ZAC Berliet	85,500	3,500	82,000
Bordeaux (50% share) (Gironde) Belvédère	70,500	36,400	34,100
Solliès-Pont (Var)	36,700	36,700	
Subtotal	192,700	76,600	116,100
TOTAL	635,400	303,000	332,400

* SDP: French *surface de plancher* measure (usable area). Floor areas are provided for information purpose only and may be subject to adjustment once administrative authorisations have been obtained.

1.5.4 Fund dedicated to the transformation of office space into housing

The Group holds a 20% stake in a fund managed by Harvestate for the transformation of office space into

housing units. In this connection, a first operation is due to be initiated in Boulogne-Billancourt (Hauts-de-Seine).

1.5.5 Land ownership

Nexity's traditional model rests on the use of purchase options in order to control land. However, due to stiff competition and the rise in land prices in certain areas, the Group has had to imagine new sources of financing in order to carry out its ambitious development plan while continuing to pursue a controlled land bank strategy with limited risk-taking. In exceptional cases, Nexity may take certain risks on land, within the €250 million limit set by the Group. At 31 December 2018, the amount of land bank¹ totalled €130 million (based on net WCR).

In order to increase its investment capacity in high-potential land, Nexity has structured a land piggybacking vehicle in which the bulk of the land is owned by third-party investors while Nexity holds a minority stake, thereby ensuring that the interests of all partners are aligned.

This solution should enable Nexity to take position on high-potential plots, mainly in Greater Paris and large regional cities.

1.5.6 Operational organisation of Local Authority Clients

In each of the territories (large cities, urban areas and peripheral areas), the Group's local subsidiaries develop close relations with Local Authority Clients. In addition, Nexity relies on its Villes & Projets subsidiary to enhance and maintain long-term partnership-based relationships with these Clients, through its know-how as an urban developer and designer, a participant in innovative urban projects and a service provider to local authorities.

Villes & Projets operates throughout France with a multidisciplinary team of 16 people including urban planners, architects, engineers, experts in soil and building treatments, and specialists in community issues. The subsidiary is organised by type of expertise and covers all stages of an urban project, from its development phase to its construction phase.

¹ Represents the amount of projects for which the Group has acquired development rights, before obtaining a building permit and in some cases planning permissions, expressed as an amount recognised within the working capital requirement.

1.6 INTERNAL CLIENTS

“Internal Clients” firstly include all Nexity employees, whose expertise and commitment are the prime key factor for the success of the Group’s strategic plan. This means that employees are treated like clients, by paying attention to their motivation levers, listening to them, taking their suggestions into account, adapting to their changing requirements and aspirations, providing them with a host of user-friendly, easily accessible, professional services (relating to the management of human resources, worktime management, the management of workspaces, IT tools and services, concierge services and other services to improve their everyday life, etc.). This strategy, initiated in 2017-2018, has given rise to notable breakthroughs, such as the mainstreaming of teleworking at Nexity in 2018 (see chapter 3 “Statement of non-financial performance” in this Registration Document).

In Nexity’s organisational structure, the Internal Clients comprises all the functions which are mainly focused on employees, on Nexity’s cross-functional concerns, and on support for the operational teams dealing with external clients, *i.e.* mainly the following departments and services:

- Internal audit;
- Internal communications;
- Finance;
- Risk management and control;
- Real estate, purchasing and central services;
- Innovation and new business lines;
- Legal affairs;
- Strategic marketing;
- Social and environmental responsibility;
- Human resources;
- Strategy and development; and
- Technologies and IT systems.

The following brief presentation focuses on the strategy of Nexity’s Internal Clients. It describes the main issues concerning the management of human resources and IT systems.

1.6.1 Employees: levers of future growth

The men and women who make up Nexity’s teams are the Group’s “human capital”. Nexity considers its human capital as its main resource and the keystone of its business model. It considers the risk of the loss of skills as its main risk. Against a backdrop of stiff competition on the labour market, one of the Group’s main challenges is thus its capacity to attract and retain talents – the Group’s key production factor and its future growth lever.

Compensation is a prime factor to attract and retain employees. Nexity thus seeks to ensure that its employees’ efforts are properly rewarded, by recognising both individual performance and collective performance, while preserving equity and solidarity. Nexity has put in place an attractive compensation policy involving a profit-sharing scheme (€17 million paid out in 2018 under the Group’s profit-sharing and incentive programme).

Moreover, the Group has been pursuing an employee shareholding policy for a number of years (at the end of 2018 employees and managers hold nearly 17% of Nexity’s share capital).

In order to develop talents and boost employee commitment, Nexity has a more inclusive recruitment and career management policy, both in terms of diversity and skill development for example through a personalised and collective development programme called Next aimed at employees who meet certain objective criteria defined during talent review meetings (77 employees have taken part in this programme since its creation), with a special focus on internal mobility (150 employees benefited from an internal transfer in 2018) and on diversity.

In this respect, and with the aim of becoming a preferred employer, the Group has set itself ambitious goals in these areas, including:

- Doubling the number of employees having benefited from an internal transfer by 2020;
- 35% women (compared to 31% in 2018) at end 2020 in the “Club 100” bringing together the Group’s top 140 managers; and
- Employee voluntary turnover rate: less than 10%.

1.6.2 Significant computerisation and digitisation effort

Quality of life at work is a major factor to attract and retain employees. In this respect, Nexity offers a wide range of measures that enhance its employees' well-being, improve their working conditions, and promote a good work/life balance. These initiatives include:

- The roll-out of nomadic working;
- The pilot-testing of flexible office concepts; and
- Training and the roll-out of new collaborative working methods (lean startup, etc.).

Nexity is also bringing about in-depth changes in its fixed and mobile work tools, in order to provide its employees with the latest state-of-the-art technologies to improve their communications (video-conferencing, instant messaging) and collaboration (on-line document sharing, corporate social network, and internal data search).

In 2018, the Group invested €16 million in its IT systems and digital technologies (versus €16 million in 2017). This increase in capital expenditure, which will continue without affecting the Group's profitability, is due to:

- An overall upgrade across the real estate sector;
- Nexity's rapid shift towards a service-oriented company model, implying, by definition, the more intensive use of IT and communication technologies;
- An unprecedented effort to redesign the Group's main business-specific applications (mostly developed in-house) and upgrade the employees' IT tools; and
- Digitisation of Board of Directors' processes.

The Nexity group has initiated an in-depth transformation of its "IT Systems" function, with the aim of taking better advantage of the disruptive opportunities offered by digital technologies.

This transformation is materialised by an in-depth change in the operating model, which has been refocused on the Group's core skill to build, in close connection with operations, the very high-added-value tools making it possible to deliver and develop business operations.

The concrete elements that materialise this transformation include the following:

- A transition towards mainly public cloud computing, with the aim of becoming a company without a datacenter in 2019;
- Entering into strategic long-term agreements with partners who are leaders in the sectors of facilities management, IT system renewal and development. These agreements are based on reciprocal commitments to results, in order to guarantee service levels and secure investment programmes; and
- A sharp increase in expenditure for the renewal and development of digital tools for the Group's core business activities, *i.e.* real estate development and services.

The aim of these investments is to improve the client experience, significantly increase productivity, and improve the security of the IT system.

To ensure their success, these investment programmes are accompanied by the bolstering of the teams in charge of their implementation, through the hiring of numerous experienced employees coming from business segments boasting high digital maturity.

These investment programmes have already improved and will continue to improve the agility of the IT system, making it much more open to the outside for the benefit of the Group's clients, partner suppliers and subcontractors, as well as more secure and offering numerous high-added-value services.

The IT system will be made more agile and open through an assertive strategy allowing high upgradability and interoperability.

At the end of this multi-annual investment cycle, Nexity will have a state-of-the-art IT system generating high added value and placing the Group at the cutting edge of the real estate sector.

1.7 INVESTMENTS, INNOVATION AND DIGITAL TECHNOLOGIES

1.7.1 Investments

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

- Investments in ongoing operations (fixtures and fittings, computer equipment and software, furniture, etc.);
- External growth investments with the aim of developing the Group's business by way of acquisitions of companies, equity interests, business goodwill or contributions; and

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Investments, innovation and digital technologies

- Investments that are more financial in nature, through acquisitions of minority interests (in particular as carried out by the investment business).

For further information on purchases involved in the operating cycles of the Group's development activities and its urban regeneration business (including land acquisitions), as well as minority interests acquired by the investments business; see the following sections of this chapter: 1.3.2.2 "New homes", 1.4.2.2 "Commercial Real Estate", 1.5.3 "Urban regeneration (Villes & Projets)" and 1.5.4 "Fund dedicated to the transformation of office space into housing".

For the whole Group, current operating investments amounted to €48 million in 2018 (versus €33 million in 2017 and €25 million in 2016), with half of the increase being attributable to the growth of Ægide-Domitys since its consolidation on 1 July 2018.

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

In 2016, the Group acquired 55% of real estate group Edouard Denis Développement and 65.01% of Prado Gestion, parent company of developer Primosud. Nexity also acquired 100% of the Costame group (one of France's leading providers of technical solutions consulting for the real estate and construction sectors, as well as various individual property management firms in Paris and

1.7.2 Innovation

Due to its overarching focus on innovation, the Group's activities in this area involve a broad range of business lines and subsidiaries. Innovation activities are monitored and spearheaded by the Innovation and New Business team, which reports directly to Executive Management and works in close collaboration with the other Group departments.

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

Intrapreneurship

Startup Studio, Nexity's internal incubator launched in September 2017, supports projects for the creation of new innovative businesses put forward by teams comprised of Group employees or students at partner institutions. The methodology adopted allows them to turn their idea into a functional product, and generate their first revenue, in just four months.

This approach leverages the collective intelligence of the Group's employees, bringing together key areas of expertise from various business lines, all while promoting a startup methodology based on agile and client-oriented product development:

To date, Startup Studio has launched three intrapreneur generation operations, one at the end of 2017 and two in 2018. For the first two generations, Nexity employees, along with students, worked on five projects focusing on

Aix-en-Provence. Lastly, Nexity acquired 7% of Ægide SA, bringing its stake in the company to 45.16% at 31 December 2016, with the founding shareholders continuing to own the remainder of the company. The total value of these acquisitions came to €213.7 million, with €90.3 million of this amount corresponding to the purchase price of shares (funded from the Group's cash holdings) and the remainder corresponding to bank borrowings shown in the opening balance sheet and commitments to acquire minority interests.

The Group did not carry out any significant acquisitions in 2017.

In 2018, the Group acquired an additional 18% stake in the Ægide-Domitys group, bringing its total equity interest to 63.16%. It also took a majority stake of 53.80% in the capital of Morning Coworking (BAP group) and acquired various individual property management firms. The total purchase price of the shares was €81.9 million, to which is added an estimated €141.7 million in commitments to acquire minority interests.

The Group's investment activity 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.

This team leads the innovation and New Businesses Committee, which identifies and confirms priority actions, appoints innovation project managers and allocates central resources.

strategic issues for Nexity such as senior housing, the lease-to-purchase offering aimed at facilitating home buying for modest households, and datascience to find new clients.

For the third generation, Nexity mobilised all Group employees by launching a broad call for ideas, called Nex'Idea. The competition enabled over 1,300 employees, from all business lines and regions, to reflect on tomorrow's real estate *via* a collaborative online platform. A total of 554 ideas were submitted and over 4,000 votes were recorded. At a final selection hackathon, the projects selected included the following: Sol'air, a project focused on a solar panel installation and management solution for buildings rooftops; and Real Value, proposing the conversion of under-exploited Paris basements into quality commercial space.

Investment in start-ups

Nexity invests in real estate startups in two different ways:

- Indirectly, through five professional private equity funds:
 - Two funds managed by Demeter Partners, specialist in investing in start-ups specialising in the climate-based energy and environmental transition,
 - Two funds managed by Newfund Capital, which focus on technology and the digital transition, and
 - One fund managed by Elaïa Partners, specialising in deep tech;
- Directly with start-ups, with in particular:
 - a stake acquired in **Urban Campus**, a company that designs and operates urban co-living and coworking spaces; and
 - **Realiz3D**, an innovative player in immersive real-time 3D modelling, which makes it possible to develop co-design approaches with clients, and customise off-plan units with 3D apartment models updated in real time.

During the year, Nexity sold its stake in the short-term rental services company **Luckey Homes** to the American giant AirBnB. In December 2017, Newfund and Nexity jointly invested €2 million in Luckey Homes to accelerate its development, enabling the company to double its business volume between 2017 and 2018. This acquisition

by the world's leading player in the sector confirmed the soundness of the joint investment strategy developed by Newfund and Nexity. This strategy combines the expertise of an investment fund to guarantee entrepreneurial and technological capability, and that of a major real estate player for the analysis of the market and relevance of the business models. Their different and complementary approaches – financial for one and focused on uses for the other – have been crowned with success.

These investments, focusing on new urban services, new technologies for homes and sustainable real estate, are in keeping with Nexity's digital transformation and innovation strategy. They also help the Group boost its innovation capacity across all business lines by working as closely as possible with today's most promising entrepreneurs and startups in its sector.

Nexity's corporate venturing activity allows the Group to:

- Benefit from a strong flow of startups, thus increasing the number of opportunities;
- Learn from the views of other businesses / industry sectors through discussion with investors, funds and co-shareholders; and
- Boost the Group's financial firepower: Nexity accounts for between 4% and 6% of amounts raised by the funds, but has access to 100% of investments.

Partnership

Bien'ici – a next-generation property listings website launched in December 2015 and now 49% owned by Nexity alongside a consortium of real estate professionals (*Consortium des Professionnels de l'Immobilier*) and a financial investor – continued to receive a growing number of membership applications from professionals wishing to

place paid listings (with 8,448 member agencies at end-2018 compared with 7,352 at end-2017). The number of visits to the website has continued to grow, setting a record of 55.5 million for 2018 (twice as many as in 2017), making Bien'ici the third largest real estate portal in the French market a mere three years after its launch.

Structuring of innovation partnerships

Nexity participates in open innovation programmes and events using the ecosystems of local stakeholders, for example:

- The “*Immobilier de demain*” (Real estate of tomorrow) incubation programme with Paris&Co and other players in the real estate industry;

- The Impulse Partners accelerators, under a partnership signed by Nexity at the end of 2018 focusing on occupational well-being, tomorrow's real estate, digital design, the smart city and social housing; and
- The RealEstech association which manages the community of real estate start-ups.

Developing business ties with startups by integrating and adapting the Group's product and service offerings

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

Every year, dozens of experiments or proofs-of-concept tests are set up, sometimes leading to partnerships. An example is *Bon de visite*, an Artificial Intelligence start-up with whom the Nexity, Century 21 and Guy Hoquet networks developed an automatic property appraisal tool.

1 INTRODUCTION TO THE GROUP

Legislative and regulatory environment

1.7.3 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.

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

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

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

- Century 21 France and Guy Hoquet l'Immobilier. As franchisers of estate agencies, these businesses need to be able to capitalise on their own brands. The Century 21 brand is used under a licensing agreement entered into with Century 21 Real Estate Corporation, which is governed by United States law. This case is an exception: the Group generally owns all the brands it uses;
- iSelection and PERL, which work with various developers, and therefore continue to use their own brand;

- Certain individual property management networks such as Oralia and Bérard; or certain property development organisations such as Edouard Denis and Primosud, given the specific nature of their business and their strong brand identity in their market; and
- Ægide-Domitys serviced senior residences.

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

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

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

1.8 LEGISLATIVE AND REGULATORY ENVIRONMENT

There is no specific regulatory regime governing the Group's Residential and Commercial Real Estate operations in France. The Group must nevertheless comply with numerous rules and regulations in carrying out its operations.

Urban planning

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

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

Recent years have seen significant urban planning reform in France (ALUR, Pinel, Mandon, Macron, Maptam, etc.), whether enacted by ordinances or under the new ALUR Act facilitating access to housing and promoting urban renewal, and more recently through the ELAN Act of 23 November 2018.

Environment

The Group is also bound by environmental regulations.

The Group's activities are governed by several legal frameworks including, at the national level, the provisions of Act No. 2016-1087 of 8 August 2016 on reclaiming biodiversity, nature and landscapes; Order No. 2016-1058 of 3 August 2016 on the reform of project environmental assessment procedures, applicable from 1 January 2017 and 1 January 2018; and Order No. 2017-80 of 26 January 2017 relating to the single environmental authorisation, applicable from 1 March 2017.

The Group is also bound by applicable provisions on polluted sites and soil (see sections 1.3.2.2 and 1.4.2.2 paragraphs "Project development and risk management" of this Registration Document).

In addition, the ALUR Act introduced the following provisions relating to polluted land and the remediation of sites:

- 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.

These provisions have been clarified by various decrees and orders. Lastly, there are regulations in France covering the installation and management of electrical grids to promote energy self-sufficiency (collective self-sufficiency, closed systems such as microgrids serving a single building).

Right to sell

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

The Mandon Act of 20 December 2014 (Act 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 homebuyers. They include an obligation to sign the contract of sale in notarised deed form; the obligation to provide a warranty of completion (in the form of a bank guarantee); the obligation to sign a preliminary contract with clauses related to the client's assessment of the compliance of the project and the reserved property with the provisions of the final sale deed; the obligation to place the reservation deposit in escrow; and the obligation to comply with the schedule for future payments. However, these protective rules apply only to the "protected" sector, meaning buildings or portions of buildings for residential use or mixed use (professional and residential) sold to individuals. 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.

1 INTRODUCTION TO THE GROUP

Material contracts

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 10-year warranties). According to applicable regulations, there is a presumption of liability on the part of all persons involved in the construction of the building for any defect, including those resulting from defects in the land itself, that compromises the structural integrity of the building or an item of equipment in such a way as to render it unsuitable for its intended use.

Buyers benefit from a 10-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. Clients 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 2-year or 10-year warranties. The legal benefit of this coverage is transferred to the Group's clients when they acquire the home, and to their successors if their home is sold. This insurance, together with the other insurance schemes related to the Group's business, is described in Section 2.6.2 "Main insurance agreements" of this Registration Document.

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 (*Sécurité et protection de la santé* or SPS) coordinator. Aside from designating this coordinator, the Group's policy is to anticipate and identify the risks associated with its construction projects. The Group puts in place prevention plans at construction sites to identify risks and notify the various involved parties of potential risks. Under its obligation of due diligence, it also monitors compliance with provisions intended to prevent illegal labour and subcontracting; as such, it bars access to construction sites for companies it has not approved.

1.9 MATERIAL CONTRACTS

Partnership agreements with CDC Habitat (formerly SNI) and in'li (Action Logement group) – social and intermediate rental housing

In October 2018, Nexity signed a new memorandum of understanding with **CDC Habitat** (formerly SNI), bringing the intermediate housing target to 5,000 units for the 2018-2020 period. This new memorandum of understanding also provides for the annual construction of 1,000 social housing units to be sold off-plan over the 2018-2020 period.

It follows on from the first partnership agreement signed in December 2014, aimed at the identification of 800 to 1,100 housing units per year for a period of five years for CDC Habitat and the investment funds it manages.

In 2018, CDC Habitat, a direct or indirect intermediary of the Fonds de logement intermédiaire-FLI or the Société pour le logement intermédiaire-SLI, reserved 2,015 intermediary and social homes in programs developed by Nexity.

In October 2018, Nexity also entered into a 5-year framework agreement with **in'li** (Action Logement group) for the annual construction of 1,000 intermediate rental housing units in the Paris region. In early 2018, Action Logement announced that it would acquire 100,000 intermediate housing units in France by 2025.

In 2018 in'li reserved 189 intermediate homes in programs developed by Nexity.

Partnership with Engie for the creation of its future campus at La Garenne-Colombes (92)

Nexity has signed a financial and technological partnership with Engie¹ to jointly acquire and transform a 9 hectare industrial site located in La Garenne-Colombes, in the Hauts-de-Seine (92) into an eco-district. This new site in Paris La Défense will notably be home to Engie's future eco-campus.

The two groups will pool their respective know-how in terms of sustainable cities and energy transition to develop this general interest urban project, in close collaboration with the City and public players.

¹ See press release dated 13 July 2018

2 RISK MANAGEMENT

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2.1 RISK MANAGEMENT POLICY

2.1.1 Objectives of risk management and internal control

Risk management refers to a permanent set of arrangements that enable Executive Management and Nexity's managers to identify, assess and contain any risks that could have a significant adverse impact on the Company's ability to achieve its objectives or on its staff, assets, environment or reputation. Risk management forms an integral part of all Group processes (business lines and support functions); in particular, it provides assistance in decision-making. It aims to raise awareness and involve all employees through a shared vision of the key risks faced by the Group.

The Group's internal control system is defined by Executive Management and Nexity's managers and is implemented by the entire Group. It complements the risk management system, since it serves to identify and analyse risks while playing an active role in addressing them, in particular through the implementation of controls.

Internal control encompasses a range of resources, behaviours, procedures and actions that:

- Help the Group manage its activities, operate effectively and make efficient use of its resources; and
- Must enable the Group to appropriately assess significant operational, financial, employee and compliance risks.

More specifically, the system aims to obtain reasonable assurance with respect to:

- Compliance with laws and regulations;
- The application of instructions and guidelines laid down by Executive Management;
- The proper functioning of the Group's internal processes; and
- The reliability of financial disclosures.

Internal control is therefore not limited to a set of procedures or to accounting and financial processes alone.

2.1.2 Risk management and internal control environment

Risk appetite

In order to prevent and effectively manage risks that could have a significant adverse impact on its business, the Group has a policy of moderate appetite for risk, which it follows by limiting and controlling acquisitions of high-risk land assets, managing its real estate development operations within a prudential framework, ensuring its obligations are highly diversified, and avoiding speculative activities and those with high fixed costs.

The Group aims to ensure that it conducts its business activities at all times in accordance with legal requirements

applicable to its various business lines and with regulations relating to business ethics (see Section 2.3 "Business ethics and regulatory compliance", in this chapter). In this regard, it requires its employees to refrain from taking any decisions for which they, the Group's senior executives or any Group companies may be held criminally liable, and has introduced appropriate training for its employees.

The Group considers that its operational teams have a culture of risk management and control, even though this should be strengthened further.

General organisation

The business areas in which the Group operates require its teams to have a strong local presence in order to provide tailored solutions that meet our clients' expectations. To help our teams respond swiftly to our clients' needs while managing any risks related to the Group's businesses, from real estate development and transactions through to real estate services, a specific organisational approach has been put in place, with two main components:

- Decentralised operational responsibilities devolved to the managers of each operating entity; and
- Centralisation at Group level of strategy, risk management policy, finance and legal, human resources and IT systems, to a large extent. To do this, the Group's Executive Management is supported by its functional departments (in conjunction, where

applicable, with functional teams at the relevant divisions or subsidiaries).

In order for this organisational approach to function correctly, certain clear principles of action and conduct must be followed:

- Strict application of the Group-wide rules, particularly in terms of committed transactions both for Individual Clients and Commercial Clients (see sections 1.3.2.2 "New homes" and 1.4.2.2 "Commercial Real Estate" in this Registration Document) as well as financial, accounting and management information (see section 2.8 "Procedures relating to the preparation and processing of financial and accounting information", of this chapter);

- Knowledge of and compliance with the Group's Code of Conduct circulated to the whole workforce (see section 2.3, "Business ethics and regulatory compliance" of this Registration Document);
- Staff in positions of responsibility must act transparently and fairly toward their colleagues in the hierarchy at the operational level and toward the central functional departments of divisions and the holding company; As part of their role, operational leaders must be able to make decisions on their own when they fall within their field of expertise, but also to address any difficulties encountered, with help from their line managers or functional departments within the Group's divisions and the holding company, where necessary; and
- Managers of operating entities are responsible for communicating the aforementioned principles to their teams using the most appropriate means and must set an example; this responsibility cannot be delegated to functional departments.

Three lines of defence

More generally, Nexity is working to implement the reference model as described in the IFACI and AMRAE common statement of 2013, which organises the procedure for managing risk along three lines of defence, under the supervision of Executive Management:

- The first corresponds to risk management and control measures implemented by employees and managers of operating entities;

These principles are reflected in the Group's organisation through regular meetings of:

- The Executive Committee, consisting of the Group's senior management;
- Commitments Committees;
- The Nexity Transformation Committee, consisting of the members of the Executive Committee and the heads of the Group's client-oriented entities; and
- Nexity Project Committee; and
- The Client Committees, the operating entities committees and functional departments committees, consisting of the managers concerned.

- The second corresponds to the various functions that contribute to monitoring risk control and compliance. This involves the Risk Management and Control, Legal Affairs, Finance and Human Resources Departments, as well as other functional teams responsible for areas of expertise; and
- The third provides assurance on the effectiveness and consistency of the measures implemented by the first two lines of defence. This consists primarily of the Internal Audit team, which reports to the Chairman and Chief Executive Officer, as well as external auditors, providing independent assurance.

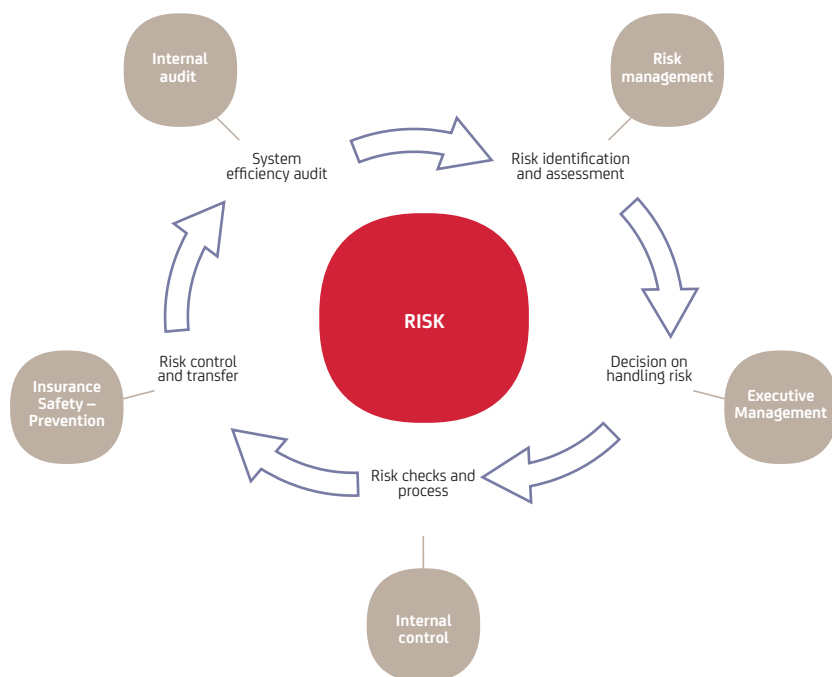
2.1.3 Objectives of the Enterprise Risk Management Department

The Risk Management Department tasked with optimising the coordination of the risk management system within Nexity is comprised of the Insurance Department, the Safety and Prevention Department and the Internal Control and Internal Audit Department.

At end 2018, the Enterprise Risk Management Department had a headcount of 25 employees, 6 of whom worked in Internal Audit. It reports to Executive Management, directly to the Chairman and Chief Executive Officer for Internal Auditing and Internal Control, and to the Group Legal Director for the other components.

2 RISK MANAGEMENT

Risk management policy



The key principles laid down in the reference framework recommended by the AMF (*Autorité des Marchés Financiers*, the French financial markets authority) and its implementation guidelines for risk management and internal control of accounting and financial information constitute the framework used by Nexity to ensure a consistent, uniform approach across the Group and facilitate compliance with the French Financial Security Act (known as the LSF – *Loi de sécurité financière*).

As such, the Enterprise Risk Management Department – in conjunction with the Group's Executive Management as well as its operational and functional managers – focuses its actions in the following specific areas:

- Promoting the management and control of risks from end to end of the value creation chain: risk analysis, prevention, monitoring plans of action, transfer to insurance, control and compliance audits;

Risk Management and Internal Control

This team is in charge of coordinating and guiding the Group's overall risk management.

It also plays a role in reinforcing the crisis management system enabling the Group to be responsive in the event of a serious incident or accident (implementation in 2018 of a crisis management procedure in the event of a serious incident at a construction site and the reinforcement of the system in case of an incident requiring corporate-level crisis management).

Insurance

This team works to secure the Group's portfolio and assets, complying with legal obligations, contractual commitments with regard to clients and insurers/partners and ensuring that insurance cover is constant, and adapting it if necessary.

- Supporting Nexity's development and transformation by encouraging calculated risk taking, allowing the Group to achieve its targets;
- Reinforcing and spearheading the dissemination of a shared risk management culture, encouraging innovation and Nexity's development by safeguarding risk-taking; and
- Giving Nexity's managers and Executive Management a consolidated perspective on these risks and the control measures implemented.

Thanks to its efforts, the Group is able to assure its shareholders, clients, partners and employees that it manages and controls its risks correctly.

In order to perform its duties properly, the Enterprise Risk Management Department comprises the following teams:

Crisis management actions will be continued in 2019 in particular through the crisis management system being put in place for the teams' activities.

It is also planned to continue with the tasks of preparing and improving continuity and recovery plans in particular for the Group's two main sites (Solstys in Paris and Romarin in Lille).

The Insurance team checks that the Group's current insurance policies provide optimal coverage of the risks that Nexity has chosen to transfer to the insurance market and, whenever possible and appropriate, implements Group-wide insurance programmes that cover all its subsidiaries. It also supports Nexity's activities with regard to insurance matters.

During financial year 2018, an audit of the *Ægide-Domitys* insurance policies and a special action to gather together the necessary documents concerning the *Dommages-Ouvrage* (equivalent to building damage insurance) insurance policies, were conducted.

Prevention and Safety

This team is involved in managing risk and the potential impact of the Group's activities on the health and safety of the Group's employees, suppliers and clients.

It works with the Executive Management and operational management to assess the risks posed by the Group's activity to the health and safety of employees. Actions designed to raise employee awareness of safe conduct (by means of face-to-face and e-learning sessions), were conducted in 2018. Monitoring of the implementation of safety measures on construction sites and the Group's own real estate assets or the real estate managed by the Group was also carried out. The team also ensures the accessibility and compliance of the Group's premises or managed by the Group.

Internal Audit

This team works with subsidiaries and cross-functional departments to check and assess employees' knowledge and the proper use of the risk management and internal control arrangements in place. Its duties are defined on the basis of a provisional audit plan, which is approved by Executive Management and submitted to the Audit and Accounts Committee. At the request of the Group's Executive Management, the team may also carry out special assignments relating to any issue or event that requires analysis, specific assessment or feedback.

In 2018, the Internal Audit team intervened for different Clients of the Group conducting the following assignments:

Communication/Reporting

Every quarter the Enterprise Risk Management Director meets the Chairman and Chief Executive Officer in order to update the mapping of corporate risks, review the Internal Control System and the level of control of the Group's main risks.

In 2019, the Insurance Department:

- Will continue its work on optimising and/or integrating recently acquired subsidiaries into the Group insurance programmes (Edouard Denis, *Ægide-Domitys*);
- Conduct raising awareness/training (E-learning and face-to-face) actions in subsidiaries concerning construction site insurance and internal processes; and
- Will continue with the digitisation of contractual documents and will deploy the electronic signature of construction insurance policies for the commercial real estate and corporate insurance policies.

In 2019, the Prevention and Safety team will continue with:

- Actions designed to improve construction site safety: site visits and recommendations for the prevention of risks, support provided to operational teams in the event of crisis management;
- Training sessions (face-to-face or e-learning) designed to ensure continuous improvement of the level of safety knowledge of the Group's workforce;
- Conducting audits of the real estate assets designed to analyse compliance of assets with regulations based on the purpose of the locations (habitation, tertiary, ERP, IGH, ICPE...);
- Supervision of the verification of electric and fire risks, as well as means of evacuating people from Nexity agencies/premises; and
- Monitoring actions concerning the *Agendas d'Accessibilité Programmée* (Ad'AP) [Programmed Accessibility Agendas].

- Individual Clients: Edouard Denis, Nexity Lamy and Oralia agency compliance audits, audit of the insurance processes in the Services activity, Guy Hoquet l'Immobilier;
- Internal Clients: optimising the use of square metres, cost of turnover for the Residential Real Estate teams; and
- Commercial Clients: Téréneo.

In 2019 Internal Audit will continue to carry out its assignments concerning the Group's different business lines and cross-company issues. The audited themes will be determined on the basis of an approach focusing on risks related to the Group's challenges and priorities.

He also participates in the Executive Committee meetings when the subjects require him to attend.

Reports concerning the management of the main risks are regularly presented to the Audit and Accounts Committee.

2.1.4 Risk management and internal control procedures

Risk mapping

Nexity maps all of the risks that may impact its business activities, image, reputation and financial results. This risk mapping allows for these risks to be categorised, summarised and assessed. It helps determine priorities, particularly as regards changes needed to ensure proper risk coverage. Risk assessment takes account of their frequency and seriousness.

The methodology chosen consists initially of assessing the risk identified by multiplying the frequency of occurrence with the severity (gross risk) and then assessing the system in place designed to control these risks in order to obtain a net risk level (risk criticality). This makes it possible to rank the risks relating to the Group's activities and identify plans of action to limit these risks.

The risk mapping approach covers all of the Group's operating and functional activities identified as a priority on the basis of their inherent risks, organisation, internal control arrangements and the proportional weight they

carry in the financial statements. The activities covered by risk mapping currently account for around 80% of the Group's revenue.

In 2018, risk mapping concerning IT systems was updated.

New mapping concerning the Group's new projects (e.g. Occupancy cost guarantee) specific to Corporate Social Responsibility (CSR) or relating to the Sapin 2 Act was undertaken. See sections 2.3 "Business ethics and regulatory compliance" and 2.4 "Duty of care" in this chapter.

Risk mapping relating to duty of care has also been reviewed this year.

The main business line risk maps are consolidated in a corporate risk map which was updated in 2018. On this occasion, the main action plans and projects were monitored making it possible to master the Group's major risks.

Supervision of risk management by Executive Management

Executive Management is responsible for ensuring that risk management and internal control systems are appropriate for the Group's activities and developments, as well as changes in its organisation and environment. These systems are managed in particular through the Executive Committee, the Commitments and Purchasing Committees and, where applicable, special committees.

Executive Management ensures that information is properly and regularly relayed to the Board of Directors and the Audit and Accounts Committee.

It relies on the Enterprise Risk Management Department to ensure that a consistent risk identification and internal control methodology is implemented that is suited to Nexity, as well as the carrying out and consolidation of risk mapping, and in order to help subsidiaries and central support functions with identifying and implementing plans of action, if necessary.

In 2019, the specific and quantitative indicators put in place will be enhanced.

Internal control method

On the basis of this risk mapping, the Enterprise Risk Management Department identifies internal control arrangements to be documented or updated. With the involvement of local management and operational staff, it endeavours to identify and define control activities and traceability, and estimate the extent to which the associated risks are covered. The department is then involved in setting out a formal risk and control matrix, which is integrated into existing maps. It can propose, where applicable, recommendations regarding the design of internal control systems.

Documenting processes ensures the long-term viability of the system by formalising or updating procedures, operating methods, flowcharts, control matrices or any other format appropriate for the operating entity or functional department analyses concerned, carried out in accordance with and recommendations established beforehand. This documentation is made available to employees *via* Nexity Live (Nexity's internal social network) or *via* shared computer directories.

In addition, the department uses continuous monitoring to identify changes to business lines and central support functions that could affect risk management and internal control arrangements. The team ensures that these changes and events are properly taken into account in risk mapping and the selected approach.

It also assists and sensitises employees to the possible needs for the design or improvement of risk management and internal control systems, with the aim of ensuring that risks are correctly identified, putting in place the control activities needed to cover those risks and facilitating the implementation and communication of procedures over the long term by formally documenting and communicating them.

End 2018, the Enterprise Risk Management Department and Internal Control initiated a self-assessment approach concerning the Internal Control System, with the first phase focusing on managing agents. A *questionnaire* has been drawn up based on the business line procedures and the most critical control points, and sent to the Agency and Group Managers *via* a dedicated tool. The aim of this action is to remind employees that procedures are in place and to have a vision of mastering the Internal Control System for each of the Group's business lines in order to propose action plans to improve it continuously.

Involvement of internal audit

In line with the defined approach, which ensures that compliance with the described procedures is verified, the Group is also supported by the Internal Audit team, which is tasked with checking that these arrangements are properly implemented.

The team carries out regular audits in accordance with a work programme based on documentation describing risk management and internal control arrangements and preliminary interviews with managers of the Group or the audited entity.

An Internal Audit intervention is planned for the start of 2019 in order to check the quality of the responses obtained.

Self-assessment will be extended in 2019 to the Residential Real Estate and Rental Management business lines.

The Department also plans to continue updating the internal procedures concerning key processes and activities and factoring in the legal provisions concerning the prevention of money laundering and terrorist financing, anti-corruption and tax evasion and the duty of care, and any other new obligations applicable to the Group in 2019.

The recommendations formulated as a result of the internal audits and remediation plans are sent to the Internal Control team, which is in charge of monitoring the implementation of these plans of action by the audited entities. They are attached to the Group's risk maps. This makes it possible to update the assessment of identified risks and their control.

Progress made on the audit plan and a summary of recommendations are monitored at least monthly by the Group's Executive Management and presented quarterly to the Audit and Accounts Committee.

2.2 MAIN RISK FACTORS AND THEIR MANAGEMENT

2.2.1 Overview of main risk factors

In order to provide more relevant information about the main risk factors to which the Group is exposed, Nexity has chosen to change its method of presentation, describing only the most significant risks on the basis of their assessment and ranking within the framework of risk mapping performed, and which may compromise its ability to achieve the strategic targets set. Furthermore, in accordance with the ordinances and decrees of July 2017 and the AMF study of December 2016 concerning Chairman's reports, Nexity has chosen to include the main measures to control each risk factor in order to limit the likelihood of its occurrence and/or severity.

These actions will be completed this year by information concerning the development of risks. Risks have been gathered together into three categories:



Operational risks related to the Company's business activities



Compliance and reputation risks



Strategic risks (or risks related to the Company's CSR challenges)

2 RISK MANAGEMENT

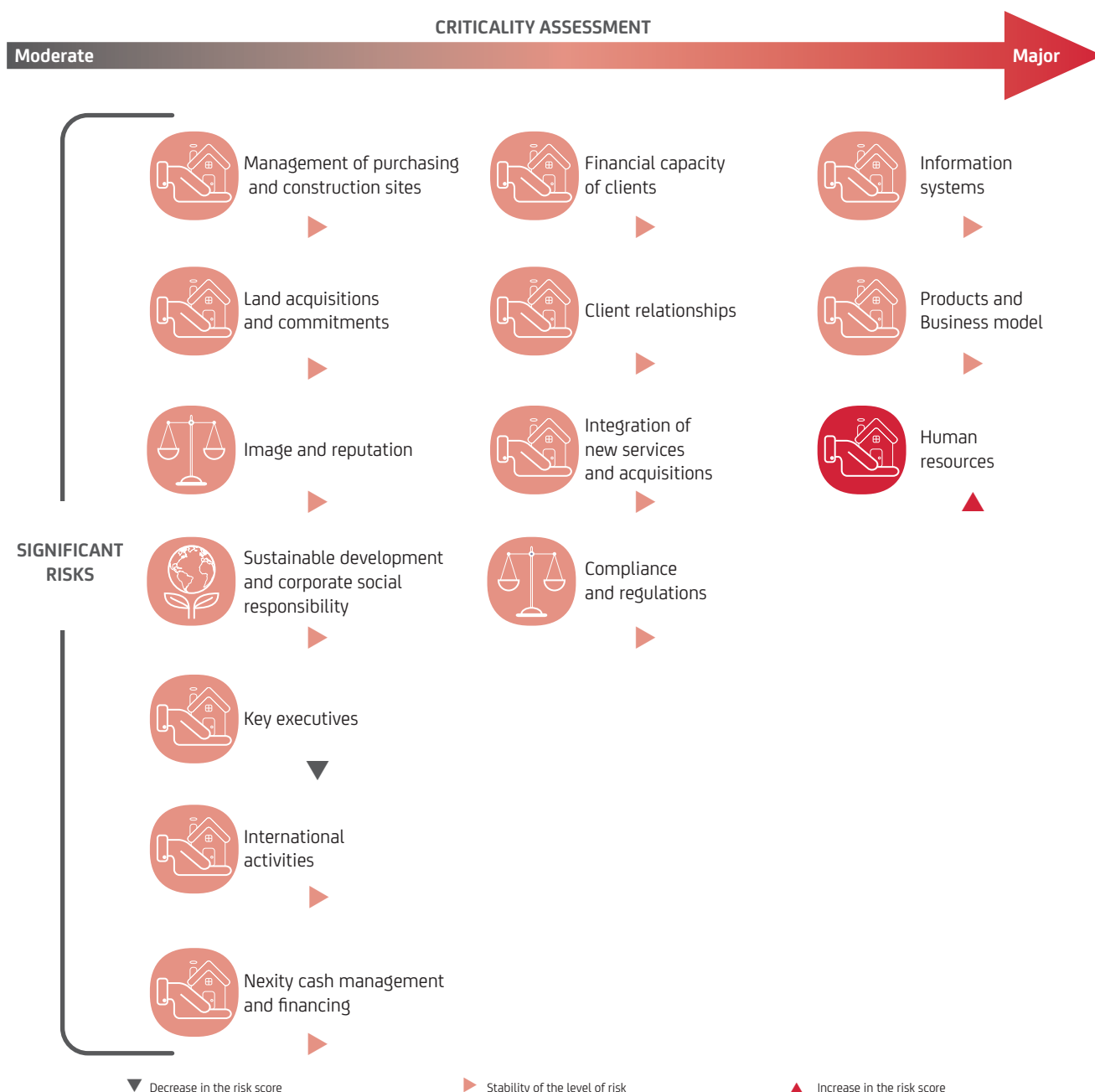
Main risk factors and their management

It should be stressed that the list of risk factors and the list of risk control measures are not exhaustive, and that the existence of a risk control policy does not eliminate risk.

The other risks identified that are not presented here are also subject to regular monitoring of their assessment and control measures.

Additional risks not currently known to Nexity or that the Group currently believes to be less significant may also adversely affect its business and financial performance. Any of these risks, known or unknown, could cause significant differences with the forward-looking information released to the market and filed by the Group with the AMF.

Graphical presentation of the Group's most significant risks after taking account of existing corrective measures



2.2.2 Description of risk factors and risk mitigation actions

The tables below give details of significant risk factors (see section 2.2.1 “Overview of main risk factors” in this chapter), the main risk control procedures related as well as the changes in terms of the risk (change between the risk level assessed in 2017 and the 2018 assessment). They are not intended to provide an exhaustive description of risks and control measures.

The Group activities concerned by these risks and mitigation actions are also stated:

- *All activities*: the entire Nexity group is potentially exposed to the risk described; and

- Residential Real Estate, Commercial Real Estate or Villes & Projets: the risk is specific to one of these business lines.

The pictograms, representing the changes in the level or risk compared with the previous year, are represented in accordance with the following caption:

- ▲ Increase in the risk score
- Stability of the level of risk
- ▼ Decrease in the risk score

Operating risks (linked to the Company's business activities)

INFORMATION SYSTEMS		<i>All activities</i>
Risk description	Risk mitigation actions	Risk change (variation in the 2017-2018 period)
• Vulnerable and/or inefficient information systems: • Physical or partial destruction of information systems • Loss, theft or compromising of data, whether stored locally or on remote third-party servers • Unauthorised access, cybercrime • Unavailability and interruption to the service liable to have business and financial consequences • Non-optimisation of services/cumbersome processing	• Centralised by the Digital Department: • Information Technology managers specialising in a particular business activity responsible for development and maintenance for their scope • Shared IT platform for reporting and management of incidents • Reinforcing of project management and monitoring process • IT management: • Infrastructure centrally managed in order to ensure its consistency and performance • Gradual migration of tools towards a specialist service provider • Overhaul and migration of tools to web solutions in order to prevent them from becoming obsolete • Measures to combat cybercrime: • Head of information systems security who takes part in the various IT project technical committees and helps with changes • Initiatives to raise employee awareness of cyber risks • Data protection: reinforcing the General Data Protection Regulation (GDPR)	► The level of risk is stable for the period considered. The Group takes the necessary steps to mitigate this risk through a significant system (see mitigation actions opposite).

2 RISK MANAGEMENT

Main risk factors and their management

PRODUCTS AND BUSINESS MODEL		All activities
Risk description	Risk mitigation actions	Risk change (variation in the 2017-2018 period)
- Changes in the real estate market: - Cyclical changes to the residential and commercial real estate market (see section 1.3.2.1, "Overview of the Residential Real Estate market and competitive environment", of this Registration Document) - Deterioration in economic conditions, particularly in terms of growth, unemployment, and the development of purchasing power and consumer confidence in France - Fierce competition in the various markets: - Competitive conditions and pricing pressure in Services activities - New housing development competing with the resale of individual properties - Growing use in the commercial property sector of CPI development contracts or delegated project management contracts, which are less favourable in terms of cost optimisation - Business model, products or new Services not in line with needs, not suited to changes in society or proposed too late relative to our competitors - Arrival of a heavyweight competitor (GAFA) or a competitor with a disruptive model	- Nexity's positioning across multiple real estate market segments (residential, commercial and services): - Decentralised operational structure and high level of product diversification, limiting reliance on a single model - Propositions of new service offers targeting senior citizens (reinforced with the integration of Ægide-Domitys in the Group) - Proposal of a letting offer with a purchase option: new system for first-time home buyers enabling tenants to test their new home and buy it at the end of the lease - Resilience to changes in economic conditions: flexible operating model and cautious risk management policy (which generally avoids generating unsold stock of completed homes) - Monitoring and support with the implementation of the Group's digital transformation strategy, "Nexity Connects Everyone" - Market intelligence and encouragement to innovate: - Nexity's investment in venture capital funds and startups - Development of a shared innovation culture at all levels of the organisation - Coordination of an internal Startup studio - An <i>ad hoc</i> Nexity Project Committee, comprising representatives of all business lines and key support functions, ensures appropriate management of projects and monitors progress made - Pre-sales phase: - Letting and commencement of projects fitting the economic situation - Acquisition of land and commencement of works subject to a minimum reservation rate of 40% of revenue for the real estate project	► The risk scoring level is stable for the period considered. The Group takes the necessary steps to control this risk through its various actions (see control system opposite).

HUMAN RESOURCES		All activities
Risk description	Risk mitigation actions	Risk change (variation in the 2017-2018 period)
- Human resources management not suited to economic and social changes - Failure to anticipate social changes in working methods - Loss of skills and expertise, obsolete skills, poor mastery of new tools - Lack of sense of belonging among managers and employees - Recruitment and integration of new employees - Competitive job market, particularly for certain jobs - Failing to identify, attract and retain skilled employees	- Recruitment and integration - Validation of recruitment requests by the Human Resources Department - Validation by the Group's Executive Management of recruitment requests from a certain level of pay, and yearly wage adjustments - Integration process consisting of online training and a one-day classroom session - Retaining employees - HR opinion survey based on a questionnaire sent out to employees - Continuation of employee shareholding policy - Attractive and motivational remuneration policy, tailored to different job profiles - Introduction of nomadic working (ability to work one day a week from an external Nexity site or at home) - Skills development - Training plan consisting of a common framework, business line and managerial training, and individual support solutions - Organisation of talent review meetings to identify employees presenting potential for development - Launch and implementation of a "Next" programme to develop the skills of employees identified during talent review meetings and in order to meet Nexity's needs - Creation of a "Talent Experience Officer" position working closely with human resources and making it possible to better support the Group's employees with their career development - Enhancing the managerial expertise of the Group's senior managers - Taking into account the voluntary turnover rate in the variable compensation of managers (for 2019)	▲ The level of risk has increased in the period concerned. - This variation can be explained by a difficult job market and increased competition in terms of recruitment in particular between the main players in the different segments. - Faster change in terms of employee expectations than the responses provided by managers. - Decentralised model not always making it possible to identify and manage "at risk" situations.

2 RISK MANAGEMENT

Main risk factors and their management

CLIENT SOLVENCY		All activities
Risk description	Risk mitigation actions	Risk change (variation in the 2017-2018 period)
• Changes in interest rates • Increase in interest rates resulting in a reduction in buyer solvency • Doubts about the French mortgage lending system (long-term fixed-rate loans with assessment of borrowers' solvency linked primarily to their employment income), resulting in reduced capacity to benefit from bank loans • Greater difficulty in purchasing homes for certain segments of the population due to higher house prices and tougher lending conditions • Development of tax incentives • Unfavourable changes in property ownership schemes such as the PTZ interest-free loan scheme • Unfavourable changes to tax incentives for buy-to-let investment (Pinel scheme, Censi-Bouvard incentives, etc.) • Unfavourable changes to tax or subsidy schemes increasing the solvency of some of the Group's clients (e.g. APL) • Unfavourable changes to taxation • Increase in the VAT rate applicable to sales of new homes, limiting the financial capacity of households • Changes in taxation applicable to companies • Higher or more unfavourable taxation of capital gains on real estate and more restrictive estate tax rules or expectation of further potentially unfavourable measures • More generally, difficulty of dealing with very complex taxation that is constantly changing and unpredictable	• Monitoring of clients' financial position • Verification and analysis of the financial and tax situation of individual prospects for buying new properties and monitoring of progress made in financing • Review of commercial real estate projects and investor applications by the Commitments Committee (see "Risk mitigation actions" under "Land acquisitions and commitments" below). Nexity favours commencing development projects after all or part has been let to a user • Cost control • Products offering high quality living space at an attractive price • Products that promote first-time home ownership • Financing aid • Reinforcing Nexity Solutions Crédit: loan offers proposed by Nexity Solutions Crédit • Shift towards financing aid for renovation of properties managed. Introduction of ALUR works funds for co-condominium properties • Partnership with social housing operators (CDC Habitat (Ex-SNI), etc.)	► The risk is stable in the period considered. The Group takes the necessary steps to mitigate this risk through a significant system (see mitigation actions opposite).

CLIENT RELATIONSHIPS		All activities
Risk description	Risk mitigation actions	Risk change (variation in the 2017-2018 period)
• Quality of products and services • Delayed completion • Quality or type of service insufficient • Client dissatisfied with service provided • Default by one of the Group's service providers • Increased responsibility for Nexity in the event of lack of advice • Quality of client relationships • Error in information given to a client • Relationship and communications not suited to the specific needs of clients • Bad management of the investor relationship	• Monitoring of property developments • Monitoring of progress made in works • Site visits prior to delivery in order to verify that the provisional delivery date is realistic and to limit the number of issues to be resolved • Running of property management activities • Implementation of a shared IT system to facilitate management of contracts • A dashboard of the main metrics giving Nexity's managers visibility into business activities • Regular client satisfaction surveys • An Operational Management Committee is in charge of the commercial and operational performance of the network • Partner selection • Early-stage selection process for operators of residences managed and let by the Group, and existence of direct or indirect subsidiaries in this business line • Centralised listing of service providers for property management activities • Continued strengthening of client culture within the Group • Reorganisation of the Group by type of client (Individual Clients, Commercial Clients, Local Authority Clients, Internal Clients) • Creation of a Client-Experience Department and dedicated tools to monitor client expectations (loop) • Changes to processes and tools to make them more client-oriented: MyNexity page for each client, new home configurator, management of client requests, etc. • Revamping of the after-sales service to speed up and improve client issues...	► The risk is stable in the period considered. The Group takes the necessary steps to mitigate this risk through a significant system (see mitigation actions opposite).

2 RISK MANAGEMENT

Main risk factors and their management

INTEGRATION OF NEW SERVICES AND ACQUISITIONS		All activities
Risk description	Risk mitigation actions	Risk change (variation in the 2017-2018 period)
- Difficulties with the transformation to become a real estate services platform - Managers resistant to working in synergy with new business lines and acquisitions - Lack of roll-out of “client” vs. “product” orientation in the organisational structure - Lack of prioritisation of projects and appropriateness to means - Difficulties in implementation of the acquisition strategy, making it unable to achieve its objectives - Lack of suitable targets - Constraints stemming from competition law - Excessive valuations of targets - Difficulties in integrating new companies: - Difficulties in integrating companies acquired by the Group and then in their development - Difficulties in building relations with potential co-shareholders - Significant losses resulting from the acquisition of companies - Poor assessment of risks and financial information: revenue, operating profit and cash flow lower than expected, impairment of goodwill	- Cross-functionality and development of synergies - Existence of cross-functional regional officers with the role of leading discussions between the Group’s business lines on a regional level (regularly organises regional Committee meetings) - Implementation of Nexity Live, a digital platform encouraging community-based work and the development of an internal social network - Client focus - Group organisational structure based on client type - Existence of cross-functional regional officers with the role of leading discussions between the Group’s business lines on a regional level - Acquisitions and integration of new companies - Centralised management at the level of the Development Department, also of pre-acquisition works strategy relating to strategic analysis, due diligence procedures, audit procedures and valuation of the targets - Structuring and reinforcement of post-acquisition procedures - Putting in place an integration committee for the Group’s new acquisitions	► The risk is stable in the period considered. The Group takes the necessary steps to mitigate this risk through a significant system (see mitigation actions opposite).

Compliance and reputation risks

COMPLIANCE AND REGULATIONS		All activities
Risk description	Risk mitigation actions	Risk change (variation in the 2017-2018 period)
• Legislation and regulatory compliance not observed or too variable • Structural exposure to regulatory factors over which elected political authorities have significant influence • Political uncertainty related to changes in the general direction of policy and elections • Failure to observe or take account of regulations applicable to Nexity (particularly with regard to exercising a regulated profession) • More restrictive technical standards, growing in number, making buildings obsolete more quickly and resulting in higher construction costs • Regulatory developments discouraging real estate investment on the part of individuals or the economic equilibrium of the lettings and managing agent activities	• Regulatory compliance of activities • Management of cross-functional initiatives relating to compliance • Changes and tailoring of property management processes • Continuation of efforts made within the framework of the implementation of the duty of care plan, and • Reinforcement of measures to combat corruption (Sapin 2 Act) • Implementation of an oversight system, primarily <i>via</i> AFEP, ANSA, IFA, professional federations and other associations • Raising awareness and training • E-learning or classroom-based training concerning the main regulatory obligations (<i>Loi Hoguet</i>, ethics, etc.); • Other actions related to compliance are set out in Section 2.3 “Business ethics and regulatory compliance” of this chapter.	► The risk is stable in the period considered. As a major player in the real estate segment, Nexity complies with the regulations in force and constantly tailors its offerings to the changing face of its segment.

2 RISK MANAGEMENT

Main risk factors and their management

IMAGE AND REPUTATION		All activities
Risk description	Risk mitigation actions	Risk change (variation in the 2017-2018 period)
• Attack on Nexity's image in the event of shortcomings in service standards • Media crisis following an event, accident resulting in personal injury or serious incident • Defamatory campaign against Nexity • Development of social media, blogs and discussion forums that may alter the Group's online reputation • Attack on one of the Group's activities that could have repercussions on Other activities • Citation of Nexity within the framework of the application of the "Name and Shame" section of the PACTE (<i>Plan d'Action pour la Croissance et la Transformation des Entreprises</i>) [Action Plan for the Growth and Transformation of Companies] Project	• Raising awareness and monitoring • Creation of a social room • Monitoring of the brand name in cyberspace by a specialised service provider and implementation of a risk analysis, handling and crisis management system • Reintegration of the crisis communication process in the broader context of the crisis management plan • Monitoring of the risk and action plans related to the "Name and shame" section of the PACTE bill and the Afep-Medef Code • Monitoring of complaints and legal disputes • Dedicated structure within each entity to manage complaints • Carrying out client surveys and feedback in the event of dissatisfied clients • Monitoring and reporting of legal disputes and claims • Strengthening of the system designed to assess the reputation of our main partners and service providers (KYC) • Analysis of the image and reputation risks linked to an event occurring at Ægide-Domitys will be continued	► The risk is stable in the period considered. The Group mitigates this risk through its various actions (see risk mitigation opposite).

Operating risks (linked to the Company's business activities)

LAND ACQUISITIONS AND COMMITMENTS		<i>Residential Real Estate, Commercial Real Estate, Villes & Projets</i>
Risk description	Risk mitigation actions	Risk change (variation in the 2017-2018 period)
• Shortage or increasing prices of land • Scarcity of land for sale in regions where the Group operates, due to changes in regulations and the tax framework prompting landowners' decisions to sell • Fierce competition in buying land: increasing number of transactions paid in cash from the signing of the option and reduction in conditions precedent favouring the developer • Signing of contracts under unfavourable terms • Default of a partner as part of a planning or development programme • Quality of contaminated sites and soils • Polluted soil and subsoil, presence of asbestos • Discovery of pollution during or after works, resulting in higher costs and overshooting deadlines • Changes in the governance of local authorities • Longer structuring time due to time needed to obtain building permits, local elections and potential transfers of competencies of local authorities (Greater Paris urban area) • Failure to obtain permission or appeals against planning decisions needed to carry out development projects • Abandoning of projects: financial loss due to studies carried out in particular for complex projects (<i>Villes & Projets</i>) and reimbursement of security deposits	• Prior technical and legal assessments by multi-disciplinary teams at a very early stage of the commitment • Studies to identify and quantify legal or technical risks relating to development projects as precisely as possible • Conducting evaluations on 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 • Land acquisitions and commitments • Approval from the Group Commitments Committee for: - any legal undertaking or significant cumulative spending commitment related to a project - all take-ups and renewals of leases - any business development initiatives requiring financial and operational investment - all Nexity commitments with a partner, manager or co-developer The Committee reviews and validates the level of risk relating to the project borne by the subsidiary and its financial profitability. The Board of Directors must approve any investment or divestment plans in excess of €50 million. • Approval from the Acquisition Committee for any provisional sales agreements or final deeds to acquire land, any acquisitions or asset sales, or investments • Provisional sale agreements contain conditions precedent that allow the purchase to be called off and are reviewed by the Committee, with the assistance of the Legal Affairs Department, prior to signing • Purchases of land are subject to obtaining administrative authorisations • The launch of construction work is conditioned upon a substantial amount of successful pre-selling • On an exceptional basis and in a prescribed manner, policy of buying land without conditions (urban planning authorisations, commercial risk, etc.)	► The level of risk is stable for the period considered. The Group takes the necessary steps to mitigate this risk through a significant system (see mitigation actions opposite).

2 RISK MANAGEMENT

Main risk factors and their management

MANAGEMENT OF PURCHASING AND CONSTRUCTION SITES		Residential Real Estate, Commercial Real Estate
Risk description	Risk mitigation actions	Risk change (variation in the 2017-2018 period)
• Lack of quality, increasing cost of works/services and shortage • Budget overruns, additional costs resulting from the default or insolvency of certain subcontractors or service providers • Legal and/or administrative proceedings pursuant to certain regulations, notably concerning undeclared labour • Insolvency and failure to honour obligations by subcontractors, suppliers and co-developers resulting in delayed completion and higher costs • Higher overall cost of construction • Default during construction works • Unplanned additional work, construction accidents and delayed completion resulting in additional costs and budget overruns • Increase in the Group's insurance costs, more limited cover or higher insurance premiums due to the level of claims	• Preliminary and market studies • Soil studies and calculation of ratios suited to development products in order to identify any anomalies and obtain reasonable assurance of the construction budget • Works contracts are drawn up in order to validate the actual construction costs before the start of works • Internal prime contractor capacity of property development subsidiaries, allowing them to carry out calls for tenders in separate lots, optimise prices and contract terms for works, and propose optimised solutions from the design phase • Selection and contracts • Centralised approval of finishing suppliers for residential property • Companies selected on the basis of multicriteria choices including price, references, reliability and any past experience with Nexity • Standard contracts made available, with approval by the legal teams of any special clauses • Monitoring of service providers: providing operating staff with a scoring tool for service providers involved in residential real estate projects and access to financial, administrative and legal information • Monitoring of progress made in works by a dedicated project team • Budget monitoring with the Management Control team	► The level of risk remains stable in the period concerned. The Group takes the necessary steps to mitigate this risk through a significant system (see mitigation actions opposite).

Risks related to the Company's CSR challenges

ENERGY, CLIMATE AND CORPORATE RESPONSIBILITY		All activities
Risk description	Risk mitigation actions	Risk change (variation in the 2017-2018 period)
• Climate change and environment • Obligation to reduce greenhouse gas emissions resulting in a significant increase in construction costs • Impact of our activities on the environment and natural resources • Not offering energy-efficient products nor meeting the needs of occupants • Uncoordinated efforts to find alternative energy solutions • Not taking account of the needs and rights of employees and stakeholders • Not producing affordable housing • Not taking account of regional needs • Human resources policy not taking account of the needs/rights of employees	• CSR strategy and governance • Definition of a 2020/2030 CSR Strategic Plan • Development of products contributing to the transition to new energy sources and social diversity • Nexity's organisational structure based on client type in order to better respond to social needs • Strengthening the Corporate Social Responsibility Department reporting directly to the Executive Committee • Factoring CSR objectives into remuneration paid to the executive company officer and the Executive Committee • Signing off the first Nexity Non Profit operations Details of CSR initiatives and control measures are provided in chapter 3 "Statement of non-financial performance" of this Registration Document.	► The risk is stable in the period considered. The Group continued with its mitigation actions in line with its 2020/2030 CSR Strategy.

2 RISK MANAGEMENT

Main risk factors and their management

Operating risks (linked to the Company's business activities)

KEY EXECUTIVES		All activities
Risk description	Risk mitigation actions	Risk change (variation in the 2017-2018 period)
- Departure or death of a key executive - Loss of experience in the Group's markets - Failure to achieve targets, loss of targets and profitability - Negative effect on the Group's stock market valuation, activity, financial position, outlook and results	- Succession plan for executive company officers: monitored by the Board of Directors and annexed to its rules of procedure - Decentralised organisational structure based on profit centre and business line limiting dependence on key executives - Stabilisation since 2017 of the composition of the Executive Committee and changes in the distribution of tasks between its members - Existence of the "Club 100" comprising around 140 key executives, encouraging their loyalty and support of the Group's strategy - Identification of a "talent pool" monitored at talent review meetings, with the aim of identifying and furthering the development of future talent. 33 employees were included in the 2018 "Next" programme - Appointment of two new company officers on 31 May 2018	▼ The risk mitigation actions in place have made it possible to reduce the impacts of a possible departure or death of a key executive (appointment of two additional Nexity SA company officers and creation of a pool of potential executives embracing the Nexity values).

INTERNATIONAL ACTIVITIES		All activities
Risk description	Risk mitigation actions	Risk change (variation in the 2017-2018 period)
• Poor understanding and security of local real estate markets • Specific trends in the local real estate markets in Poland, Italy, Portugal, Belgium and Switzerland, where Nexity operates • Poor understanding of the specificities of regulations and local legislation (no VEFA contracts in Italy, Portugal or Poland) • Competition from local developers with greater knowledge of their home markets and established reputations: • Inventories and work in progress significantly higher than in the French market • Risks related to currency exchange rate fluctuations in conducting business outside the eurozone (Poland) • Difficulties in recruiting high-quality personnel and managing operating entities located outside of the Group's home market	• Continued strengthening of the International Department • Centralised development management and validation by the Commitments Committee; or • Group's international presence: limited to Europe and in regions with proven commercial potential • Warsaw, Poland (development of new homes and property management) • Northern Italy (development of new homes) • Belgium (property management for individuals) • Switzerland (serviced residences) • Development of business in Portugal (promotion of new homes)	▶ The risk is stable in the period considered. The Group has continued its efforts to strengthen its international activities (in Europe in particular).

2 RISK MANAGEMENT

Main risk factors and their management

CASH MANAGEMENT AND FINANCING OF ACTIVITIES		All activities
Risk description	Risk mitigation actions	Risk change (variation in the 2017-2018 period)
• Group solvency • Higher working capital requirement as a result of slower letting times, ownership of high-risk land assets or development projects paid for on completion by investors • Unavailable internal resources, liquidity risk • External financing • Risk of less availability of bank guarantees (performance bonds) within the framework of VEFA off-plan sales, following regulatory changes • Higher cost of borrowing or insufficient market capacity • Dependency on one bank • Bank insolvency risk • Failure to comply with ratios or financial commitments imposed by loan agreements and borrowings • Interest rate risk: described in Note 22.1 to the Consolidated financial statements in section 5.3.2 of this Registration Document • Currency risk: described in Note 22.2 to the Consolidated financial statements in section 5.3.2 of this Registration Document • Equity risk: described in Note 22.4 to the Consolidated financial statements in section 5.3.2 of this Registration Document • Liquidity risk: described in Note 19.3 to the Consolidated financial statements in section 5.3.2 of this Registration Document	• Bank financing and financial commitments • Management of working capital requirement within the framework of the Medium-Term Plan (MTP) and regular monitoring of activity • Bond issues subject to prior authorisation from the Board of Directors, long-term resources, less dependent on banks, and at fixed rates • All new borrowing facilities and guarantee commitments subject to prior approval from Executive Management, and suited to the levels of commitment needed for the Group's financing • Continuation of the non-banking financing strategy • Putting in place corporate credit facilities • Cash and cash equivalents • Continual, centralised monitoring of the Group's financial commitments and uses: Centralised payment methods, daily cash pooling • Interest rate hedging policy: preference given to fixed rates • Daily reporting on the Group's cash position to Executive Management • Monthly analysis of changes in the Group's cash position by the Group's Finance Department • Limited presence outside the eurozone, thus limited exposure to currency risk • No listed shares owned, apart from a small proportion of treasury shares within the framework of the liquidity agreement: limited exposure to equity risk	► The risk is stable in the period considered. The Group takes the necessary steps to mitigate this risk through a significant system (see mitigation actions opposite).

Moreover, in 2018, the Risk Management Department, in collaboration with the Group's Sustainable Development Department, created a mapping of the Group's risks and opportunities specific to its Corporate Social Responsibility (CSR).

This work was undertaken within the framework of a new obligation imposed on businesses in 2019 (publication of their first statement of non-financial performance (DPEF) concerning financial year 2018 in application of II. of article L.225-102-1 of the Commercial Code).

This structured approach aims to assess (through workshops) the probability of occurrence and the severity of risks before prioritising them (for the methodology see section 2.2.1 "Overview of main risk factors" of this

chapter) has resulted in identifying seven main risks linked to the major themes of the DPEF:

- Employee-related (risk linked with attracting and retaining employees, development of employee skills);
- Environment (risk of depletion of resources, risk related to sustainable design);
- Societal (risks related to new uses, client satisfaction); and
- Ethics and Governance (risk connected with supplier relations).

All of these risks as well as the related action plans are described in chapter 3 "Statement of non-financial performance".

2.3 BUSINESS ETHICS AND REGULATORY COMPLIANCE

Business ethics and client relationships

Ethical concerns are paramount for Nexity: they are key to maintaining confidence and building healthy, long-lasting relations with stakeholders. As a participant engaged in communities and regions, the Group sees this challenge as an imperative and therefore ensures that preventive measures, guidelines and controls are in place to guard against practices not consistent with principles of integrity and fairness in business relationships. For both individuals and the Group as a whole, this involves compliance with competition rules and purchasing procedures, prevention of corruption, 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.

In terms of compliance, Nexity undertakes to conduct its activities while complying with the legal and regulatory provisions (see section 2.1.2 "Risk management and internal control environment" of this chapter).

The main actions of 2018 were as follows, although this list is not exhaustive.

Sapin 2 Act – Prevention of corruption

The 2016-1691 Act of 9 December 2016 obliges companies, as part of the fight against corruption, to implement eight measures and procedures aimed at creating a corruption prevention system in companies. This Act, known as "Sapin 2", entered into force in June 2017.

The actions started in 2017 have been completed this year in order to render the system more efficient.

In January 2018 the updated Code of Conduct was circulated individually to each employee who had to confirm having read it and undertaken to comply with its principles. This code sets out the conduct which is unacceptable, the disciplinary action taken in the event of failure to comply with the specified instructions as well as the whistle-blowing system in force.

This allows all Group employees to report unethical behaviour while also benefiting from the status of whistle-blower and the protection this provides in accordance with the Sapin 2 Act. Regular communication on the subject has been carried out, mainly on the Group Intranet.

The corruption risk mapping was reviewed in 2018 on the basis of procedures and interviews conducted with Executive Management and executives from the Group's subsidiaries. It has enabled risks to be assessed (frequency,

control procedures) as well as including in the mapping entities which had not been taken into account in 2017.

The main tenets of the approach for assessing the third parties representing the greatest risk (based on risk mapping) have been defined, and the detailed procedure is being determined. The Group is being supported by a specialised consultancy.

All employees watched a video designed to raise awareness of the fight against corruption in October 2018. At the same time, an e-learning module including in-depth explanations, detailed case studies and an assessment quiz was disseminated to approximately 2,200 employees considered to be the most exposed to the risk of corruption, as well as the "Club 100" encompassing the Group's main executives and managers.

Furthermore, the accounting and financial teams followed an awareness programme concerning corruption risks in March 2018 during a seminar dedicated to them.

The measures implemented by Nexity to combat corruption are subject to ongoing improvement. All of the Group's executives, managers and employees are mobilised in order to make the Group ever more efficient and enable it to deal with their obligations in the best manner possible.

2 RISK MANAGEMENT

Business ethics and regulatory compliance

Lastly, Internal Audit has built into its assignments in subsidiaries the verification of compliance with the anti-corruption system.

Moreover, on 10 July 2018, the Nexity group was included in the directory of representatives of interests of the *Haute*

Autorité pour la Transparence de la Vie Publique (HATVP) (High Authority for Transparency of Public Life), in respect of lobbying conducted at local or national level concerning real estate (new homes, urban and country planning).

Prevention of risks related to tax evasion

Nexity Group believes it is important to have exemplary behaviour in terms of tax in each country in which it operates (France, Italy, Poland, Belgium, Portugal, Switzerland). For this, it complies with its tax obligations (notably the payment of taxes and duties) in the countries in which its operational activities are located. The

whistleblowing system implemented at Nexity encourages the Group's employees in France and abroad to report all practices contrary to the Code of Conduct and notably those related to compliance with the legal or regulatory (tax) obligations.

Prevention of money laundering and financing of terrorism

In response to the transposition into French law of European Directive (EU) 2015/849, the actions designed to prevent money laundering and the financing of terrorism have been reinforced within the Group. A number of IT tools

of the Group's various business lines are in the process of being overhauled and it is planned that some of these tools will be integrated in order to make them more effective.

General Data Protection Regulation (GDPR)

The Group has been working for several years on a system compliant with GDPR, in particular through:

- Appointing a Data Protection Officer (DPO) and putting in place a network comprised of the officers in each subsidiary/department;
- Keeping data processing registers;
- Raising awareness of the Group's operational teams and support services;

- Putting in place procedures making it possible to ensure the compliance of the Group's GDPR projects ("privacy by design" obligation); and
- Putting in place procedures responding to the rights of individuals concerning their personal data and the notification of incidents to CNIL (French Data Protection Authority), an integral part of the Group's Crisis Management Procedure.

Responsible procurement and supplier relations

The requirements of Nexity concerning suppliers with regard to social and environmental issues as well as the key actions concerning responsible purchasing are set out in

section 3.4.2 "Enhance ethics and transparency across the value chain" of this Registration Document.

2.4 DUTY OF CARE

Act N°2017-399 of 27 March 2017 recommends the implementation of a duty of care plan in order to identify and prevent the risks of serious damage to the environment, fundamental liberties, and the health and

safety of individuals that may result from the activities of the Group, its subsidiaries and its service providers.

Nexity has already taken steps to meet the objectives of this law.

2.4.1 Risk identification and assessment

Nexity has a Group risk mapping (put in place in 2017) which identifies and assesses the risks which might impact the Group's business. The assessment takes into account the frequency and severity of these risks, as well as the associated control procedures (see section 2.1.4 of this chapter, "Risk management and internal control procedures").

On the basis of this risk mapping, the risks that could impact the activities of the Group, its subsidiaries, suppliers and subcontractors relating to the environment, fundamental liberties and the health and safety of individuals have been identified.

These risks as well as their assessment were reviewed in 2018 when the mapping of risks specific to CSR challenges was put in place (created during the process of preparing the statement of non-financial performance). They were also compared with the materiality matrix and linked up with the main CSR challenges (social, environmental,

societal, human rights, anti-corruption prevention and the combat against tax evasion) representing strong expectations for stakeholders and having a significant impact on the Group's activities.

On the basis of the risk assessment performed within the framework of the Group's risk mapping exercise, Nexity believes that the risks of serious damage to the environment, fundamental liberties, and the health and safety of individuals that could result from its activities and service providers are limited.

It should be noted that the Group's business is mainly conducted in France with just 2% of its 2018 revenue being generated in Belgium, Italy, Switzerland and Poland.

These countries benefit from a high level of maturity and extensive regulations relating to the protection of the environment, fundamental liberties and the health and safety of individuals.

2.4.2 Overview of the main risks

The main risks listed hereafter result from the assessment conducted when preparing the risk mappings and work described above, and that may adversely affect the environment, fundamental liberties, and the health and safety of individuals.

Their detailed description as well as the prevention and attenuation measures put in place participating in their responsible control are described in chapter 3 "Statement of non-financial performance" of this Registration Document.

The other risks identified that are not presented here are also subject to regular monitoring of their assessment and control measures. Additional risks not currently known to Nexity or that the Group currently believes to be immaterial may also adversely affect the environment, fundamental liberties and the health and safety of individuals. A detailed overview of the main risks identified by the Group is provided in section 2.2 "Main risk factors and their management" of this chapter.

2 RISK MANAGEMENT

Duty of care

The main risks identified in the duty of care plan (after taking into account corrective measures) are presented below:

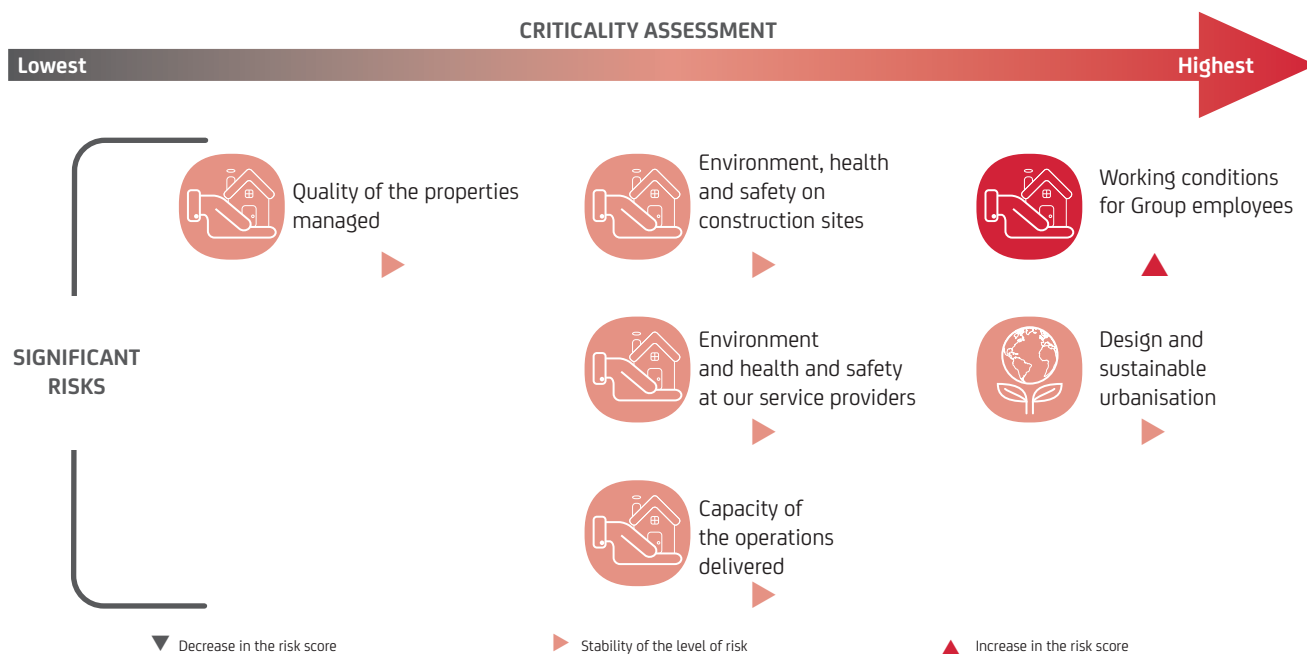


Operational risks related to the Company's business activities



Strategic risks (or risks related to the Company's CSR challenges)

Graphical presentation of the main risks after taking account of existing corrective measures



2.4.3. Assessment and monitoring of Group subsidiaries and suppliers

Assessment and monitoring of Group subsidiaries

In addition, the Group's internal control system provides for the identification and assessment of related control procedures for each area of risk and each business activity. This assessment is performed by the risk management and internal control department and updated on a regular basis, and includes experience, culture, treatment and organisation of subsidiaries. The department is therefore able to put forward recommendations in order to enhance the system already in place. The risk mapping is also presented to the Group's senior management, allowing it to ensure that risk management systems are appropriate for the Group's activities.

Furthermore, the CSR Department has introduced a regular *reporting*, system making it possible to monitor the environmental performance of all real estate projects carried out by the Group's subsidiaries:

- Residential Real Estate subsidiaries: reporting *via* GPI (an application designed to compile the overall environmental performance of projects) and *Carbon Pro* (for Bilan Carbone® assessments); and
- Commercial Real Estate subsidiaries: environmental performance reporting tables for commercial projects. The Carbon Pro tool will be deployed in 2019 to assess the carbon footprint of operations.

Assessment and monitoring of suppliers

The actions concerning the CSR assessment and monitoring of the Group's service providers are presented in section 3.4.2.2 "Strengthen responsible purchasing and supplier relationships" of this Registration Document.

2.4.4 Warning and reporting mechanism

A whistleblowing system allows Nexity employees to report any situations contrary to the Group's Code of Conduct. This system was reinforced on 1 January 2018 in order to meet the requirements of the Sapin 2 Act. (see section 2.3 "Business ethics and regulatory compliance" of this chapter).

In 2018, a Supplier Ethics Charter was also put in place in order to remind Nexity's suppliers of the Group's ethical principles.

Dedicated warning mechanisms with specific email addresses have also been put in place.

2.4.5 Monitoring system for measures implemented

The Group's organisational structure is based on decentralised operational responsibilities devolved to the managers of each operational unit and centralised responsibilities relating to risk monitoring and compliance concerning the heads of the Group's functional departments.

The Group is also supported by the internal audit team, which is tasked with checking that these Group procedures and rules are properly implemented. The team carries out regular audits in accordance with a work programme based on documentation describing internal control arrangements and preliminary interviews with managers of the Group or the audited entity.

The recommendations formulated as a result of these audits and remediation plans are sent to the internal

control department, which is in charge of monitoring these plans of action. An overview of the recommendations made and their monitoring is presented to the Executive Committee and the Audit and Account Committee.

A detailed description of the internal control system is included in the first paragraphs of this Section.

The identification of risks and the risk control measures in place undertaken within the framework of the duty of care plan enabled Nexity to identify areas for improvement. The 2018–2020 multi-year internal audit plan provides for verification that action plans have been implemented effectively.

In 2019 the Group also plans to conduct an assessment of its main suppliers *via* a specialist service provider (Ecovadis).

2.5 FRAUD PREVENTION

Nexity is exposed to the risk of attempted fraud or embezzlement of funds, whether external or internal. This risk mainly – but not exclusively – affects the Group's service businesses (for private individuals or companies), which make large numbers of fund 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.

2 RISK MANAGEMENT

Policy WITH RESPECT TO insurance

Fraud prevention procedures are based on identifying and assessing the risk of fraud included in risk mapping, as well as regularly raising the awareness of Group employees and more specifically employees exposed to the risk of external fraud. The Group may be required to take *ad hoc* measures to raise employee awareness.

At the same time, proven cases of fraud are systematically reported to the Risk Management and Control, Legal Affairs and Human Resources Departments. An investigation is conducted by the Internal Audit team and these cases are handled within the framework of a dedicated crisis management unit.

An **Anti-Fraud** Committee, grouping together the main heads of cross-functional departments (Risks, Finance, Cash Management, Legal, Human Resources) of the Group's

subsidiaries, meets on a quarterly basis to discuss cases of fraud encountered by Nexity, new methods developed by fraudsters and measures to be taken in terms of detection and reaction.

In 2018, the Risk Management and Internal Control Department conducted awareness actions in particular through making videos about prevention of the risk of fraud (e.g. Banking details falsified by a bogus supplier) shown on the Nexity Live Group Intranet, and presented during the annual Finance Seminar.

In spite of preventive measures and awareness initiatives, as well as the priority placed on fraud prevention within the internal control work programme, Nexity cannot completely eliminate this risk of fraud.

2.6 POLICY WITH RESPECT TO INSURANCE

2.6.1 Risk coverage strategy

The strategy of covering risk by means of taking out insurance policies is validated by Executive Management.

The Group has opted for a strategy of transferring its main risks to insurers wherever possible and retaining only a small proportion of risk.

Insurable risks are identified taking account particularly of information relating to legal disputes provided by the Legal Affairs Department. Appropriate insurance is taken out and all teams in charge of managing insurance are overseen.

Currently, five main insurers provide cover against the Group's risks, arranged through three main brokers. The aim of this diversified approach is to ensure continuous risk coverage, negotiate the best possible rates and build close relationships with brokers in terms of underwriting and claims management.

Today, the Group and its operating subsidiaries generally work with three brokers: Gras Savoye, Deleplanque and Marsh. The main insurers providing cover for the Group's professional liability are Allianz, SMA, MMA, Liberty and Zurich.

SMA and Allianz also serve as main insurers for the Residential Real Estate Construction Risk, and Commercial Real Estate Risk.

Furthermore, regarding *Dommages-Ouvrage* (equivalent to building damage insurance) policies in connection with real estate development for new homes, the Group has set up an after-sales department that aims to maintain insurance premiums at current levels by increasing excesses and covering any repair costs within the limit of this excess amount. In-house training on construction insurance and builders' professional liability insurance is delivered to operational staff, notably through e-learning modules and awareness actions in subsidiaries.

2.6.2 Main insurance policies

2.6.2.1 Mandatory insurance

Building damage insurance and additional cover

In accordance with regulations applicable in France to the residential and Commercial Real Estate business activities described respectively in sections 1.3.2 "Residential Real Estate" and 1.4.2 "Commercial Real Estate" of this Registration Document, Group companies take out mandatory insurance policies as required by the Law of 4 January 1978 to cover both the building under construction (*Dommages-Ouvrage*, equivalent to building damage insurance) and liability at the level of project management (*Constructeur Non Réalisateur*, or CNR, equivalent to site insurance for property developers), as well as supplemental ten-year contractor's liability insurance (*Contrat Collectif de Responsabilité Décennale*, or CCRD).

For the Group's Residential Real Estate business, insurance policies are taken out with two insurers through two brokers: with SMA through Deleplanque and with Allianz through Gras Savoye.

The *Dommages-Ouvrage*, CNR and CCRD insurance policies are subject to an annual rate review with SMA and Allianz so as to obtain a highly competitive premium rate in relation to rates available in the market, due in particular to the Group's establishment several years ago of an after-sales department. For the Group's Commercial Real Estate business, *Dommages-Ouvrage*, CNR and CCRD policies are taken out individually for each project, mainly via the insurance broker Marsh.

Ten-year project manager's guarantee insurance (Assurance décennale Maîtrise d'oeuvre)

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 site developer's guarantee insurance (Assurance décennale Aménageurs-Lotisseurs)

Group companies acting as aménageurs-lotisseurs (a separately defined group of site developers in France, who assemble sites, subdivide them into building plots and provide the necessary infrastructure) each take out a *Globale Aménageur* (site developer's all-risks) policy with SMA, including cover for the ten-year warranty they are required to provide by law

(Articles 1792 *et seq.* of the French Civil Code) in the event of building defects arising after delivery.

For projects developed outside France, builder's risk insurance policies are taken out in each country through local brokers, providing cover that meets or exceeds the levels required under applicable laws.

Liability insurance for property management and brokerage activities

In accordance with the Hoguet Act of 2 January 1970 (see Section 1.8, "Legislative and regulatory environment", of this Registration Document). A Group policy managed by Gras Savoye has been taken out with MMA to cover the subsidiaries operating in this segment. Supplemental coverage is provided by the umbrella policy taken out with Liberty, which has a limit of €15 million and a €50,000 deductible.

2.6.2.2 Insurance not required by law

Construction site insurance

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

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, for example that of the developer in relation to third parties or that resulting from project management activities.

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 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.

Directors' and officers' (D&O) liability. D&O liability is covered by two policies: one taken out with AIG, 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.

2.6.2.3 "Cyber Risk/Fraud" insurance

The Group has taken out a combined cyber risk/fraud policy with Chubb *via* insurance broker Marsh, with a limit of cover and warranties suited to the Group's risk assessment.

2.6.2.4 Other insurance coverage

The Group also has the following insurance programmes in place:

- An insurance programme provided by Allianz and managed by Siaci Saint-Honoré, covering liability and damages for the Group's vehicles and employees' personal vehicles used for work purposes;
- An insurance programme provided by AXA and managed by Marsh, covering damages and liability for owners and renters, for operating premises and property related to construction projects; and
- An insurance policy covering the risks of personnel undertaking business trips abroad.

2.7 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. Lastly, the Group has put in place an after-sales service which seeks to settle conflicts on an amicable basis (for further details concerning the after-sales service, see sections 2.6 "Policy with respect to insurance" and 2.6.2 "Main insurance policies" in this chapter).

The Group's Legal Department, in conjunction with the Managing Directors and legal heads of the Group's various divisions, continuously monitor and report on litigation and disputes concerning Nexity and its operational units. Summary monitoring reports are produced regularly and no less than once a year. The status of key ongoing litigation included in these reports that could have a significant legal and financial impact on the Group is formally presented to the Group's Executive Management every year.

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.

There are many disputes, but the individual amount of each one is not very significant at the Group level. These disputes often take a long time to resolve, due to their technical nature and the time required to seek expert opinions.

Nexity considers that the provisions it has set aside in respect of litigation represent a reasonable level of cover.

There are no other government, legal or arbitration proceedings – including any pending or threatened proceedings of which the Group is aware – which are likely to have, or which have had within the last 12 months, a material impact on the Group's financial position or profitability.

2.8 PROCEDURES RELATING TO THE PREPARATION AND PROCESSING OF FINANCIAL AND ACCOUNTING INFORMATION

Within the framework of preparing its financial information, the Group is sensitive to the quality of its reported figures, correct consolidation as well as the reliability of budget processes. Nexity considers these risks to be moderate, in view of the processes already in place.

The Group's Finance Department is responsible for producing, analysing and ensuring the reliability of the Group's financial disclosures. In coordination with the Consolidation Department and the Management Control Department, it is tasked in particular with:

- Drawing up, approving and analysing the Group's interim and annual consolidated financial statements and provisional reporting (budget review and multi-year business plan); and
- Defining and monitoring the accounting principles used within the Group.

2.8.1 Procedures for drawing up and approving the consolidated financial statements

The Group's consolidated financial statements are drawn up in accordance with international financial reporting standards (IFRSs). The Consolidation Department establishes a timetable and period-end instructions for the preparation of the interim and annual financial statements for the divisions' Finance Departments.

The consolidated financial statements are drawn up by the Consolidation Department on the basis of accounting information provided by each operating entity's accounts department.

This information is first approved at operating entity level under the responsibility of the head of each subsidiary before being presented to the Group's Finance Department, accompanied by analysis and comments.

The consolidated financial statements reflect the Group's operational reporting and include proportionately consolidated joint ventures: this method of presentation provides a more accurate measure of the Group's performance in terms of revenue, operating profit, working capital and debt.

In accordance with IFRS 11 Joint Arrangements, the Consolidation Department then restates joint ventures in the summarised financial statements using the equity method, but the segment information presented in the consolidated financial statements reflects the Group's operational reporting.

The tax computation is checked by the Group's Tax Department. Detailed monitoring is carried out covering the

following specific areas: provisions for contingencies and losses, deferred taxes and off-balance sheet commitments.

The annual consolidated financial statements are audited by the Statutory Auditors, while the interim financial statements are subject to a limited review. The Statutory Auditors share their observations regarding the interim financial statements with the Audit and Accounts Committee and submit a supplementary report on the annual financial statements to this same Committee, before presenting them to Nexity's Board of Directors.

The Audit and Accounts Committee makes sure the Group has allocated appropriate resources to ensure the quality and reliability of the financial statements. Nexity's Board of Directors signs off the consolidated financial statements.

The Group's Accounting Department uses equivalent procedures to sign off Nexity's parent company financial statements.

2.8.2 Budget Procedures

The budget procedure is the same across all the Group's divisions and their subsidiaries. It involves three key components each year: the initial budget for year Y+1 in November of year Y, followed by two budget reviews, in May and October/November. The initial budget and the reviewed budgets are established using the same process as that used to produce the consolidated financial statements.

When the initial budget is established, the Managing Director of each of the Group's businesses presents his or

her strategy, a multi-year business plan and the projected annual budget together with the latest reviewed budget for the current year to Executive Management.

Once approved by the Group's Executive Management, the initial budget, established by the Finance Department based on the budget proposals put forward by the various divisions, is presented to Nexity's Board of Directors. It is then used to set quantitative and qualitative targets for the heads of operating entities, which serve as the basis for assessing their performance.

Financial reporting

The Group's divisions have management control systems suited to their businesses.

Performance against budget is tracked *via* a report submitted monthly or quarterly (depending on the business concerned) to the senior management of each division, the Finance Department and the Group's Executive Management.

The most significant elements within each division are subject to specific monitoring. This covers the following:

- In real estate development, monitoring of the operating margin and project progress, Residential Real Estate

sales (number of reservations per week), new orders and promises to buy land in Commercial Real Estate; and

- In Services, the portfolio of units and commercial space under management within the property management business, the number of affiliated agencies and sales activity for franchise networks, and the occupancy rate for serviced residences.

Based on this information, the Management Control Department then prepares a monthly summary for the Group's Executive Management.

Communication of financial results

The Annual Financial Report (included in the Registration Document) is drawn up jointly by the Finance and Legal Departments and submitted to Executive Management followed by the Audit and Accounts Committee before being signed off by the Board of Directors.

Drafts of press releases related to the financial statements and quarterly sales are drawn up by the Finance Department and approved by Executive Management before being submitted to the Audit and Accounts Committee and finally signed off by the Board of Directors.

2 RISK MANAGEMENT

Procedures relating to the preparation and processing of financial and accounting information

Quality of financial disclosures

The quality of financial disclosures is ensured in large part by the quality of the IT tools used to process this information. The consolidated financial statements are prepared using a single software package that automatically retrieves data from the individual company

accounts for the majority of consolidated companies. Practical notes setting out management rules, which are accessible to all Group employees *via* the Group's intranet, also help ensure that information is thoroughly circulated and accounting processes are kept consistent.

Off balance sheet commitments

Within the Group, the process is mainly based on a total limitation on authorisations to enter into commitments liable to give rise to an off balance sheet liability; these commitments are centrally monitored for each division.

This approach helps reduce the risk of off balance sheet liabilities not being identified, favours appropriate monitoring and ensures that each type of commitment is measured consistently.

3 STATEMENT OF NON-FINANCIAL PERFORMANCE

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3 STATEMENT OF NON-FINANCIAL PERFORMANCE

CSR: an integral part of Nexity group's strategy

3.1 CSR: AN INTEGRAL PART OF NEXITY GROUP'S STRATEGY

3.1.1 CSR structure and governance

Nexity's CSR (Corporate Social Responsibility) strategy is underpinned by the desire to create value and be useful to society by means of the Group's business activities. With the aim of meeting and exceeding the expectations of its stakeholders (employees, clients, shareholders, investors, analysts, local authorities, civil society, etc.), Nexity makes sure that its approach provides concrete responses to major social and environmental issues: access to housing, climate change, energy efficiency renovation works, the digitisation of exchanges and the emergence of the sharing economy.

In order to deliver relevant solutions to the market, the Group offers innovative products and services, developed with the assistance of a very active ecosystem of partners (including incubators, startups and industrialists). For the sake of consistency and to unite all employees, Nexity has put in place a responsible governance system and human resources strategy aligned with the expectations of its stakeholders.

3.1.1.1 The four pillars of Nexity's CSR policy



3.1.1.2 CSR governance

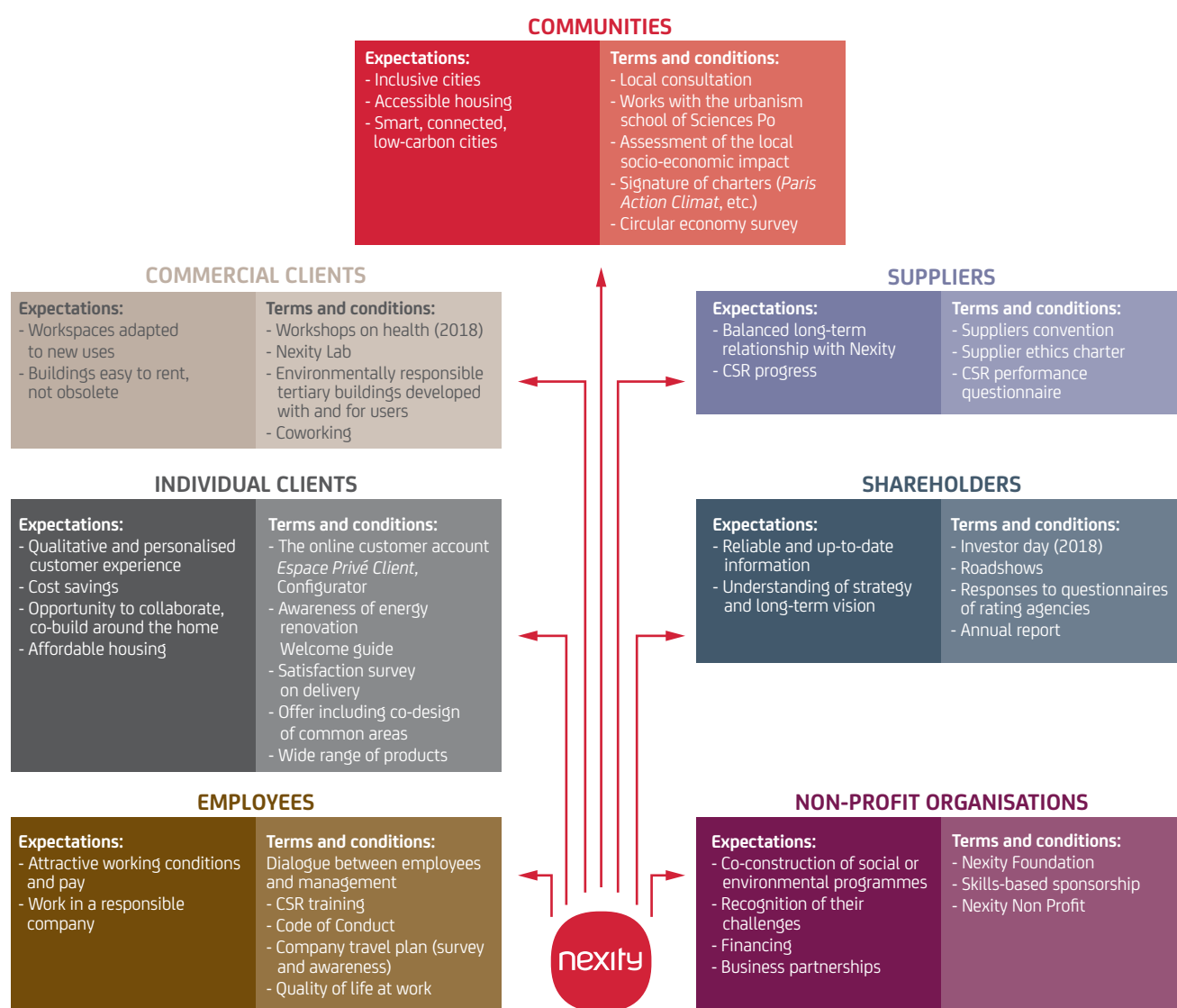
The CSR Department, which reports directly to the Group's Executive Committee, is made up of eight people. In addition, it has officers within the Group's main business lines. It has three main duties: establishing a formal CSR strategy and consolidating performance, supporting the CSR efforts of subsidiaries for responses to consultations and tenders, and lastly the identification, operational management and dissemination within the Group of innovations offering social or environmental added value.

The Group's CSR strategy is reviewed at least once a year by Nexity's Board of Directors. In February 2018, the Board added CSR to the remit of the Remuneration and Appointments Committee, which has thus been renamed as the Remuneration, Appointments and CSR Committee.

3.1.1.3 Dialogue with stakeholders

Taking account of the expectations of the Group's stakeholders is a prerequisite when defining its CSR strategy. Nexity ensures that it is in constant discussion with its various stakeholders in order to better understand their expectations and to develop adapted solutions and services that take account of their concerns.

In 2015, Nexity opened an initial dialogue with the stakeholders in its ecosystem (clients, employees, financial analysts, non-profit organisations, etc.) to produce a materiality matrix (or relevance review of the social and environmental challenges) which is due to be updated in 2019. Therefore, since 2015, the challenges which are of major importance both to the stakeholders surveyed and to members of management have been at the core of the Group's CSR programme.

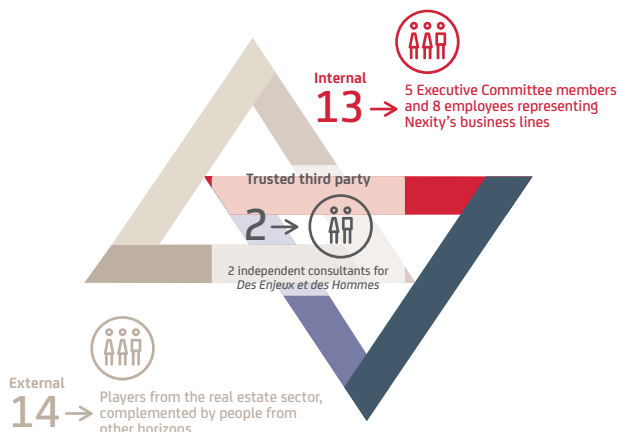


In 2018 Nexity set up a Stakeholders Committee comprising around 30 people (including experts, opinion leaders and Nexity representatives), with a view to making progress in this area and continuing to build useful and constructive dialogue with stakeholders. This advisory Committee selects topics to discuss, and aims to meet

twice a year to discuss Nexity's CSR challenges and examine the Group's positioning in this area. The Remuneration, Appointments and CSR Committee presents the Stakeholders Committee's work to the Board of Directors on a yearly basis.

3 STATEMENT OF NON-FINANCIAL PERFORMANCE

CSR: an integral part of Nexity group's strategy



Service company

- Marianne Laigneau, Head of International Division of the EDF Group

Academics, forecasters, journalists

- Carine Dartiguepeyrou, Forecaster
- Denise Pumain, Professor Emeritus of Geography
- Benoît Raphaël, Robot grower
- Sharing economy expert (anonymous)

3.1.1.4 Responses to expectations of SRI shareholders and non-financial ratings agencies

In the interests of assessing its CSR performance at the request of socially-responsible investors (SRI), in 2018 Nexity responded to around 10 questionnaires issued by French or international non-financial analysts, including Gaia Ratings, CDP, Vigeo, ISS-Oekom and MSCI.

Carbon Disclosure Project (CDP)

Since 2011, Nexity has chosen to participate in CDP, demonstrating its commitment to fighting climate change. In January 2019, the Group received an 'A' rating for the performance (mitigation and adaptation to climate change) and transparency (exhaustiveness and quality of responses) of its carbon policy. Therefore Nexity has now been added to CDP's prestigious A-list, which positions it amongst the 63 best European companies (all sectors), and the 126 best international companies (all sectors).

Social and environmental experts

- Cécile Duflot, Director of Oxfam France
- Jean Jouzel, Climatologist and glaciologist

Regional authorities

- Sébastien Maire, Chief Resilience Officer for the City of Paris

Real estate experts

- Dominique Alba, CEO of Atelier Parisien d'Urbanisme
- Jacques Chanut, Chairman of the Fédération Française du Bâtiment
- Hubert Rodarie, Deputy CEO of SMA BTP (Insurance company)

Investors

- Arline Gaujal-Kempler, Deputy CEO of Foncière INEA
- Sandrine Lafon-Ceyral, Head of Asset Management at Amundi Immobilier

Social housing operators

- Didier Manier, Chairman of Lille Métropole Habitat

Gaia Index

The Gaia Index is used to assess the commitment of French listed companies (small- and mid-caps) to CSR. Nexity has been included in the index for the eighth consecutive year. The Group's proactive approach increased its overall score by 3 points in 2018 relative to 2017. Nexity was ranked 12th overall among the 230 companies assessed (compared with 16th in 2017) and 10th out of the 85 companies with annual revenues in excess of €500 million (compared with 14th in 2017).

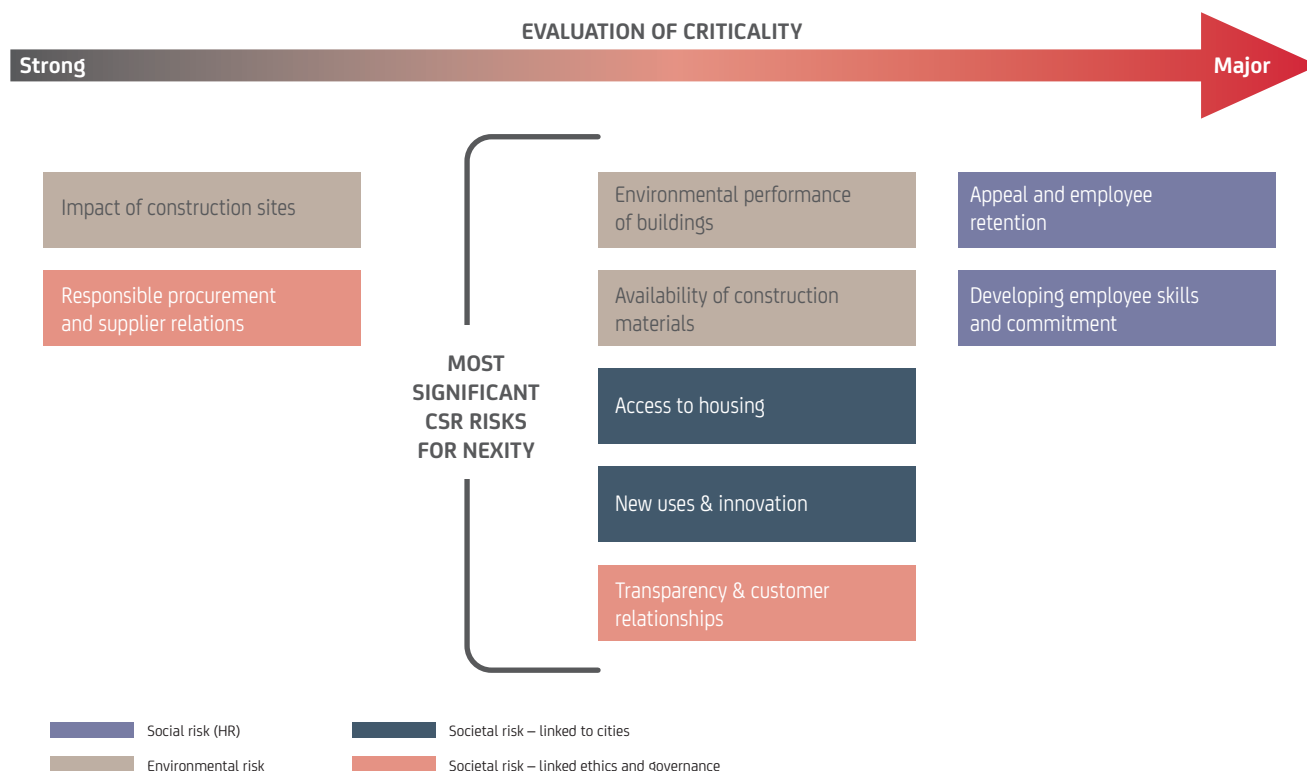
ISS-Oekom

In 2018, the ratings agency ISS-Oekom contacted and rated Nexity for the first time, rating it a C which places the Group in the top 25% for its sector.

3.1.2 The Group's main CSR risks

Mapping of the Group's main CSR risks: Nexity maps all of the risks that may impact its business activities, image, reputation and financial results. This risk mapping allows for these risks to be categorised, summarised and assessed.

New mapping specific to CSR or relating to the Sapin 2 Act has been undertaken and is based on the Group's mapping methods (see Section 2.2 "Main risk factors and their management" of this Registration Document).



The methods used to assess non-financial risks are identical to those used to assess Nexity group risks as described in chapter 2 "Risk management" of this Registration Document.

Link between the main risk factors and their management and the main CSR risks as defined by the statement of non-financial performance

MAIN RISK FACTORS AND THEIR MANAGEMENT	CSR RISKS AS DEFINED BY THE STATEMENT OF NON-FINANCIAL PERFORMANCE
1. Appeal and employee retention	Devaluation of human capital, the Group's main resource, and increased costs of recruitment and talent retention
2. Employee skills development	Loss of skills and know-how, obsolete skills
3. Availability of construction materials	Increase in construction costs and threat to the Group's business model
4. Environmental performance of buildings	Loss of opportunity due to low-carbon requirements by external stakeholders (local authorities, non-financial ratings agencies)
5. Access to housing (social housing and home ownership)	Offer not compatible with clients' financial means
6. New uses	Real estate products and services not suitable for new uses
7. Transparency and customer relationship	Client dissatisfaction linked to the quality of the product or service provided and to a lack of transparency in the customer relationship

3 STATEMENT OF NON-FINANCIAL PERFORMANCE

CSR: an integral part of Nexity group's strategy

3.1.3 Nexity's CSR commitments

As part of a revision of its strategy for 2020, in 2017 Nexity launched an overhaul of the focal areas of its CSR efforts in order to take better account of its transition to its role as a real estate services platform. On the basis of the CSR risk assessment study conducted in 2018 in accordance with the Group's risk mapping methods and taking into account the "material" issues described above, Nexity endeavoured to incorporate the themes judged most relevant to its business. As a responsible real estate operator aware of its unique positioning across the entire real estate value chain, Nexity wants to exercise its corporate social responsibility in the upstream and downstream stages of the real estate services platform by:

- Creating social, environmental and economic value for each of its clients;
- Providing its clients with well-being, quality of life and social connections in cities; and
- Jointly creating sustainable and resilient cities in which the impacts of climate change are anticipated.

This responsibility is notably underpinned by the development and launch of best-in-class products and services in the following areas:

- Combating climate change;
- Energy efficiency;
- Alternative and low-carbon mobility;
- Biodiversity and nature in cities;

- Well-being and quality of life;
- Social connections/Living together; and
- Socio-economic impact.

The Group's new CSR policy includes quantitative targets which are now monitored on a yearly basis, corresponding to the creation of social, environmental and economic value for each of its clients and for society:

- Local Authority Clients: Designing sustainable, responsible cities;
- Individual Clients: Better access to housing and higher-quality neighbourhoods;
- Commercial Clients: Better building practices for higher quality of life at work;
- Internal Clients (Nexity employees): Being recognised as a preferred employer; and
- Civil society: Upholding high standards in corporate governance and business ethics.

Among the some forty objectives broken down by client, ten are used for the variable compensation of the Chairman and Chief Executive Officer and his Executive Committee (see section 4.4 "Remuneration and benefits for Executive Company Officers" of this Registration Document) depending on how they match the priority issues of the Group.

STATEMENT OF NON-FINANCIAL PERFORMANCE

CSR: an integral part of Nexity group's strategy

Summary table of Nexity's CSR objectives

Strategic priorities	Quantitative targets	Maturity	CSR reporting system in place since 2018	2018 performance	Change
Local Authority Clients	One national demonstrator of Nexity's expertise in sustainable cities	2020	Yes	Yes	=
	Increase use of new construction methods such as cross-laminated timber (CLT)	2020	Yes	Yes	=
	Mobility diagnostic assessments carried out in conjunction with elected representatives for all developments of more than 60 homes (and 15,000 sq.m. of office space) and, as applicable, deployment of various ecological mobility services	2020	No		↻
	30% of purchases made taking account of at least one CSR aspect (social inclusion, local sourcing, etc.)	2020	No		↻
	30% of projects and services based on a circular economy approach in 2025	2025	Yes	6.9%	=
	Reducing greenhouse gas emissions by 2030 by:	2030			
	30% per home delivered (2015 basis), 21% per square metre of office floor area delivered (2015 basis), and 35% per employee (2014 basis).		Yes	3.6%	=
Individual Clients	Continue to lead the market (> 20% market share) in reduced VAT zones and remain the number-one partner of social housing operators	2020	Yes	24%	↻
	Be the No. 1 operator in intermediate housing	2020	Yes		↻
	At least one BEPOS 3 (E3C1) project launched per subsidiary	2020	Partially	4	Objective dropped
	At least one E+C- project launched per subsidiary	2020	Yes	17 subsidiaries, or 75%	=
	Double production of timber-frame housing (2015 basis)	2020	Yes	45%	=
	50% of new homes equipped with pooled mobility solutions	2020	No		↻
	100% of conventional housing with integrated services (notably Eugénie)¹	2024	Yes	1%	=
	50% of projects with planted areas and 30% of projects planted including long-term services	2020	Yes	16% (delivered in 2018)	=
	Occupancy cost control plan provided for 100% of condominiums delivered in ANRU urban regeneration zones	2020	No		↻
	Increase the proportion of projects offering innovative financing solutions for first-time homebuyers	2020	No		↻
	30 condominiums renovated	2020	Yes	12	✓
	12 Nexity referents for energy efficiency renovation projects	2020	Yes		↻
	Reduce greenhouse gas emissions by 15% per new home delivered	2023	Yes	3.6%	=

Key:

✓: Fixed objective reached (= final objective)

= : fixed objective for 2018 reached/final objective not reached

↻: 2020 objective in progress

Glossary:

ANRU: National agency for urban regeneration (*Agence Nationale pour la Rénovation Urbaine*).

BBCA: Low carbon building (*Bâtiment Bas Carbone*).

BEPOS: Positive energy building (*Bâtiment à Energie POSitive*).

WELL certification: certification assessing a building's performance in terms of employee well-being and health.

CLT: Cross Laminated Timber.

E+C-: Positive energy and low carbon building label. Launched in November 2016 by the French government as part of the law on energy transition, this label prefigures the next 2020 environmental regulation (RE 2020) for new buildings, that will replace the current 2012 Thermal Regulations (RT 2012) and which aims to generalise the production of positive energy and low carbon buildings. A national 2-year experiment has been launched to test the levels of ambition of this new label and feasibility issues.

¹ Eugénie: 221 residential units equipped with Eugénie (spread over 9 operations) out of 13,752 units delivered in 2018.

3 STATEMENT OF NON-FINANCIAL PERFORMANCE

CSR: an integral part of Nexity group's strategy

Strategic priorities	Quantitative targets	Maturity	CSR reporting system in place since 2018	2018 performance	Change
Commercial Clients	• 50% of projects launched bear the E+C- label	2020	Yes		↻
	• 100% of renovations awarded thermal performance certification on delivery of works	2020	No		↻
	• 33% of delivered projects will be timber-frame structures by 2030	2030	Yes	47%	✓
	• 50% of timber-frame projects have obtained the BBCA label since 2015	2030	Yes	31%	=
	• 100% of new, renovated/redeveloped commercial projects including planted areas	2020	Yes	100%	↻
	• 50% of projects with WELL (or equivalent) certification	2020	Yes	5%	↻
	• 50% of new development projects designed to allow for pooling of parking spaces and vehicles and 100% of existing and renovated car parks audited for reconversion (infrastructure for electric vehicles, pooled parking spaces and vehicles)	2020	No		↻
	• 100% of projects or management agreements including a digital service offering appropriate for future users	2020	Yes	0%	↻
	• 100% of property management projects with works and services supporting accessibility and people with disabilities	2020	Yes	0%	↻
	• 100% of projects incorporating electric car/bicycle recharging facilities	2020	Yes	58%	=
Internal Clients	• Increase in the number of turnkey projects with cost guarantees	2020	Yes	3%	↻
	• 75% of employees have an annual interview with their manager	2018	Yes	79%	✓
	• 62% of employees use the employee savings scheme and benefit from employer matching contributions over the year (for employees in France)	2020	Yes	61%	=
	• 35% women (vs 28% in 2017) within the Nexity Club 100	2020	Yes	31%	=
	• 50% women (vs 39% in 2017) across all high-potential employees	2020	Yes	47%	=
	• Double the number of employees recruited within the Group	2020	No (scheduled for 2019)	N/A	↻
	• 2,000 employees committed to solidarity	2020	Yes	509	↻
	• 2,000 eligible and voluntary employees work from home one day per week	2022	Yes	1,610	=
	• Adopt a recognised approach to improving quality of life at work	2020	Yes		↻
	• Belong to a network and/or organisation to combat corruption: the United Nations Global Compact	2018	Yes	Yes	✓
Towards civil society	• A Board Committee dedicated to CSR strategy	2018	Yes	Yes	✓
	• Variable compensation paid to the Chairman and Chief Executive Officer and the Executive Committee including CSR targets	2018	Yes	Yes	✓
	• An additional employee shareholder representative on the Board of Directors	2020	Yes	No	✓
	• 100% of employees trained in preventing corruption	2020	Yes	100%	✓

Key:

✓: Fixed objective reached (= final objective)

=: fixed objective for 2018 reached/final objective not reached

↻: 2020 objective in progress

Glossary:

ANRU: National agency for urban regeneration (Agence Nationale pour la Rénovation Urbaine).

BBCA: Low carbon building (Bâtiment Bas Carbone).

BEPOS: Positive energy building (Bâtiment à Energie POSitive).

WELL certification: certification assessing a building's performance in terms of employee well-being and health.

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A summary of the CSR indicators is also presented in section 3.8 "Summary table of CSR indicators" of this chapter.

3.2 STRENGTHEN STAFF LOYALTY: BE RECOGNISED AS A PREFERRED EMPLOYER

Nexity's Human Resources Department is responsible for developing the skills and human capital needed by the Group to meet the short-, medium- and long-term objectives set by its Executive Management. To guarantee the human capital Nexity needs to implement its strategy, one of its key challenges is to retain employees and develop their employability.

At 31 December 2018, Nexity had 10,093 employees, 92% of whom under permanent contracts.

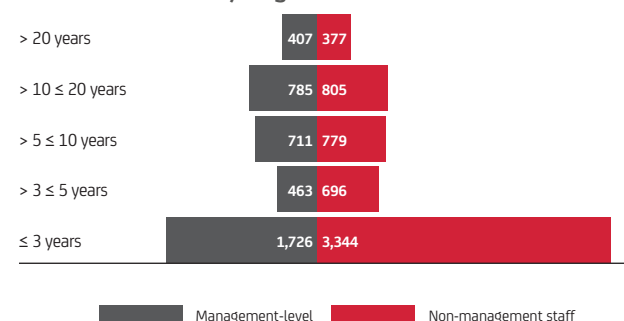
<i>Number of employees</i>	2018	2017	2016
Like-for-like	7,657	7,249	6,896
External growth	2,436*	27	136
TOTAL	10,093	7,276	7,032

* Including 2,407 employees from the consolidation of Ægide-Domitys and 29 employees following the acquisition of several property management firms

<i>Number of employees</i>	2018	2017
Individual Clients	8,912	6,214
Residential Real Estate	2,238	1,941
Real Estate Services to Individuals	6,674	4,273
Commercial Clients	786	720
Commercial Real Estate	109	88
Real Estate Services to Companies	677	632
Other activities	395	342
TOTAL	10,093	7,276

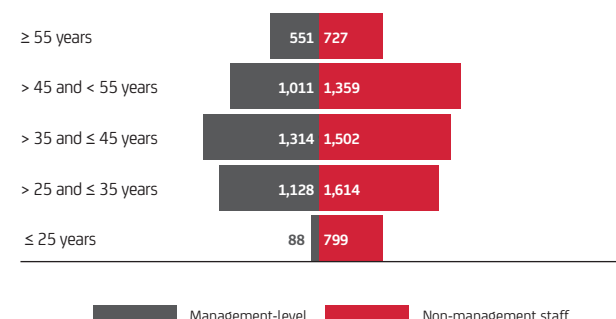
Women account for 66% of Group employees and men for 34%.

Workforce structure by length of service at 31 December 2018



The average length of service of Group employees was 7.5 years (7.7 years for management-level and 7.4 years for non-management staff). The average age of employees is 39.6 years (41 for management-level and 38.6 for non-management staff).

Workforce structure by employee age at 31 December 2018



The type of employment contracts and the average seniority rates illustrate the Group's ability to retain its employees. The Group's turnover¹ rate was 13.3% (a level controlled for several years within Nexity). Moreover, the voluntary turnover rate² amounted to 9.3%. The monitoring and tight management of this turnover rate have become key element of Nexity's strategy (see Section 1.6.1 "Employees: levers of future growth" of this Registration Document).

Given the speed with which business lines are changing and the transformation of companies, talent retention and the development of employee skills remained key priorities in 2018.

For this reason the Group wants its employees to view it as a "preferred employer", with regard to five commitments, namely to:

- 1. Respect diversity and social demands** by maintaining a lasting and constructive dialogue between employees and management, and ensuring the values of gender diversity and professional equality are implemented. Indeed, the Nexity group firmly believes in the need for dialogue between employees and management and the role of employee representative bodies in supporting and informing employees. To this end, it assumes a socially responsible role by intervening as a true social partner with the employee representative bodies;
- 2. Guarantee fair remuneration for individual and collective performance** while maintaining solidarity;
- 3. Develop talents** by offering diversified training and support to enhance employability;
- 4. Promote quality of life at work** by offering all employees concrete actions and a full range of measures; and
- 5. Listen and exchange** by creating areas where employees with different professions can meet and share information.

¹ Number of dismissals, resignations and contractual terminations of permanent employees/average number of permanent employees (excluding Ægide-Domitys).

² Number of resignations and non-renewal by employees at end of permanent-contract trial periods/average number of permanent employees (excluding Ægide-Domitys). Particular attention is paid to this turnover rate since, as of 2019, it will be an indicator used to determine the variable compensation of executive managers.

3 STATEMENT OF NON-FINANCIAL PERFORMANCE

Strengthen staff loyalty: be recognised as a preferred employer

To honour these commitments and strengthen employee loyalty, the Group has identified three major issues detailed below.

3.2.1 Enhance appeal and employee retention

The men and women who make up Nexity's teams are the Group's "human capital". Nexity considers its human capital to be its main resource and the cornerstone of its business model and as such, believes that its main risk is

that of the loss of skills. Thus, in order to control the retention rate (turnover) and attract and retain talent, the Group has chosen to develop two retention factors: remuneration and quality of life at work.

3.2.1.1 Remuneration

Remuneration is a prime factor to attract and retain employees. Nexity thus seeks to recognise and reward Group employees for their contributions, taking into account both individual and collective performance, while guaranteeing fairness and promoting solidarity.

At the individual level, performance is recognised and rewarded through the allocation of salary measures, and for executives and sales staff depending on their position, by the allocation of individual variable compensation according to their individual contribution. These measures are decided during the salary review process.

In 2018, the Group's average gross annual remuneration (excluding employer's social security contributions) amounted to €46,530, up 0.6% compared to 2017. Taking into account the integration within the Group of Ægide-Domitys, whose remuneration structure is different, this average amounted to €41,946.

The Nexity group is committed to ensuring equal pay for women and men and to fighting against gender pay gaps and unjustified treatment. As such, in accordance with the decree implementing the French *Avenir professionnel* Law (Professional Future Law), all Nexity group entities with more than 1,000 employees measured the indicators defined by the gender equality index.

These principal Economic and Social Units (UES) obtained the following overall score:

- Nexity Lamy: 84/100
- Nexity Promotion Construction: 76/100
- Domitys: 76/100

Nexity group entities with between 250 and less than 1,000 employees will publish their overall score on 1 September 2019, and those with 50 to 250 employees on 1 March 2020.

In addition, due to the diversity of the Group's business lines there is a dispersion of remuneration levels according to the segments of activity. These averages are therefore provided for information purposes only. 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.

At the collective level, performance is measured on the basis of the economic results achieved by the Company and/or the Group.

The efforts made by each Group subsidiary are reflected in the possible payment of incentive and profit-sharing bonuses (provided that the entity's workforce, economic maturity and results allow it).

More generally, the Group Savings Plan (PEG) and the Group Collective Retirement Savings Plan (PERCOG), whose annual contribution levels are pegged to Group results, reward collective performance.

In addition, to foster the involvement of all staff members, the Group has set up a shareholding policy enabling employees to be associated, as shareholders, with the Group's development and growth strategy.

In order to ensure the legibility and understanding of the different payment mechanisms, a dematerialised individual social assessment (*Bilan Social Individuel* - BSI) listing all the elements of the remuneration paid out over one year, together with all the individual employee benefits, is made available to each employee every year.

Salary reviews: a structured and uniform process based on the recognition of individual contributions and performance

Employees' fixed individual remuneration constitutes the counterpart of the good performance of their role. Variable remuneration serves to reward individual contributions to the Group's performance by achieving specific objectives over a given period.

Remuneration is reviewed at least once a year by way of a structured, uniform process that is applied by all Group entities.

In order to guarantee the fairness of wage measures granted and identical pay levels for equivalent positions and profiles, the salary review process is underpinned by the principle of non-discrimination. This is notably ensured by a two-stage review process of each employee's situation (carried out by managers on the one hand and by the Human Resources Department on the other) which allows for a factual and objective assessment.

The Group also seeks to safeguard the principle of solidarity, with specific attention paid each year to employees on the lowest incomes.

As part of the 2018 campaign, 60% of employees eligible for salary reviews benefited from a revaluation measure totalling €7,165 thousand.

In addition, in the context of the 24 December 2018 Law on economic and social emergency measures, Nexity chose to support the purchasing power of the Group's employees and distribute a bonus to all staff members with an annual gross salary of less than €30,000 and an employment contract at 31 December 2018. The amount of this bonus was adjusted according to the level of the employee's salary and actual presence during the year 2018.

Employee Savings: schemes to reward collective performance

The Nexity group's employee savings schemes reflect employees' contribution to the results of the Group and their specific entity. This system is based on two savings schemes; employee profit-sharing, which is specific to each eligible company, and Employee Savings Plans, which are common to all employees of the Group.

Employee profit-sharing

Employee profit-sharing is specific to each eligible Group structure to reflect the specific nature of the different businesses, on the one hand, and to reward the collective contribution of employees to the results of their entity, on the other.

Profit-sharing agreements are concluded within each structure, if their workforce, economic maturity and results permit.

In 2018, the Group paid its employees €2.6 million in compulsory profit-sharing in respect of the 2017 financial year (gross amount before CSG/CRDS).

In 2018, 94% of employees benefited from a profit-sharing and/or participation bonus (excluding Aegide-Domitys and Edouard Denis).

Group employee savings plans

To strengthen its shared foundation for employee relations, Nexity has implemented a Group-wide employee savings system with a view to rewarding the collective contribution of all employees to the Group's results.

This system comprises a Group Savings Plan (PEG) and a Group Collective Retirement Savings Plan (PERCOG) and was set up in 2015 by unanimous collective bargaining agreements concluded with the trade union and employee representative bodies. It constitutes a lever of motivation and cohesion as it has the innovative feature of linking the level of matching contribution to the Group's operating income. This means that the more the Group's profits grow, the higher the employer contribution, in accordance with the principle of mutual benefit.

In recognition of its development of this approach, Nexity was awarded the 2015 employee savings prize by the human resources group RH&M's ORAS think tank, which focuses on remuneration and employee benefits.

Group Savings Plan (PEG)

Investments in the Group Savings Plan (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 one dedicated FCPE, Nexity Actions, invested in Nexity shares.

At 31 December 2018, the Nexity Actions mutual fund (including the 2017 leverage fund) held 1,540,149 shares, representing 2.7% of Nexity's share capital.

Group Collective Retirement Savings Plan (PERCOG)

To enable Group employees to build up a long-term salary savings supplement in preparation for their retirement, Nexity set up a Group Collective Retirement Savings Plan (PERCOG).

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 cannot access funds invested in the plan until their retirement, except in cases of early redemption permitted by law.

The PERCOG offers a clear and comprehensive range of investment funds, consisting of five Amundi ("FCPE") mutual funds. In addition, the PERCOG offers employees the possibility of opting for guided investment management.

Employee Savings Plans are widely used by Group employees, as 61% of them saved in 2018 and benefited from the matched contribution totalling around €1.9 million.

Sharing added value: free share allocations

To involve employees as shareholders in the creation and sharing of value, employee shareholding operations are regularly proposed to Nexity employees (collective plans for the free allocation of shares and a capital increase reserved for employees in 2017).

On 31 May 2018, the Board of Directors, upon the proposal of the Chairman and Chief Executive Officer, decided to allocate 30 free shares to all Group employees (representing a total of more than 200,000 shares granted to 7,000 Group employees). At the end of the 3-year vesting period (31 May 2021), beneficiary employees may either:

- Transfer their shares to the Nexity Actions mutual fund of the Group Savings Plan and thus benefit from a tax exemption on the sale, subject to their compliance with the five-year lock-up period; or
- Sell their shares as of 31 May 2021.

At 31 December 2018, 70% of the workforce (excluding Aegide-Domitys employees) owned Nexity shares.

At 31 December 2018, Nexity's employees held 3% of the share capital.

3 STATEMENT OF NON-FINANCIAL PERFORMANCE

Strengthen staff loyalty: be recognised as a preferred employer

PLANS IN FORCE AT 31 DECEMBER 2018 Date of granted by the Board of Directors		31 May 2016	23 January 2017	25 April 2017	1 June 2017 (Plan 1)
Date of authorisation given by the Shareholders' Meeting		31 May 2016	31 May 2016	31 May 2016	1 June 2017
Total number of shares in awards initially granted		469,500	50,000	5,000	279,600
Number of shares vested		-	-	-	-
Number of shares cancelled		37,000	-	-	16,250
Number of shares in awards granted and not yet vested		432,500	50,000	5,000	263,350
Total number of shares in awards granted to executive company officers		-	-	-	-
Total number of shares in awards granted to the top ten recipients		118,000	50,000	5,000	61,350
Number of initial plan recipients		140	3	1	149
Number of initial recipients of the top ten awards granted		10	3	1	11
Vesting period expiry date No vesting period		30 May 2019	Board of Directors meeting to approve the 2019 financial statements	24 April 2020	31 May 2020
Vesting period (in years)		3 years	3 years	3 years	3 years
Vesting conditions		Performance and presence	Performance and presence	Performance and presence	Performance and presence
Performance criteria	For 100% of the awards made to the members of the Executive Committee and the Executive Management Committee, and 51% of the award to other employees	Executive Committee Plan For 100% of the awards	Executive Committee Plan For 100% of the awards	Executive Committee Plan For 100% of the awards	For 51% of the awards
	No award in respect of criterion if <90%	No shares vest if less than 100% of the target is met.	No shares vest if less than 90% of the target is met.	No shares subject to the achievement of an objective vest if less than 80% of the target is met.	
	Criteria:	Criteria:	Criteria:	Criteria:	
	70%: average 16-17-18 current operating profit* ≥ €256m Target achieved: 122%	25%: cumulative 17-18-19 current operating profit*	70%: cumulative 17-18-19 current operating profit*	70%: cumulative 17-18-19 current operating profit*	
	30%: average 16-17-18 backlog* ≥ €3,400m Target achieved: 136%	25%: 2020 current operating profit* retained by the Board of Directors in December 2019, excluding external growth	30%: backlog* at 31 December 2019 in line with the medium-term plan validated by the Board of Directors at its meeting of 15 December 2016 over the duration of the plan	30%: backlog* at 31 December 2019 in line with the medium-term plan validated by the Board of Directors at its meeting of 15 December 2016 over the duration of the plan	
	Objectives in line with the medium-term plan validated by the Board of Directors at its meeting of 16 December 2015 over the duration of the plan	25%: net debt* at 31 December 2019, excluding exceptional operations	Triggered when the performance criteria are achieved at 90% for 90% of shares in awards granted.	Triggered when the performance criteria are achieved at 90% for 90% of shares in awards granted and at 80% for 80% of shares in awards granted	
		25%: backlog* at 31 December 2019 in line with the medium-term plan validated by the Board of Directors at its meeting of 15 December 2016 over the duration of the plan			
	* according to IFRS standards used for the financial statements in 2015	* according to IFRS standards used for the financial statements in 2016	* according to IFRS standards used for the financial statements in 2016	* according to IFRS standards used for the financial statements in 2016	
% of shares in awards subject to continued employment condition alone		37%	0%	0%	49%
% of shares in awards subject to continued employment and performance conditions		63%	100%	100%	51%
Share price on grant date (in euros)		€48.40	€44.90	€45.10	€54.50

STATEMENT OF NON-FINANCIAL PERFORMANCE

Strengthen staff loyalty: be recognised as a preferred employer

1 June 2017 (Plan 2)	19 December 2017	31 May 2018 managers	31 May 2018 democratic	30 October 2018
1 June 2017	1 June 2017	31 March 2018	31 May 2018	31 May 2018
113,000	13,500	284,950	209,070	24,000
-	-	-	-	-
-	-	4,600	25,980	-
113,000	13,500	280,350	183,090	24,000
-	-	-	-	-
113,000	13,500	52,000	209,070	24,000
4	3	179	6,969	12
4	3	13	6,969	12
1 June 2020	18 December 2020	30 May 2021	30 May 2021	29 October 2021
3 years	3 years	3 years	3 years	3 years
Performance and presence	Performance and presence	Performance and presence	Presence	Performance and presence
Executive Committee Plan For 100% of the awards	For 100% of the awards	For 51% of the awards		For 70% of the awards
				No share allocation for the Group EBITDA performance objective if less than 80% of the target is met.
No shares vest if less than 100% of the target is met	No shares vest if less than 100% of the target is met	No shares subject to the achievement of an objective vest if less than 80% of the target is met		No share allocation for the Ægide EBITDA performance objective if performance achieved is €10 million less than target
Criteria:	Criteria:	Criteria:		Criteria:
25%: cumulative 17-18-19 current operating profit*	25%: cumulative 17-18-19 current operating profit*	70%: cumulative 18-19-20 Group EBITDA*		36%: Group EBITDA*
25%: 2020 current operating profit* retained by the Board of Directors in December 2019, excluding external growth	25%: 2020 current operating profit* retained by the Board in December 2019, excluding external growth	30%: backlog* at 31 December 2020		64%: Ægide EBITDA
25%: net debt* at 31 December 2019, excluding exceptional operations	25%: net debt* at 31 December 2019, excluding exceptional operations	in line with the medium-term plan validated by the Board of Directors at its meeting of 19 December 2017 over the duration of the plan		in line with the medium-term plan approved by the Board of Directors at its meeting of 19 December 2017 over the duration of the plan, for Group EBITDA
25%: backlog* at 31 December 2019	25%: backlog* at 31 December 2019	Triggered when the performance criteria are achieved at 90% for 90% of shares in awards granted and at 80% for 80% of shares in awards granted		Triggered when the performance criteria are achieved at 90% for 90% of shares in awards granted and at 80% for 80% of shares in awards granted
in line with the medium-term plan validated by the Board of Directors at its meeting of 15 December 2016 over the duration of the plan	in line with the medium-term plan validated by the Board of Directors at its meeting of 15 December 2016 over the duration of the plan			
* according to IFRS standards used for the financial statements in 2016	* according to IFRS standards used for the financial statements in 2016	* according to IFRS standards used for the financial statements in 2018		* according to IFRS standards used for the financial statements in 2018
0%	0%	49%	100%	30%
100%	100%	51%	0%	70%
€54.50	€52.00	€49.80	€49.80	€42.10

3 STATEMENT OF NON-FINANCIAL PERFORMANCE

Strengthen staff loyalty: be recognised as a preferred employer

PLANS HAVING EXPIRED IN 2018 Date of award by the Board of Directors	28 April 2015	27 October 2015
Total number of shares in awards initially granted	92,000	11,000
Number of shares vested	82,000	11,000
Number of shares cancelled	10,000	-
Total number of shares in awards granted to executive company officers	-	-
Number of shares in awards granted to the top ten recipients	33,000	11,000
Number of initial plan recipients	43	3
Number of initial recipients of the top ten awards granted	11	3
Vesting period expiry date	20 February 2018	20 February 2018
Length of lock-up period as of transfer of share ownership	2 years	2 years
Vesting conditions	Presence 3 years 100%	Presence 2 years 100%
Share price on date of award	€37.70	€38.80

3.2.1.2 Quality of life at work

Quality of life in the workplace enhances the attractiveness of the Company and fosters staff retention since employees want to work in a company that is concerned about their health and well-being.

Nexity has implemented several actions to promote the well-being of its employees, improve their working conditions and facilitate the balance between their personal and professional lives. These actions are designed to benefit the greatest number (preventative health measures, a tele-medicine service for all, parenthood management, teleworking, etc.).

This approach enhances the Company's economic performance by providing employees with working

conditions that foster concentration and well-being, on the one hand, and by reducing absenteeism, on the other.

The absence rate¹ in France was 3.5% in 2018, stable on 2017, and lower than the national absence rate of 4.7% (according to the 10th Absenteeism Barometer carried out in 2018 by Ayiming).

The reported number of occupational illness was very low considering the Group's business (two cases declared in 2018).

The number of work-related accidents within Nexity is very low, as are severity and frequency rates. This is due to the types of Group activities, as shown in the table below:

FRANCE SCOPE (EXCL. ÆGIDE-DOMITYS)	2018	2017
Workplace accidents	37	44
Commuting accidents	51	43
Frequency rate ⁽¹⁾	2.9	3.6
Severity rate ⁽²⁾	0.1	0.2

(1) Number of lost-time workplace accidents in the year × 1,000,000 / Number of hours theoretically worked in the year.

(2) Number of calendar days lost due to a lost-time workplace accident over the year × 1.000 / Number of hours worked in the year.

In 2018, 88 work-related accidents resulting in lost time were reported (compared with 87 in 2017), broken down into 37 workplace accidents and 51 commuting accidents.

Adopt a recognised approach to improving quality of life at work

In line with one of its CSR objectives, in 2018, Nexity launched a continuous improvement initiative aimed at obtaining Great Place to Work (GPTW) certification.

To this end, the Group carried out a survey with its employees to measure their level of satisfaction. Nearly 50% of its staff members responded. Of these, 58% had a favourable opinion about the Group. Although this percentage was not sufficient to obtain the GPTW label (which requires positive feedback from at least 66% of participants), the information collected enabled the Group to adapt its human resources action plans, notably to better meet the needs and expectations of employees.

¹ 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. This rate excludes Ægide-Domitys and its foreign subsidiaries.

Mobile working: optimising how work is organised

Mobile working was introduced at the end of 2017, allowing each eligible and willing employee to work from home or at another Nexity location, one day a week.

The Group concluded three collective agreements with its Units Social and Economic, or UESs (Sagel Services in September 2017, Nexity Promotion Construction in October 2017 and Nexity Lamy in November 2017), within the context of negotiations on quality of life at work. In addition, mobile working has also been implemented unilaterally in other Group structures.

This system continued to be rolled out gradually over the course of 2018. An extensive support system was proposed to employees and managers alike so that everyone could appropriate this new way of working in the best way possible.

At 31 December 2018, 1,610 Group employees had opted to benefit from this working approach, and the Group has set a target of 2,000 employees by 2022.

Promoting a work-life balance

Quality of life in the workplace calls for a better balance between personal and professional life, which is why the Group has chosen to implement measures to promote this balance, in favour of its employees.

To enable all employees to benefit from this approach the Group has implemented several measures, some of which are outlined below.

The right to disconnect

A system relating to the right to disconnect was introduced in 2017 for all Group employees by way of a collective agreement concluded within the UESs as part of the negotiations on the quality of life in the workplace and in the context of unilateral charters within subsidiaries excluding UESs.

This system consists of incentives and educational measures to promote the reasonable use of digital tools made available to employees: disconnection period reminders, dissemination of best practices to be adopted, provision of a toolbox to facilitate disconnection, awareness-raising measures.

Parent support policy

Nexity offers its employees who are parents the benefit of a number of services relating directly to childcare that are provided by recognised professionals in the early childhood sector.

To deal with difficulties related to the search for childcare services, Nexity concluded a partnership concerning the reservation of places in nurseries and related services.

In this context, in 2018, 85 employees were offered a nursery place near their home or workplace. The childcare network also offers additional services on short notice to interested employees, such as occasional childcare or home assistance.

Company concierge service

To facilitate the everyday life of its employees, Nexity has launched a dedicated digital concierge service. The purpose of this service is to delegate certain personal administrative and organisational tasks so that employees can be more relaxed at work.

In 2018, nearly 2,000 employees signed up to benefit from this service, with an average of about 900 requests per month.

Caregiver support service

As part of its prevention policy, Nexity plans to introduce a caregiver support service in 2019 for its employees who are looking after immediate family members (ascendants, descendants, spouses, etc.) or close relatives.

This service will involve assisting employees in all of their procedures, from analysing their needs, through monitoring all administrative formalities, to implementing solutions adapted to the loss of autonomy of their relative.

This service will be rolled out in consultation with the Group's trade union and employee representatives.

Health and welfare and work-related stress

Social protection

In 2011, Nexity established a shared foundation in terms of social protection for its employees to demonstrate its commitment to fairness and its desire to create a social protection system favourable to all employees.

Against the backdrop of restrictions on healthcare spending with legislation relating to top-up health insurance, Nexity increased its minimum welfare benefits in 2017 to include new employee protection.

Developed with trade union and employee representative bodies, who unanimously supported the change, the system is based on high quality healthcare and welfare guarantees and gives prominence to preventive healthcare.

This preventive approach involves the provision of services such as medical tele-consultation, a confidential listening service, return to work support and daily living assistance.

Awareness of work-related stress

In order to raise managers' awareness of stress-related issues, a training course entitled "Managing one's stress and that of others" is proposed as part of their training, the aim being to develop the specific skills needed to manage situations of stress and tension.

In addition, a training module entitled "Dealing with stress" is offered to all those wanting to participate.

In 2018, 60 managers and 54 employees participated in these training sessions.

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3.2.2 Developing talents and reinforcing employee commitment

3.2.2.1 Skills development

Induction process

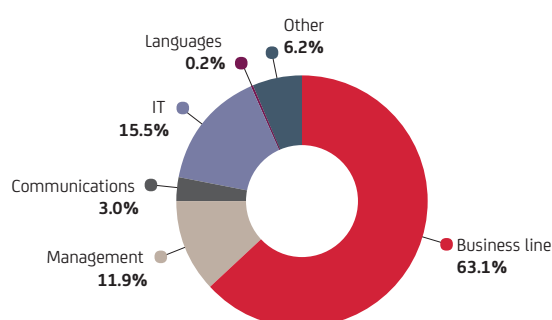
The Group is continuing to apply its induction policy based on the format created in 2017, to improve the employee experience. Nexity's induction process is based on the three central themes of Discover, Share and Explore. Apart from the Group's induction day, which is held at head office, it is focused primarily on online activities. The process is based on a range of educational methods and materials, and complements the business line induction processes specific to each division. The day has been organised to promote maximum interaction among participating executives and employees. These events provide opportunities for everyone to ask questions and provide feedback on the presentations. Time is also set aside for socialising to promote the creation of an internal network. The process covers content and activities designed to foster shared work and creativity, and to build the ability to overcome challenges as a team.

Group training

In 2018, Nexity invested €5.4 million in 105,643 training hours (an average of 19 hours for each employee), including:

- €5 million in ongoing training for its employees; and
- €0.4 million allocated to recurring costs for the Group's e-learning system (equipment, maintenance, licence purchases) and to the creation of business-specific training modules designed for distance learning to enrich the range of solutions offered and the support provided to employees by HR personnel and managers.

A breakdown of training delivered in 2018 by type of training is as follows:



Training communications will be relaunched in 2019, encouraging employees to see training as an opportunity that they have control over rather than as a top-down, mandatory process.

The training on offer will adapt to focus on skills development, with an emphasis on self-training.

A number of initiatives have been launched to share knowledge, including between employees, and to promote and retain internal expertise. Examples include:

- A remote training module (MOOC) on the topic of technological real estate developments, entirely developed with the help of Nexity's employees and experts. This module will promote the Group's expertise and its ability to innovate in a responsible manner in its clients' best interests;
- The launch of a participation-based scheme whereby employees are encouraged to suggest training topics and to share their skills during workshops; or
- The promotion of the roles of expert/trainer/speaker to encourage employees to take the time to share their knowledge.

Both distance training and face-to-face training (on the Group's training campus) will need to be open to new innovative content from outside sources, while free-access training modules will be extended, to enable all employees and managers to self-train independently on the topics of their choice.

Performance appraisals

Annual performance appraisals provide a valuable opportunity to share information, clarify aspects of an employee's role and responsibilities and discuss each employee's professional development. The Reciprocal Agreement Appraisal (RAA) enables participants to assess the previous year, look at the coming year and discuss short/medium-term career goals.

The purpose of this key exchange between managers and employees is both to guide employees' development so that they achieve the expected levels of competence and performance in each of their roles, and to support their careers based on their aspirations, Company requirements, resources and available opportunities. The annual performance appraisal provides managers with a tool which they can use as a driver of team performance and results. It also sets out the foundations for the individual development contract between each employee and their manager.

The performance appraisal completion rate was 79% for 2018, representing a rise on 2017's figure of 71%. The objective for 2019 is to improve the appraisal completion rate.

Furthermore, the annual appraisal format was entirely overhauled in 2018, both to improve the completion rate and to provide better leverage for individual and collective performance. Over the course of this year, employees and managers have worked together on this project to create a new practical managerial process which meets the needs of all parties.

In 2019, the new assessment format will be fully operational and will include:

- A new tool, Cornerstone, which incorporates both training courses on offer and training records. The tool also keeps a record of campus training and the annual appraisal;
- A new skills framework (6 key priorities for action) shared by both managers and employees, which covers six major skills that each Nexity employee can incorporate into their daily lives; and
- A new assessment process based around employee motivation drivers, to be used for continuous improvement in each employee's career plan, encouraging employees and managers to give and receive feedback on an ongoing basis throughout the year, and not only during the annual appraisal.

Internal mobility

Mobility is key challenge for Nexity's transformation and its ambition of moving towards a services platform. For this reason, the Group is a strong advocate for mobility, and has created principles as well as a policy and charter in this area to help employees with this process. This enables them to keep up-to-date with opportunities, adapt to new roles and integrate fully into new working environments.

Mobility has a positive impact on the organisation, as it encourages employees to learn, train and overcome fresh challenges. As 2019 heralds new indicators to support the mobility policy, the goal is to achieve a substantial increase in mobility.

Talent review meetings

Talent review meetings are held every year, partly to overcome the challenge of retaining top talent. The purpose of these meetings is to objectively review short- medium- and long-term high-potential employees, in order to provide

the best possible development support. Employees fulfilling a number of specific criteria are qualified as potential employees for a promotion or broader role. They are usually identified as those who have outperformed their targets and demonstrated their ability to support and manage a team.

2018 talent review meetings have identified short-term potential (within the next year – 60 employees), medium-term potential (1-2 years – 97 employees), and long-term potential (3 years or more – 27 employees).

Professional development programme to retain top talent

The Next programme is a professional development and talent retention programme which runs every year. It is continually updated and customised to fit the Group's people and strategy.

All employees identified as high-potential join the Nexity Development Centre and follow a specific one-year professional development programme.

The programme begins with a comprehensive skills evaluation, to pick out the participants' strong points as well as potential areas for improvement.

Each participant then receives a personalised 12-month development programme which includes collective support actions and individual actions. These actions help participants to develop their skills as well as providing the opportunity to experience real-life situations.

For 2018/2019, the programme has identified 33 employees who have "short-term" potential to join the Development Centre. This promotion follows the 2018 talent review meetings.

77 employees have received support from the programme since it was launched.

3.2.2.2 Raising awareness and training in CSR: another way of giving meaning and fostering the loyalty of employees

The challenges of sustainable development and the policies implemented by the Group to this end are the focus of a sustained awareness campaign aimed at its personnel, including:

- Since 2013, a sustainability e-learning module has been offered to raise awareness of social and environmental issues in the real estate sector, and unite staff around the Group's CSR policy; and
- Many other tools are used to raise awareness among employees, including Nexity Live (an internal sharing platform which includes a CSR community) and various themed and corporate events such as Sustainable

Development Week (competitions, videos, collecting/sorting/recycling campaigns, etc.).

In 2018, a targeted awareness campaign was delivered to all Nexity employees on the Group's new CSR policy. This awareness campaign was delivered through a webcast, and covered eight topics throughout the year: mobility, biodiversity, climate, Nexity Foundation, the circular economy, well-being, energy and living together.

Furthermore, and in particular to raise employees' awareness of digitisation, Nexity offers employees the option of receiving payslips in digital form and access to a free digital safe.

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A series of conferences was held at Nexity's head office to raise employee awareness of the circular economy and the direct impact of this concept on their roles. These conferences were broadcast to all employees via the Nexity Live platform and covered re-used, bio-sourced and bio-inspired materials.

In order to provide employees with functional support in this area, the Group also offers a number of collaborative tools such as practical design guides (covering "BBC" low energy consumption criteria, low-carbon programmes and healthier living spaces), technical information sheets and the following e-learning modules:

- "Bilan Carbone® for real estate projects", offered since 2014 to the Group's operational staff responsible for independently verifying the carbon footprint of their

developments using a specialised in-house tool: Carbon Pro (see Section 3.3.1.2 "Energy-efficient, low-carbon buildings" of this chapter). This module was updated in 2018 to incorporate the new E+C- framework, and to prepare operatives for the new RE 2020 environmental regulations; and

- "Rénovation énergétique", an e-learning module on energy efficiency renovations, offered to all condominium managers from 2012 onwards to help them provide better energy-related 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).

3.2.3 Promoting integration and equal opportunities

Nexity aims to ensure that the principle of non-discrimination is observed, both during the recruitment process and for the full duration of the employment contract.

Any decision based on non-professional grounds or prohibited subjective criteria therefore is prohibited for ethical reasons, and to properly manage the image risk arising therefrom.

The Group therefore views integration and equal opportunities as a means of progress, and believes that the Company's performance is enhanced by the diversity of its staff. For this reason it aims to boost diversity and

integration measures, thereby fostering rewards and greater commitment, based on three priority areas:

- Gender equality;
- Employment of people with disabilities; and
- Social and cultural diversity.

Nexity has joined the AFMD (French Association of Diversity Managers) and participated in their various organised events (conferences, workshops and sponsorship programmes) to identify best practice and ensure that continuous improvements are being made.

3.2.3.1 Strengthening the Group's commitments to gender equality

Nexity is particularly aware of the need to promote gender equality. We therefore regularly analyse our workforce structure on this basis (it being specified that the data shown below do not include Egide-Domitys or Edouard Denis staff):

- 63% of our workforce is female (of which 39% management-level and 61% non-management staff), and 37% male (of which 67% management-level and 33% non-management staff);
- At management-level: 49% women and 51% men;
- 45% of managers are women and 55% are men;
- 62% of new recruits are women and 38% are men;
- 65% of salary reviews have applied to women; and
- 68% of those moving up to management level are women.

The Group has implemented an action plan to strengthen and formalise its commitments to wage equality, based on professional equality between the genders and on diversity. This plan, launched in 2017, comprises quantitative targets

and specific measures. It was validated by the Board of Directors and proposed by the Remuneration, Appointments and CSR Committee.

In this context, in 2018 negotiations took place with trade union and employee representatives in relation to a number of actions, which are now being rolled out in order to achieve the four commitments set out by the action plan:

Ensure equal pay for employees with equivalent jobs, skills and backgrounds

An audit performed at the end of 2017 showed that Nexity had achieved wage equality between men and women. Any wage discrepancies which had slipped through the net were identified and corrected during the salary reviews performed at the start of 2018.

Moreover, when the salary reviews were carried out, the relevant managers were reminded of the principle of non-discrimination of wages and of Nexity's compensation policy based on wage equality via a framework memo and an awareness-raising video.

Increase the number of women in governing bodies

Two quantitative targets have been set with the purpose of increasing the number of women in governing bodies by 2020:

- Target of 35% women in Club 100 (31% in 2018, with a 2016 baseline of 23%); and
- Target of 50% women across all high-potential employees (47% in 2018).

In order to achieve these goals, various measures have been adopted:

- In 2018, a professional sharing network was set up comprising 25 female employees. Its purpose is to promote gender equality in the workplace, to help to implement practical and innovative actions and to share experiences and best practice. Since its launch, four meetings have been held;
- There has been a specific focus on identifying high-potential employees and candidates for the talent development and future executives training programme (55% female in 2018), in order to support women in their career progression;
- 2018 saw the creation of an assertiveness training course specifically for female employees. This training will be delivered in 2019, with the aim of lifting any barriers encountered by those wishing to move towards an executive career path; and
- In order to ensure that women are represented when recruiting executives, all new contracts entered into with recruitment firms will include a clause whereby the

shortlist of candidates must be in proportion to the number of female applications received, and consistent with the proportion of qualified women in that particular business sector.

Diversify recruitment and increase the proportion of women in certain business lines

In 2018, Nexity's objective was to increase communications on its policies. It therefore published its commitments to gender equality on its recruitment website.

In order to ensure that certain Group business lines, generally occupied by men, are accessible and appealing to women, videos will be disseminated both externally and internally recounting the experience of Nexity female employees in "field" positions.

Raise employees' awareness about professional equality and diversity

In 2018, Nexity published a number of communications on its social network to raise employees' awareness about gender equality.

Moreover, in 2018 the Group prepared a dedicated communication campaign for employees on inclusion, including a gender component. This campaign is due to be rolled out in 2019, and will include regular communications on integration. Managers will also receive specific awareness-raising training. 2019 will also play host to specific events on this topic, including a conference and social events.

Finally, training focused on those involved in the recruitment process will also be rolled out in 2019.

3.2.3.2 Promoting the employment of workers with disabilities

As at 31 December 2018, in France, the Group had 110 employees with disabilities (an increase of 11% in one year).

Nexity is also committed to the integration of people with disabilities. To this end, partnerships have been forged with:

- The Elise network and Cèdre: collection and recycling of office waste;
- Ateliers Denis Cordonnier: scanning services for receipts and expense reports; and
- The disability-friendly company ATF Gaia: reconditioning of IT hardware.

Since 2017, Nexity has ramped up its disability policy, based around three main areas for action:

Raising awareness among employees

Two awareness-raising measures were organised in 2018 to change perspectives on disability.

The first campaign taught employees about dedicated technology designed to help people with disabilities in their daily lives.

The campaign comprised awareness workshops led by disability experts on Nexity's five main sites, where employees were able to test out the various tools.

During the European Disability Employment Week, all Group employees were given the chance to participate in an online quiz, providing a light-hearted insight into different types of disability.

Employee support

A Disabled Persons Contact was appointed in November 2017 to improve employee support on all disability-related matters. He has the following duties:

- To lead the integration and support of employees with a disability;

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- To provide guidance to people with disabilities and assist them with various processes; and
- To listen to them and ensure that any information shared remains confidential.

In 2018, 15 disability status recognition certificates were issued, and adjustments were made to 18 workstations. Adjustments were made both to improve the daily lives of people with disabilities, and for prevention purposes for employees identified by the occupational health team or the Disabled Persons Contact.

3.2.3.3 Developing social and cultural diversity

In 2018, the Group committed together with the Nexity Foundation to open its doors to 300 interns from grade nine class, primarily coming from QPV priority urban districts.

As part of this project, in 2018, 130 interns joined the Group on various sites throughout France. Nexity will continue to implement this project in 2019.

3.2.3.4 Additional information

Compliance with conditions for the use of subcontractors

The Group remains particularly vigilant with respect to its use of subcontracting and its compliance with legal provisions relating to both the working conditions as well as 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 Company's social network.

Compliance with the organisation and management of working hours

Each company or group of companies belonging to a UES (Economic and Social Unit) has its own specific arrangements for organising and managing working hours, laid down in a collective bargaining agreement, in particular by type of business and the terms of any applicable agreements. They depend upon an employee's status and level of responsibility.

Compliance with ILO conventions

Nexity only operates in countries that have ratified the ILO's eight fundamental conventions and complies with the regulations in force in those countries.

Furthermore, the Group complies with all recommendations of the ILO and international conventions prohibiting child labour: Nexity does not have any employees who are minors, apart from on an ad hoc basis under internship or apprenticeship contracts.

Recruitment of workers with disabilities

In 2018, Nexity's objective was to ensure that its commitments to inclusion and equal opportunities were made more visible to all candidates.

In 2019, the Group intends to promote the training and awareness-raising of those involved in the recruitment process (including managers and recruiters), particularly as regards disabilities.

In addition, Nexity has already formed partnerships with other institutions (including Université de Paris 12 Créteil and École des *Ingénieurs de la Ville de Paris*) to increase Nexity's visibility and attract new candidates.

Moreover, in 2018 Nexity sponsored 20 young people from disadvantaged communities as part of its partnership with Institut Télémaque.

In 2019, Nexity plans to promote training and raise awareness on diversity for those involved in the recruitment process (managers and recruiters).

Compliance with legislation on employee representative bodies

Depending on its headcount, each Group entity has a works council, employee representatives, and a health, safety and working conditions Committee, which may be grouped together within the framework of a single common representative body or a social and economic Committee, as well as trade union representatives. These bodies have clearly defined powers and their members are consulted and informed on a regular basis about the implementation of projects concerning the situation of employees within the Company.

Overall, Nexity has more than 321 employee representatives (including both the appointed representatives and their alternates) spread across 162 organisations, at companies for which this is justified by the headcount in accordance with legal requirements:

- Information is provided to and dialogue conducted with all employees within the Group's companies primarily through the **works council** (CE) of each UES, and via the single common representative body (DUP) or social and economic Committee (CSE) for the other main subsidiaries. The Nexity group has three works councils (at UES Nexity Promotion Construction, UES Nexity Saggel Services and UES Nexity Lamy), one single common representative body (iSelection), and three Social and Economic Committees (Century 21 France, Naxos and PERL).

Nexity's contributions to the Group's various works councils for social and cultural activities in 2018 totalled €1.9 million.

The total operating budget for the various works councils came to €0.6 million;

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- Three **trade union bodies** are also represented within the Nexity group;
- Within the Group, three UESs have a **Committee on health, safety and working conditions** (Nexity Promotion Construction, Nexity Lamy and Nexity Saggel Services). If there is no such Committee, these responsibilities are entrusted to the employee representatives;
- The Group entities concerned (those with at least 11 employees) have **employee representatives** who liaise with local senior management in order for problems facing employees to be taken into account; and
- At Group level, a **Group Works Council** was introduced by the collective bargaining agreement of 21 November 2008. This body serves as a forum for dialogue intended to ensure the effective exchange of information between Group Management and employee representatives. The Group Works Council thus receives information about the Group's business activities, financial position, employment trends and outlook.

Taking into account the importance of integration at all Nexity structures, the decision was made in April 2016 to broaden access to the Group Works Council by introducing observer seats for companies with their own

works council but no members of the Group Works Council. Executive Management and the Group Works Council meet more than three times a year.

Social dialogue

Minimum welfare benefits

At Group level, a programme of minimum welfare benefits for all employees, which currently comprises social security guarantees, employee savings plans (PEG and PERCOG) and the establishment of an employee representative body, the Group Works Council, has been developed in order to consolidate Nexity's commitment in terms of fairness, solidarity and promoting collective performance.

Collective bargaining agreements signed in 2018

In 2018, collective bargaining agreements negotiated at the level of Group entities mainly concerned the following topics:

- Group employee savings plans (PEG and PERCOG);
- Adaptation of the Group's welfare protection scheme (health and welfare costs);
- Wage negotiations;
- Changes in UES scopes; and
- Voluntary profit-sharing scheme (*Intéressement*).

3.3 IMPROVE THE ENVIRONMENTAL PERFORMANCE OF THE GROUP

3.3.1 Optimise the environmental performance of buildings

The construction industry is one of three sectors that contributes the most to greenhouse gas (GHG) emissions in France, due to both the impact of new construction and the use and operation of existing buildings. In this respect, the environmental performance of the buildings that fall under the scope of Nexity's business, whether this is the development of residential or commercial properties or their management, constitutes the main environmental challenge for Nexity.

The risks facing Nexity if the environmental performance of buildings is not taken into account, are as follows:

- Non-compliance with regulations (see the future RE 2020, which will include energy thresholds, but also limits on carbon emissions for new buildings);

- Not meeting clients' expectations as they are increasingly looking for buildings with a good environmental performance (including Commercial and Local Authority Clients) and a more general risk of lost opportunities due to the stricter environmental requirements imposed by external stakeholders; and
- A corporate image risk, which the Group has decided to turn to its advantage by looking upon it as an opportunity to position itself as a pioneer in low-carbon construction, thereby fully exercising its role as a leader, going hand in hand with that of project owner to encourage the dissemination of low-carbon solutions.

To do so, Nexity has put in place a targeted set of actions, the most significant of which are described below.

3.3.1.1 Climate trajectory defined for the Group and its business lines

Changing the climate trajectory: a long-term goal for Nexity

In the wake of COP 21 and COP 22, Nexity developed a climate trajectory that builds on the commitments made by France as part of the Paris Agreement. This has led the Group to undertake an initial estimate of its significant impacts, in addition to the assessment conducted in 2009 that only included its administrative sites.

Since 2016, an estimate of the significant impacts of our business (French "green growth and energy transition Law", or LTECV, Art. 173)

On the basis of sector benchmarks for greenhouse gas emissions relating to real estate production, an initial estimate of the Group's material impacts has been prepared. This reviewed and refined estimate constitutes an initial basis for determining the scale of the challenge facing the Group in terms of climate change.

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The chosen industry benchmarks (HQE™, CSTB, ADEME) propose estimating emissions at around 1 tCO₂e. per square metre (around 1.2 tCO₂e. for residential properties and around 0.92 tCO₂e. for commercial buildings) including the construction and operation phases of buildings over a period of 50 years.

In 2018, for the square metres delivered by Nexity, emissions were:

- 841,048 tCO₂e. for Residential Real Estate, representing about 85% of Nexity's carbon footprint;
- around 125,519 tCO₂e. for Commercial Real Estate (delivery of 97,027 square metres of concrete and 29,256 square metres of wood), representing 13% of the Group's carbon footprint; and
- 21,062 tCO₂e. for the administrative sites, representing only 2% of Nexity's carbon footprint.

		2018	2017	2016	2015
Residential floor areas	sq.m	770,112	722,904	649,152	630,336
Total actual emissions	in tCO ₂ e.	841,048	801,469	720,090	713,603

		2018	2017	2016	2015
Office floor areas	sq.m	126,283	74,691	75,156	175,429
Total actual emissions	in tCO ₂ e.	125,519	75,416	75,594	184,437

Nexity group targets

Nexity has set itself ambitious targets in terms of reducing greenhouse gas emissions by 2030:

- Residential Real Estate: 30% reduction in tCO₂e. per home delivered (base 2015);

- Commercial Real Estate: 21% reduction in tCO₂e. per square metre of floor area delivered (base 2015); and
- Administrative sites: 35% reduction in tCO₂e. per employee by 2030 (base 2014).

3.3.1.2 Climate roadmap being rolled out

In 2018, cross-functional working groups assisted by the business lines very clearly set out the implications of the climate trajectory for each of the Group's business lines and in particular for Residential Real Estate as it represents 86% of Nexity's carbon footprint.

In order to offer its Individual and Commercial Clients resource-efficient buildings, Nexity is working on improving the intrinsic performance of its buildings (including thermal performance, carbon emissions and health-friendliness). The Group is working in particular on:

- Reducing GHG emissions from its real estate projects (design and operation);
- Controlling their energy dependency and the associated costs; and
- Acquiring recognised labels and certifications.

Energy-efficient, low-carbon buildings

In the same way that the Group was able to anticipate the 2012 Thermal Regulation (RT 2012) as early on as 2010, it is already working on the future environmental regulation for new construction, expected in mid-2020, by participating in the nationwide pilot for the E+C- (Positive Energy, Carbon Reduction) Label. Nexity wants to make an active contribution to combating climate change by means of two main initiatives:

- Improvements in the energy efficiency of buildings and supporting the move towards positive energy buildings; and

- Rollout of buildings with a low carbon footprint throughout their life cycle, from design to demolition.

Energy

Nexity is working hard on eco-design to optimise residential and commercial 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. All the Group's new residential projects are therefore designed to consume only a small amount of energy for heating, cooling, hot water, ventilation and lighting. As a result, the share of housing exceeding the threshold set by the RT 2012 regulation has significantly increased: in 2018, 18% of homes delivered and 39% of homes submitted to the Purchasing Committee exceeded RT 2012 by -10% or -20%.

For the eco-design of residential buildings, Nexity always considers the use of renewable energies such as solar panels and connections to urban utility grids with a significant proportion of renewable energy (over 60%) to produce domestic hot water, electricity and so on. In 2018, 31% of residential property delivered and 15% of new homes reviewed by the acquisition Committee included thermal solar energy or photovoltaic panels.

Energy efficiency renovation of condominiums is one of the more effective means of limiting the greenhouse gas emissions attributed to the real estate industry as older condominiums consume large amounts of energy. Through its Real Estate Services to Individuals business, Nexity has been actively committed for some years to the energy efficiency renovation of condominiums, synonymous for the client with improved purchasing power, greater comfort, added value to their property and, ultimately, living better together. 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. In 2017, Nexity created a project team specifically to support energy efficiency renovation operations and the upskilling of employees in this area. In 2018, Nexity signed a Green Deal with the 'Plan Bâtiment Durable' (a voluntary commitment entered into with the French government) that includes a certain number of clear objectives. The Group favours a comprehensive approach to operations that makes it possible to achieve energy savings of between 30 and 60%, especially with project management assistance allowing for innovative technical and financial solutions (energy efficiency contract, third party financing, etc.). Some 15 condominium properties have already been renovated and in 2018 some 100 buildings stated their interest, of which around 30 have requested project management assistance or are under renovation.

Similarly, in the context of its Commercial Real Estate business, Nexity committed very early on to the energy and environmental performance of its buildings by anticipating regulations and obtaining labels and certifications: all the office development projects delivered in 2018 in the Paris region (85,300 square metres) are HQE™ certified (Excellent or Exceptional level) and 85% have achieved at least a level of performance of RT 2012 -20%. (see Section 1.4.2.2 "Commercial Real Estate" in this Registration Document).

The environmental performance of commercial buildings managed by Nexity also constitutes a major challenge for the Group. With a view to maximising value and extending the life of its clients' assets, certification is central to Nexity's offer. These procedures ensure better management and usage of commercial buildings, boosting energy and environmental performance.

Nexity has considerable expertise in the renovation of office buildings to improve their longevity and boost their value for investors. Since 2000, a total of around 370,000 square metres of office space has undergone major renovation works.

In terms of sustainable operation, for the user companies, Nexity offers the first general expenses guarantee that includes an energy efficiency guarantee from the moment the building is delivered.

Energy and environmental certifications

In keeping with its comprehensive, long-term commitment to quality, Nexity regularly applies for certifications and labels for its development projects, for the purpose of at least obtaining enforceable environmental performance labels.

For Residential Real Estate, a total of 42 projects (2,357 units) obtained NF Habitat HQE™ certification from Cerqual in 2018. The NF Habitat standard is based on 4 commitments: responsible management by the project owner of its organisation, quality of life, respect for the environment and economic performance. NF Habitat means that the developer meets management requirements regarding continuous improvement, internal organisation and communication with clients. Certification guarantees that the developer will provide the buyer with complete information, in particular about the nature of the purchase and the construction time frame. NF Habitat HQE™ is an environmental variant and add-on to NF Habitat that demonstrates a stronger commitment to sustainable development. It provides additional benefits in terms of savings, health, comfort and the environment.

In 2018, the Nexity subsidiary Paris Val-de-Seine secured NF Habitat and NF Habitat Démarche HQE™ certification with a maturity level of 3. Since 2016, 100% of this subsidiary's projects have been, at the very least, NF Habitat certified. Nexity Paris Val-de-Seine is also the first French developer to obtain certification of compliance with the experimental air quality management standard from Cerqual Qualitel Certification.

Carbon

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

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

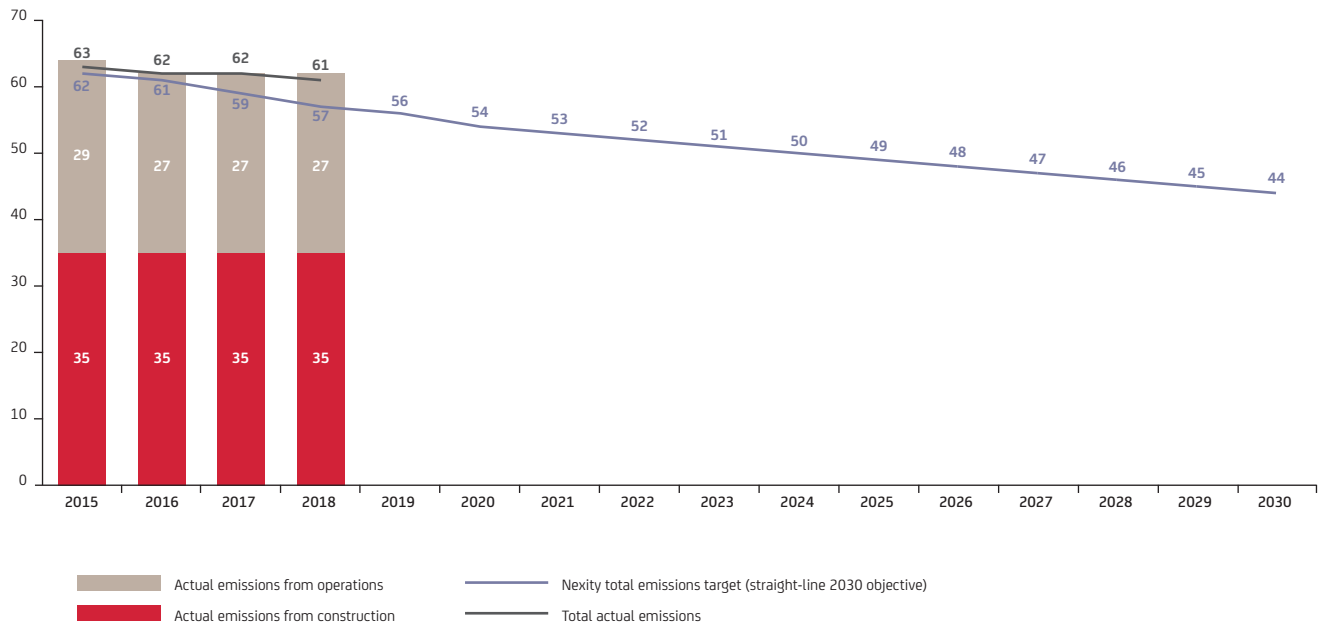
Abiding by the climate trajectory established in 2018 enables Nexity to report on the greenhouse gas emissions generated by its Residential and Commercial Real Estate activities.

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Residential Real Estate (housing development)

Monitoring the Nexity climate trajectory (tCO₂e./residential unit)



Since 2014, the operational teams in Residential Real Estate have been able to independently assess the carbon emissions from their real estate projects using an in-house tool (Carbon Cube, which was upgraded in 2018 to a more advanced version that takes into account the calculation methodology of the E+C- standard: "Carbone Pro").

In 2018, 90% of new homes reviewed by the acquisition Committee had a carbon profile.

Lastly, at the end of 2018, 17 subsidiaries in the Residential Real Estate business of the Nexity group were involved in the E+C- pilot (meaning almost 75% of the Residential Real Estate profit centres). This represents a total of 25 new construction projects with an E+C- profile. Nexity's objective for 2019 is for all subsidiaries to have at least one operation involved in the E+C- pilot.

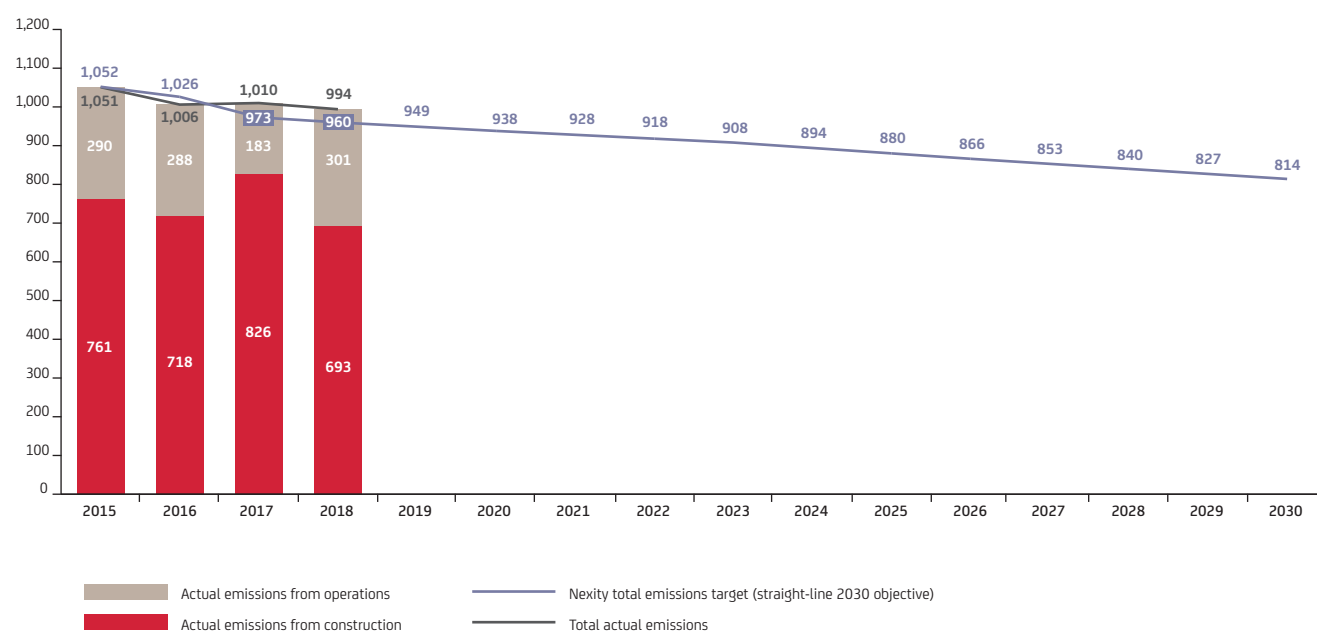
The **Access Design product** is a good illustration of this Energy and Carbon commitment. Based on an industrialised construction method that uses both wood and concrete, it is mainly characterised by:

- Good thermal insulation in excess of RT 2012 standards (Bbio 30%¹ to 50% below the maximum and Cep² 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 better carbon footprint than a traditional concrete only building;
- A minimal environmental footprint thanks to dry construction and industrialisation, with water and energy savings during the construction phase; and
- Shorter construction timescales (8-12 months depending on the size of the development), with less waste produced and fewer disturbances to local residents (in terms of noise, hygiene, traffic and safety) and favouring the use of energy from renewable sources.

Wooden units currently represent almost 2% of Residential Real Estate production. Nexity has committed to doubling this production by 2020. In 2018, progress was made towards this goal with a 45% increase in the production of wooden units compared to 2015.

¹ Coefficient defining the primary energy consumption of buildings in France.

² Coefficient defining the impact of bio-climatic design on building energy performance.

Commercial Real Estate (office development)**Monitoring the Nexity climate trajectory (kgCO₂e./sq.m of floor area delivered)**

In the context of its commercial activities, Nexity provides concrete solutions to the issue of cost control and the carbon footprint for large and small- or medium-sized companies alike, thanks to the innovative, accessible and ecological construction methods used by its subsidiaries Ywood and Téréneó.

Ywood offices are built using cross-laminated timber (CLT) from sustainably managed European forests (100% PEFC-accredited). This alternative construction method offers:

- Excellent performance (energy, insulation, greater fire resistance than concrete);

- An optimised carbon footprint compared with traditional concrete construction;
- A clean building site (waste reduction and re-use); and
- An environment conducive to workplace well-being (thanks in particular to improved acoustic performance).

Nexity is also a founding member of BBKA, a French non-profit organisation that brings together real estate sector players to promote the development of low-carbon buildings. At end 2018, seven Nexity commercial projects had received the BBKA label.

3.3.1.3 Environmental footprint of administrative sites**Assessment of GHG emissions****Environmental management of office sites**

In order to meet and exceed regulatory requirements, Nexity has been measuring GHG emissions at all of its administrative sites since 2009, with the help of a specialist firm. In 2012, the Group voluntarily subjected itself to Article 75 of the Grenelle II Act by publishing its first review of GHG emissions across the entire scope of its French operations.

Assessment scope

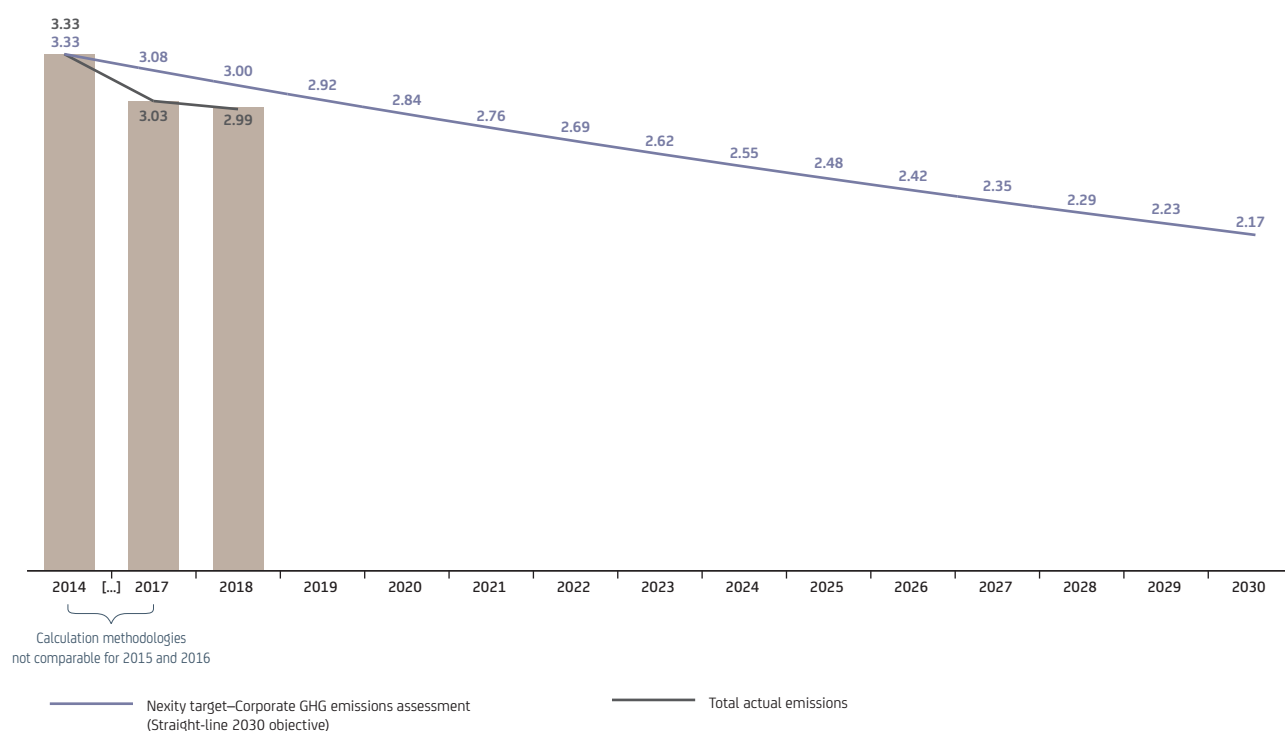
Nexity's GHG emissions are assessed across all Group sites in operation in France as at 1 January of the reporting period (see Section 3.5, "Note on methodology pertaining to disclosures of workforce, environmental and societal information" of this chapter). These assessments help to target the elements that produce the most carbon emissions in order to better adapt the Group's actions and minimise its environmental impact. The results of the GHG emissions assessment conducted by Nexity in 2018 have highlighted the progress made since 2014. Thus, in 2018, GHG emissions amounted to 21,062 tCO₂e. and on a per employee basis had fallen by 10.3% compared to 2014 (21,979 tCO₂e.).

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Summary table of GHG emissions in 2018

Emission source	CO ₂ emissions (tCO ₂ e.)		Comments	
	2018	2014		
Direct GHG emissions	4,901	4,914	23%	22%
Direct emissions from stationary combustion sources (consumption of natural gas for heating)	72	202	0.3%	1%
Company car fuel consumption	4,657	4,550	22.1%	21%
Direct fugitive emissions (air conditioning refrigerant leakage)	172	161	1%	1%
Indirect GHG emissions	677	1,011	3%	4%
Electricity consumption	429 (0.06/FTE)	786 (0.12/FTE)	2%	4%
Steam consumption	248	225	1%	1%
Other indirect emissions, of which:	15,484	16,053	74%	73%
Paper and consumable office supplies	1,325	765	6%	3%
Recycled wastepaper	6.1	5	0%	0%
Business travel	1,439	805	7%	4%
Commuting	6,574 (0.93/FTE)	8,751 (1.33/FTE)	31%	40%
TOTAL DIRECT AND INDIRECT EMISSIONS	21,062 (2.99/FTE)	21,979 (3.33/FTE)	-4.2%	-10.3%
Number of FTE employees	7,041	6,591	+7%	

Scope: Corporate (administrative sites)**Monitoring the Nexity climate trajectory (tCO₂e./FTE)**

In order to be able to compare 2018 results with those of 2014, the 2018 GHG emissions assessment was done on a like-for-like basis and the 2014 assessment was updated by:

- Updating emissions factors (in order to have the same for both years); and
- Standardising assumptions and the calculation methodology used (see Section 3.5 “Note on methodology pertaining to disclosures of workforce, environmental and societal information” of this chapter).

Lastly, Nexity provides information relating to the following indicators, included in the Group’s reporting each year and taken into account when carrying out its GHG emissions assessment:

Types of consumption taken into account in the GHG emissions assessment

	2018	
Electricity	10,851,482	kWh
Steam	1,138,300	kWh
Gas	348,302	kWh HHV
Water	45,064	m ³

Reduction measures

In 2018, in order to continue to limit GHG emissions from its administrative sites, Nexity launched a number of actions with respect to the main emissions sources, in particular business travel and commuting. In order to reduce miles travelled by employees and the associated fuel consumption, Nexity has notably:

- Encouraged employees to hold videoconferences using Skype for Business software made available to the majority of employees;

- Put in place the “mobility loan” intended to replace, for those who request it, the company car by a sum to be used on several types of alternative transport other than a private car;
- Gradually deployed teleworking for one day per week for all eligible employees (see Section 3.2.1 “Enhance appeal and employee retention” in this chapter); and
- Launched a business travel plan in late 2017 and reviewed its company car allocation policy with the primary aim of reducing the fleet’s overall fuel consumption.

The CSR Department has also helped the Production and Delivery Quality Department (DQPL), whose business travel budget is predominant, to conduct its own carbon footprint assessment and then identify actions to reduce it and offset its residual emissions, representing 40 tCO₂e., through the financing of a carbon offsetting project in Brazil. The project in question replaces the use of timber from the Amazon rainforest with biomass residue making it possible to both generate clean energy and combat deforestation in the Amazon.

In order to reduce its paper consumption, Nexity also systematically prints on both sides and in black and white at its administrative sites. In addition, the sorting and recycling of paper has been rolled out to even the smallest Nexity sites (including the real estate agencies).

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3.3.2 Ensure the availability of construction materials when facing dwindling resources

Having access to sufficient quantities of building materials at affordable prices is a major concern for Nexity. The risk of a shortage of building materials has a short-term impact in sensitive zones, especially those where large urban projects are underway (Métropole du Grand Paris, 2024 OG, etc.). An increase in construction costs is already being observed in certain territories. In the medium and long term, it is likely that maintaining the consumption rate of resources needed for construction (about 400,000 new homes each year, according to Nexity estimates), will affect both their availability and price on the whole territory. Current construction methods are putting pressure on resources such as gypsum (for plaster), limestone (cement and concrete) and sand (concrete and glass).

More generally, Nexity, like other economic players, is aware that strictly linear modes of production are neither economically nor ecologically sustainable and therefore may pose a risk to the Company's business model.

Nexity is preparing for, and wants to participate fully in the emergence of a circular economy, by reusing and pooling more resources. In this respect, the Group's ambitious objective to ensure that 30% of its projects and services are underpinned by a Circular Economy approach by 2025 has prompted it to undertake several work and pilot projects enabling it to explore solutions within the framework of Nexity's activities.

3.3.2.1 Participation in reflection on sector-based issues

Nexity's strategic priorities related to the circular economy were included in a white paper published by the Association Française des Entreprises Privées (AFEP) in February 2017. Throughout 2018, Nexity continued to play an active role in the AFEP Circular Economy Work Group. The work carried out by this group resulted in the publication of a list of proposals in October 2017, which contributed to the development of the French government's Circular Economy Roadmap, and in a progress assessment conducted by members in December 2018.

In addition, on 9 November 2017, Nexity Immobilier d'Entreprise joined Circolab, an association relying on the

voluntary commitment of project owners to promote the circular economy. The aim is to bring together a community of operators involved in the circular economy within the real estate industry in order to encourage synergies, involve the various stakeholders and spur changes in regulations. Circolab is supported by the Institut de l'Économie Circulaire and the Métropole du Grand Paris. Its objectives include defining performance indicators for reusing or reducing waste sent to landfill. In-depth work was carried out in 2018 including the creation of a materials exchange platform and carrying out the first pilot projects.

3.3.2.2 Implementation of innovative pilot projects and a structured approach

Several Nexity subsidiaries have initiated pilot projects related to the reuse, recycling and pooling of resources. The Group's primary objective is to optimise construction-waste management by the end of 2020, when the obligation to recycle 70% of construction-site waste goes into force. The aim of the first pilot projects is to support this ambitious goal by guiding sorting at the source and selecting the waste management centres. For example, whenever a building is demolished, the Group takes care to recycle waste and used materials either on site or at nearby sites, thus limiting transport within the local area. The Les Tanneries eco-district in Lingolsheim (Bas-Rhin) is an exemplary project in terms of reducing consumption, resource recovery and waste recycling. When the Les Tanneries plant was demolished, one third of the total volume of crushed materials (15,000 cubic metres) were retrieved and reused on-site for the eco-district's roads. This system also enabled the Group to eliminate 2,000 lorry trips.

In addition, Nexity, in partnership with EPEA, the Veolia subsidiary 2EI, and the Upcyclea start-up, carried out a circular dismantling pilot project using a materials

exchange platform with a view to reusing or recycling the material resources recuperated. As such, the dismantling of the former Thales site in the Magellan ZAC (*Zone d'Aménagement Concerté* - Urban Development Zone) in Colombes (92) prompted a "resource diagnosis" carried out by Veolia and the establishment of a circular dismantling methodology. This methodology will be deployed across the Nexity group in early 2019 with a view to it being appropriated by all teams involved in demolition projects.

The next stage in the process is to implement these circular economy principles to new construction. This will result in a second pilot project designed to test and develop tools and methods to improve the dismantling of buildings and their transformation into a "materials bank".

Furthermore, in line with the Group's objectives to reduce its GHG emissions, Nexity aims to reduce its energy consumption and develop renewable energies by end-2025, notably by developing energy solidarity at housing-block scale (energy loop, renewable energy production, calorie reuse, etc.).

Nexity's performance is in line with its 2025 objective to have 30% of its projects and services underpinned by a Circular Economy approach: at end-2018, 6.7% of Nexity's residential and office projects and services were based on a

circular economy approach in the construction phase (Ovation Magellan, Deloitte University, 22 Bayard and Campus Engie) or in the operating phase (Dock Libres in Marseille (Bouches-du-Rhône)).

3.3.3 Controlling the impact of construction sites

The construction phase represents a very small proportion of a real estate project's total carbon footprint. Nevertheless, the environmental impact of construction sites arises must be exemplary as regards the environment and social acceptability. Indeed, various types of local

pollution (soil, dust production, etc.), as well as visual or noise pollution, could impair Nexity's "right to operate". This poses a particular risk when it comes to obtaining future building permits in local authorities affected by poor construction site management.

Environmentally Responsible Construction Site Charter and recycling of construction site waste

Of its own volition, in 2014 Nexity drew up an Environmentally Responsible Construction Site Charter available on the Group's website (<https://www.nexity.fr/en/group/csr/responsible-real-estate/pooling-resources>) for all new housing construction projects. This charter combines current practices used by major construction firms, the demands of environmental certification and the Group's internal best practices.

The Environmentally Responsible Construction Site Charter has the following objectives:

- Protecting the environment: soil conservation, waste sorting and recycling, and construction site cleanliness;
- Controlling construction site management costs: water and electricity consumption, waste removal and storage costs; and
- Strengthening the Group's community integration by further reducing construction-related disturbances, improving on-site working conditions and creating local jobs.

The Environmentally Responsible Construction Site Charter is contractual and commits all construction companies to organising a waste management plan, informing and involving companies in the environmentally responsible construction approach and taking account of social inclusion clauses.

During the works phase, site cleanliness, observance of materials and waste storage areas, and waste sorting and recovery (with a requirement that at least 20% of waste must be recovered for new home developments) are required. In cases of prior demolition, Nexity always commissions a demolition waste assessment. The goal of the assessment is to assess 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 and is intended to encourage all forms of waste recovery.

In 2018, Nexity had 30 Residential Real Estate projects (corresponding to 21% of the number of sites validated by the Land Purchasing Committee) that had integrated the environmentally responsible building-site charter, and 62 sites validated by the Acquisition Committee (43% of the total number of validated sites) were engaged in a more global environmental certification process (NF Habitat, HQE™, Promotelec, Habitat Neuf, etc.) including environmentally responsible building-site criteria.

In all, 64% of work projects include an environmentally responsible charter. Nexity aims to have 100% of work projects committed to environmentally responsible work approaches.

Social inclusion

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

In 2018, 11% of the construction sites launched or validated by the Land Purchasing Committee were affected by such clauses and 102,214 hours of social inclusion support (i.e. 58% more than in 2017) carried out by to the beneficiaries of these clauses.

3.3.4 Integrating nature into the city, preserving biodiversity and protecting soil

Nature is present everywhere in the city through water, soil, fauna and vegetation in real estate projects (gardens, planted walls and roofs, bee hives, etc.). Biodiversity is an integral part of nature and refers to the diversity of species and ecosystems. Currently, and over and above its regulatory obligations in terms of respect for biodiversity, Nexity has set itself quantitative objectives for better integrating nature into the city and its projects.

Whereas the preservation of natural and agricultural habitats and protected species is not integrated at the design stage, measures to avoid, reduce and compensate can be requested by the authorities of the subsidiaries in question, thus possibly causing delays and cost overruns.

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In addition, France has seen tougher regulations concerning the preservation of biodiversity over recent years. The obligation to make good any ecological damage (the 2008 Law on environmental responsibility), the strengthening of the sequence “Avoid, Reduce, Compensate” (the 2016 Law on re-creating biodiversity) and the obligation of including biodiversity in the Non-Financial Performance Statement (Directive 2014/95/EU), are some examples of this hardening. This is why Nexity has embraced the issue and fully integrated nature in the city and biodiversity into its CSR strategy.

Lastly, some “nature in the city and biodiversity” issues can involve a corporate image risk for Nexity, including the artificialisation of soil, which is the leading cause of lost biodiversity. The construction of individual housing units is 46% responsible for this problem. Considering that Nexity's residential development activity is carried out mainly in dense and already artificialised areas, the activities concerned by this issue are in the minority and mostly limited to the development of housing estates by the Foncier Conseil subsidiary that represent about 3% of Nexity's revenues (see Section 3.3.4.1 “An historic expertise in the business of development” in this Chapter, which presents the subsidiaries' actions in terms of promoting biodiversity).

3.3.4.1 A long-standing expertise in the planning business

Nexity's planning subsidiaries have historically been those most involved in the protection of biodiversity. When designing development programmes, the subdivisions subsidiary (Foncier Conseil) provides for ecological continuity by systematically taking into account the existing green and blue corridors:

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

As part of its efforts to secure ISO 14001 certification, the Site Development and subdivisions subsidiary has included biodiversity as one of the six priority action themes in its environmental policy, incorporated into its Environmental Management System. To meet these objectives, all staff at the subsidiary responsible for a development project are informed of the procedures to be followed in respect of biodiversity. An initial current state assessment is carried out using a proprietary tool to measure the sensitivity of existing biodiversity at each potential site for future development.

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

But the opportunities arising from including this issue in Nexity's business lines are also numerous: 80% of French people choose where to live as a function of the proximity to green spaces¹. Biophilia, the idea that there is an instinctive link between men and nature, is increasingly acknowledged as a key factor in the way workplaces are designed. Planted spaces and the presence of water are essential means of fighting the urban heat island effect by cooling cities and making them more pleasant. Further integrating nature into projects is therefore equivalent to improving the quality of life of the occupants.

Through various initiatives, the Group has acquired unique expertise and skills that can be promoted among its clients. Thanks to the positioning of its platform of real estate services, Nexity is able to achieve differentiation by offering innovative solutions from design to the management of natural spaces.

Nexity has begun to develop a strategy for biodiversity by signing the collective declaration of commitment “act4nature”. In this context, the Group has set out 10 commitments for integrating nature into its strategy and operations. In any case, Nexity's “Nature in the city, biodiversity and preservation of soil” policy is intended to reinforce the presence of nature in the Group's projects and improve the quality of life of the occupants.

- In Saint-Priest (Rhône), management of habitat restoration spaces for fauna at the La Fouillose site (delivery of the last phase of the project is planned for September 2018); 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, partially delivered in June 2017 (and delivery of the last phase planned for 2020).

Water management

All Nexity development projects take the protection of water resources into account in all project phases. Early **in the pre-design phase**, remarkable ecosystems such as watercourses on development sites are identified so that a “Water Act” 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. When seeking NF Habitat certification for new residential developments, Nexity conducts site analyses on soil sealing and other practices. The findings of these analyses help identify appropriate solutions to encourage water infiltration and thus manage rainwater runoff.

¹ Source: *Ville en vert, ville en vie: un nouveau modèle de société* study, conducted by Ifop in 2016.

In the design phase itself, water management is addressed by three main axes: management of rainwater, control of drinking water consumption and production of domestic hot water.

During the works phase, for new homes developments, Nexity sets up regular monitoring of water consumption by the building site by separating out the site accommodation where technically possible.

Soil and site contamination

Before it acquires any land or buildings, the Group generally commissions third-party experts to carry out an environmental assessment of the quality of the soil and subsoil and the history of the land at the site. When soil

samples indicate the possible presence of pollutants, the Group's obligation is also conditional upon environmental evaluations and, where necessary, site rehabilitation measures. Villes & Projets is working to optimise industrial site renovation principles to limit clean-up costs for an adapted urban project.

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

In this way, the innovative decontamination of the ZAC PSA site in Asnières-sur-Seine (Hauts-de-Seine) was noteworthy for the majority of treatments carried on-site to eliminate the main pollutants (heavy metals, chrome, etc).

3.3.4.2 Nature in the city and urban agriculture now a prerequisite

Beyond the preservation of local biodiversity, a regulatory prerequisite for any new site, Nexity's development activities always attempt to reintroduce nature into the city through urban agriculture projects – allotments, installation of bee hives – and vegetation that favours biodiversity.

The Le Nuovo project in Clichy (Hauts-de-Seine), delivered in 2016, was notable for having used studies by an ecologist with a view to obtaining BREEAM certification, level Very Good.

Nexity has also redeveloped the former Les Magasins Généraux site in Pantin (floor area of 19,226 square metres) and obtained Biodiversity© certification thanks to a 1,000 square metres planted roof, with 80 cm of topsoil covering the entire area. The employees can thus enjoy a connected and planted, open-air working space and events held thanks to the partnership entered into with the association Noé Conservation.

At the Châtillon Eco-campus (Hauts-de-Seine), delivered in 2015, Nexity has taken the innovative step of extending the 1.5 hectares of landscaped grounds and 30,000 plants, including a landscaped pond, right up to the façade of the building, with 2,300 square metres of vegetation.

At the Ywood project, the Docks Libres site in Marseille (Bouches-du-Rhône), delivered in 2015, where Nexity's regional head office is based, an "educational" beehive was installed. A key player in community life, Nexity welcomes visits from schools as part of efforts to raise awareness about biodiversity by observing and understanding how a beehive works. For the residential units, allotments – 36 plots – have been made available to the occupants. The Nexity managing agent takes care of administrative matters. The association *Les Jardins de L'Espérance* has been training the occupants for over a year in how to use this space – planting, composting, upkeep.

Committed to urban agriculture pilot schemes, Nexity is also a member of the Scientific Committee of the Romainville market gardening tower (Seine-Saint-Denis).

With 100% of commercial operations delivered with planted spaces at end 2018, Nexity has achieved a performance in line with its 2020 objective.

For residential operations, the objective is to reach 50% of housing projects with planted spaces (façades, roofs, terraces and/or outdoor areas) by the end of 2020. For all operations delivered in 2018, 16% were in line with this objective.

3.4 INCREASING THE GROUP'S CONTRIBUTION TO SOCIETY

3.4.1 Helping to build inclusive cities that support solidarity

Nexity can draw on two effective levers to help build inclusive cities that support solidarity, namely: Nexity's activities enable it to propose accessible housing offers and solutions designed to promote home ownership. Via its Foundation, Nexity intervenes directly at the heart of the urban community to promote inclusion and solidarity in the city.

3.4.1.1 Proposing accessible housing and solutions to promote home ownership for all

Demographic trends and the change in the size of households will prompt a demand for new housing of a minimum of 400,000 homes per year until 2040, compared with 337,000 produced on average between 2012 and 2018. Small households (single person or couples without children) account for 62% of households, a proportion

which is set to increase in the years to come. There is therefore a risk of market inadequacy if Nexity is unable to provide a sufficient amount of housing solutions at affordable prices. Concerned with this issue, Nexity has been committed to affordable housing (social or intermediary housing) for many years.

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Increasing the Group's contribution to society

True to its values and its "*raison d'être*", Nexity sees an opportunity in maintaining its historic commitment to provide various forms of housing.

As a real estate player, Nexity is mindful of its role to facilitate access to housing for all. Since 2006, the Group has demonstrated its commitment to social home ownership notably by way of its strong presence in urban regeneration zones, the development of social housing programmes and the launch of a product line dedicated to cost-efficient housing. At the same time, Nexity continues to examine economic solutions that may be put in place to facilitate and assist access to housing for low-income and even excluded populations.

Promote access to housing

Back in 2005, Nexity resolved 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. 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 VAT was reduced in ANRU urban regeneration zones and extended to priority urban neighbourhoods in January 2015, Nexity has been the leading player in the private urban renewal sector with 4,381 housing units sold in ANRU zones and QPV priority urban planning districts, representing 22% of the Group's new home reservations. In line with its objective, it remains leader in the reduced VAT zones with 24% market share.

As a developer of social housing programmes, Nexity is currently the leading partner of social housing operators in

France. In 2018, 36% of the housing projects developed by Nexity were reserved by professional landlords, of which 65% for social housing. More generally, through its offering of homes at controlled prices, the Group facilitates access to home ownership for first-time buyers, who accounted for 18% of its clients in 2018. This type of marketing requires specific expertise in the area of sales but also legal matters, which is a speciality of Nexity's teams.

For more details, see paragraph 1.3.2.2 section "Access to housing" in this Registration Document.

Nexity Non Profit

In 2018, Nexity launched its Nexity Non Profit activity, which aims to provide housing solutions for those most in need. This structure develops, with its national partners, three types of offer:

- Supportive family housing solutions, in partnership with a social landlord and a non-profit organisation in charge of property rental management. Nexity has undertaken to create 1,000 places in family shelters per year over the next three years, at a steady rate, which is equivalent to half of the French State's commitment in this domain. These supportive family housing initiatives will not generate any profit for Nexity;
- Management of vacant housing units *via* the implementation of social leases; and
- Emergency housing.

In 2018, Nexity launched the construction of its first operation and in 2019 is expected to file building permits for around 500 houses.

3.4.1.2 Innovative solutions designed to meet new user habits

Trends in occupant and user demand show that consumer preference is moving towards services and multiple uses underpinned by the supply of housing and offices. Failure to develop these types of attractive and innovative offers could significantly erode Nexity's competitiveness and market share.

To provide its clients with innovative solutions tailored to meet their needs, Nexity invests in innovation and maintains a constant watch to identify solutions and/or start-ups that could offer additional services. Digital services play an important role in this offer transformation with services such as the Eugénie application that connects occupants to their home, building and neighbourhood; the online administrative procedures tool; or the Week'in personal and digital concierge services for office buildings.

In addition, local authority and consumer demand for cities and territories that promote social cohesion, and which are

carbon-neutral, have good air quality, and generate little waste have prompted Nexity to design solutions that meet the new use habits in sustainable cities. In this way, Nexity has placed CSR at the centre of its sustainable city services platform. Nexity also provides pooled and carbon-free mobility services *via* partnerships forged with bike sharing, car-sharing and shared parking operators. Similarly, in buildings with planted areas, such as vegetable gardens or shared gardens, social-bonding workshops can be organised for occupants and residents (as for the Studéa and Ægide-Domitys housing projects).

At the end of 2018, 221 Nexity housing units delivered in France were equipped with Eugénie, four sites benefited from the Week'in offer, two residences offered car-sharing services, and two student residences and an office car park were equipped with pooled parking solutions.

3.4.1.3 Expand the role of the Nexity Foundation

Created in 2017, the Nexity Foundation embodies the Group's civic and societal commitment. Its mission is to promote and organise collective solidarity programmes in city centres for people at risk, by backing projects that serve a social purpose.

The projects supported by the Nexity Foundation focus on social inclusion through housing, employment, training and education. Nexity works hand in hand with local non-profit organisations to co-construct social innovation projects; an approach that enables Nexity to keep in touch with beneficiaries' needs.

Employee volunteers can also participate in these actions by way of skills-sponsorship programmes. Employee involvement is an essential lever in carrying out projects.

Over the last three years, Nexity has enabled its employees to dedicate one working day to a skills sponsorship mission.

Nearly 500 employees took part in the skills-sponsorship day organised by the Nexity Foundation in 2018, 44 missions were organised for 30 general interest non-profit organisations. This represents a five-fold increase in the number of employee participants in 2016 (the first year of the one-day skills sponsorship experiment).

Overall, since the foundation was created, around 900 employees have participated in the skills sponsorship days, throughout France.

In 2018, the foundation also involved Nexity employees in two major collection actions:

- A collection of books in September 2018: about 2,500 books were collected at ten Nexity sites; and
- A collection for food banks carried out in November 2018 at 14 Nexity sites: 904 kg of food products collected in one week.

In addition, three emblematic social innovation projects were launched by the Nexity Foundation in 2018:

- Induction of third-year high school students from disadvantaged neighbourhoods on work experience: in partnership with the Nexity Human Resources Department (see Section 3.2.3.3: "Developing social and cultural diversity");
- The Nexity Foundation "*Entrepreneuses dans la Ville*" ("Women entrepreneurs in the City") prize, awarded in partnership with the ANJE Aquitaine non-profit organisation and with the support of the City of Bordeaux. The aim here is to promote entrepreneurship among women in urban areas and notably in QPV priority urban planning districts; and
- Social innovation workshops steered by Frédéric Rouarch, an artist in Lyon, for the inhabitants of Maison des Amies du Monde (emergency accommodation for young mothers with children under 3 years), a Habitat & Humanism organisation in Lyon in the Rhône-Alpes region.

Further information is available on the Nexity foundation's website: <https://www.fondationnexity.org/> and in its 2017 activity report: <https://www.fondation-nexity.org/actualites/appraisal-data-2017-de-fondation-nexity/>

3.4.2 Enhance ethics and transparency across the value chain

3.4.2.1 Improve transparency and client relationships

On the basis of the findings of its client satisfaction survey, Nexity has identified two areas of short- and medium-term risk:

- End-product satisfaction. This includes:
 - the technical dimension of quality and for which a centralised and standardised control process has been set up for the Group; and
 - delivery time, which can be an important source of disappointment felt by clients (between 6 and 12 months on average) who need to be accompanied throughout the process;
- Client experience satisfaction is related more to the human relationships and emotions felt during the commercial relationship with Nexity. It is about making this experience more human, more communicative and more active.

At the end of 2018, Nexity created an Individual Clients Satisfaction Department.

Quality of finished products

For many years now, Nexity has delivered high-quality products, thanks to the implementation in 2011 of a systematic and regular internal quality process. This process, named "L-4/L+4", covers all transactions carried out by all Nexity Residential Real Estate subsidiaries throughout France.

Production and delivery control is carried out by the Production and Delivery Quality Department (DQPL). The DQPL is an independent and autonomous entity, which travels throughout France and visits sites three times:

- Four months before delivery (L-4): to confirm that the state of progress is consistent with the envisaged delivery date;
- One and a half months before delivery (L-1.5): to control the completion of the project before going on to the "pre-deliveries" phase with clients; and
- Delivery day: A third visit is made on D-Day to ensure that the procedures relating to delivery and key handover to clients are respected.

3 STATEMENT OF NON-FINANCIAL PERFORMANCE

Increasing the Group's contribution to society

The DQPL now produces a quality report four months after delivery ("Quality report at L+4") that is reviewed with the project team. This report notably concerns the number of reservations remaining after delivery, the state of progress of transferring the files to the after-sales department, the completeness of the documents to be transmitted to the co-ownership trustee and any other elements of feedback to be shared.

During these visits, the Production and Delivery Quality Department validates the quality of both the private and communal areas of the residence. This ensures the best delivery conditions and satisfies client expectations.

Nexity's quality motto "*Assurer, Livrer et Lever*" ("Ensure, Deliver and Lift") corresponds to the three key stages of the internal "L-4/L+4": pre-delivery; during delivery and post-delivery.

The number of reservations remaining after delivery is a key performance indicator that measures the quality of the projects delivered and is a guarantee of client satisfaction after delivery.

For this reason, a Quality Dashboard (TBQ) listing the average number of project reservations of each subsidiary is drawn up each month. The TBQ presents the state of the past months projects as well as a cumulative overview since the beginning of the year. It is shared with the Management Committee and also distributed to the subsidiaries' General Management and members of the Quality Officers Club in which all the subsidiaries are represented (one officer per subsidiary).

Nexity's goal is to have less than three reservations (for private and common areas). This goal was achieved in 2017 and 2018.

Today, thanks to its maturity, Nexity's quality process is presented to local authorities and Individual Clients as proof of its guarantees and reliability, making it possible to bring full satisfaction to buyers and also contributing to the Group's reputation.

Client experience

In 2017, Nexity deployed an action plan and a new organisation to enhance the client experience. Created in September 2017, the Customer Experience Department comprising 4 people covers the entire territory and coordinates the deployment of training, processes and tools, as well as the actions of a team of 30 Customer Relationship Managers appointed in the subsidiaries in 2018 to monitor the client experience on a daily basis and at local level. Each Customer Relationship Manager reports directly to the Managing Director of his or her subsidiary.

3.4.2.2 Strengthen responsible purchasing and supplier relationships

Purchases involve several types of risks for a real estate player like Nexity:

- Risk related to the poor quality/performance (environmental, health, etc.) of products delivered and installed by suppliers on buildings sold by the Group. This risk can be turned into an advantage for the Company, by choosing products bearing a good "CSR performance" label. This can bring real added value to the finished product, in terms of energy performance, low carbon footprint, air quality, etc.; and

The deployment of this action plan prompted a mobilisation of all of the General and Regional Management Boards of the 30 subsidiaries and professions across the entire technical chain (in addition to the sales representatives). An awareness-raising seminar was held in 2018 and a training programme focused on active and empathic listening, using a series of "*films émotion*" videos showing interviews with clients expressing their feelings about their experience of buying their home from Nexity, was offered to all employees.

Every business involved in enhancing the client experience now has access to management tools and methods designed for this purpose:

- **7 Client Experience business repositories** comprising an e-learning module and a repository of professional practices compiled by Group subsidiaries are now applied to each new programme; and
- A client relationship **best practices guide**.

A claims and complaints management tool, known as "Loop", has been implemented to enable the centralised tracking of client complaints across the Group. With this interface it is possible to display a single point of contact for the client and to track client dissatisfaction on a daily basis (time needed to process emails and complaints).

Cost control and transparency in the client relationship

Nexity's commitment to transparency with regard to condominium fees is inherent to its role as a managing agent services. For co-owners, this ensures permanent on-line access to the condominium's financial and administrative documents and a choice of controlled cost management thanks to the creation of competition between services providers in agreement with the co-ownership Management Committee and the privileged financial conditions accorded by Nexity's reference suppliers. Through its leasing management business, Nexity provides non-occupant homeowners with online tools (financial monitoring, commercial follow-up in case of relocation on mynexity.fr), guaranteeing transparency for its clients. In addition, with its "Security contract" management contract offering, Nexity guarantees non-occupant homeowners full and immediate payment of rents due.

- Risk related to the bad reputation (in terms of CSR) of one of Nexity's suppliers, which could harm the Group's image. This risk is heightened by the fact that the Nexity group is made up of a large number of subsidiaries, each of which can call on the services of different suppliers.

To limit these risks, since 2016 Nexity implements a suppliers ethical charter and a responsible purchasing policy and imposes strict requirements on its suppliers in terms of CSR. The Group has also set up an "incentives" approach designed to gradually encourage its suppliers to improve their CSR performance.

Responsible purchasing policy

In 2016, Nexity initiated a responsible purchasing policy in order to identify best practices and to assess CSR risks in the supply chain concerning the referenced products for Residential Real Estate finishing works. As such, an internal reference framework for the social and environmental assessment of companies and products was developed and implemented for each product category. A CSR questionnaire is now sent out to all suppliers before any products are supplied and this information is added to the CSR assessment of suppliers and their products. In 2018, the referencing exercise covered 27% of purchases relative to Residential Real Estate construction work.

Going further, Nexity has set up internal work groups to enhance all the finishing-product categories proposed to its private clients on the basis of five criteria: indoor air quality, low carbon (bio-based, renewable), circular economy (recyclability), economy of resources and local nature of products.

In 2017, the Nexity Property Management (NPM) subsidiary also launched a Responsible Purchasing policy for its 100 leading services providers. These service providers were invited to answer a questionnaire on social, environmental and ethical responsibility.

Supplier relations

Nexity's demands of its suppliers in terms of social and environmental requirements are formulated by each of its subsidiaries and cover primarily:

- The fight against all forms of undeclared labour for all subsidiaries, with the implementation of a Suppliers Ethical Charter;
- Continuing work on integrating health criteria into the specifications for residential property developments: material labels, ecolabels, absence of substances deemed controversial by the Procurement and Services unit in the Group's Production and Cost Control Department;
- Communicating the Environmentally Responsible Construction Sites Charter, which is now contractual for 100% of companies working on residential real estate programmes, which includes requirements in terms of managing water and energy consumption and managing site waste; and
- The requirements of the ISO 14001 environmental standard for the subdivisions business of the Site development and subdivisions subsidiary involve an ongoing review of the choice of service providers used.

Furthermore, to raise the awareness of its finishing-work suppliers to Sustainable Development issues and to the Group's expectations in this respect, for the first time Nexity in 2018 organised a "*Trophée Bas Carbone*" low-carbon award event for its referenced finishing-work suppliers. The low-carbon trophy is awarded to the partner who initiated a structured low-carbon approach and whose products reduce the carbon footprint of property developments.

In addition, at the end of 2018, the Group signed a contract with the CSR performance assessment platform EcoVadis, to obtain better visibility of the CSR risks of its suppliers and thus strengthen supply chain risk control.

3.5 NOTE ON METHODOLOGY PERTAINING TO DISCLOSURES OF WORKFORCE, ENVIRONMENTAL AND SOCIETAL INFORMATION

Workforce, environmental and societal information is drawn up on the basis of contributions from several departments, notably the Corporate Social Responsibility (CSR) and Human Resources departments.

Different indicators have been defined, taking into account the specific nature of the Group's businesses, in order to relevantly measure the main impacts related to Nexity's environmental and societal responsibility.

Nexity is committed to a continual improvement process and has been progressively adding to the list of its indicators to take regulatory and Group developments into account.

Period covered

The indicators presented under workforce, environmental and societal information in the 2018 Registration Document relate to the 2018 financial year. The reporting period used is the calendar year (from 1 January to 31 December) except when stated otherwise in the text.

Scope

The indicators are presented for all fully consolidated Group companies.

Given the low proportion of business generated outside France, information for indicators related to the environment and certain societal information was only collected for business carried out in France. Given its activities, the Group does not consider reporting on the following indicators as relevant:

- The fight against food waste;
- The fight against food poverty; and
- Respect for animal well-being and responsible, fair and sustainable nutrition.

Indicator definition and collection procedures

Workforce/HR, societal and environmental reporting indicators are drawn from several information systems within the Group. They are produced under the responsibility of each department where the information is produced.

Workforce/HR indicators

Workforce/HR indicators are produced by the Group's Human Resources Department. Information for these indicators mainly comes from the centralised personnel management system, which covers 71% of the workforce. The remaining 29% come from a consolidation carried out on the basis of information provided by the companies managed in their own system, i.e. the international subsidiaries as well as the Edouard Denis group, Ægide-Domitys and the Baudry and Fauchille property administration firms. Unless otherwise specified at the level of the indicator, the workforce is assessed based on the number of employees registered at 31 December 2018. The workforce count does not include company officers or interns.

The indicators on turnover and absenteeism do not include the data from Ægide-Domitys. The indicator on nomadic working only covers the scopes for which the system is in place and subject to a collective bargaining agreement. Ægide-Domitys, Edouard Denis Group and the Oralix scope are excluded from the scope of reporting; the system is currently being implemented for the latter.

The average number of training hours per employee is calculated based on the ratio of the number of training hours / number of persons trained.

The definition of workplace accidents varies depending on the country. The Group uses the definition of workplace accidents as limited to those involving lost time in France. In the event of a workplace accident-related leave that overlaps two financial years, the workplace accident is recognised for the financial year during which the leave of absence began. In accordance with regulatory requirements, the workplace accident frequency rate for a financial year is equal to the number of accidents resulting in lost time, multiplied by one million and divided by the number of hours theoretically worked over the course of the financial year.

For the age breakdown, Nexity uses the following age brackets: ≤ 25, > 25 and ≤ 35, > 35 and ≤ 45, > 45 and < 55, ≥ 55. The breakdown is based on hundredths. The turnover rate is calculated the Group as the total number of resignations, dismissals and mutually agreed terminations of permanent contracts during the period under review (from 31/12/Y-1 to 30/12/Y) divided by the average permanent contract workforce for the same period.

Environmental and societal indicators

Environmental and societal data is consolidated by the CSR Department based on information provided by the different departments according to the collection methods and the main assumptions presented below:

- The number of homes sold by the Group in ANRU urban regeneration zones is determined by the CSR Department using internal databases;
- The market share in reduced VAT zones is an indicator based on individual sales. It is calculated as follows: sales to homebuyers under reduced VAT / market for homebuyers under reduced VAT (excluding bulk sales and serviced residences), according to FPI data;
- The percentage of wooden homes delivered (Residential Real Estate) is calculated on the basis of homes delivered in 2018. The percentage of commercial developments with wood frames (Commercial Real Estate) is calculated on the basis of operations sold in 2018.

- Greenhouse gas (GHG) emissions assessments for new housing developments are studied by the Residential Real Estate division and the CSR Department, using a special-purpose tool (Carbon Pro). Those indicators are reported in the Group's real estate development management platform (GPI) to facilitate centralised, consolidated management for improved reporting quality;
- NF HQE™ Bâtiments Tertiaires-certified new-build commercial developments in the Paris region exclude wood-frame developments (Ywood, Térénéo), most of which are in other regions;
- Developments recognised as coming under a circular economy approach are listed amongst the projects launched by the Residential Real Estate (IR) or Commercial Real Estate (IE) departments, that have passed before the Acquisition Committee during 2018. An approach is considered to come under the circular economy if it corresponds to one of the categories below:
 - Resources diagnostic (for reuse/recycling/material recovery),
 - Recycling of materials from deconstruction,
 - Reuse of products or furniture,
 - Recovery of energy by-products (data center, grey water...),
 - Cradle to Cradle (C2C) Label.

This indicator expressed as a percentage is measured as a pro rata of the share that each branch (IR and IE) represents in the Group's revenue.

- Commercial developments certified in operations (HQE, BREEAM, LEED) take into account the Gross Floor Area in square metres (Net Floor Area excluding structural elements and vertical circulation such as annexes for example) of identified developments for which Nexity has supported its customers in implementing and/or maintaining the different certifications; and
- Greenhouse gas emissions generated by the Group's administrative sites in France open at 1 January are assessed by the CSR Department using the Bilan Carbone® methodology and Ademe emission factors. To calculate its greenhouse gas emissions, the Group has used the Bilan Carbone® spreadsheet (version 8.1) and called on the services of an external consulting firm specialising in Bilan Carbone® assessments.

Data relating to the agency franchises (Guy Hoquet l'Immobilier, Century 21) are not included in the scope of calculation of GHG emissions. because Nexity either rents out those premises or does not include the employees in its workforce count.

All emission sources included in the Bilan Carbone® carbon footprint tool were taken into account in carrying out the GHG footprint analysis, with the exception of a few Scope 3 sources deemed not material for Nexity's business activities and for which data relating to 2018 were unavailable, namely office furniture (under the "Fixed assets" heading), business travel by visitors (under the "Business travel" heading) and meals served at the company restaurant (under the "Inputs" and "Waste" headings).

For the electricity consumption of regional Real Estate Services to Individuals agencies, data was collected for 16 reference agencies and the results were then extrapolated for all agencies on the basis of FTE employees.

For certain indicators, the extrapolation principle was not used since the data collected was not sufficiently representative. This is notably the case for GHG emissions related to natural gas consumption, steam consumption, fuel oil consumption and recycled paper/cardboard waste. No exhaustive information was collected on what sites use natural gas and fuel oil. The lack of fuel oil consumption at the sites included in the analysis does not mean that no fuel oil is used by the Group.

For data on office supplies provided by the Digital Innovation Department, only the Group's supplier is included; agencies may order from other suppliers.

As the issue of food waste is not directly relevant for the Group, given the nature of its business activities, no specific commitments have been undertaken in this area.

Lastly, as Nexity's activities are located primarily in France, the Group is not concerned by water supply problems.

Controls

Internal control

The CSR department and the Human Resources department in charge of collecting data are responsible for the indicators provided. Verification takes place during consolidation (review of variations, cross-entity comparison, etc.).

External control

The Group has appointed one of its Statutory Auditors as an independent third party to verify the non-financial disclosures published in its management report. The type of work carried out and the resulting findings are presented in section 3.6 "Report by the independent third party, on the consolidated non-financial performance statement included in the management report" in this chapter.

3 STATEMENT OF NON-FINANCIAL PERFORMANCE

Report by the independent third party on the consolidated non-financial performance statement included in the management report

3.6 REPORT BY THE INDEPENDENT THIRD PARTY ON THE CONSOLIDATED NON-FINANCIAL PERFORMANCE STATEMENT INCLUDED IN THE MANAGEMENT REPORT

This is a free translation into English of the Independent third party's report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

For the year ended 31 December 2018

To the Shareholders,

In our capacity as independent third party, certified by COFRAC number 3-1058 (scope available at www.cofrac.fr), and member of the Mazars network of one of the company's Statutory Auditors, we hereby report to you on the non-financial statement for the year ended December 31st, 2018 (hereinafter the "Statement"), included in the management report pursuant to the legal and regulatory requirements of articles L. 225 102-1, R. 225-105 and R. 225-105-1 of the French Commercial Code (*Code de commerce*).

The entity's responsibility

Pursuant to legal and regulatory requirements, the Board of Directors is responsible for preparing the Statement, including a presentation of the business model, a description of the principal non financial risks, a presentation of the policies implemented considering those risks and the outcomes of said policies, including key performance indicators.

The Statement has been prepared in accordance with the entity's procedures (hereinafter the "Guidelines"), the main elements of which are presented in the Statement and available on request from the entity's head office.

Independence and quality control

Our independence is defined by the requirements of article L. 822-11-3 of the French Commercial Code and the French Code of Ethics (*Code de déontologie*) of our profession. In addition, we have implemented a system of quality control including documented policies and procedures regarding compliance with the ethical requirements, French professional guidance and applicable legal and regulatory requirements.

Responsibility of the independent third party

On the basis of our work, our responsibility is to provide a report expressing a limited assurance conclusion on:

- the compliance of the Statement with the requirements of article R. 225-105 of the French Commercial Code;
- the fairness of the information provided in accordance with article R. 225 105 I, 3° and II of the French Commercial Code, i.e., the outcomes, including key performance indicators, and the measures implemented considering the principal risks (hereinafter the "Information").

However, it is not our responsibility to comment on:

- the entity's compliance with other applicable legal and regulatory requirements, in particular the French duty of care law and anti-corruption and tax evasion legislation;
- the compliance of products and services with the applicable regulations.

Nature and scope of our work

The work described below was performed in accordance with the provisions of articles A. 225-1 et seq. of the French Commercial Code determining the conditions in which the independent third party performs its engagement and with the professional guidance of the French Institute of Statutory Auditors ("CNCC") applicable to such engagements, as well as with ISAE 3000 – *Assurance engagements other than audits or reviews of historical financial information*.

Our procedures allowed us to assess the compliance of the Statement with regulatory requirements and the fairness of the Information:

- we obtained an understanding of all the consolidated entities' activities, the description of the social and environmental risks associated with their activities and the impact of these activities on compliance with human rights and anti corruption and tax evasion legislation, as well as the resulting policies and their outcomes;
- we assessed the suitability of the criteria of the Guidelines with respect to their relevance, completeness, reliability, neutrality and understandability, with due consideration of industry best practices, where appropriate;

Report by the independent third party on the consolidated non-financial performance statement included in the management report

- we verified that the Statement includes each category of social and environmental information set out in article L. 225 102 1 III as well as information regarding compliance with human rights and anti corruption and tax evasion legislation;
- we verified that the Statement includes an explanation for the absence of the information required under article L. 225-102-1 III, 2 of the French Commercial Code;
- we verified that the Statement presents the business model and the key risks associated with all the consolidated entities' activities, including where relevant and proportionate, the risks associated with their business relationships, their products or services, as well as their policies, measures and the outcomes thereof, including key performance indicators;
- we verified, where relevant with respect to the principal risks or the policies presented, that the Statement provides the information required under article R. 225-105 II of the French Commercial Code;
- we assessed the process used to identify and confirm the principal risks;
- we asked what internal control and risk management procedures the entity has put in place;
- we assessed the consistency of the outcomes and the key performance indicators used with respect to the principal risks and the policies presented;
- we verified that the Statement covers the scope of consolidation, i.e. all the consolidated entities in accordance with article L. 233-16 of the French Commercial Code within the limitations set out in the Statement;
- we assessed the data collection process implemented by the entity to ensure the completeness and fairness of the Information;
- for the key performance indicators and other quantitative outcomes¹ that we considered to be the most important, we implemented:
 - analytical procedures to verify the proper consolidation of the data collected and the consistency of any changes in those data,
 - tests of details, using sampling techniques, in order to verify the proper application of the definitions and procedures and reconcile the data with the supporting documents. This work was carried out on a selection of contributing entities² and covers between 46% and 100% of the consolidated data relating to the key performance indicators and outcomes selected for these tests;
- we referred to documentary sources and conducted interviews to corroborate the qualitative information (measures and outcomes) that we considered to be the most important³;
- we assessed the overall consistency of the Statement based on our knowledge of all the consolidated entities.

We believe that the work carried out, based on our professional judgement, is sufficient to provide a basis for our limited assurance conclusion; a higher level of assurance would have required us to carry out more extensive procedures.

Means and resources

Our work was carried out by a team of 4 people between mid-December 2018 and mid-March 2019 and took a total about 5 weeks.

We conducted a dozen interviews with the people responsible for preparing the Statement, representing in particular risk management, human resources, sustainable development, strategic marketing, quality production and delivery, customer experience, accounting, general services and purchasing departments.

¹ Social information: Total headcount at 31.12.2018 (number and FTE); Turnover (permanent contract departures); Number of training hour per employee; Number of teleworking request on the HR booth.

Environmental information: Percentage of operations subject to a circular economy approach; Percentage of wooden housing delivered (Individual Real Estate); Percentage of wooden structure operations (Commercial Real Estate); Greenhouse gas emissions per FTE (travels and energy consumptions). Societal information: Percentage of sold housing in reduced VAT area; Market share in reduced VAT area.

² Social information: Individual Real Estate except Perl and SIP Lamy for the information related to the Number of training hour per employee; the relevant Services and Directions for the others information.

Environmental and societal information: the largest contributors Parisian sites (Solstys, Grande Armée); a selection of reference agencies (Nexity Lamy sites) for energy consumptions (Greenhouse gas emissions); French sites except Oralia and Perl for professional travels Greenhouse gas emissions; the relevant Group Services and Directions for the others information.

³ New uses and additional services; Client satisfaction.

3 STATEMENT OF NON-FINANCIAL PERFORMANCE

Report by the independent third party on the consolidated non-financial performance statement included in the management report

Conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the non-financial statement is not presented in accordance with the applicable regulatory requirements and that the Information, taken as a whole, is not presented fairly in accordance with the Guidelines, in all material respect.

Paris La Défense, 27 March 2019

The independent third party

MAZARS SAS

Edwige Rey

CSR & Sustainable Development Partner

3.7 CROSS-REFERENCE TABLES

Non-financial performance statement themes		Paragraph
Business model		1.2.2
Non-financial risks related to the Group's activities	Policies implemented to identify and attenuate these risks	Results of the policies implemented and performance indicators
Appeal and employee retention		
	Enhance appeal and employee retention	Remuneration 3.2.1.1 Quality of life at work 3.2.1.2
Developing employee skills and commitment		
	Developing talents and reinforcing employee commitment	Skills development 3.2.2.1 Raising awareness and training in CSR 3.2.2.1 Integration and equal opportunities 3.2.3 Social dialogue 3.2.3.4
Environmental performance of buildings		
	Optimising the environmental performance of buildings	Labels and certifications 3.3.1.2 Energy efficiency 3.3.1.2 Carbon strategy 3.3.1.1, 3.3.1.2, 3.3.1.3 Nature and cities and biodiversity 3.3.4
Availability of construction materials		
	Ensuring the availability of construction materials in view of resource depletion	Circular economy 3.3.2.1
Access to housing		
	Proposing accessible housing offers and solutions designed to promote home ownership	Social housing 3.4.1.1 First-time buyers 5.1.2 Housing in boarding houses 3.4.1.1 Solidarity leases 3.4.1.1 Emergency housing 3.4.1.1
New uses and innovation		
	Offering innovative solutions that meet new uses	Sites benefiting from the Week'in offering 3.4.1.2 Pooled car parks 3.4.1.2 Car sharing services 3.4.1.2 Eugénie (mobile application for connected homes) 3.4.1.2
Transparency & customer relationships		
	Improving transparency and customer relationships	Improving the customer relationship transparency policy 3.4.2.1
Fight against corruption		
	Prevention of corruption	Raising awareness of all employees in preventing corruption 2.3
Fight against tax evasion		
	Fight against tax evasion	Fight against tax evasion 2.3
Human Rights		
	Actions in favour of human rights	United Nations Global Compact 3.1.3 Compliance with ILO conventions 3.2.3.4

3 STATEMENT OF NON-FINANCIAL PERFORMANCE

Summary table of CSR indicators

3.8 SUMMARY TABLE OF CSR INDICATORS

1/ Employee data	2018		2017
a) Employment	§3.2		
Definition of the workforce: number of employees present as at 31 December 2018, excluding interns and corporate officers.			
Breakdown of employees by gender			
Number of women	6,661	66%	4,558
Management-level	2,010		1,652
Non-management staff	4,651		2,906
Number of men	3,432	34%	2,718
Management-level	2,082		1,762
Non-management staff	1,350		956
TOTAL WORKFORCE	10,093		7,276
Breakdown of workforce by type of contract			
Permanent contracts	9,255		6,689
Fixed-term contracts and work-linked training	838		587
TOTAL WORKFORCE	10,093		7,276
Breakdown of employees by age			
Management-level	4,092	employees	3,414
88		≤ 25 years	
1,128		> 25 and ≤ 35	
1,314		> 35 and ≤ 45	
1,011		> 45 and < 55	
551		≥ 55	
Non-Management staff	6,001	employees	3,862
799		≤ 25 years	
1,614		> 25 and ≤ 35	
1,502		> 35 and ≤ 45	
1,359		> 45 and < 55	
727		≥ 55	
TOTAL WORKFORCE	10,093		7,276
Breakdown of employees by seniority			
Management-level	4,092	employees	3,414
1,726		≤ 3 years	1,250
463		> 3 and ≤ 5	348
711		> 5 and ≤ 10	679
785		< 10 and < 20	753
407		≥ 20	384
Non-Management staff	6,001	employees	3,862
3,344		≤ 3 years	1,656
696		> 3 and ≥ 5	376
779		> 5 and ≤ 10	646
805		< 10 and < 20	790
377		≥ 20	394
TOTAL WORKFORCE	10,093		7,276
Breakdown by economic and social unit			
UES Nexity Promotion Construction	2,357	23.3%	2,106
UES Nexity Saggel Services	525	5.2%	453
UES Nexity Lamy	3,574	35.4%	2,998
UES Aegide-Domitys	2,407	23.8%	N/A
Non-UES companies	1,230	12.2%	1,719
TOTAL WORKFORCE	10,093		7,276

STATEMENT OF NON-FINANCIAL PERFORMANCE

Summary table of CSR indicators

1/ Employee data	2018	2017
Breakdown of employees by geographical area		
France/Other countries	10,093	7,276
France	9,919	7,110
Poland	112	105
Belgium	40	41
Italy	17	15
Switzerland	4	5
Portugal	1	0
Europe (excluding France)	174	166
In France	9,919	7,110
Paris Region	3,818	2,916
Lyon and Grand Lyon	782	606
Lille	482	298
Bordeaux	382	334
Marseille	319	275
Strasbourg	168	135
Toulouse	204	159
Besançon	131	117
Nantes	166	141
Other cities	3,467	2,129
Hires (excluding Ægide-Domitys)	2,542	2,234
Open-ended contracts	1,380 of which 57% of management-level	1,176
Fixed-term contracts	1,162 of which 7% of management-level	1,058
Transfers (excluding Ægide-Domitys)	150	95
To another business division	35	28
Within the same division or in another Company	115	67
Integration of youth (excluding Ægide-Domitys)	689	599
Work-linked training students	326	325
Interns	363	274
External contractors (France excluding Ægide-Domitys)	17.5 Full-time	12.1
Leavers (excluding Ægide-Domitys)	1,029 Breaches of open-ended contracts	997
including layoffs	177	198
ends of trial periods	284	240
ends of fixed-term contracts	894	797
Turnover rate		
Turnover rate (excluding Ægide-Domitys)	13.30%	12.90%
Voluntary Turnover rate (excluding Ægide-Domitys)	9.30%	
Remuneration and changes in remuneration	\$3.2.1.1	
Constant scope (excluding Ægide-Domitys)	€46,530	€46,260
Including Ægide-Domitys	€41,946	n/a
b) Organisation of work		
Organisation of working time	\$3.2.3.4	
Number of full-time employees	9,145	6,923
Number of part-time employees	948 9.4% of the total workforce	353
Absenteeism (excluding Ægide-Domitys)	\$3.2.1.2	
<i>Definition of absence rate: number of open-ended contract calendar days/sum of calendar days of period x average workforce under open-ended contracts</i>		
Absence rate	3.50%	3.50%

3 STATEMENT OF NON-FINANCIAL PERFORMANCE

Summary table of CSR indicators

1/ Employee data	2018	2017
c) Employee relations (excluding Ægide-Domitys)		
Organisation of dialogue between employees and management, including in particular procedures for informing, consulting and negotiating with staff	§3.2.3.4	
Official employee representative and alternates	321	307
Status of collective bargaining agreements concluded in 2018	§3.2.3.4	
• Group employee savings plans (PEG and PERCOG) • Adaptation of the Group's welfare protection scheme (health and welfare costs) • Wage negotiations • Changes in UES scopes • Profit-sharing scheme		
d) Health and safety (excluding Ægide-Domitys)		
Workplace health and safety conditions	§3.2.3.4	
Overview of agreements signed with labour organisations or employee representatives with regard to workplace health and safety	§3.2.3.4	
Occupational injuries, including in particular their frequency and severity, and occupational illnesses	§3.2.1.2	
Number of work-related accidents	37	44
Number of commuting accidents	51	43
Frequency rate	2.9	3.6
Severity rate	0.1	0.2
Number of occupational illnesses	2	1
e) Training (excluding Ægide-Domitys)		
Policies implemented with respect to training	§3.2.2.1	
Total hours of training	105,643	87,712
Average number of hours of training per employee	19 hours	18.8 hours
f) Diversity and equal opportunity/equal treatment		
Measures adopted in favour of gender equality	§3.2.3.1	
Measures adopted in favour of the employment and integration of workers with disabilities		
Number of disabled workers (excluding Ægide-Domitys)	110	99
Anti-discrimination policy	§3.2.3.1	
g) Promotion of and compliance with fundamental ILO conventions on		
Upholding the freedom of association and the right to collective bargaining	§3.2.3.4	
Eliminating discrimination in respect of employment and occupation	§3.2.3.1	
Eliminating forced or compulsory labour	§3.2.3.4	
Effective abolition of child labour	§3.2.3.4	

STATEMENT OF NON-FINANCIAL PERFORMANCE

Summary table of CSR indicators

2/ Social and environmental data	Clients	2018	2017
a) Environmental performance of buildings and Nexity			
Climate trajectory		§ 3.1.3	
Share of subsidiaries in Residential Real Estate that have launched at least one E+C- project	Individual	75%	N/A
Number of condominiums that have been subject to energy efficiency renovation	Individual	12	N/A
Number of Nexity contacts for energy efficiency renovation	Individual	0	0
Share of commercial developments delivered in wood frame	Appraisal	47%	N/A
Increase in the production of wooden homes compared to 2015	Individual	+45%	+16%
Number of turnkey user projects offering occupancy cost guarantees	Appraisal	2	N/A
Change in GHG emissions per home delivered compared to 2015	Individual	-3.6%	-2%
Change in GHG emissions per sq.m. of office floor area delivered compared to 2015	Appraisal	-5.5%	1.50%
Change in GHG emission per employee compared to 2014	Internal	-10.3%	-9.20%
		§ 3.3.1.2	
Share of homes passing before the Acquisition Committee (CA) including thermal solar energy or solar panel systems	Individual	15%	N/A
Share of homes delivered including thermal solar energy or solar panel systems	Individual	31%	22%
Energy and water consumption:			
• Electricity (kWh)	Internal	10,851,482	10,865,120
• Steam (kWh)	Internal	1,138,300	1,079,000
• Natural gas (kWhHHV)	Internal	348,302	285,630
• Water (m³)	Internal	45,064	37,953
Nature in cities and biodiversity		§ 3.3.4.2	
Share of residential developments including planted areas	Individual	16%	N/A
Share of commercial developments including planted areas	Appraisal	100%	N/A
b) Impact of construction sites			
		§ 3.3.3	
Share of construction sites validated in Acquisition Committee including Nexity environmentally responsible construction site charters	Individual	21%	31%
Share of construction sites validated in Acquisition Committee committed to a certification process including environmentally responsible construction site criteria (NF Habitat, HQE™, Promotelec Habitat Neuf, etc., ...)	Individual	43%	43%
Social inclusion:			
• Number of social inclusion hours	Individual + Commercial + Local Authority	102,214	64,820
• Share of construction projects including social inclusion hours (launched or validate in Acquisition Committee)	Individual + Commercial + Local Authority	11%	12%
c) Availability of construction materials			
		§ 3.3.2.2	
Share of projects and services based on a circular economy approach	Individual + Commercial + Local Authority	6.9%	N/A
d) Access to housing			
		§ 1.3.2.2	
Social housing: % of total new home reservations	Individual	23%	24%
		§ 5.1.2	
Share of first-time buyers in new home reservations (excluding landlords and investors)	Individual	18%	17%
		§ 3.4.1.1	
Number of projects in family shelters	Individual	1	0

3 STATEMENT OF NON-FINANCIAL PERFORMANCE

Summary table of CSR indicators

2/ Social and environmental data	Clients	2018	2017
e) New uses and innovations			
		§ 3.4.1.2	
Sites benefiting from the Week'in offering	Individual + Commercial + Local Authority	4	N/A
Residences or offices with pooled car parks	Individual + Commercial + Local Authority	2	N/A
Residences offering car sharing services	Individual	2	3
Homes delivered equipped with Eugénie	Individual	221	N/A
		§ 3.1.3	
Share of delivered projects including electric car/bicycle recharging facilities	Appraisal	58%	N/A
f) Transparency & customer relationships			
		§ 3.4.2.1	
Qualitative information	Individual		
g) Responsible procurement and supplier relations			
		§ 3.4.2.2	
Share of Residential Real Estate construction work including a referencing contract with CSR questionnaire	Individual + Local Authority	27%	22%
h) Social commitment			
		§ 3.4.1.3	
Number of employees engaged in a skill-based sponsorship mission	Commercial	509	300
Number of missions proposed	Commercial	44	33
Number of beneficiary associations	Commercial	30	18

4 CORPORATE GOVERNANCE REPORT

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Pursuant to Article L.225-37 of the French Commercial Code, the Board of Directors must present to the shareholders at the Shareholders' Meeting a corporate governance report, appended to the management report, containing information about governance, remuneration and factors likely to have an impact in the event of a takeover bid.

This report has been presented to the Remuneration, Appointments and CSR Committee. It was prepared on the basis of contributions from a number of Group departments, including in particular the Finance and Legal Departments.

This report is drawn up with reference to the Afep-Medef Corporate Governance Code for listed companies (Afep-Medef Code), with which the Company has declared that it complies.

This report describes the work of the Board of Directors, which is also governed by the Board's internal rules and regulations. These reiterate that directors are required to maintain discretion and confidentiality and that, for all transactions in securities, they must comply with the

Insider Trading Prevention Guide adopted by the Company. The internal rules and regulations and the Insider Trading Prevention Guide are available on the Company's website.

The Board's internal rules and regulations were last updated on 19 February 2019. Among the amendments adopted was the possibility of the Vice-Chairman or, as the case may be, the Senior Independent Director responding to requests of shareholders who desire a direct dialogue with members of the Board.

During meetings of the Remuneration, Appointments and CSR Committee of 18 March 2019 and the Board of Directors of 27 March 2019, it was decided to propose a change in the way the Executive Management operates subject to renewal of the term of office as Alain Dinin as director by the next Shareholders' Meeting. This new mode of exercise is described in section 4.2.2.2 of this chapter. The current functioning is described in section 4.2.2.1 of this chapter. This change will notably be reflected in the changes to the internal rules and regulations that will be adopted at the end of the Shareholders' Meeting.

4.1 ADMINISTRATIVE AND SENIOR MANAGEMENT BODIES

4.1.1 Board of Directors

A brief description of the main provisions of the Company's Articles of Association and the Board's internal rules and regulations can be found in Sections 4.2 *et seq.* of this chapter.

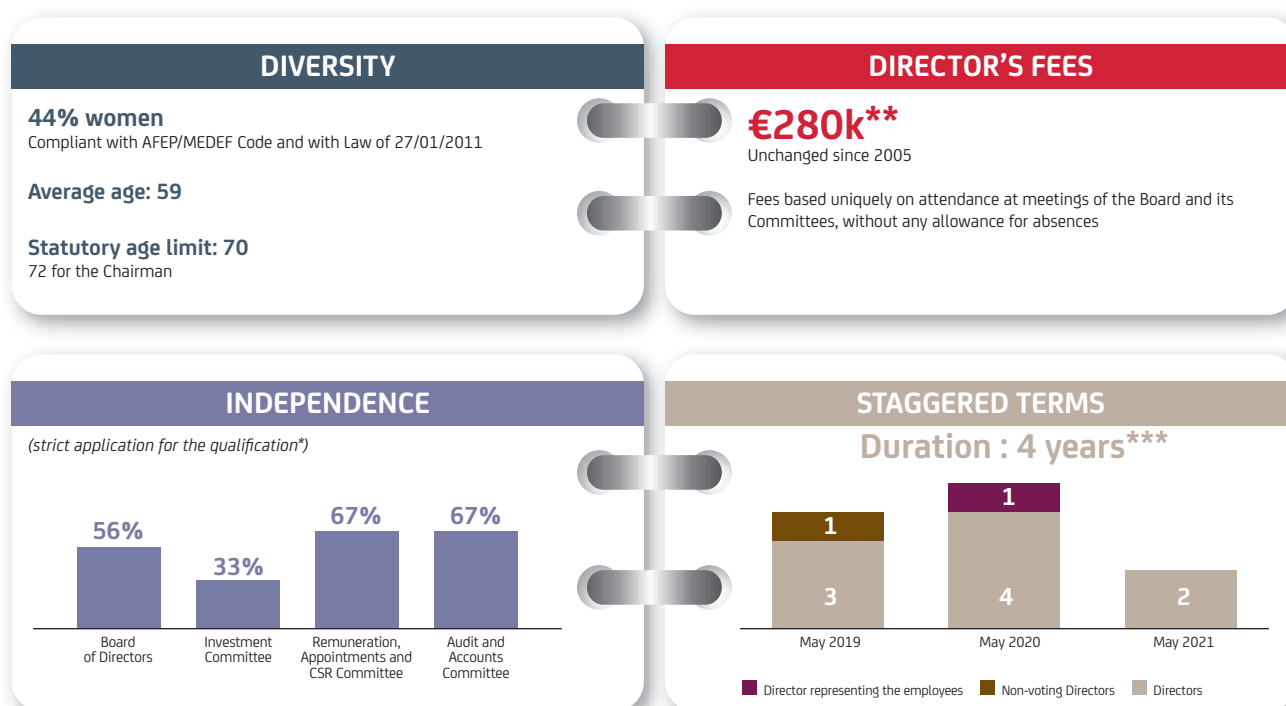
The directors can be reached at the Company's head office: 19, rue de Vienne – TSA 50029 – 75801 Paris Cedex 08 – France.

The tables below provide an overview of the membership of the Board of Directors and its Committees on 31 March 2019, as well as the proportion of independent members.

 Chairman	Board of Directors	Independent	Audit and Accounts Committee	Remuneration, Appointments and CSR Committee	Investment Committee	Year term expires
Alain Dinin	Chairman and Chief Executive Officer 					2019
Luce Gendry	Vice-Chairman and Senior Independent Director	•			•	2020
Jean-Pierre Denis	Director		•		•	2020
Charles-Henri Filippi	Director	•				2019
Jérôme Grivet	Director		•		•	2020
Soumia Belaidi-Malinbaum	Director	•	•	•		2021
Agnès Nahum	Director	•	•		•	2019
Magali Smets	Director	•	•			2020
Jacques Veyrat	Director			•	•	2021
Bruno Catelin	Director representing the employees			•		2020
Pascal Oddo	Non-voting Board member					2019
Benoît Chuquet	Works Council representative					2019

4 CORPORATE GOVERNANCE REPORT

Administrative and senior management bodies



* In accordance with the Afep/Medef Code, except for the director representing the employees on the Committees and the Board of Directors

** Director's fees are not paid to members who receive remuneration from the Group

*** Since 2005 for Director's, 3 years for non-voting Directors.

The table below lists the main areas of expertise declared by directors (excluding the Chairman and Chief Executive Officer) and illustrates the broad range of expertise within the Board of Directors.

	Finance	Strategy and investment	Governance	Real estate and real estate financing	IT and digital	Financial services (banking and insurance)	CSR - Energy and Environment
Luce Gendry	•	•	•			•	•
Jean-Pierre Denis	•	•	•	•	•	•	
Charles-Henri Filippi	•	•	•	•		•	•
Jérôme Grivet	•	•	•	•		•	
Soumia Belaidi-Malinbaum	•	•	•		•		•
Agnès Nahum	•	•	•			•	•
Magali Smets	•	•	•				•
Jacques Veyrat	•	•	•		•		•
Bruno Catelin				•	•		
Pascal Oddo	•	•		•	•	•	
Gérard Bayol*	•	•		•		•	

* Until 31 May 2018.

4.1.2 Members of the Board of Directors during the financial year ended 31 December 2018

The tables below show the members of the Company's Board of Directors during the financial year ended 31 December 2018, as well as each member's main positions in the Company, their main outside activities, where material, as well as their other offices and positions held over the preceding five years.

ALAIN DININ**Chairman of the Board of Directors**

- > Chairman and CEO of the Company.
- > Chairman of the Investment Committee.

Nationality: French

Age: 68

Date first appointed

28/09/2004 – Reappointed 19/05/2015

Date of term expiry

At the end of the Company's Shareholders' Meeting called to approve the financial statements for the financial year ended 31/12/2018.
Reappointment is proposed.

Bio

Chairman and CEO of Nexity as of September 2004, Alain Dinin 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 Vice-Chairman, Chairman of the Management Board and finally Chairman and CEO of Nexity. He is a graduate of the École Supérieure de Commerce de Lille (now called SKEMA Business School).

Current appointments**> Outside the Group**

- Director of ORF (*Observatoire Régional du Foncier en Île-de-France*)
- Chairman and Member of the Supervisory Board of New Port SAS

> Within the Group in France

- Chairman of the Board of Directors and director of Crédit Financier Lillois SA
- Director of Nexity Immobilier d'entreprise (since 10/12/2016), Edouard Denis Développement (since 10/06/2016), Weroom, PERL, Ægide (since 06/07/2018)
- Co-manager of Clichy Europe 4
- Legal representative of Nexity, Chairman of Nexity Franchises and Lilas Paul Meurice
- Legal representative of Nexity, Vice-Chairman, CEO and director of Éco-Campus à Châtillon, itself Chairman of Mercedes
- Permanent representative of Nexim 1 on the Board of Directors of Ufiam
- Permanent representative of Nexity Logement on the Board of Directors of Féréal

> Within the Group outside France

- Chairman of the Supervisory Board of Nexity Polska 303 Spolka Akcyjna (Poland) and NP 7 Spolka Akcyjna (Poland)
- Permanent representative of SIG 30 Participations on the Board of Directors of City Garden Real Estate (Belgium)
- Representative of Nexity SA on the Boards of Directors of Nexibel 2, Nexibel 3, and Nexibel 5

Expired appointments

- Chairman and member of the Supervisory Board of Oralia Partenaires SAS (until 01/12/2017)
- Director of Nexity Logement (up to 9/11/2017), Oralia Investissements (up to 15/12/2017), Isodev, Club Méditerranée (up to 23/02/2015), DS Participations (up to 31/12/2014), Nexibel 6 (Belgium) (up to 10/12/2015)
- Member of the Executive Committee of FPI (Fédération des Promoteurs Immobiliers France) (until 5 October 2017)
- Vice-Chairman and member of the Supervisory Board of Saggel Holding SA (expired on 14/03/2016)
- Permanent representative of Saggel Holding SA on the Board of Directors of LFP Nexity Services Immobiliers (until 20/04/2016)
- Chairman of the Board of Directors of Nexity Immobilier d'Entreprise (until 20/06/2014), of Sesto Edison 1 and Sesto Edison 2 (Italy) (until 10/07/2015)
- Member of the Strategic Advisory Board of SKEMA Business School
- Permanent representative of Nexity on the Boards of Directors of Nexibel 1 (Belgium) (until 10/12/2015) and Nexity IG (Belgium) (until 10/12/2015)
- Permanent representative of George V Gestion SAS on the Board of Directors of Chantiers Navals de l'Esterel SA (until 24/09/2018)
- Permanent representative of Nexim 1 SAS on the Board of Directors of Ressources et Valorisation SA (until 14/06/2018)

4 CORPORATE GOVERNANCE REPORT

Administrative and senior management bodies

LUCE GENDRY

**Vice-Chairman
Senior Independent Director**



- > Chairman of the Audit and Accounts Committee.
- > Member of the Investment Committee.

Nationality: French

Age: 69

Expertise: Finance, Strategy and investment, Governance, CSR – Energy and environment.

Date first appointed

21/02/2012

Date of term expiry

At the end of the Company's Shareholders' Meeting called to approve the financial statements for the financial year ended 31/12/2019.

Bio

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. Currently, she is Senior Advisor at Rothschild et Compagnie, Member of the Supervisory Board of Rothschild Martin Maurel; Chairman of the Supervisory Board of IDI, director of FFP (Peugeot family group), director of Sucres et Denrées (Sucden) and Chairman of Cavamont Holdings Ltd.

Current appointments

- Chairman of the Supervisory Board of IDI* and Chairman of the Finance and Audit Committee
- Director of FFP, member of the Governance, Appointments and Remunerations Committee and Chairman of the Finance and Audit Committee
- Member of the Supervisory Board of Sucres et Denrées (Sucden) and Chairman of the Audit Committee
- Member of the Supervisory Board of Rothschild Martin Maurel

> Outside France

- Chairman of Cavamont Holdings Ltd

Expired appointments

- Director of Foncière INEA* (until June 2014)
- Director of SFR Group* and Chairman of the Finance and Audit Committee (until November 2016)

* Listed company.

BRUNO CATELIN

Director representing the employees



- > Member of the Remuneration, Appointments and CSR Committee.

Nationality: French

Age: 53

Expertise: Real estate and real estate financing, IT and digital.

Date first appointed

01/01/2017

Date of term expiry

31/12/2020

Bio

Bruno Catelin is the director representing the Group's employees. He has been an employee of Nexity group since March 1991. He has been in charge of management tools training within the Residential Real Estate division since 1 September 2018.

Expired appointments at the end of 2016

- Deputy treasurer of the Works Council
- Employee representative

JEAN-PIERRE DENIS**Director**

- > Member of the Audit and Accounts Committee.
- > Member of the Investment Committee.

Nationality: French

Age: 58

Expertise: Finance, Strategy and investment, Governance, Real estate and real estate financing, IS and digital, Financial services (banking and insurance).

Date first appointed

23/07/2015

Date of term expiry

At the end of the Company's Shareholders' Meeting called to approve the financial statements for the financial year ended 31/12/2019.

Bio

Jean-Pierre Denis is Chairman of Crédit Mutuel Arkéa. He began his career as an inspector of finance and subsequently served in various civil servant positions, including deputy secretary-general of French President of Republic. He then held various executive management positions at Dalkia, Veolia and OSEO (now BPI France).

Current appointments

- Chairman of Crédit Mutuel Arké; Fédération du Crédit Mutuel de Bretagne; SAS Château Calon Ségu
- Director of Caisse de Crédit Mutuel de Cap Sizun; Kering*; Director of Paprec Holding; Avril Gestion; JLPP Invest SAS
- Director, then non-voting Board member of Altrad Investment Authority (since 25/07/2018)
- Member, then non-voting member of the Supervisory Board of Tikehau Capital* (since 25/05/2018)

Expired appointments

- Director of Soprol (until 20/03/2015)
- Chairman of the Supervisory Board of New Port SAS (from 09/01/2015 to 30/06/2015)
- Director and treasurer of Ligue de Football Professionnel (until 27/05/2016)
- Acting Chairman of Ligue de Football Professionnel (from 27/05/2016 to 11/11/2016)

* Listed company.

4 CORPORATE GOVERNANCE REPORT

Administrative and senior management bodies

CHARLES-HENRI FILIPPI

Independent director



> Chairman of the Remuneration, Appointments and CSR Committee.

Nationality: French

Age: 66

Expertise: Finance, Strategy and investment, Governance, Real estate and real estate financing, Financial services (banking and insurance), CSR – Energy and environment.

Date first appointed

15/12/2016

Date of term expiry

At the end of the Company's Shareholders' Meeting called to approve the financial statements for the financial year ended 31/12/2018.

Reappointment is proposed.

Bio

Charles-Henri Filippi is Managing Partner of Banque Lazard. He was previously Chairman of Citigroup France with effect from 1 January 2011. After holding several positions in French government agencies and ministerial departments, he joined CCF in 1987 and became its Chief Executive Officer in 1998. In 2001, he was appointed to HSBC's Executive Committee, with responsibility for major client activities across the entire group. He was named Chairman and Chief Executive Officer of HSBC France in March 2004, then non-executive Chairman from August 2007, a position he held until 31 December 2008. He was also Senior Advisor at CVC Capital Partners France until 31 December 2010, Partner at Weinberg Capital Partners until 31 December 2011, and founded the asset management companies Octagones and Alfina, serving as Chairman of both from 2008 to 2012. Charles-Henri Filippi is also a director of Orange.

Current appointments

- Director of Orange*, Piasa and Adie
- Member of the Governance Committee and the Social and Environmental Responsibility Committee of Orange*

Expired appointments

- Director of L'Oréal* (until 02/2018)
- Member of the Supervisory Board of Femu Qui (until 2015), Euris (until 2014)
- Non-voting Board member of Nexity SA (until 2014)
- Chairman of Association des Amis de l'Opéra Comique (until 2015)
- Member of the International Advisory Board of Abertis (until 2018)

* Listed company.

JÉRÔME GRIVET**Director**

- > Member of the Audit and Accounts Committee.
- > Member of the Investment Committee.

Nationality: French**Age:** 57

Expertise: Finance, Strategy and investment, Governance, Real estate and real estate financing, Financial services (banking and insurance).

Date first appointed

23/07/2015

Date of term expiry

At the end of the Company's Shareholders' Meeting called to approve the financial statements for the financial year ended 31/12/2019.

Bio

Jérôme Grivet is Deputy Managing Director of Crédit Agricole SA in charge of Finance for the Crédit Agricole group. He began his career as an inspector of finance, then served as a member of several French ministries before holding a number of positions at Crédit Lyonnais and the Crédit Agricole group.

Current appointments

- Deputy Managing Director in charge of Group Finance – Member of the Executive Committee of Crédit Agricole SA*
- Director of Crédit Agricole Assurances, Caceis, Caceis Bank France and Korian*
- Member of the Supervisory Board of Fonds de Garantie des Dépôts
- Permanent representative of Predica on the Board of Directors of Covivio*

Expired appointments

- Chairman of CA Life Greece
- Fonds Stratégique des Participations, permanent representative of Predica
- CEO of Crédit Agricole Assurances
- Director of CAAGIS
- Non-voting Board Member of Crédit Agricole, La Médicale de France Groupe ADP (formerly Aéroports de Paris)*
- Vice-Chairman of Crédit Agricole Vita SpA
- Director and Chairman of the Board of Directors of Spirica and Dolce Vita
- Permanent representative of Predica on the Supervisory Boards of CA Grands Crus and CAPE
- Director of Pacifica, CA Indosuez Private Banking, Union des Banques Arabes et Françaises, LCL Obligation Euro, CA Cheuvreux and Cedicam
- Permanent representative of Crédit Agricole Assurances on the Board of Directors of CACI
- Officer of the Executive Committee of FFSA
- Member of the Board of Directors, Vice-Chairman of FFSA and Crédit Agricole Assurances Italia Holding SpA
- President of Groupement Français des Bancassureurs
- Permanent representative of Predica, which serves as a non-voting Board member of Siparex Associés
- Member of the Supervisory Board of Korian*
- Vice-Chairman of Bes Vida
- Deputy CEO 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 Mescas
- Director and Vice-Chairman of Newedge Group

* Listed company.

4 CORPORATE GOVERNANCE REPORT

Administrative and senior management bodies

SOUMIA BELAIDI-MALINBAUM

Independent director



- > Member of the Audit and Accounts Committee.
- > Member of the Remuneration, Appointments and CSR Committee.

Nationality: French

Age: 57

Expertise: Finance, Strategy and investment, Governance, IT and digital, CSR – Energy and environment.

Date first appointed

24/03/2015

Date of term expiry

At the end of the Company's Shareholders' Meeting called to approve the financial statements for the financial year ended 31/12/2020.

Bio

Soumia Belaidi-Malinbaum has been Business Development Director at Keyrus since 2018. Between 1991 and 2006 she was founder, Chairman and Chief Executive Officer of Specimen, Sales Director France for Hommes et Techniques de l'Informatique (HTI) and Account Manager in financing and leasing at International Brokerage Leasing (IBL).

Current appointments

- Director of the Lagardère SCA Group* and member of the Appointments Committee

Expired appointments

- Director and Chairman of the Audit Committee of France Média Monde

* Listed company

AGNÈS NAHUM

Independent director



- > Member of the Audit and Accounts Committee
- > Member of the Investment Committee*

Nationality: French

Age: 58

Expertise: Finance, Strategy and investment, Governance, Financial services (banking and insurance), CSR – energy and environment.

Date first appointed

19/05/2015

Date of term expiry

At the end of the Company's Shareholders' Meeting called to approve the financial statements for the financial year ended 31/12/2018.
Reappointment is proposed.

Bio

Agnès Nahum has been, since December 1998, co-founder and Chairman of the Management Board of investment company Access Capital Partners, which specialises in managing European private equity, infrastructure and private debt funds. Previously she was Senior Vice-President of Business Development at BNP Paribas Private Equity, Business Development Director at Financière Saint Dominique and Head of Investment and Development at MAAF.

Current appointments

- Chairman of the Management Board of Access Capital Partners SA

> Outside France

- Director of Access Capital Partners Group SA (Belgium), Access Capital Partners II (Guernsey) Ltd, Access Co-Investment Partners Limited (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), SPEF Kaksi Oy (Finland), ACL Sarl (Luxembourg), ACL 2 Sarl (Luxembourg), Castle SA (Luxembourg), ACF II SICAV-SIF (Luxembourg), Mondriaan (Luxembourg)

* Since 20 February 2018

MAGALI SMETS**Independent director**

> Member of the Audit and Accounts Committee.

Nationality: French

Age: 45

Expertise: Finance, Strategy and investment, Governance, CSR – Energy and environment.

Date first appointed

31/05/2016

Date of term expiry

At the end of the Company's Shareholders' Meeting called to approve the financial statements for the financial year ended 31/12/2019.

Bio

Magali Smets is Chief Executive Officer of France Chimie (formerly U.I.C.). She began her career in 1999 as a consultant and active member of the Energy practice at McKinsey & Company. In 2001, she joined the Strategy Department of Alstom Transmission & Distribution, later becoming Chief Strategy Officer of Areva Transmission & Distribution. Smets joined Areva's representative office in Brussels in 2007 and became its manager in 2011, advocating the company's positions before the EU institutions. In January 2013, she became director, reporting to the Chairman, and Executive Secretary of Areva's Management Board, before she became Areva's Chief Strategy Officer in 2015.

Current appointments

- Vice-Chairman of *Groupement des Industries Chimiques pour les Études et la Recherche* (GICPER) (since 11/04/2017)
- Chairman of *Syndicat des Activités et PROduits divers en relation avec la CHIMie et la parachimie* (APROCHIM) (since 25/07/2017)
- Statutory manager of SCI Immochim (since 19/12/2017)
- Director of CP Chimie Promotion (since 17/05/2017), Director of Universcience Partenaires (since 7 June 2017)

Expired appointments

- Chairman of Areva Énergies Renouvelables (from 21/12/2015 to 01/06/2016)
- Chairman of the Board of Directors and Chief Executive Officer of Cedec (from 14/02/2013 to 01/06/2016)
- Permanent representative of Cedec on the Board of Directors of Areva TA (until 01/06/2016)
- Permanent representative of Areva on the Board of Directors of Areva TA (until 29/09/2015)

4 CORPORATE GOVERNANCE REPORT

Administrative and senior management bodies

JACQUES VEYRAT

Director



- > Member of the Remuneration, Appointments and CSR Committee.
- > Member of the Investment Committee.

Nationality: French

Age: 56

Expertise: Finance, Strategy and investment, Governance, IT and digital, CSR – Energy and environment.

Date first appointed

23/05/2013

Date of term expiry

At the end of the Company's Shareholders' Meeting called to approve the financial statements for the financial year ended 31/12/2020.

Bio

Jacques Veyrat began his career with the French Ministry of Finance (Treasury Department), where he served from 1989 to 1993, and then went on to work with the Ministry for Infrastructure from 1993 until 1995. He was next appointed Chief Executive Officer of Louis Dreyfus Armateurs. In 1998, he founded Louis Dreyfus Communications, which would become Neuf Cegetel. He was Chairman of Groupe Louis Dreyfus from 2008 to 2011. In 2011, he created Impala, a holding company and principal shareholder of some twenty companies mostly active in the energy sector, including Direct Energie and Neoen.

Current appointments

- Chairman of Impala SAS and FNAC Darty*
- Director of HSBC France
- Non-voting Board member of Dreyfus Armateurs, Sucres et Denrées, ID Logistics

Expired appointments

- Director of Imerys* and Direct Energie
- Member of the Supervisory Board of Eurazeo*
- Chairman of Louis Dreyfus Holding and Louis Dreyfus SAS

* Listed company.

4.1.3 Non-voting Board members

Since 31 May 2018, the Company has only one non-voting Board member: Pascal Oddo.

PASCAL ODDO

Non-voting Board member



Nationality: French

Age: 67

Expertise: Finance, Strategy and investment, Real estate and real estate financing, IT and digital, Financial services (banking and insurance).

Date of term expiry

At the end of the Company's Shareholders' Meeting called to approve the financial statements for the financial year ended 31/12/2018.

Reappointment is proposed.

Bio

Pascal Oddo holds a master's degree in management from Paris-Dauphine University (Paris IX). Before working as a partner at LBO France from 1997 to 2017, Pascal Oddo spent more than 20 years developing Oddo & Cie. He was also a founding member of Euronext and the *Conseil des Bourses de Valeurs*. Pascal Oddo is currently Chairman of Vasgos SAS, which he founded in 1997.

Positions held outside the Company

- Chairman of Vasgos SAS and SIP
- Permanent representative of Vasgos SAS, Geoxia, Financière Jumbo and Boxer Holding
- Chairman of the Supervisory Board of New Port SAS
- Director of Brindilles

Expired appointments

- Member of the Supervisory Board of LBO France Gestion SAS; of Consolis Holding; of Gravotech Holding
- Director of MMC (Maison Michel Chapoutier)

GÉRARD BAYOL

Non-voting Board member



Nationality: French

Age: 65

Expertise: Finance, Strategy and investment, Real estate and real estate financing, Financial services (banking and insurance).

Date of term expiry

31 May 2018

Reappointment was not proposed during the Shareholders' Meeting of 31 May 2018.

Bio

Gérard Bayol is a graduate of HEC. He began his career in 1979 as the commercial attaché to the French embassy in Venezuela, where he was born. From 1982 to 1993 he held various positions at Crédit Commercial de France (CCF), starting as a representative in Caracas, then a branch manager in Rio de Janeiro and later becoming Deputy Managing Director in Madrid and CEO in London. He then went to work for Dexia in Madrid as Managing Director of the Spanish subsidiary Dexia Banco Local from 1993 to 1997, before taking over the management of Dexia Crédit Local (DCL) until 2000. In Italy, beginning in 2001, he was Managing Director at Dexia Crediop SpA, before returning to France in 2006 as CEO of Dexia Crédit Local. In 2009, he joined Crédit Mutuel Arkéa, where he was a member of the Executive Committee and Chairman of the Management Board of Arkéa Banque Entreprises & Institutionnels until September 2016. He is Senior Advisor to investment fund Agilitas and Chairman of AGYS Finance & Conseil.

Positions held outside the Company

- Director of Ægide SA and Brunet SA
- Permanent representative of Crédit Mutuel Arkéa at HLM Coopérer pour Habiter SA
- Representative of Crédit Mutuel Arkéa, which serves as a non-voting Board member of New Port SAS
- Non-voting Board member of SCCI Arcade and Spirit Entreprise
- Member of the Strategic Planning Committee of Polylogis/Logirep and Valtus

4 CORPORATE GOVERNANCE REPORT

Administrative and senior management bodies

4.1.4 Nexity's Executive Committee and other governing bodies

4.1.4.1 Executive Committee

The Executive Committee is the executive management, steering and arbitrage body of Nexity. It comprises Alain Dinin, Chairman and Chief Executive Officer, Jean-Philippe Ruggieri, Deputy CEO in charge of Individual Clients and Residential Real Estate Activities, Julien Carmona, Deputy CEO in charge of Internal Clients, Finance, Strategy and International Development; Véronique Bédague-Hamilius, Deputy CEO in charge of Commercial and Local Authority

Clients and Frédéric Verdavaine, Deputy CEO in charge of Individual Clients and Real Estate Services to Individuals.

Among the members with the title of Deputy CEO, Jean-Philippe Ruggieri and Julien Carmona were appointed company officers on 31 May 2018 by the Board of Directors that met after the Shareholders' Meeting on the same day.

The Executive Committee meets once a week.

The table below shows the membership of the Company's Executive Committee on 31 March 2019. Women make up 20% of the Executive Committee. A description of the Executive Committee's governing diversity policy appears in Section 4.2.4 below.

	Title	Individual Clients	Commercial Clients	Local Authority Clients	Internal Clients
Alain Dinin	Chairman and Chief Executive Officer	•	•	•	•
Jean-Philippe Ruggieri	Deputy CEO, company officer	•			
Julien Carmona	Deputy CEO, company officer				•
Véronique Bédague-Hamilius	Deputy CEO	•	•	•	
Frédéric Verdavaine	Deputy CEO	•			

Alain Dinin's bio can be found in section 4.1.2 "Members of the Board of Directors during the financial year ended 31 December 2018" of this chapter. The tables below set out the bios of each of the other Executive Committee members.

JEAN-PHILIPPE RUGGIERI**Deputy CEO – Company officer**

- > Deputy CEO and Company officer.
- > Deputy CEO in charge of Individual Clients.
- > Chairman and CEO Nexity Immobilier Résidentiel.
- > Co-Chairman of the Individual Clients Committee.
- > Member of the Executive Committee.

Nationality: French**Age:** 50**Date first appointed**

31/05/2018

Date of term expiry

At the end of the Company's Shareholders' Meeting called to approve the financial statements for the financial year ended 31/12/2018.

Bio

Deputy CEO in charge of Individual Clients and Residential Real Estate Activities since January 2017 and company officer since 31 May 2018. He previously served as Managing Director of the Residential Real Estate division starting in 2014, after having been its Deputy Managing Director since 2006. He also served as Managing Director of Nexity Consulting and Nexity Patrimoine. From 1994 to 2001, he was Sales Director and then Managing Director of Ruggieri Immobilier Toulouse. He began his career as an operations manager at Sogeprom in 1992. He is a graduate of the *École Supérieure de Commerce de Toulouse*.

Current appointment> **Outside the Group**

- Manager of SARL La Colline des Sciences

> **Within the Group in France**

- Director of Bien'ici, PERL, Les Terrains du Midi and Ægide SA (from 06/07/2018)
- Manager of SARL Balma le Cyprie Village
- Co-Manager of SARL George V Consultel
- Chairman, CEO and director of Les Terrains du Midi
- Chairman of SAS Nexity Logement
- Deputy CEO and director of SA Nexity Consulting
- Deputy CEO of SA Féréal
- Permanent representative of Nexity Solutions on the Board of Directors of SAS Century 21 France
- Permanent representative of SAS George V Gestion on the Boards of Directors of C.F.F.I (Compagnie foncière financière et immobilière) and Féréal
- Permanent representative of Nexity Régions III on the Board of Directors of Prado Gestion
- Permanent representative of Nexity Régions III on the Boards of Directors, and Co-Manager, of SCI Servon Marne and SNC Servon République Domaines
- Legal representative of SAS Nexity Logement and Managing Director of SAS George V Gestion
- Permanent representative of Nexity Logement on the Board of Directors of Crédit Financier Lilois (from 06/03/2018)
- Legal representative of Nexity Consulting, Manager of Nexity Patrimoine

Furthermore, acting as manager of Nexity Regions I, Jean-Philippe Ruggieri is also a legal representative of various civil societies and partnerships.

> **Within the Group outside France**

- Member of the Board of Directors of Nexity Belgium

Expired appointments

- Permanent representative of SAS George Gestion on the Board of Directors of STAD SA (Société technique des acajous débités)
- Legal representative of SAS Nexity Logement and Chairman of the Board of Directors of SAS Berri Investissements (until 01/03/2018)
- Legal representative of Nexity Regions I, Chairman of SAS Apollonia (until 22 March 2018), SAS Les Allées de l'Europe (until 22 March 2018), SAS Evry Le Bras de Fer (until 22 March 2018), SAS Nexity IR Programmes Apollonia (until 22 March 2018)
- Representative of Nexity Regions I, CEO of SAS Seeri (until 22 March 2018), SAS George V Alpes (until 22 March 2018), SAS George V Rhone-Loire-Auvergne (until 22 March 2018), SAS CALI (until 22 March 2018), SAS Nexity IR Programmes Rhone-Loire-Auvergne (from 12 March 2018 until 22 March 2018) SAS Nexity IR Programmes Alpes (until 22 March 2018), SAS Nexity IR Programmes Paris Val-de-Seine (until 22 March 2018)
- Manager of SARL Nexity Regions I (from 12 March 2018 until 22 March 2018)

4 CORPORATE GOVERNANCE REPORT

Administrative and senior management bodies

JULIEN CARMONA

Deputy CEO – Company officer



- > Deputy CEO and Company officer.
- > Deputy CEO in charge of Internal Clients.
- > Chairman of the Internal Clients Committee.
- > Member of the Executive Committee.

Nationality: French

Age: 48

Date first appointed

31/05/2018

Date of term expiry

At the end of the Company's Shareholders' Meeting called to approve the financial statements for the financial year ended 31/12/2018.

Bio

Deputy CEO in charge of Internal Clients (which combines the core functional services of the Nexity group, such as finance, legal, general secretariat, Human Resources, management and risk management, innovation, digital and IT systems), as well as strategy and international development since January 2017 and company officer since 31 May 2018. After starting his career with the French Ministry for the Economy and Finance, then with BNP Paribas, he successively served as Economics Advisor to the President of the French Republic (2004-2007), member of the Management Board and Chief Financial Officer of Caisse Nationale des Caisses d'Épargne (CNCE) which became BPCE (2007-2009), and Chief Operating Officer and member of the Executive Committee at SCOR SE (2009-2012). He joined Nexity in January 2014. He is an inspecteur des finances (state finance inspector) and a graduate of the École Normale Supérieure in Paris and the École Nationale d'Administration (ENA).

Current appointment

> Outside the Group

- Member of the Supervisory Board of Newport

> Within the Group in France

- Chairman of SIG 30 Participations, Neximmo 39, Sari Investissements, Nexim 4, Neximmo 12 and Neximmo 19
- Manager of Nemoa
- Deputy CEO of Crédit Financier Lillois SA
- Legal representative of SIG 30 Participations on the Boards of Directors of Century 21 France, Ægide and Éco-Campus à Chatillon
- Permanent representative of Nexity Logement on the Boards of Directors of Développement Boulogne Seguin, Nexity Consulting
- Director of PERL, Guy Hoquet l'Immobilier, Nexity Immobilier d'Entreprise, Weroom, Térénéo and Edouard Denis Développement
- Member of the Supervisory Board of New Port SAS
- Legal representative of SIG 30 Participations, Chairman of: Bagneux Victor-Hugo, Bagneux Briand, Neximmo 33, Neximmo 36, Neximmo 38, Neximmo 41, Neximmo 42, Neximmo 44, Neximmo 46, Neximmo 48, Neximmo 49, Neximmo 50, Neximmo 51, Neximmo 52, Neximmo 53, Neximmo 54, Neximmo 59, Neximmo 60, Neximmo 62, Neximmo 63, Neximmo 65, Neximmo 67, Neximmo 68, Neximmo 71, Neximmo 72, Neximmo 73, Neximmo 77, Neximmo 80, Neximmo 81, Neximmo 82, Neximmo 84, Neximmo 85, Neximmo 86, Neximmo 87, Neximmo 88, Neximmo 89, Neximmo 90, Neximmo 91, Neximmo 96, Neximmo 97, Neximmo 98, Neximmo 99, Neximmo 100, Neximmo 101, Neximmo 102, Neximmo 103, Neximmo 104, Neximmo 105, Nexiville 1, Nexiville 2, Nexiville 4, Nexiville 5, Nexiville 6 Pontault Louvetière, Canton 7, Neximmo 106, Neximmo 107, Neximmo 108, Neximmo 109, Neximmo 110, Nexprom, Neximmo 111, Neximmo 112, Neximmo 113, Neximmo 114, Nexity Résidences Gérées, Nexiville 8, Nexiville 9, Terrae Novae 1, Terrae Novae 2, Terrae Novae 3, Terrae Novae 4, Neximmo 116, Neximmo 117, Neximmo 118, Neximmo 119, Neximmo 120, Garenne Aménagement, Nexiville 11, Nexiville 12, Nexiville 13, Nexiville 14, Neximmo 121, Neximmo 122, Neximmo 123, Neximmo 124, Neximmo 125
- Legal representative of SIG 30 Participations, CEO of Aqueduc
- Legal representative of SIG 30 Participations, Co-Manager of SCI Boulogne Ville A3B, SCI Boulogne Parc B4E, SCI Boulogne Ville A4 Est A, SCCV Garenne Développement, Bordeaux EB4 PRIM
- Legal representative of SIG 30 Participations, Manager of Terrae Novae
- Legal representative of Sari Investissements, Chairman of Neximmo 5 (since 15/03/2017)

JULIEN CARMONA**Deputy CEO – Company officer****Current appointment****> Within the Group in France**

- Legal representative of Sari Investissements, Manager of SNC Nexitim, SNC Parc de Senart, SNC Le Bourget Parc de l'espace, SNC Actilogis Fos Distriport, SNC Coudray Actilogis SNC du Pic de Belledonne, SNC Mesnil-en-Thelle Logistique, SNC Urban East Color East, SNC du Chemin de Paris, SNC Urban East, SNC Urban East Voiries, SNC Urban East Jean-Zay, SNC Florides 1, SNC des Terrasses des Bruyères, SCI Saint-Laurent Logistique, SNC Sari - Société d'aménagement régional industriel, SNC Opteam East, SNC Urban East Services 1, SNC Urban East Services 2, SNC Urban East Guy Blache 2, SNC du Parc des Chesnes 3 SNC Urban East Guy Blache 1, SNC Bègles Fraîcheur, SNC Florides 3 SNC Urban East Chaplin 1, SNC Urban East Guy Blache 3
- Legal representative of Sari Investissements, Co-Manager of SCI Clichy Europe 3, SCI Parc de Gerland Îlot N°4
- Legal representative of Sari Investissements, liquidator of Paris Berthelot

> Within the Group outside France

- Director and Chairman of the Board of Directors of City Garden Real Estate
- Director of Nexibel 3, Nexibel 5, Nexity Belgium, G&G Immo SA (Belgique), IPERL
- Legal representative of SIG 30 Participations, Director of Nexibel 2, Nexibel 3, Nexibel 5
- Sole Director of Domus Sorolla
- Director and Chief Executive Officer of Agenxity SRL of Nexity Holding Italia SRL
- Sole director of Nexity Milano Piranesi SRL, Nexity Milano Olgiati SRL, Nexity Milano Porta Volta SRL, Livraghi 18 SRL, Nexity Rescaldina SRL, Nexity Trentuno SRL (since 21/06/17), Nexity Milano Faravelli SRL (since 21/06/17), Nexity Trentatre SRL (since 21/06/17), Nexity Trentaquattro SRL, Nexity Trentacinque SRL, Nexity Trentasei SRL
- Director of Nexity Polska Sp.Z.o.o, NP 8 Sp.Z.o.o, NP 9 Sp Z.o.o, NP 10 Sp Z.o.o, NP 11 Sp Z.o.o, NP 12 Sp Z.o.o, NP 14 Sp Z.o.o, NP 19 Sp Z.o.o, NP 20 Sp Z.o.o, Nexity Portugal LDA, Nexity P1 LDA
- Member of the Supervisory Board of Nexity Polska 303 Spolka Akcyjna, P 7 Spolka Akcyjna

Expired appointments

- Legal representative of SARI Investissements, Co-manager of SCI Parc de Gerland Îlot N°3 (until 31 December 2018)
- Chairman of the Board of Directors and Managing Director: Chantiers Navals de l'Esterel (until 24 November 2018)
- Permanent representative of Nexity on the Board of Directors of Aegide SA (until 25 January 2018)
- Permanent representative of George V Gestion, on the Board of Directors of Ressources et Valorisation (until 14 June 2018)
- Legal representative of Nexim 4, Chairman of Canton 1 (until 15 October 2018)
- Legal representative of Sari Investissements, Co-manager of SCI Paris-Berthelot (until 29 October 2018)
- Director of Weroom Limited (until 20 February 2018)
- Sole director of Nexity Moncalieri Garis SRL, and of Nexity Torino Tazzoli SRL

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Administrative and senior management bodies

VÉRONIQUE BÉDAGUE-HAMILIUS

Deputy CEO in charge of Commercial and Local Authority Clients



Bio

Deputy CEO in charge of Commercial and Local Authority Clients, and Chairman and Chief Executive Officer of Nexity Immobilier d'Entreprise since February 2018. She was previously Company Secretary of Nexity as of April 2017. Véronique Bédague-Hamilius began her career in 1990 at the French Ministry of Finance, where she held several positions in the Budget Directorate and then as a member of the Finance Minister's staff. From 1994 to 1997, she worked as an economist for the International Monetary Fund in Washington. She joined the City of Paris as Finance Director in 2002, before being named its Director-General of Services in 2008. She was chief of staff for the French Prime Minister from 2014 to 2016. A graduate of the École Nationale d'Administration (ENA), she also holds degrees from Sciences Po Paris and the ESSEC business school.

FRÉDÉRIC VERDAVAIN

Deputy CEO in charge of Individual Clients



Bio

Deputy CEO in charge of Individual Clients and Real Estate Services to Individuals. He began his career in 1993 in the realm of strategy and organisation, first as a consultant in the Quatenaire Group, then as Assistant Director of Human Resources at La Redoute. Before becoming Chairman of Real Estate Services to Individuals and co-Chairman of the Individual Clients Committee, in 2007, he was a Deputy Managing Director of Nexity. From 2002 to 2007, he worked for Johnson Diversey, where he served as Deputy CEO with responsibility for France and Vice-President of Human Resources with responsibility for Southern Europe. After a first experience in the real estate sector as Managing Director of GHI, from 2007 to 2011, he served as Managing Director of Nord de France Immobilier (NDFI), operator of the Nord Pas-de-Calais region's leading real estate agency network. A graduate of the Institut de Haute Finance Internationale, he also holds an undergraduate degree in economics, a master's in human resource development and an MBA from the advanced business studies centre (CPA) at HEC Paris.

4.1.4.2 Other governing bodies

As an extension of the Executive Committee, a **Nexity Transformation Committee** was created in 2017, made up of members of the Management Committees of the various client divisions (Individual Clients, Commercial Clients, Local Authority Clients, Internal Clients). This Committee is dedicated to coordinating and monitoring the Group's transformation and its main strategic priorities. It also includes the 9 **regional officers** responsible – on a regional and cross-functional basis – for the same duties in supporting the Group's transformation.

Lastly, the **"Club 100"** is made up of Nexity's main operational and functional directors. It meets at least twice a year. It is informed of changes to the Group and is involved in defining strategy. Nexity has been developing a proactive policy of improving women's access to the governing bodies, and has decided to adopt an indicator relating to the proportion of women in the "Club 100".

4.1.5 Disclosures relating to the Board of Directors and senior management

To the Company's knowledge there are no family ties linking any members of the Board of Directors to one another or to members of senior management.

To the Company's knowledge, over the last five years, no members of the Board of Directors or current top executives of the Company:

- (i) Have been convicted of fraud;
- (ii) Have been involved in a bankruptcy, sequestration or compulsory liquidation;
- (iii) Have been charged or been the object of an official public sanction by a statutory or regulatory authority (including designated professional organisations); or

- (iv) Have been banned from acting as a member of an administrative, management or supervisory body of a listed company or from being involved in the management or running of a listed company.

Miguel Sieler, who presented his resignation to the Board of Directors on 12 December 2016, was charged with misuse of company assets by the Nanterre correctional court on 22 November 2016 for deeds with no direct or indirect link to the Company. Mr Sieler has informed the Company that he has appealed against this conviction. This procedure is still pending.

4.1.6 Conflicts of interest involving administrative, management and supervisory bodies and senior management

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.

This understanding is based, first of all, on the Company's consistent practice of asking directors once a year to declare any potential or actual conflicts of interest. If no such conflicts are identified, they are asked to expressly declare that there are no potential conflicts between their private interests and their duties to the Company and the members of the Board of Directors. This practice is formalised in the internal rules.

Secondly, in accordance with the internal rules and regulations adopted by the Board of Directors, each director has an obligation to notify the Board of Directors of any conflict of interest situation, either potential or future, in which he or she is likely to find himself or herself and must abstain from participating in any discussions or vote 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 of Directors.

Thirdly, at the proposal of the Remuneration, Appointments and CSR Committee, the Board of Directors conducts an annual review, on a case-by-case basis, of each director's status with regard to the independence criteria set out in the Afep-Medef Code. These criteria are reiterated in the Board's internal rules and regulations, last updated on 19 February 2019.

Lastly, the Board of Directors has adopted a charter relating to the procedure for entering into related-party agreements as provided for by Articles L.225-38 *et seq.* of the French Commercial Code. This charter is available on the Company's website.

4.2 PREPARATION AND ORGANISATION OF THE BOARD OF DIRECTORS' WORK

4.2.1 Organisation of the Board of Directors' work

The Company is a French public limited company (*société anonyme*) with a Board of Directors.

At 31 December 2018, the Board of Directors had ten members, including a director representing the employees (pursuant to Article L.225-27-1 of the French Commercial Code).

Directors are appointed for 4-year terms, with the expiry of terms organised to allow for staggered renewals:

- The terms of office of three directors expire at the end of the Annual Shareholders' Meeting of 22 May 2019 called to approve the financial statements for the financial year ended 31 December 2018 and being held during the calendar year 2019: Alain Dinin, Agnès Nahum and Charles-Henri Filippi; the reappointment of these terms is proposed at the next Shareholders' Meeting;
- The terms of office of four directors expire at the end of the 2020 Annual Shareholders' Meeting called to approve the financial statements for the financial year ending 31 December 2019: Luce Gendry, Magali Smets, Jérôme Grivet and Jean-Pierre Denis;
- The terms of office of two directors expire at the end of the 2021 Annual Shareholders' Meeting called to approve the financial statements for the financial year ending 31 December 2020: Jacques Veyrat and Soumia Belaidi-Malinbaum; and
- Bruno Catelin was appointed, with effect from 1 January 2017, as the director representing the employees by the Works Council of UES Nexity Promotion Construction for a 4-year term from this date.

A single Works Council representative participates in Board meetings, in accordance with the provisions of Article L.2323-65 of the French Labour Code. Benoît Chuquet was appointed in this capacity on 1 July 2015 for a period expiring upon the election of employee representatives during 2019.

Furthermore, the Company's Articles of Association allow for the Board of Directors to receive assistance from up to three non-voting Board members. As business leaders with recognised expertise, the Board's non-voting members share their insights and latest thinking on a number of issues with its voting members. They fulfil an advisory role and their opinions are not binding for the Board of Directors. The presence of these non-voting Board members therefore helps the Board strike a balance between the number of directors and the diverse range of experience that enriches its operations:

- The terms of office of one non-voting Board member expire at the end of the Annual Shareholders' Meeting of 22 May 2019 called to approve the financial statements for the financial year ended 31 December 2018: Pascal Oddo; Reappointment of this term is proposed at the next Shareholders' Meeting; and

- The terms of office of one non-voting Board member term expired at the end of the Shareholders' Meeting of 31 May 2018 called to approve the financial statements for the financial year ended 31 December 2017: Gérard Bayol.

The internal rules and regulations stipulate that, apart from the specific duties attributed to the Board of Directors by legal and regulatory provisions (the "law") and the Company's Articles of Association, the Board reviews and gives prior approval for any significant actions to be undertaken by the Company, and in particular:

- The Company's strategic direction and any actions that fall outside the strategy announced by the Company; and
- Acquisitions or disposals of equity interests or assets in material amounts liable to alter the Company's balance sheet structure, including any acquisition or disposal of equity interests or assets of an amount greater than or equal to €50 million.

The Company is also committed to promote creation of value over the long term while considering the social and environmental implications of its activities.

Directors receive all relevant information and documents needed to perform their duties and prepare for Board meetings. During the course of the 2018 financial year, a secure digital platform was put in place, making it possible to send documents as well as to discuss said documents in a secure fashion in view of Board meetings. The Board of Directors also undertakes controls and checks as it sees fit, and may obtain copies of any document it deems useful in fulfilling its role. In connection with the strategy it outlines, the Board of Directors regularly examines the opportunities and risks such as financial, legal, operational, social or environmental risks, as well as the actions taken as a consequence. For this purpose, it receives all the information necessary to carry out its mission. In addition, prior to any meeting, Board members may request any additional documents that they deem useful.

Furthermore, each director may, if he or she so wishes, receive additional training in the particular characteristics of the Company and its business lines.

Information sessions can be arranged for new directors to help them gain an understanding of the Nexity group as quickly as possible. This programme includes a review of the Group's strategy and main businesses; key challenges in terms of growth, competitiveness and innovation; and also finance, research and development, human resource management, legal aspects, compliance and the general organisation of operations. It also includes site visits. All directors can take part in this programme if they so wish, in accordance with the relevant provisions of the Board's internal rules and regulations.

The Board of Directors met eight times during the financial year ended 31 December 2018. Attendance at Board meetings is considered highly satisfactory. The individual

attendance rates at the meetings of the Board of Directors and its various Committees are detailed below:

	Attendance rate			
	Board of Directors (8 meetings)	Audit and Account Committee (4 meetings)	Remunerations, Appointments & CSR Committee (5 meetings)	Investment Committee meeting as Strategy Committee (1 meeting)
Alain Dinin	100%			100%
Luce Gendry	100%	100%		100%
Jean-Pierre Denis	100%	100%		100%
Charles-Henri Filippi	88%		100%	0%
Jérôme Grivet	88%	100%		100%
Soumia Belaidi-Malinbaum	100%	100%	100%	100%
Agnès Nahum	100%	100%		100%
Magali Smets	88%	100%		100%
Jacques Veyrat	63%		80%	0%
Bruno Catelin	100%		100%	100%
TOTAL	94%	100%	95%	83%

In particular, over the course of the year, the Board of Directors:

- Approved the financial statements for the financial year ended 31 December 2017, the 2018 interim financial statements and revenue for the first and third quarters of 2018;
- Amended Nexity's governance by appointing two Company officers from among members of the Executive Committee with the title of Deputy CEO;
- Approved the agenda and convened the Combined Shareholders' Meeting for the purpose of approving the financial statements for the financial year ended 31 December 2017, and renewed certain financial authorisations for the Board of Directors, which had expired;
- Assigned CSR missions to the Remunerations, Appointments and CSR Committee, appointed a new member to the Investment Committee;
- Had the opportunity to discuss reports from the Remunerations, Appointments and CSR Committee on the Group's CSR strategy;
- Discussed gender equality within the Group;
- Met on 27 March 2018, in executive session;
- Reviewed and approved the Group's 2019 budget in December 2018;
- Reviewed the 2020-2023 medium-term plan;
- Decided to increase the Group's stake in Ægide SA by 18% to take control;
- Regularly reviewed the Group's financial position and changes in its debt, discussed appropriate financing arrangements or the extension and adaptation of existing financing arrangements and reviewed and approved management forecasts;
- Decided to undertake a bond issue and to subdelegate to the Chairman and Chief Executive Officer powers to carry out said issue, determine the terms thereof, and sign any documentation pertaining thereto;
- Decided to adjust the rights of holders of convertible bonds and sub-delegate to the Chairman and Chief Executive Officer the authority to determine the new ratios, to get information on the holders of 2016 OCEANE bonds and 2018 OCEANE bonds;
- Decided to issue an ORNANE type bond as part of a private investment and to sub-delegate to the Chairman and Chief Executive Officer the necessary authority to determine the terms and conditions and proceed with issuance, as well as the new ratios, and to inform ORNANE holders;
- Examined and approved the main terms and conditions of corporate credit;
- Discussed key plans involving partnerships;
- Approved the remuneration of the Chairman and Chief Executive Officer and apportioned directors' fees among the members of the Board of Directors;
- Authorised the signature of regulated agreements;
- Authorised the issuance of guarantees;
- Made a decision on free share plans;
- Decided to implement a new share buyback programme; and
- Updated the internal rules and regulations and discussed the assessment of the Board of Directors' work.

Moreover, the Board of Directors is kept informed, using all possible means, of the Company's financial position and commitments as well as any significant events and activities concerning the Company.

4.2.2 Executive Management approach

4.2.2.1 Current mode of exercise

Since the Company's conversion into a *société anonyme* in 2004, the office of Chief Executive has been held by the Chairman of the Board of Directors.

This choice of approach to Executive Management is discussed every year as part of the Board of Directors' annual review.

Up to now, this approach has always appeared best suited to the Company's image and needs. It also enables the Company to respond quickly and effectively to the challenges it faces and to ensure that the Group's activities are coordinated efficiently and consistently in light of its organisational structure. This operating method is in keeping with the prerogatives of the various corporate bodies, and in particular those relating to the Board of Directors and its specialised Committees.

The Chairman is elected by the Board of Directors from amongst its individual members for a duration not exceeding the electee's term of office.

The Chairman must be under 72 years of age and the Chief Executive Officer under 70. If this age limit is reached while

the Executive Company Officer in question is in office, he or she will be deemed to have resigned at the end of the next Annual Ordinary Shareholders' Meeting. The Board of Directors determines the Chairman's remuneration. It may also dismiss the Chairman at any time.

The Chairman organises and directs the Board's activities and reports on them at Shareholders' Meetings. The Chairman oversees the proper functioning of the Company's corporate bodies and specifically ensures that the directors are in a position to fulfil their duties.

The Chairman and Chief Executive Officer is vested with the broadest possible powers to act in all circumstances on behalf of the Company. He exercises his powers within the confines of the corporate purpose and subject to any powers expressly assigned by law to the shareholders or the Board of Directors. He represents the Company in its dealings with third parties.

Since 31 May 2018, the Board also appointed two company officers from among the members of the Executive Committee having the title of Deputy CEO.

4.2.2.2 Modifications envisaged after the Shareholders' Meeting of 22 May 2019

In order to be better able to meet the Company's future development needs and allow better distribution of roles, the Board of Directors, upon the proposal of the Chairman and Chief Executive Officer, and after the opinion of the Remuneration, Appointments and CSR Committee, decided to propose a new mode of exercise for Executive Management by separating the functions of Chairman of the Board of Directors and Chief Executive Officer. Subject to approval by the Shareholders' Meeting of the reappointment of Alain Dinin as director, this modification would take effect during the Board of Directors' meeting that will take place after this Shareholders' Meeting. The separation of the functions of Chairman of the Board of Directors and Chief Executive Officer as envisaged, would notably be supported by a reinforcement of the powers and duties of the Chairman of the Board of Directors and a modification to the name and duties of the Investment Committee such that it can steer and develop the Company's strategy and growth as closely as possible.

For example, as part of his term of office, the Chairman of the Board of Directors:

- Would chair and coordinate the Investment Committee, which would be renamed Strategic and Investment Committee;
- Would take part in internal meetings dealing notably with strategy, external and financial communications, compliance, internal audit and risks;

- Would monitor compliance with the corporate social responsibility and environmental principles;
- Would take part in investor and shareholder relations; and
- Would take part in representing the Company in its high level relationships, notably with key accounts and public authorities, on a national and international level as well as internal and external communication.

The Investment Committee, renamed the Strategic and Investment Committee and chaired by Alain Dinin, would notably deal with certain significant acquisition operations, equity investments or sales of securities in all types of companies or real estate assets or transactions. This Committee would have the power to delegate to its Chairman the validation of certain investments or disposals to be submitted to the Board of Directors in accordance with the principles retranscribed and developed in the internal rules and regulations for which the amendments will be formally adopted during the meeting of the Board of Directors after the Shareholders' Meeting of 22 May 2019, subject to the reappointment of Alain Dinin as a director.

4.2.3 Vice-Chairman and Senior Independent Director

The Board of Directors may also, as the case may be, appoint one or more Vice-Chairmen chosen from among the independent directors, for a term of office that may not exceed that of their appointment as director.

Luce Gendry has served in this position since 17 February 2015.

The Vice-Chairman or Vice-Chairmen may convene Board of Directors meetings should the Chairman be unable to do so.

With effect from 20 February 2018, when the Board of Directors amended its internal rules and regulations, the Vice-Chairman or Vice-Chairmen may ask the Chairman to convene a Board meeting. The Vice-Chairman or Vice-Chairmen may submit a draft agenda for amendment and/or approval by the Chairman, as the case may be.

In the absence of the Chairman of the Board of Directors, the Vice-Chairman or Vice-Chairmen may also chair Board meetings.

Similarly, the 20 February 2018, amendment to the Board's internal rules and regulations enable the Vice-Chairman or Vice-Chairmen to convene executive sessions. This means the Vice-Chairman or Vice-Chairmen may, at their discretion, convene some or all of the directors to meetings not attended by senior management or Executive Company Officers. The Vice-Chairman or Vice-Chairmen must convene at least one such meeting each year. The agenda and attendees at such meetings are determined at the

discretion of the Vice-Chairman or Vice-Chairmen. The Vice-Chairman or Vice-Chairmen report on such meetings at the following Board meeting. An executive session was convened for this purpose on 28 March 2018.

The Board of Directors may appoint a Vice-Chairman as Senior Independent Director for the duration of his or her term of office as Vice-Chairman. The Senior Independent Director must be independent per the criteria laid down in the Board's internal rules and regulations. The duties, responsibilities, resources and prerogatives of the Senior Independent Director 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.

On 19 February 2019, the internal rules and regulations were amended to allow the Vice-Chairman (Vice-Chairmen) or, as the case may be, the Senior Independent Director to respond to requests of shareholders who want a direct dialogue with members of the Board.

Independent directors may meet at the initiative of any one of them, with such meetings chaired by the Senior Independent Director. He/she is responsible for gathering and passing on to the Board of Directors the opinions and positions of the independent directors.

4.2.4 Gender balance and diversity of the Board of Directors, the Executive Committee and Club 100

4.2.4.1 The Board of Directors

At 31 December 2018, the Board of Directors was composed of four women and six men. Women therefore made up 44% of the Board at that date. In accordance with the Afep-Medef Code, the director representing the employees is not included when calculating this percentage. This percentage of directors complies with the legal provisions and recommendations of the Afep-Medef Code since it entered into force. Taking into account the fact that the Company's activity is located primarily in France, the criteria of nationality was not deemed relevant.

The Board includes, moreover, a majority of independent directors since 2015, the year during which BPCE Group sold its stake. The same year, the Company organised a staggering schedule of director terms to allow for progressive replacement of the Board of Directors.

The diverse professional experiences of the Board allow it to bring together those skills in order to respond to the opportunities and understand the risk which confront Nexity.

4.2.4.2 Nexity's Executive Committee

The Executive Committee is composed of five members, including one woman, i.e. 20% women.

4.2.4.3 Club 100

Since December 2017, Club 100 is the standard for governing bodies at Nexity and includes those positions with the most responsibility referred to in Article L.225-37-4 of the French Commercial Code.

Increasing the number of women in Club 100 is one of the four goals of the "Gender Equality and Diversity" policy.

The percentage of women in Club 100 has risen from 23% in 2016 to 28% in 2017 then 31% at 31 December 2018. The target is 33% at end 2019 then 35% at end 2020.

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4.2.5 Changes in the composition of the Board, Committees and executive management occurring during the course of the financial year

No changes have occurred other than:

- On 31 May 2018, the appointment of two Deputy CEO company officers and the end of functions of non-voting Board member Gérard Bayol; and
- The appointment of an additional independent director to the Investment Committee.

4.2.6 Independent directors

Generally speaking, a director is considered independent when he or she has no relationship with the Company, the Group or management (other than a non-significant shareholding) that could compromise his or her freedom of judgement. The criteria for directors' independence laid down in the Board of Directors' internal rules and regulations are aligned with the following criteria set out in the Afep-Medef Code, under which an independent director may not:

1. Be an employee or executive company officer of the Company or any company consolidated by the Company, or an employee or executive company officer of a parent company, *i.e.* any company that has sole or joint control over the Company, or any company consolidated by such a parent company, and may not have been such at any time during the previous five years;
2. Be an executive company officer of an entity in which the Company holds a directorship, whether directly or indirectly, or in which an employee designated as such or an executive company officer of the Company (in office at any time during the last five years) serves as a director;
3. Be a client, supplier, commercial banker, advisor, a banker with significant investment in the Company or one for which the Company represents a significant part of its business;

4. Be a close relative of a company officer;
5. Have been an auditor of the Company at any time during the last five years;
6. Have been a member of the Company's Board of Directors for more than twelve years at the start of his or her current term of office. A director is no longer considered independent after twelve years.

When a business relationship exists, the Board of Directors assesses on a case-by-case basis whether or not the relationship between the director in question and the Company or Group is significant. The Board of Directors reviews the business relationship taking into account (i) a quantitative criterion of the extent of the relationship and (ii) qualitative criteria such as whether the relationship is one of economic dependence, the role played by the director in question in the business relationship (e.g. whether the director has executive responsibilities; whether he or she personally receives financial compensation, and if so, how much; whether he or she has decision-making powers over the contract(s) on which the business relationship is based; whether he or she is involved in managing the relationship on a day-to-day basis), as well as the duration and current length of the business relationship (in particular whether the business relationship predated the appointment of the director in question).

The following table presents an overview of each director's position with regard to the independence criteria numbered from 1 to 6 above.

	Independence criterion number					
	1	2	3	4	5	6
Alain Dinin			•	•	•	•
Luce Gendry	•	•	•	•	•	•
Jean-Pierre Denis	•	•		•	•	•
Charles-Henri Filippi	•	•	•	•	•	•
Jérôme Grivet	•	•		•	•	•
Soumia Belaidi-Malinbaum	•	•	•	•	•	•
Agnès Nahum	•	•	•	•	•	•
Magali Smets	•	•	•	•	•	•
Jacques Veyrat	•	•	•	•	•	•
Bruno Catelin		•	•	•	•	•

The Board of Directors assesses directors' independence annually after consulting the Remuneration, Appointments and CSR Committee.

At its meeting held on 13 February 2019, the Remuneration, Appointments and CSR Committee discussed the criteria for director independence. The Committee analysed each director's circumstances in light of these criteria, particularly the materiality of any business relationships that they may have with the Company.

The Board of Directors further concluded that the following five directors could be considered independent: Luce

Gendry, Soumia Belaidi-Malinbaum, Agnès Nahum, Magali Smets and Charles-Henri Filippi. The percentage of independent directors on the Board of Directors is thus 56%¹. On the basis of the criteria presented above, the Board of Directors noted that none of the independent directors had any material business relationships with the Company or the Group. Furthermore, all of the above directors declared that they had not identified any conflicts of interest between their activities and their duties to the Company and/or any of its other directors.

4.2.7 Specialised Committees of the Board of Directors

The Board rules allow the Board to set up one or more permanent or temporary Committees to facilitate the Board's work and contribute effectively to its decision-making process.

The Board of Directors has formed three Committees: the Audit and Accounts Committee; the Investment Committee; and the Remuneration, Appointments and CSR Committee, which was called the Remuneration and Appointments Committee until 20 February 2018. With effect from that date, the Committee's remit was expanded to include CSR responsibilities, and the Board of Directors changed its name accordingly.

The Committees are responsible for studying matters that the Board of Directors or its Chairman may submit to them, analysing and preparing the Board of Directors' work concerning these matters, and reporting their findings to the Board of Directors in the form of summaries, proposals, information or recommendations.

Committees may commission external technical reviews on matters falling within their respective remits, at the Company's expense, after informing the Chairman of the Board of Directors or the Board of Directors itself and subject to reporting progress to the Board.

The Committees have a strictly advisory role.

The change in the Company's governance announced in section 4.2.2 above would lead it to modify the name and functioning of the Committees. This new governance will take effect on 22 May 2019 after the Shareholders' Meeting on the same day and subject to the approval of the resolutions proposed relating to the reappointment of Alain Dinin as director. This section contains the description of the current functioning of the Board of Directors and its constituent committees.

Audit and Accounts Committee

At 31 December 2018, the Audit and Accounts Committee consisted of six directors appointed by the Board of Directors, none of whom is an Executive Company Officer. In 2018, membership was as follows: Luce Gendry (Chairman), Magali Smets, Agnès Nahum, Soumia Belaidi-Malinbaum, Jérôme Grivet and Jean-Pierre Denis.

The Audit and Accounts Committee performs the Audit Committee functions described under Article L.823-19 of the French Commercial Code. The Committee's duty in terms of managing risks consists particularly in ensuring that there is an established system to prevent and detect corruption and influence peddling. The Committee may call on external experts if it so wishes. The Statutory Auditors are invited to all the Committee's meetings. Its main duties in accordance with or addition to those established by law are as follows:

Concerning the parent company and consolidated financial statements and internal control

- To review the interim and annual parent company and consolidated financial statements, including notes, as well as the management report where applicable, and to render an opinion;
- 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;

¹ Percentage determined in accordance with the Afep-Medef Code, which stipulates that directors representing the employees should not be included in the calculation.

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- To review the scope of consolidation and, as the case may be, the reasons for which companies may fall outside it;
- 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 of Directors on the selection of the Statutory Auditors (audit firms and networks);
- To analyse and give an opinion on the nature of their duties, fees, scope and timetable of activities, recommendations and action taken;
- To approve, in accordance with the provisions of Article L.822-11-2 of the French Commercial Code, the services provided by the Statutory Auditors or their networks other than the auditing of financial statements and other mandatory duties of the Statutory Auditors pursuant to applicable regulations to ensure that these do not include any prohibited services, and, as part of this duty, delegate authority to the executive company officers each year to order and approve the budget, assignments authorised by the Committee as part of the services provided by the Statutory Auditors or their network; and
- To review all finance- and accounting-related matters submitted by the Chairman of the Board of Directors, 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).

At its meeting of 19 February 2019, the Board of Directors noted that all of the Committee's members had expertise in finance or accounting and that Luce Gendry, Soumia Belaidi-Malinbaum, Agnès Nahum and Magali Smets meet the criteria for independence set out in the Afep-Medef Code. As such, two-thirds of the Committee's members are independent directors.

Biographies of Committee Members are presented in section 4.1.2 of this chapter.

The Committee may request any and all accounting or financial documents it deems necessary to carry out its duties.

The Audit and Accounts Committee met four times in 2018 in the presence of the Deputy CEO in charge of Internal Clients, the Group CFO, the Head of the Group Legal

Department, and the Head of Risk Management and Control. The Statutory Auditors attended all of the meetings. The Audit and Accounts Committee notably reviewed the parent company financial statements for the year ended 31 December 2017, the interim financial statements to 30 June 2018, and revenue for the first and third quarters of 2018. The Committee regularly followed:

- The progress of the work conducted by the Enterprise Risk Management Department;
- The deployment of internal control procedures within the Group and action plans concerning compliance and ethics (fight against money laundering and financing of terrorism, Sapin 2, duty of care);
- The conclusions of various internal audits completed during the financial year as well as follow-up to recommendations;
- A specific report was prepared on the fees and duties of the Statutory Auditors within the framework of the delegation given to the company officers. Updating of the risk map, the progress made on the shift to new IFRS standards, the new presentation of segment reporting, the establishment of procedures related to application of the General Data Protection Regulation (GDPR) were also specific issues. The Committee also met once with the Statutory Auditors with executive management not in attendance.

Remuneration, Appointments and CSR Committee

On 20 February 2018, the remit of the Remuneration and Appointments Committee was expanded to include CSR responsibilities. Its name was changed to the Remuneration, Appointments and CSR Committee. It consists of four members appointed by the Board of Directors. Its members are Charles-Henri Filippi (Chairman), Jacques Veyrat, Soumia Belaidi-Malinbaum, and Bruno Catelin. The majority of the Committee's members are therefore independent directors.

The Remuneration, Appointments and CSR Committee has as its task to:

As the Remunerations Committee

- Review and submit proposals on remuneration paid to company officers, particularly as regards (i) variable compensation, by proposing rules to the Board of Directors on the determination of variable compensation based on company officers' performance during the financial year under review, and the Company's and Group's medium-term strategy, and monitoring 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;

- Propose to the Board of Directors the total amount of directors' fees to be put to the vote at Shareholders' Meetings;
- Propose to the Board of Directors rules for allocating directors' fees and the corresponding individual amounts to be paid to the directors, taking into account directors' attendance at Board and Committee meetings;
- Offer the Board of Directors its opinion on the general policy for awarding share subscription and/or purchase options and/or free shares, as well as any share option or free share award plans put forward by the Group's Executive Management in light of applicable rules and recommendations; inform the Board of Directors of its proposals regarding share purchase or subscription options or free share awards, including the reasons for and consequences of this proposal; and
- Review all matters submitted to it by the Chairman of the Board of Directors pertaining to the above matters or to increases in the share capital reserved for employees.

As the Appointments Committee

- Selection of new directors: the Committee is tasked with making proposals to the Board of Directors after reviewing in particular the Board's membership in light of the composition of and changes in share ownership as well as gender equality, finding and evaluating potential candidates, and assessing the appropriateness of reappointments; and
- Succession planning for executive company officers: under the Company's risk prevention policy, the Committee must prepare a succession plan to ensure that it is in a position to propose succession options to the Board of Directors in the event of an unforeseen vacancy. This plan is described in the internal rules and regulations of the Board of Directors. The plan was once again reviewed in 2018, following which its key provisions were renewed. The only change was designed to increase the involvement of the Vice-Chairman (or the Senior Independent Director, where applicable) in the procedure. For information on the new modifications that will take place as part of the new governance indicated in section 4.2.2.2 of this chapter.

When acting in its capacity as Appointments Committee, the Chairman of the Board of Directors is involved in its work.

As the CSR Committee

- Review the Group's CSR strategy at least once a year; and

- Provide the Board of Directors with an opinion on non-financial CSR-related matters to be included in the management report, as provided for in Article L.225-102-1 of the French Commercial Code.

The Remunerations, Appointments and CSR Committee met five times in 2018, and considered the independence of directors, remuneration of company officers, establishment of free share award plans, and the vesting period for such shares, as well as directors' fees and reappointment of one of the two non-voting Board members. The Committee also examined the Group's strategy and CSR report, the structure of remuneration of the Group's top managers, the main provisions of the PACTE bill, changes in the Afep-Medef Code and their potential impact on governance, as well as the Group's gender equity policy.

The Remunerations, Appointments and CSR Committee presented the compensation principles for Nexity's Executive Company Officer to the Board of Directors, which approved them: annual fixed and variable remuneration based entirely on meeting quantitative targets for current operating profit and business indicators, in accordance with a scale, together with deferred variable compensation based on meeting a multi-year target for current operation profit.

The Remunerations, Appointments and CSR Committee also examined the plan to update the internal rules and regulations, the report on gender equality, as well as changes in the Afep-Medef Code.

In more general terms, the Committee reviewed the composition of the Board of Directors, that of its various Committees, and the appointment of these Committees' members, and made its recommendations to the Board of Directors.

Compensation and benefits paid to Executive Company Officers are described in further detail in section 4.4 "Remuneration and benefits for Executive Company Officers" of the Registration Document.

Investment Committee

At 31 December 2018, the Investment Committee was composed of six members appointed by the Board of Directors, one of whom was an Executive Company Officer.

Its members are: Alain Dinin (Chairman), Luce Gendry, Jean-Pierre Denis, Jérôme Grivet, Jacques Veyrat and, since 20 February 2018, Agnès Nahum.

The Investment Committee's duty is to render opinions on acquisitions or disposals of equity interests or assets in material amounts liable to modify the Company's balance sheet structure, including any acquisitions or disposals of equity interests 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 Strategy Committee to review the Business Plan, on which occasion it may be extended to include other directors.

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The Investment Committee met on 12 April 2018, in the form of a strategic planning Committee gathering together all the directors in view of preparing for the investors' day of June 2018. The meeting was held to review the Group's

strategic options in its various business areas as well as the key aspects of its medium-term plan and its new client-focused organisation.

4.2.8 Non-voting Board members

The Board of Directors is assisted in its work by a non-voting Board member, Pascal Oddo. The term of Gérard Bayol expired on 31 May 2018 and was not renewed.

Non-voting Board members 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 Board members are bound by the same confidentiality obligations as the directors, and may be dismissed at any time by vote at an Ordinary Shareholders' Meeting.

4.2.9 Assessment of the Board's operating procedures

The Board of Directors' internal rules and regulations stipulate that once a year the Board shall devote an item on the agenda to a discussion of its operating procedures, with the aim of making them more efficient. As such, the Board of Directors undergoes an annual self-assessment exercise under the supervision of the Senior Independent Director.

The Board's internal rules and regulations also require that a formal assessment be conducted once every three years, where applicable with the assistance of an outside consultant.

During the meeting of 27 March 2019, the Senior Independent Director presented the assessment report on the Board's work, after having reviewed it in executive session the same day. The result was an overall positive appreciation, notably on the following points:

- **On the organisation and operation of the Board of Directors:** the directors are especially satisfied with the agendas, the topics and the quality of the dialogue, and they believe they are sufficiently informed about the trends in the sector and the dynamics of the market. The directors also believe that they have free rein to express their views and to participate in decision-making. Under this operating method, the actual contributions of each member director can be assessed. They understand their role and responsibilities perfectly and believe that the Board has established an effective policy for resolving any conflicts of interest. The Board manages the Company's financial performance and strategy effectively. The Board sees to it that compensation of the executive company officer is consistent and in line with the Company's performance;
- **On the structure and composition of the Board of Directors:** the size of the Board is deemed adequate, as well its composition, in particular the number of independent directors. The directors believe they have the necessary experience and skills to carry out their

duties, and they state that they are satisfied with the process for selecting new members;

- **On the Committees of the Board of Directors:** the frequency and the duration of the meetings are deemed satisfactory. The composition of the different Committees takes into account the skills of each director. The role of each of the Committees is well balanced with that of the Board. Thus, the Committees perform their respective duties efficiently;
- **On the dynamics of the Board of Directors:** the directors believe there is a positive dynamic within the Board. They believe they have been free to discuss the challenges and the actions to be taken, and to express their opinions and implement projects adequately. Cooperation with the Board, the Chairman and the Chief Executive Officer and the management team is satisfactory;
- **On the commitment of the Board and value creation over the long term:** the directors believe it is essential for the Board to demonstrate effectiveness in managing any and all skills, particularly in regard to strategy, performance, and consideration for the societal and environmental challenges facing the Group's business. It should also deal effectively with topics of governance. The role of the Board is deemed effective in these areas. Thus, it was noted that the Board was deeply involved in the in-depth sessions on the strategy and the structuring of the CSR policy;
- **Changes:** since the second half of 2018, the Board has been backed by a computerised platform for dialogue among its members and with the Company. In addition, the directors have noted that CSR subjects have been considered more systematically (i.e. by assigning skills in this area to the Remuneration and Appointment and CSR Committee) and that a Stakeholders' Committee has been established. They have also noted the need to look at the succession plan in 2019.

4.2.10 Compliance with the Afep-Medef Code

No exceptions had been identified for the financial year ended 31 December 2018. As part of the preparation of the succession plan, the appointments of Jean-Philippe Ruggieri as Chief Executive Officer and Julien Carmona as Deputy CEO, will be proposed to the Board of Directors meeting that will take place after the next Shareholders' Meeting, subject to the reappointment of Alain Dinin as Director by the said Meeting. The Board of Directors' report on the resolutions, which presents the remuneration of the latter as part of the ex ante vote, stipulates that the work contracts of Jean-Philippe Ruggieri and Julien Carmona will be simply suspended.

The Company has decided the simple suspension of the work contract of Jean-Philippe Ruggieri, which does not comply with the Afep-Medef Code for the following reasons:

- The appointment of the Chief Executive Officer and the Deputy CEO, is part of the gradual implementation of a succession plan, which is not definitively approved to date; and
- The Chief Executive Officer and the Deputy CEO, will not benefit from severance benefits.

Moreover, the remuneration of Alain Dinin in respect of the 2019 financial year would be exclusively comprised of a flat-rate fixed portion to take into account the absence of executive functions from 22 May 2019. This principle may be considered as non-compliant with the Afep-Medef Code. However, it was considered difficult to find relevant elements on which to base part of his remuneration from 1 January 2019 to 22 May 2019 in the annual objectives.

4

4.3 RELATED-PARTY TRANSACTIONS

Reports relating to financial years 2016, 2017 and 2018 are incorporated by reference.

Note 33 in section 5.3 "Consolidated financial statements - 31 December 2018" of this Registration Document sets out information on related parties.

Regulated agreements are presented in the Statutory Auditors' report below.

There are no other significant transactions with related parties.

4.3.1 Statutory Auditors' special report on related-party agreements and commitments

This is a free translation into English of the Statutory Auditors' special report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

Shareholders' Meeting held to approve the Financial Statements for the year ended 31 December 2018

To the shareholders of Nexity at the Shareholders' Meeting,

As Statutory Auditors of your Company, we hereby present our report on related-party agreements and commitments.

It is our responsibility to inform you, on the basis of the information provided to us, of the terms and conditions, the purpose and benefits to the Company of the agreements and commitments brought to our attention or which we encountered during our engagement. It is not our role to determine whether they are beneficial or appropriate or to ascertain whether any other agreements and commitments exist. It is your responsibility, under the terms of Article R. 225-31 of the French Commercial Code, to assess the merit of these agreements and commitments with a view to approving them.

It is also our responsibility to provide you, where appropriate, with the information required by Article R. 225-31 of the French Commercial Code relating to the execution, during financial year 2018, of the agreements and commitments already approved at the Shareholders' Meeting.

We conducted the work we deemed necessary in accordance with the professional standards issued by the French national institute of statutory auditors (CNCC) relating to this engagement. Our work entailed verifying that the information provided was consistent with the documents from which it was derived.

1 AGREEMENTS AND COMMITMENTS SUBMITTED FOR APPROVAL AT THE ANNUAL GENERAL MEETING

Pursuant to Article L.225-40 of the French Commercial Code, we have been informed of the following agreements and commitments entered into during financial year 2018, which were previously approved by the Board of Directors.

1.1 Service and brand licensing agreements

Persons concerned:

COMPANY	Alain Dinin	Julien Carmona	Jean-Philippe Ruggieri
	<i>In his capacity as:</i>	<i>In his capacity as:</i>	<i>In his capacity as:</i>
Nexity	Chairman and CEO	Deputy CEO	Deputy CEO
Ægide	Director	Director	Director
Bien Ici			Director
Guy Hoquet L'Immobilier		Director	

Terms and conditions:

At its meeting on 25 July 2018 the Board of Directors approved a service agreement with the company Ægide.

The amount due for this service at 31 December 2018 was €130k excluding tax. The payment due for 2019 will be €260k and the amount due for subsequent financial years will be set at the start of each year in a contract rider.

At its meeting on 19 December 2018, the Board of Directors approved the continuation in 2019 of the service agreements with the companies:

- Bien Ici: the amount due will remain at €120k excluding tax.
- Guy Hoquet L'Immobilier: the amount due will increase from €188k to €190k excluding tax.

2 AGREEMENTS AND COMMITMENTS ALREADY APPROVED AT THE SHAREHOLDERS' MEETING

Pursuant to Article R. 225-30 of the French Commercial Code, we have been informed that the following agreements and commitments, which had already been approved at a Shareholders' Meeting in a prior year, continued to apply during the financial year under review.

2.1 Tax consolidation agreements

Persons concerned:

COMPANY	Julien Carmona
	<i>In his capacity as:</i>
Guy Hoquet L'Immobilier	Director

Terms and conditions:

At its meeting on 12 April 2016 in connection with the renewal of the tax consolidation arrangement, the Board of Directors approved the tax consolidation agreements with Financière Guy Hoquet L'Immobilier and Guy Hoquet L'Immobilier.

These agreements include a clause specifying that if a subsidiary leaves the tax consolidation group, for any reason whatsoever, there can be no claim on the parent company.

2.2 Partnership with Ægide

Persons concerned:

COMPANY	Jean-Pierre Denis
	<i>In his capacity as:</i>
Nexity	Director
Arkéa	Chairman of the Board of Directors of Crédit Mutuel Arkéa, which serves as a member of the Supervisory Board of Arkéa

Terms and conditions:

At its meeting on 26 October 2016 the Board of Directors approved the following agreement:

To enable the completion of the transactions relating to the planned partnership with the Founders, who jointly hold JMF Conseil's share capital, JMF Conseil had to obtain the release of the pledge granted to Banque Palatine (the "Palatine Pledge") as repayment for a previous loan. Consequently, JMF Conseil repaid the loan with a new €20 million loan from Banque Palatine and Arkéa (the "Palatine Arkéa loan").

The €20 million loan was repaid in June 2018.

2.3 Termination benefits for Alain Dinin

At its meeting on 24 March 2015 your Board of Directors approved the following commitment, subject to the renewal of Alain Dinin's appointment as Chairman and Chief Executive Officer.

In the event that he is dismissed during his term of office (except for serious or gross misconduct as defined by analogy with French labour law jurisprudence), that his appointment is not renewed upon expiry of the current term, or that he resigns due to a difference of opinion with the Board on Company strategy, and after the Board has discussed and established the objective reasons for the disagreement and its impact on his duties and responsibilities as a company officer, Alain Dinin shall be entitled to receive:

- Severance pay equal to the higher of:
 - 1.5 times the average annual gross remuneration (including the variable portion) paid to him by the Company during the three years preceding his effective departure date;
 - €1,900 thousand;
- A non-compete payment as consideration for compliance with the non-compete obligation for a one-year period. The non-compete payment corresponds to half the average annual gross remuneration (including the variable portion) paid by the Company during the three years preceding his effective departure date. The duration of the non-compete obligation may be extended by one year at the Company's request, subject to an additional payment of the same amount. The Board of Directors may waive the non-compete payment.
- The total amount, including the non-compete payment, may not exceed 24 months' fixed and variable remuneration.

Severance pay shall be subject to the following performance conditions:

- The average share price during the six months preceding his termination of office must be at least equal to the average share price in the six months preceding the shareholders' vote on the principle of severance pay at their Shareholders' Meeting;
- Consolidated current operating profit (under comparable accounting standards) over the two years preceding his termination of office, as approved by shareholders at their Shareholders' Meeting, must be in line with the forward-looking financial information reported to the market for the same period.

Severance pay shall be limited to the following amounts, based on performance levels:

- If the target range of consolidated current operating profit (under comparable accounting standards) is met but the share price condition is not, 65% of the amount shall be awarded;
- If the share price condition is met but consolidated current operating profit (using comparable accounting standards) is below the target range, 35% of the amount shall be awarded.

Severance pay shall only be due in the event of his definitive departure from the Group (and not only his termination of office in the company concerned) and if the Company generates consolidated current operating profit (under comparable accounting standards) in the last financial year giving rise to the approval of the financial statements by shareholders at the Ordinary Shareholders' Meeting preceding the company officer's termination of office.

Paris La Défense, 27 March 2019

The Statutory Auditors

KPMG Audit IS
François Plat
Partner

Olivier Thireau
Partner

MAZARS
Michel Barbet-Massin
Partner

4.4 REMUNERATION AND BENEFITS FOR EXECUTIVE COMPANY OFFICERS

In determining and presenting the compensation of Nexity's Executive Company Officers, the Company applies the Afep-Medef Code (available on the web site www.medef.fr).

Any decision related to compensation of Executive Company Officers related to their term of office must respect the "say on pay" procedure of the Sapin II law.

Alain Dinin - Chairman and Chief Executive Officer

Alain Dinin's compensation and benefits (paid or to be paid) with regard to his duties for the years 2018 and 2019, respectively, will be subject to an *ex post* and *ex ante* vote during the Combined Shareholders' Meeting of 22 May 2019 (see sections 4.4.1 and 4.4.2 below).

Subject to his reappointment as Director by the Shareholders' Meeting of 22 May 2019, Alain Dinin will

exercise the office of Chairman of the Board of Directors. His remuneration for 2019 will, therefore, subject to his reappointment, be exclusively comprised of a flat-rate fixed portion, excluding all other remuneration. It is also specified that, as in the past, Alain Dinin will not benefit from any free share awards nor will receive directors' fees. Alain Dinin also waives his severance and non-competition benefits.

Jean-Philippe Ruggieri and Julien Carmona - Deputy CEOs

Jean-Philippe Ruggieri and Julien Carmona, employees, were both appointed Nexity Deputy CEO company officers by a decision of the Board of Directors on 31 May 2018, which met following the Shareholders' Meeting on the same day.

Under his work contract, Jean-Philippe Ruggieri is Deputy CEO responsible for the Group's promotional activities and more specifically for residential activities promoting housing, PERL, iSelection, Edouard Denis, Foncier Conseil as well as Individual Clients.

Under his work contract, Julien Carmona is Deputy CEO responsible for the Group's support functions with particular responsibility for the Group's main support functions (especially Finance, Strategy, Innovation, General Secretariat, Legal Department, Human Resources, Internal Communications, Digital and Information Systems as well as responsibility for international operations).

Jean-Philippe Ruggieri and Julien Carmona maintain their work contracts in accordance with the choice made by Nexity at the time of their respective appointments as indicated in the press release of 31 May 2018.

Jean-Philippe Ruggieri and Julien Carmona did not receive compensation in 2018 for their duties as company officers. The only compensation they received for 2018 was as a result of their work contracts.

The decision to maintain their work contracts is consistent with the recommendation of the Afep-Medef Code, whereby the work contract of an employee who becomes an executive company officer must end, and which applies only to the Chairman, the Chairman and CEO and Chief

Executive Officer. Therefore, it does not apply to the Deputy CEO (Item 21.2 of the Afep-Medef Code revised in June 2018).

Likewise, in accordance with statutory and regulatory provisions, compensation paid to them under their respective work contracts is excluded from the "say on pay" voting procedure. In effect, their respective technical duties, defined in their work contracts, are distinct from their respective corporate mandates. Therefore, Jean-Philippe Ruggieri's and Julien Carmona's compensation will not be subject to *ex post* approval by the Combined Shareholders' Meeting of 22 May 2019. Nevertheless, the remuneration they received under their work contracts for 2018 is stated in sections 4.4.3 and 4.4.5 below.

It is proposed to appoint Jean-Philippe Ruggieri as Chief Executive Officer from 22 May 2019 and to reappoint Julien Carmona as Deputy CEO. It is also proposed to suspend the work contracts of Jean-Philippe Ruggieri and Julien Carmona. The amount of their respective fixed and variable remuneration will be identical to that paid in respect of 2018, but it will be paid in respect of their terms of office.

Consequently, at the Combined Shareholders' Meeting of 22 May 2019, there will be proposals for:

- An *ex post* vote: vote to approve the compensation and benefits paid or to be paid to Alain Dinin for his duties as Chairman and CEO for 2018 (see section 4.4.1 below);
- An *ex ante* vote for approval of the principles and criteria to determine, apportion and award the variable components of total remuneration attributable for 2019 of:

- Alain Dinin in respect for his functions as Chairman and Chief Executive Officer up to 22 May 2019 and Chairman of the Board of Directors from that date;
- Jean-Philippe Ruggieri in respect of his functions as Deputy CEO up to 22 May 2019 (excluding the components of fixed remuneration resulting from his work contract up to its suspension) and Chief Executive Officer after that date; and
- Julien Carmona in respect of his functions as Deputy CEO (excluding the components of fixed remuneration resulting from his work contract up to its suspension).

In accordance with the recommendations of the Afep-Medef Code of corporate governance of listed companies, as well as the recommendations by the Autorité des Marchés Financiers (AMF, the French securities regulator) on corporate governance, the remuneration of Executive Company Officers, namely Alain Dinin, and Jean-Philippe Ruggieri and Julien Carmona for 2019 were also submitted for prior approval by the Remuneration, Appointments and CSR Committee.

4.4.1 Remuneration and benefits paid or to be paid to Alain Dinin for 2018

ALAIN DININ – Overview of the principles and criteria used to determine, apportion and award variable components of total compensation for 2018 (components approved by the Combined Shareholders' Meeting of 31 May 2018 (Resolution 7))

<i>Ex post vote</i>	Amount paid in 2018 or payment of which is subject to approval at the Shareholders' Meeting of 22 May 2019	Presentation
FIXED REMUNERATION	Amount paid in 2018: €650,000	Unchanged since 2006
ANNUAL VARIABLE REMUNERATION Payment subject to approval at the Shareholders' Meeting to be held on 22 May 2019 called to approve the financial statements for the year ended 31 December 2018 (<i>ex post vote</i>)	Amount whose payment is subject to approval by the Shareholders' Meeting of 22 May 2019: €1,397,500 For reference: Target amount: €1,300,000 or 200% of the fixed amount: • €650,000 of which is based on meeting the EBITDA target; • €325,000 of which is based on meeting the Backlog target; • €130,000 of which is based on qualitative criteria; and • €195,000 of which is based on CSR criteria. Upper limit of 110% of the amount associated with each target, i.e. a total of €1,430,000: • €715,000 (EBITDA); • €357,500 (Backlog); • €143,000 (qualitative); and • €214,500 (CSR). Resulting in an overall limit of 220% of fixed remuneration (see following table). Performance below the following thresholds does not result in remuneration: • EBITDA ≤ 80% of the target; and • Backlog ≤ 80% of the target.	• 50% based on achieving EBITDA of at least €485m (2018 guidance) Remuneration for meeting the EBITDA target is determined using the following scale: • 110% if EBITDA ≥ €505m, • 105% if EBITDA ≥ €495m and < €505m, • 100% if EBITDA ≥ €485m and < €495m, • 90% if EBITDA ≥ €465m and < €485m, • 80% if EBITDA ≥ €445m and < €465m, • 0% if below this threshold. EBITDA 2018 = €523m of which €26.1m to be neutralised (external growth) i.e. EBITDA 2018 of €496.6m giving the right to 105% of the de portion attached to the target objective. Portion of the 2018 annual variable remuneration under this criterion of €682,500. • 25% based on achieving the Backlog target as shown in the 2018 budget approved by the Board of Directors in December 2017 (revised to reflect IFRS 15). Remuneration for meeting the Backlog target is determined using a scale ranging from 80% to 110% of the target amount for 2018. In order to trigger the payment of variable remuneration with respect to the Backlog target, the level achieved must meet or exceed the target set by the Board of Directors (€4 Bn). Backlog 2018: €4,469m (€4,223m at constant scope) giving the right to 110% of the portion attached to the target objective. Portion of the variable 2018 remuneration under this criterion of €357,500.

<i>Ex post vote</i>	Amount paid in 2018 or payment of which is subject to approval at the Shareholders' Meeting of 22 May 2019	Presentation
ANNUAL VARIABLE REMUNERATION Payment subject to approval at the Shareholders' Meeting to be held on 22 May 2019 convened to approve the financial statements for the year ended 31 December 2018 (<i>ex post vote</i>)		• 10% based on meeting qualitative targets. The attainment of this target is assessed by the Board of Directors and determined according to a scale of 0% to 110%: • Quality of management, • Reputation of the Company. In respect of the actions undertaken (recomposition of the Executive Committee, company expansion) and resulting performance (brand recognition and image), the Board of Directors has decided to allocate 110% of the portion attached to this criteria, i.e. €143,000. • 15% based on meeting the CSR targets, broken down as follows: • 5% HR criteria (rate of annual performance appraisals, increase in proportion of women in governing bodies), • 5% carbon trajectory (decrease in carbon footprint per employee in 2018; number of property developments including a carbon profile and decisions to adopt a low-carbon approach at design phase), and • 5% based on measurable CSR actions (circular economy; progress of sustainable city demonstrator programme; social housing and priority urban planning districts (QPV); energy performance; energy efficiency renovation). The attainment of this target is assessed by the Board of Directors and determined according to a scale of 0% to 110%. The Board of Directors, after consulting with the Remuneration, Appointments and CSR Committee, considered that the 3 criteria above were met, including 2 that were outperformed (HR and measurable CSR criteria), determining an allocation of 110% of the portion attached to this criteria, i.e. €214,500.
DEFERRED VARIABLE REMUNERATION	NONE	No deferred variable remuneration

4 CORPORATE GOVERNANCE REPORT

Remuneration and benefits for Executive Company Officers

<i>Ex post vote</i>	Amount paid in 2018 or payment of which is subject to approval at the Shareholders' Meeting of 22 May 2019	Presentation
MULTI-YEAR VARIABLE REMUNERATION Payment subject to approval at the Shareholders' Meeting to be held on 22 May 2019 called to approve the financial statements for the financial year ended 31 December 2018 <i>(ex post vote)</i>	Amount whose payment is subject to approval by the Shareholders' Meeting of 22 May 2019: €2,218,287. • Remuneration equal to the average annual remuneration (including both fixed and variable components) received over the term of office; • No remuneration is due if the COP target is not met at a minimum of 80% of the target amount; • From 80% of the target amount, remuneration is granted proportionally, but is capped at 110%; • This compensation can 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 incapacity). NB: undertaking to receive no remuneration, while in office, in respect of: • A supplementary pension scheme; • A contract for the provision of services; and • Share subscription options or free shares; • An increase in remuneration while in office.	• Board decisions of 28 April 2015, 12 April 2016, 30 March 2017 and 20 February 2018; • Allocated according to the achievement of a level of current operating profit calculated based on the accounting standards applied to the 2016 financial statements (without IFRS 15 or IFRS 16 and including the CVAE levy) over 3 years from 2016 • Threshold (target): initially set at €805 million, it was raised to €900 million by the Board of Directors on 30 March 2017. This resulted from the increase in Nexity's guidance and the change in governance announced following the Board of Directors' decision of 23 January 2017. COP target to be exceeded: €891m. • COP for 2016 (actual): €266m; • COP for 2017 (actual): €321m; • COP for 2018 (actual): €354m. Threshold at 100% (target): €900m. Cumulative Current operating profit 2016-2017-2018: €941m, i.e remuneration of 110% of the objective. For information, the amount of remuneration to Alain Dinin in respect of: • 2015: €1,950,000 • 2016: €2,034,500 • 2017: €2,034,500 • 2018: €2,047,500 Average annual fixed and variable remuneration received over the term of office (2015-2019) = €2,016,625.
EXCEPTIONAL REMUNERATION	NONE	No exceptional remuneration
STOCK OPTIONS, PERFORMANCE SHARES OR OTHER LONG-TERM COMPONENTS OF REMUNERATION	NONE	Waiver since 2006
DIRECTORS' FEES	NONE	Waiver since 2013
VALUATION OF ANY BENEFITS	NONE	Alain Dinin does not receive any benefits in kind

<i>Ex post vote</i>	Amount paid in 2018 or payment of which is subject to approval at the Shareholders' Meeting of 22 May 2019	Presentation
SUPPLEMENTARY PENSION SCHEME	NONE	No supplementary pension plan has been put in place
NON-COMPETITION INDEMNITY AND SEVERANCE BENEFITS	No amount is due • Non-competition indemnity. In return for a non-compete obligation of one year: 50% of the average annual gross earnings of any kind (including the variable part), paid by the Company during the last three years prior to the effective departure date of the executive. Possibility of an extension of one additional year upon the request of the Company, in exchange for additional compensation of the same amount. The Board of Directors has the option to waive this non-compete payment; • End-of-service benefits. The higher of the two values: (i) one and a half times the average annual gross earnings of any kind (including the variable part) paid to the latter by the Company during the last three years prior to the effective departure date or (ii) the amount of €1,900,000; • The Cap. 24 months of fixed and variable compensation; • Awarded 100% if: • average share price for the 6-month period preceding termination of duties, at least equal to that of the 6-month period preceding the vote at the Shareholder's Meeting of 19 May 2015, • COP over the two preceding years prior to the termination of office and having been subject to approval by the Shareholders' Meeting, in line with prospective information given to the market over the same period; • Awarded 65% of compensation if the COP is reached, but the share price has decreased; • Awarded 35% of compensation if the share price is reached but the COP is below target.	• Reminder: absence of a work contract and supplemental pension scheme; • Authorised. Combined Shareholders' Meeting of 19 May 2015 (Resolution 19). Board of Directors meetings of 24 March and 19 May 2015. Conditions of award: • Operative event: permanent departure from the Group following dismissal (except for gross misconduct), non-renewal at end-of-term or resignation for reasons of difference of opinion with the Board on Company's strategy and after discussion among the Board has made it possible to appreciate the objective reasons for this disagreement and its impact on the duties and responsibilities of the Company officer; • COP beneficiary over the last financial year having been subject to approval of the accounts by the Combined Shareholders' Meeting preceding the termination of office.

Alain Dinin receives no remuneration from other Group companies in respect of his duties at Nexity.

4 CORPORATE GOVERNANCE REPORT

Remuneration and benefits for Executive Company Officers

Summary table of compensation due or paid in 2018, or to be paid to Alain Dinin in his capacity as Chairman and Chief Executive Officer, in respect of annual or multi-year variable remuneration after approval at the Shareholders' Meeting held during the financial year in question, and in comparison to 2017, it being specified that he did not receive any remuneration, throughout his entire term of office, in the form of:

- Directors' fees;
- A supplementary pension scheme;
- A contract for the provision of services; and
- Share subscription options or free shares.

Alain Dinin (in euros)	Financial year 2018 ⁽¹⁾		Financial year 2017 ⁽¹⁾	
	Amounts due ⁽²⁾	Amounts paid ⁽³⁾	Amounts due ⁽²⁾	Amounts paid ⁽³⁾
Remuneration for company officer duties				
Fixed remuneration	650,000	650,000	650,000	650,000
Annual variable remuneration (see below) ^{(4) (5)}	1,397,500	1,384,500	1,384,500	1,384,500
Multi-year variable remuneration (see below)	2,218,287	None	None	None
Total annual fixed and variable compensation ⁽⁴⁾	4,265,787	2,034,500	2,034,500	2,034,500
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, accommodations,...)	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	4,265,787	2,034,500	2,034,500	2,034,500

(1) Amount due or paid by Nexity or the companies it controls as per Article L233-16 of the French Commercial Code.

(2) Remuneration **awarded** or to be awarded subject to approval at the Shareholders' Meeting to be held on 22 May 2019, in respect of his duties during the year, **regardless of the payment date**.

(3) Total remuneration **actually paid during the year** to the Executive Company Officer in respect of his or her duties.

(4) The actual payment is subject to approval at the Combined Shareholders' Meeting on 22 May 2019.

(5) Payment of this amount is contingent on meeting the performance criteria set out in the following tables.

Alain Dinin – Summary of variable components of total compensation for 2018, expressed as a percentage of the fixed component of compensation, on the basis of an unchanged amount of fixed compensation and of total annual compensation (fixed and variable annual) of €2,047,500 of which a fixed portion of €650,000 and a multi-year variable portion of €2,218,287.

2018 ANNUAL VARIABLE REMUNERATION

QUANTITATIVE AND QUALITATIVE CRITERIA (100%)	Min	Target	Max	2018 (Actual)
50% based on meeting the EBITDA target	0%	100%	110%	105%
25% based on meeting the Backlog target	0%	50%	55%	55%
10% based on meeting qualitative targets	0%	20%	22%	22%
15% based on meeting the CSR target	0%	30%	33%	33%
TOTAL (% OF FIXED REMUNERATION)	0%	200%	220%	215%

MULTI-YEAR VARIABLE REMUNERATION (2016-2018)

QUANTITATIVE CRITERION (100%)	Min	Target	Max	2018 (Actual)
TOTAL (% OF FIXED REMUNERATION)	0%	330%	352%	341%

4.4.2 Principles and criteria to determine, apportion and award the fixed, variable and exceptional components of total remuneration and benefits of any kind attributable to Alain Dinin for 2019

In accordance with the provisions of Article L.225-37-2 of the French Commercial Code, the fixed, variable and exceptional components of total remuneration and benefits of any kind that may be awarded in respect of 2019 to Alain Dinin, who as part of the separation of the functions of Chairman of the Board of Directors and Chief Executive Officer, remains Chairman of the Board of Directors from 22 May 2019, are also subject to the approval of the next Combined Shareholders' Meeting, to be held on 22 May 2019, on the basis of a proposal made by the Board of Directors and resulting from its meeting of 27 March 2019, following an opinion issued by the Remuneration, Appointments and CSR Committee on 18 March 2019.

In accordance with Article L.225-100 of the French Commercial Code, the amounts resulting from the application of these principles and criteria will be submitted for shareholder approval at the Shareholders' Meeting called in 2020 to approve the financial statements for the 2019 financial year. Alain Dinin's total remuneration in respect of the 2019 financial year would be determined according to the following principles:

Annual fixed remuneration: €2,000,000

2019 annual variable remuneration: None

The Board of Directors, upon the proposal of the Remuneration, Appointments and CSR Committee, decided that Alain Dinin's remuneration in respect of the 2019 financial year would be exclusively comprised of a flat-rate fixed portion to take into account the absence of executive functions from 22 May 2019. It was considered difficult to find relevant elements on which to base part of his remuneration from 1 January 2019 to 22 May 2019 in the annual objectives.

Alain Dinin has indicated that he waives all specific end-of-service benefits should his term as a company officer come to an end.

These items are set out in the summary tables below.

4 CORPORATE GOVERNANCE REPORT

Remuneration and benefits for Executive Company Officers

Alain Dinin – Chairman and Chief Executive Officer / Chairman of the Board of Directors - Principles and criteria used to determine, apportion and award the fixed, variable and exceptional components of total remuneration and benefits of any kind for financial year 2019 – (Overview of the draft of Resolution 11 submitted to the Combined Shareholders' Meeting of 22 May 2019)

<i>Ex ante vote</i>	<i>Amount or accounting valuation</i>	<i>Description</i>
FIXED REMUNERATION	€2,000,000	Comprehensive, flat-rate amount.
ANNUAL VARIABLE REMUNERATION	NONE	No annual variable remuneration
DEFERRED VARIABLE REMUNERATION	NONE	No deferred variable remuneration
MULTI-YEAR VARIABLE REMUNERATION	NONE	No multi-year variable remuneration
EXCEPTIONAL REMUNERATION	NONE	No exceptional remuneration
STOCK OPTIONS, PERFORMANCE SHARES OR OTHER LONG-TERM COMPONENTS OF REMUNERATION	NONE	Waiver since 2006
DIRECTORS' FEES	NONE	Waiver since 2013
VALUATION OF ANY BENEFITS	€1,363 / month	Company car
SUPPLEMENTARY PENSION SCHEME	NONE	No supplementary pension plan has been put in place
NON-COMPETITION INDEMNITY AND SEVERANCE BENEFITS	NONE	Waiver from 2019

4.4.3 Remuneration and benefits paid or to be paid to Jean-Philippe Ruggieri for 2018

Jean-Philippe Ruggieri, Deputy CEO, was appointed a Nexity company officer.

- This appointment stems from the decision of the Board of Directors of 31 May 2018, which met following the Company's Shareholders' Meeting of the same day.
- Jean-Philippe Ruggieri was not paid as a company officer in respect of the 2018 financial year.

Jean-Philippe Ruggieri has been an employee of Nexity since 25 April 2001.

- Since 20 December 2016, he holds duties as Deputy CEO in charge of Individual Clients and Residential Real Estate business lines.

- The technical duties, defined in his work contract, are distinct from his corporate mandate.
- In 2018, Jean-Philippe Ruggieri received remuneration exclusively under his work contract. He has not received nor receives any other remuneration since 31 May 2018.
- Jean-Philippe Ruggieri does not benefit from any supplementary pension.

The components of his remuneration received in 2018 or to be received in respect of 2018, as stipulated in his work contract, are presented in the tables below. This information is provided in respect of article L. 225-37-3 of the French Commercial Code.

Information L.225-37-3 of the French Commercial Code	Amount paid in 2018 or to be paid for 2018	Description
FIXED REMUNERATION	Amount paid in 2018: €500,000	
ANNUAL VARIABLE PART	Amount to be paid in respect of 2018: €250,000 Common quantitative goals = €137,500	€250,000 maximum • €100,000 maximum in respect of the 2018 EBITDA; • €100,000 if EBITDA ≥ €505m; • €95,000 if EBITDA ≥ €495m and < €505m; • €90,000 if EBITDA ≥ €485m and < €495m; • €80,000 if EBITDA ≥ €465m and < €485m; • €70,000 if EBITDA ≥ €445m and < €465m; and • 0 if EBITDA < €445m. EBITDA 2018 = €523m i.e. a goal achieved at 100%.
	• €37,500 maximum in respect of CSR criteria	3 quantitative CSR criteria: • Human resources (rate of annual performance appraisals, increase in proportion of women in governing bodies) • Carbon trajectory (decrease in carbon footprint per employee in 2018; number of property developments including a carbon profile and decisions to adopt a low-carbon approach at design phase) • Measurable CSR actions (circular economy; progress of sustainable city demonstrator programme; social housing and QPV priority urban planning districts; energy performance; energy efficiency renovation) 3 out of 3 criteria were met, including 2 that were over-performed. Three quantitative CSR criteria.

4 CORPORATE GOVERNANCE REPORT

Remuneration and benefits for Executive Company Officers

Information L.225-37-3 of the French Commercial Code	Amount paid in 2018 or to be paid for 2018	Description
ANNUAL VARIABLE PART	Individual goals: €112,500 - Quantitative goals: €25,000: Group WCR excluding International €25,000 maximum €37,500: number of net new home reservations (excluding International) €37,500 maximum €25,000: Residential Real Estate EBITDA €25,000 maximum - Qualitative goals: €25,000 €25,000 maximum	€112,500 maximum
DEFERRED VARIABLE REMUNERATION	NONE	No deferred variable remuneration - see multi-year variable remuneration below
MULTI-YEAR VARIABLE REMUNERATION	Maximum remuneration equalled €700,000: €300,000 if cumulative COP* 2017-2018-2019 > €980m Definition of COP = current operating profit calculated based on the accounting standards applied to the 2016 financial statements (without IFRS 15 or IFRS 16 and including the CVAE levy) €100,000 in respect of the 2019 Backlog* target Definition of Backlog = Nexity Group backlog extracted from the operational reporting and calculated based on the same methods as those used for the 2016 financial statements €200,000 in respect of the Group's COP indicated in the budget approved by the Board for 2020 €100,000 in respect of the Group's Net Debt* at 31.12.2019 Definition of net debt = Nexity Group consolidated net financial debt taken from the operational reporting system and determined according the IFRS as applied in preparing the 2016 financial statements.	€300,000 if cumulative COP > €980m; €200,000 if cumulative COP > €960m and ≤ €980m; €150,000 if cumulative COP > €940m and ≤ €960m; and 0 if cumulative COP ≤ €940m. In order to trigger the payment of variable remuneration with respect to the Backlog target, the level achieved at end 2019 must exceed the target set by the Board of Directors in December 2016. The COP target corresponds to the 2020 budget approved by the Board of Directors' meeting of December 2019. In order to trigger the payment of variable remuneration with respect to the COP criteria, the level set must exceed the target set by the Board of Directors based on the grid defined by the Board in December 2016. The net debt objective is equal to the objective set for 2019 by the Board of Directors in December 2016. To trigger the payment of variable remuneration with respect to the net debt target, the level achieved must be lower than the objective.

* all of these indicators are calculated according to 2016 accounting and sector standards excluding external growth and exceptional operations qualified as such by the Board of Directors.

Information L.225-37-3 of the French Commercial Code	Amount paid in 2018 or to be paid for 2018	Description
STOCK OPTIONS, PERFORMANCE SHARES OR OTHER LONG-TERM COMPONENTS OF REMUNERATION	Free performance shares: - Plan of 17/12/2014 : 18.000 shares - Acquisition on 21/02/2017 - Conservation until 20/02/2019 - Plan of 31/05/2016 : 18,000 shares - Plan of 23/01/2017 : 20,000 shares - Plan of 01/06/2017 : 40,000 shares - Plan of 31/05/2018 : 30 shares The Company's free share plans are described in section 3.2.1.1 of this Registration Document	With the exception of the plan of 31/05/2018, for which all the Group's eligible employees were beneficiaries, the acquisition of all of the shares awarded to Jean-Philippe Ruggieri is subject to achievement of the performance goals. These goals are detailed ex post. The targets of the plan of 31 May 2016, approved with respect to the budget (PMT) approved on 15 December 2016, are: - Minimum average COP over the 2016-2017-2018 financial years: €256m Target exceeded at 122% - Average minimum 2016-2017-2018 Backlog: €3,400m Target exceeded at 136% The vesting period for the plan of 31 May 2016 runs through 30 May 2019.
VALUATION OF ANY BENEFITS	NONE	Absence of benefits in kind
SUPPLEMENTARY PENSION SCHEME	NONE	Absence of supplementary pension plan
NON-COMPETITION INDEMNITY AND SEVERANCE BENEFITS	NONE	1 year based on the average compensation of the last 3 years

Jean-Philippe Ruggieri receives no remuneration from other Group companies for his duties at Nexity.

Performance shares awarded to Jean-Philippe Ruggieri					
Plan	Number of shares granted during the 2018 period	Valuation by the method used in the consolidated financial statements (€)	Acquisition date	Availability date	Performance conditions
31/05/2016	0	32.78	31/05/2019	31/05/2019	For 100% of shares Minimum average COP over the 2016-2017-2018 financial years: €256m Target exceeded at 122% Average minimum 2016-2017-2018 Backlog: €3,400m Target exceeded at 136%
23/01/2017	0	38.64	2019 balance sheet date	2019 balance sheet date	Executive Committee Plan 100% of awards subject to performance No shares shall vest if any of the objectives is achieved at less than 100% (cumulative COP, planned COP in the 2020 budget (PMT), Backlog and Net debt, all as defined in 3.2.1.1).
01/06/2017	0	38.57	01/06/2020	01/06/2020	Executive Committee Plan 100 % of the awards. No shares shall vest if any of the objectives is achieved at less than 100% (cumulative COP, planned COP in the 2020 budget (PMT), Backlog and Net debt, all as defined in 3.2.1.1).
31/05/2018	30	31.64	31/05/2021	31/05/2021	None (general plan (see above))

4.4.4 Principles and criteria to determine, apportion and award the fixed, variable and exceptional components of total remuneration and benefits of any kind attributable to Jean-Philippe Ruggieri for 2019

JEAN-PHILIPPE RUGGIERI – DEPUTY CHIEF EXECUTIVE OFFICER UP TO 22 MAY 2019 / CHIEF EXECUTIVE OFFICER FROM 22 MAY 2019 - Principles and criteria used to determine, apportion and award the fixed, variable and exceptional components of total remuneration and benefits of any kind for financial year 2019 - (Overview of the draft of the Resolution 12 submitted to the Combined Shareholders' Meeting of 22 May 2019)

Ex ante vote	Amount or accounting valuation	Description
FIXED REMUNERATION	€500,000	Work contract maintained up to 22 May 2019 Work contract suspended and remuneration as company officer from 22 May 2019
ANNUAL VARIABLE PART	Maximum amount: €250,000 Common quantitative goals: • 45% maximum in respect of 2019 EBITDA • 10% maximum in respect of CSR criteria measuring employee commitment* and progress in Nexity's diversity policy	• 100% if EBITDA ≥ €570m; • 95% if EBITDA ≥ €560m and < €570m; • 90% if EBITDA ≥ €550m and < €560m; • 80% if EBITDA ≥ €540m and < €550m; • 70% if EBITDA ≥ €524m and < €540m; and • 0 if EBITDA < €524m. • 5% according to voluntary turnover rate** at end 2019: • Achieved if voluntary turnover rate** ≤ 10% • Not achieved if voluntary turnover rate** > 10% • 5% according to the percentage of women in Nexity's governing bodies*** at end 2019: • Achieved if percentage ≥ 33% • Not achieved if percentage < 33%

* Scope of companies acquired before 01/01/2018

** Voluntary turnover rate: ratio of the number of resignations and terminations of trial periods at the employees' initiative out of the average headcount of employees with permanent contracts over the period

*** Governing bodies: defined as the Group's "Club 100"

<i>Ex ante</i> vote	Amount or accounting valuation	Description
ANNUAL VARIABLE PART	10% maximum in respect of CSR criteria measuring Nexity's performance in terms of sustainable development and social impact* * Scope: companies acquired before 01/01/2018 Individual quantitative goals (25%): 15% maximum in respect of new home reservations in 2019 10% maximum in respect of Residential Real Estate EBITDA Qualitative goals: 10% maximum	5% according to progress in 2019 by Nexity to reduce its carbon footprint compared to 2018 3 scopes - New homes development - Offices development - Employees 100% if 3 scopes out of 3 50% if 2 scopes out of 3 0% if 0 or 1 scope out of 3 5% if achievement of quantified CSR goals** 100% if 3 goals out of 3 50% if 2 goals out of 3 0% if 1 goal out of 3 **CSR goals: - Carbon reporting rate and decisions to adopt a low-carbon approach in real estate developments - Energy efficiency renovation projects - Development of Nexity Non Profit - Scale from 0% to 100% according to the number of reservations made in 2019 - Scale from 0% to 100% according to the EBITDA for Residential Real Estate business lines (Individual Clients) - Development of the Individual Clients services platform - Actions on construction costs
DEFERRED VARIABLE REMUNERATION	NONE	No deferred variable remuneration
MULTI-YEAR VARIABLE REMUNERATION	Maximum compensation equals €700,000: €300,000 if cumulative COP 2017-2018-2019 > €980m Definition of COP = current operating profit calculated based on the accounting standards applied to the 2016 financial statements (without IFRS 15 or IFRS 16 and including the CVAE levy)	€300,000 if cumulative COP > €980m; €200,000 if cumulative COP > €960m and ≤ €980m; €150,000 if cumulative COP > €940m and ≤ €960m; and 0 if cumulative COP ≤ €940m.

4 CORPORATE GOVERNANCE REPORT

Remuneration and benefits for Executive Company Officers

Ex ante vote	Amount or accounting valuation	Description
MULTI-YEAR VARIABLE REMUNERATION	• €100,000 in respect of meeting the 2019 Backlog* target Definition of backlog = Nexity Group backlog extracted from the operational reporting and calculated based on the same methods as those used for the 2016 financial statements • €200,000 in respect of the Group's COP* indicated in the budget approved by the Board of Directors for 2020 • €100,000 in respect of the Group's net debt* at 31/12/2019 Definition of net debt = consolidated net financial debt for Nexity Group, extracted from the operational reporting and calculated based on IFRS, as used for the 2016 financial statements *All these indicators are to be understood as under the accounting and segment standards of 2016 and exclusive of external growth and extraordinary transactions, as such transactions are defined by the Board of Directors.	Data on the backlog goal remains confidential at this stage but will be disclosed in the next Registration Document. In order to trigger the payment of variable remuneration with respect to the Backlog target, the level achieved must exceed the target set by the Board of Directors. The COP target corresponds to the 2020 budget approved by the Board of Directors' meeting of December 2019. Data remains confidential at this stage but will be disclosed in the next Registration Document. In order to trigger payment of variable compensation under the COP target, the level attained must exceed the goal approved by the Board of Directors. The net debt target corresponds to the target approved in December 2016 for which the data remains confidential at this stage but will be disclosed in the next Registration Document. In order to trigger the payment of variable remuneration with respect to the net debt target, the level achieved at end 2019 must be lower than the target set by the Board of Directors.
STOCK OPTIONS, PERFORMANCE SHARES OR OTHER LONG-TERM COMPONENTS OF REMUNERATION	NONE	None
VALUATION OF ANY BENEFITS	NONE	Absence of benefits in kind
SUPPLEMENTARY PENSION SCHEME	NONE	Absence of supplementary pension scheme
NON-COMPETITION INDEMNITY AND SEVERANCE BENEFITS	NONE	In the event of the end of company officer functions, the suspended work contract will come into effect again: indemnity equal to 1 year of remuneration based on the last three years of remuneration.

4.4.5 Remuneration and benefits paid or to be paid to Julien Carmona for 2018

Julien Carmona, Deputy CEO, was appointed company officer of Nexity.

- This appointment stems from the decision of the Board of Directors of 31 May 2018, which met following the Company's Shareholders' Meeting of the same day.
- Julien Carmona is not compensated as a company officer during 2018.

Julien Carmona has been an employee of Nexity since 15 January 2014.

- Since 20 December 2016, he holds duties as Deputy CEO responsible for the Group's support functions.

- The technical duties that he performs under his work contract are distinct from his duties as a company officer.
- Julien Carmona receives compensation exclusively under his on-going work contract. He does not receive, nor did he receive any remuneration since 31 May 2018.
- Julien Carmona does not benefit from an additional retirement.

The components of his compensation received in 2018 or to be received for 2018, such as provided for in his work contract, are presented in the tables below. This information is provided under Article L.225-37-3 of the French Commercial Code.

Information L.225-37-3 of the French Commercial Code	Amount paid in 2018 or to be paid for 2018	Description
FIXED REMUNERATION	Amount paid in 2018: €500,000	
ANNUAL VARIABLE PART	Maximum amount: €250,000 Common quantitative goals = €137,500: • €100,000 maximum in respect of 2018 EBITDA; • €37,500 maximum in respect of CSR criteria;	• €100,000 if EBITDA ≥ €505m; • €95,000 if EBITDA ≥ €495m and < €505m; • €90,000 if EBITDA ≥ €485m and < €495m; • €80,000 if EBITDA ≥ €465m and < €485m; • €70,000 if EBITDA ≥ €445m and < €465m; • 0 if EBITDA < €445m. EBITDA 2018 = €523m i.e. a goal achieved at 100%. Three quantitative CSR criteria: • Human resources (rate of annual performance appraisals, percentage of women in governing bodies); • Carbon trajectory (decrease in carbon footprint per employee in 2018; number of property developments including a carbon profile and decisions to adopt a low-carbon approach at design phase); and • Measurable CSR actions (circular economy; progress of sustainable city demonstrator programme; social housing and QPV priority urban planning districts; energy performance; energy efficiency renovation). 3 out of 3 criteria were met, including 2 that were over-performed.

4 CORPORATE GOVERNANCE REPORT

Remuneration and benefits for Executive Company Officers

Information L.225-37-3 of the French Commercial Code	Amount paid in 2018 or to be paid for 2018	Description
ANNUAL VARIABLE PART	Individual goals = €112,500 - Quantitative goals: €25,000: operating profit for the holding; €25,000 maximum €12,500: International EBITDA; €12,500 maximum €25,000 Group net debt; €25,000 maximum €25,000 adjusted earnings per share (EPS) €25,000 maximum - Qualitative goals: €25,000 €25,000 maximum	€112,500 maximum
DEFERRED VARIABLE REMUNERATION	NONE	No deferred variable remuneration - see multi-year variable remuneration below
MULTI-YEAR VARIABLE REMUNERATION	Maximum remuneration equals €700,000: €300,000 if cumulative COP* 2017-2018-2019 > €980m Definition of COP = current operating profit calculated based on the accounting standards applied to the 2016 financial statements (without IFRS 15 or IFRS 16 and including the CVAE levy) €100,000 in respect of meeting the 2019 Backlog* target Definition of Backlog = Nexity Group backlog extracted from the operational reporting and calculated based on the same methods as those used for the 2016 financial statements €200,000 in respect of the Group's COP* indicated in the budget approved by the Board of Directors for 2020 €100,000 in respect of the Group's Net Debt* at 31/12/2019 Definition of Net Debt = consolidated net financial debt for Nexity Group, extracted from the operational reporting and calculated based on IFRS, as used for the 2016 financial statements	€300,000 if cumulative COP > €980m; €200,000 if cumulative COP > €960m and ≤ €980m; €150,000 if cumulative COP > €940m and ≤ €960m; and 0 if cumulative COP ≤ €940m. In order to trigger the payment of variable remuneration with respect to the Backlog target, the level achieved must exceed the target set by the Board of Directors' meeting of December 2016. The COP target corresponds to the 2020 budget approved by the Board of Directors' meeting of December 2019. In order to trigger the payment of variable remuneration with respect to the COP criteria, the level set must exceed the target set by the Board of Directors based on the grid defined by the Board in December 2016. The Net Debt target corresponds to the target approved for 2019 by the Board of Directors' meeting of December 2016. In order to trigger the payment of variable remuneration with respect to the Net Debt criteria, the level achieved must be lower than the approved target.

* All these indicators are to be understood as under the accounting and segment standards of 2016 and exclusive of external growth or extraordinary transactions, as defined by the Board of Directors.

Information L.225-37-3 of the French Commercial Code	Amount paid in 2018 or to be paid for 2018	Description
STOCK OPTIONS, PERFORMANCE SHARES OR OTHER LONG-TERM COMPONENTS OF REMUNERATION	Free performance shares: - Plan of 31/05/2016: 13,000 shares - Plan of 23/01/2017: 20,000 shares - Plan of 01/06/2017: 40,000 shares; and - Plan of 31/05/2018: 30 shares. The Company's free share plans are described in section 3.2.1 of this Registration Document.	With the exception of the plan of 31/05/2018, for which all the Group's eligible employees were beneficiaries, the acquisition of all of the shares awarded to Julien Carmona is subject to achievement of the performance goals. These goals are detailed ex post. The targets of the plan of 31 May 2016, approved with respect to the budget (PMT) approved on 15 December 2016, are: - Minimum average COP over the 2016-2017-2018 financial years: €256m Target exceeded at 122% - Average minimum 2016-2017-2018 backlog: €3,400m Target exceeded at 136% The vesting period for the plan of 31 May 2016 runs through 30 May 2019.
VALUATION OF ANY BENEFITS	NONE	Absence of benefits in kind
SUPPLEMENTARY PENSION SCHEME	NONE	Absence of supplementary pension scheme
NON-COMPETITION INDEMNITY AND SEVERANCE BENEFITS	NONE	Six months from the end of the contract for the non-competition indemnity.

Julien Carmona receives no remuneration from other Group companies for his duties at Nexity.

Performance shares awarded to Julien Carmona

Plan	Number of shares awarded during the financial year	Valuation according to the method selected for the consolidated financial statements (€)	Acquisition date	Date available	Performance conditions
31/05/2016	0	32.78	31/05/2019	31/05/2019	For 100% of shares Minimum average COP over the 2016-2017-2018 financial years: €256m Target exceeded at 122% Average minimum 2016-2017-2018 Backlog: €3,400m Target exceeded at 136%
31/01/2017	0	38.64	2019 balance sheet date	2019 balance sheet date	100% of awards subject to performance No shares shall vest if any of the objectives is achieved at less than 100% (cumulative COP, planned COP in the 2020 budget (PMT), Backlog and Net debt, all as defined in 3.2.1.1).
01/06/2017	0	38.57	01/06/2020	01/06/2020	Executive Committee Plan 100% of the awards No shares shall vest if any of the objectives is achieved at less than 100% (cumulative COP, planned COP in the 2020 budget (PMT), Backlog and Net debt, all as defined in 3.2.1.1).
31/05/2018	30	31.64	31/05/2021	31/05/2021	None (general plan (see above))

4.4.6 Principles and criteria to determine, apportion and award the fixed, variable and exceptional components of total remuneration and benefits of any kind attributable to Julien Carmona for 2019

JULIEN CARMONA - DEPUTY CEO - Principles and criteria to determine, apportion and award the fixed, variable and exceptional components of total remuneration and benefits of any kind attributable for 2019 (Presentation of the draft Resolution 13 submitted to the Combined Shareholders' Meeting of 22 May 2019).

From 22 May 2019, Julien Carmona's work contract will be suspended. His remuneration will be paid in respect of his corporate office and will be calculated according to the same principles and for the same amounts as those stipulated in his work contract.

<i>Ex ante</i> vote	Amount or accounting valuation	Description
FIXED REMUNERATION	€500,000	Work contract maintained up to 22 May 2019 Work contract suspended and remuneration as company officer from 22 May 2019
ANNUAL VARIABLE PART	Maximum amount: €250,000 Common quantitative goals: • 45% maximum in respect of 2019 EBITDA • 10% maximum in respect of CSR criteria measuring employee commitment* and progress in Nexity's diversity policy	• 100% if EBITDA ≥ €570m; • 95% if EBITDA ≥ €560m and < €570m; • 90% if EBITDA ≥ €550m and < €560m; • 80% if EBITDA ≥ €540m and < €550m; • 70% if EBITDA ≥ €524m and < €540m; and • 0 if EBITDA < €524m. • 5% according to voluntary turnover rate** at end 2019: • Achieved if voluntary turnover rate** ≤ 10% • Not achieved if voluntary turnover rate** > 10% • 5% according to the percentage of women in Nexity's governing bodies*** at end 2019: • Achieved if percentage ≥ 33% • Not achieved if percentage < 33%

* Scope of companies acquired before 01/01/2018

** Voluntary turnover rate: number of resignations and end of trial periods at the employees' initiative out of the average headcount of employees with permanent contracts over the period

*** Governing bodies: defined as the Group's "Club 100"

<i>Ex ante</i> vote	Amount or accounting valuation	Description
ANNUAL VARIABLE PART	10% maximum in respect of CSR criteria measuring Nexity's performance in terms of sustainable development and social impact* * Scope of companies acquired before 01/01/2018	5% according to progress in 2019 by Nexity to reduce its carbon footprint compared to 2018 3 scopes: - New homes development - Offices development - Employees 100% if 3 scopes out of 3 50% if 2 scopes out of 3 0% if 0 or 1 scope out of 3 5% if achievement of quantified CSR goals** 100% if 3 goals out of 3 50% if 2 goals out of 3 0% if 1 goal out of 3 ** CSR goals: - Carbon reporting rate and decisions to adopt a low-carbon approach in real estate developments - Energy efficiency renovation projects - Development of Nexity Non Profit
	Individual quantitative goals (25%): 10% maximum in respect of International new home reservations in 2019 15% maximum in respect of the Group's net debt*** at end 2019 Qualitative goals: 10% maximum *** Outside IFRS 16 and external growth not included in the budget (PMT), and excluding extraordinary transactions whose qualification is the responsibility of the Board of Directors.	- Scale from 0% to 100% according to the number of reservations made in 2019 - Scale of 0% to 100% according to net debt - Quality and security of Nexity's IT systems; good progress in IT projects - Implementation of a first real estate investment fund
DEFERRED VARIABLE REMUNERATION	NONE	No deferred variable remuneration - see multi-year variable remuneration below
MULTI-YEAR VARIABLE REMUNERATION	Maximum remuneration equals €700,000: €300,000 if cumulative COP 2017-2018-2019 > €980m Definition of COP = current operating profit calculated based on the accounting standards applied to the 2016 financial statements (without IFRS 15 or IFRS 16 and including the CVAE levy)	€300,000 if cumulative COP > €980m; €200,000 if cumulative COP > €960m and ≤ €980m; €150,000 if cumulative COP > €940m and ≤ €960m; and 0 if cumulative COP ≤ €940m.

4 CORPORATE GOVERNANCE REPORT

Remuneration and benefits for Executive Company Officers

Ex ante vote	Amount or accounting valuation	Description
MULTI-YEAR VARIABLE REMUNERATION	• €100,000 in respect of meeting the 2019 Backlog* target Definition of backlog = Nexity Group backlog extracted from the operational reporting and calculated based on the same methods as those used for the 2016 financial statements • €200,000 in respect of the Group's COP* indicated in the budget approved by the Board of Directors for 2020 The COP target corresponds to the 2020 budget (excluding external growth) that will be approved by the Board of Directors' meeting of December 2019. Data remains confidential at this stage but will be disclosed in the next Registration Document. • €100,000 in respect of the Group's Net Debt* at 31/12/2019 Definition of Net Debt = consolidated net financial debt for Nexity Group, extracted from the operational reporting and calculated based on IFRS, as used for the 2016 financial statements The Net Debt target corresponds to the target approved in December 2018 for which the data remains confidential at this stage but will be disclosed in the next Registration Document. In order to trigger the payment of variable remuneration with respect to the Net Debt target, the level achieved at end 2019 must be lower than the target set by the Board of Directors. * All these indicators are to be understood as under the accounting and segment standards of 2016 and exclusive of external growth and extraordinary transactions, as such transactions are defined by the Board of Directors.	Data on the backlog goal remains confidential at this stage but will be disclosed in the next Registration Document. In order to trigger the payment of variable remuneration with respect to the backlog target, the level achieved must exceed the target set by the Board of Directors' meeting of December 2016. The COP target corresponds to the 2020 budget (excluding external growth) that will be approved by the Board of Directors' meeting of December 2019. Data remains confidential at this stage but will be disclosed in the next Registration Document. The Net Debt target corresponds to the target approved in December 2018 for which the data remains confidential at this stage but will be disclosed in the next Registration Document. In order to trigger the payment of variable remuneration with respect to the Net Debt target, the level achieved at end 2019 must be lower than the target set by the Board of Directors.
STOCK OPTIONS, PERFORMANCE SHARES OR OTHER LONG-TERM COMPONENTS OF REMUNERATION	NONE	None
VALUATION OF ANY BENEFITS	NONE	Absence of benefits in kind
SUPPLEMENTARY PENSION SCHEME	NONE	Absence of supplementary pension scheme
NON-COMPETITION INDEMNITY AND SEVERANCE BENEFITS	NONE	In the event of the end of company officer functions, the suspended work contract will come into effect again: non-competition obligation for a 6-month period for which the Company must pay a monthly indemnity equal to 50% of the average gross remuneration received over the last 12 months of presence.

4.5 REMUNERATION AND BENEFITS OF OTHER EXECUTIVES

4.5.1 Remuneration and benefits paid or to pay to Véronique Bédague-Hamilius for 2018

The components of her remuneration received in 2018 or to be received for 2018, such as provided for in her work contract, are presented in the tables below.

Remuneration	Amount paid in 2018 or to be paid for 2018	Description
FIXED REMUNERATION	Amount paid in 2018: €350,000	
ANNUAL VARIABLE PART	€100,000	
EXCEPTIONAL BONUS	€50,000	
DEFERRED VARIABLE REMUNERATION	NONE	No deferred variable remuneration
MULTI-YEAR VARIABLE REMUNERATION	NONE	
STOCK OPTIONS, PERFORMANCE SHARES OR OTHER LONG-TERM COMPONENTS OF REMUNERATION	Free performance shares: • Plan of 25/04/2017: 5,000 shares; • Plan of 01/06/2017: 3,000 shares; • Plan of 19/12/2017: 4,500 shares; and • Plan of 31/05/2018: 30 shares.	The Company's free share plans are described in section 3.2.1.1 of this Registration Document
VALUATION OF ANY BENEFITS	€161 / month	Company car

Véronique Bédague receives no remuneration from other Group companies for her duties at Nexity.

4 CORPORATE GOVERNANCE REPORT

Remuneration and benefits of OTHER executives

4.5.2 Remuneration and benefits paid or to be paid to Frédéric Verdavaine for 2018

The components of his compensation received in 2018 or to be received for 2018, such as provided for in his work contract, are presented in the tables below.

Remuneration	Amount paid in 2018 or to be paid for 2018	Description
FIXED REMUNERATION	Amount paid in 2018: €400,000	
ANNUAL VARIABLE PART	€250,000	
DEFERRED VARIABLE REMUNERATION	NONE	No deferred variable remuneration - see below
MULTI-YEAR VARIABLE REMUNERATION	€400,000	Payable in 2020 subject to performance conditions for the 2017-2018-2019 financial years
STOCK OPTIONS, PERFORMANCE SHARES OR OTHER LONG-TERM COMPONENTS OF REMUNERATION	Free performance shares: • Plan of 23/01/2017: 10,000 shares; • Plan of 01/06/2017: 30,000 shares; • Plan of 19/12/2017: 4,500 shares; and • Plan of 31/05/2018: 30 shares.	The Company's free share plans are described in section 3.2.1 of this Registration Document.
VALUATION OF ANY BENEFITS	€408 / month €548 / month	Company car Accommodation

Frédéric Verdavaine receives no remuneration from other Group companies for his duties at Nexity.

4.6 REMUNERATION AND BENEFITS PAID TO OTHER MEMBERS OF THE BOARD OF DIRECTORS IN 2018

Apart from directors' fees, the other members of the Board of Directors received no remuneration in respect of 2018, either from the Company or from any other Group company, with the exception of the director representing the employees, who does not receive other remuneration in addition to his salary.

The total amount of directors' fees was set at €280,000 at the Shareholders' Meeting in May 2005 and has not changed since that date.

The rules for allocating directors' fees among directors were set at the Board of Directors' meeting of 19 February 2019 after consulting with the Remuneration, Appointments and CSR Committee (with no changes with respect to the rules set in the previous year). These rules are the same as those set by the Board of Directors for 2018 at its meeting of 20 February 2018. Directors' fees are allocated among the directors and non-voting directors according to their appointment(s) on the various Committees and take into account the work done by each Committee. They will be allocated and paid according to the actual attendance of directors at Board of Directors meetings and at the meetings of the Committees on which they serve (with no allowance for absences) as follows:

- €2,400 per Board of Directors meeting for each director, and €1,200 for the non-voting Board member;
- €2,000 per meeting of the Audit and Accounts Committee, and twice that amount for the Committee's Chairman;
- €1,200 per meeting of each other Committee, and twice that amount for each Committee's Chairman; and
- €8,000 per year for the Vice-Chairman and Senior Independent Director.

Based on the total budget of €280,000, the number of meetings held and actual attendance, these directors' fees would be paid as follows:

- Payment of a provisional amount in July 2018; and
- Payment of any balancing amount at the end of the year.

The Chairman and 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 2018, in consideration of their terms of office within the Company, came to €280,000, of which €137,000 was paid during financial year 2018; the balance in respect of directors' fees due for financial year 2018 was paid in February 2019.

In 2017, the total amount of directors' fees due to all members of the Board of Directors in consideration of their terms of office within the Company had amounted to €280,000. The table below shows the total amount awarded to each director, together with a comparison relative to the previous year.

4 CORPORATE GOVERNANCE REPORT

Pensions and other benefits

Table of directors' fees and other remuneration received by non-Executive Company Officers and non-voting Board members*

Non-Executive Company Officers (in euros)		Financial year 2018		Financial year 2017		
		Amount due	Amount paid	Amount due	Amount paid	
Luce Gendry	Directors' fees	49,968	45,706	45,706	43,800	
	Other remuneration	None	None	None	None	
Jean-Pierre Denis	Directors' fees	31,961	29,235	29,235	23,800	
	Other remuneration	None	None	None	None	
Charles-Henri Filippi	Directors' fees	32,412	40,129	39,529	16,800	
	Other remuneration	None	None	None	None	
Jérôme Grivet	Directors' fees	29,260	27,177	27,176	27,800	
	Other remuneration	None	None	None	None	
Soumia Belaidi-Malinbaum	Directors' fees	38,714	36,647	36,647	27,400	
	Other remuneration	None	None	None	None	
Agnès Nahum	Directors' fees	31,961	24,294	24,294	23,800	
	Other remuneration	None	None	None	None	
Magali Smets	Directors' fees	29,260	29,235	29,235	19,000	
	Other remuneration	None	None	None	None	
Jacques Veyrat	Directors' fees	18,907	26,577	27,176	27,600	
	Other remuneration	None	None	None	None	
Bruno Catelin	Directors' fees	None	None	None	None	
	Other remuneration	65,325	65,325	63,700	63,700	
Pascal Oddo	Directors' fees	12,154	11,118	11,118	10,200	
	Other remuneration	None	None	None	None	
Gérard Bayol Until 31 May 2018	Directors' fees	5,402	8,082	9,882	4,800	
	Other remuneration	None	None	None	None	
Anne-Marie de Chalambert Until 31 May 2016	Directors' fees	None	None	None	13,200	
	Other remuneration	None	None	None	None	
Miguel Sieler Until 12 December 2016	Directors' fees	None	None	None	20,800	
	Other remuneration	None	None	None	None	
TOTAL		DIRECTORS' FEES	279,999	278,200	279,998	259,000
		OTHER REMUNERATION	65,325	65,325	63,700	63,700

* By Nexity or the companies it controls as per Article L.233-16 of the French Commercial Code

4.7 PENSIONS AND OTHER BENEFITS

At 31 December 2018, there were no contractual agreements (apart from those, as the case may be, recognised in employee benefit obligations) in connection with pensions or related benefits for the members of the Board of Directors, the Chairman and Chief Executive Officer or Company Officer Executives.

4.8 INTERESTS OF THE EXECUTIVE COMPANY OFFICERS AND MEMBERS OF THE BOARD OF DIRECTORS IN THE COMPANY'S SHARE CAPITAL

The directors and the Executive Company Officers are required to hold all the shares they own in registered form.

With regard to Alain Dinin, the number of shares he holds represents several years' worth of compensation; it did therefore not appear necessary to the Board of Directors to set a minimum shareholding threshold. At 31 December 2018, the Chairman and Chief Executive Officer, Alain Dinin, and the two Deputy CEOs, Jean-Philippe Ruggieri and Julien Carmona held the shares stated below:

Company officer ⁽²⁾	Number of shares ⁽¹⁾	Percentage of capital
Alain Dinin ⁽²⁾	1,223,420	2.18%
Jean-Philippe Ruggieri	28,000	0.05%
Julien Carmona	16,000	0.03%

(1) Statements made to the AMF and/or the Company. (2) And related persons, excluding indirect shareholding via New Port.

(2) And related persons, excluding indirect shareholding via New Port.

The concert group between Crédit Mutuel Arkéa, New Port and other directors was created in January 2015 and brings together Group directors around Alain Dinin, Chairman and Chief Executive Officer. They held 19.1% of the Company's share capital at 31 December 2018.

At 31 December 2018, Alain Dinin owned 10.4% of New Port, which held 7.5% of the Group's shares. Alain Dinin therefore indirectly owns 0.7% of Nexity, in addition to his shareholding mentioned above.

At 31 December 2018, members of the Board of Directors directly held shares as shown in the table below:

Other members of the Board of Directors	Number of shares ⁽¹⁾	Percentage of capital
Luce Gendry	1,743	n.s.
Jean-Pierre Denis ⁽²⁾	500	n.s.
Charles-Henri Filippi	3,000	n.s.
Jérôme Grivet	200	n.s.
Soumia Belaidi-Malinbaum	300	n.s.
Agnès Nahum	200	n.s.
Magali Smets	200	n.s.
Jacques Veyrat	200	n.s.
Bruno Catelin	173	n.s.
Pascal Oddo	1,000	n.s.
TOTAL	7,516	N.S

(1) Statements made to the AMF and/or the Company.

(2) +2,000 additional shares held through Kerido.

4.9 TRANSACTIONS IN SECURITIES INVOLVING MEMBERS OF THE BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Name	Capacity	Nature of the operation	Description of the financial instrument	Number of shares	Unit price Average (in euros)
Alain Dinin (and related persons excluding New Port)	Chairman and Chief Executive Officer	Disposals Acquisitions	Shares	6,000 118,552	53.74 46.99
Jean-Philippe Ruggieri	Deputy CEO - Company Officer	Disposals Acquisitions	Shares	20,100 2,100	53.89 47.50
Julien Carmona	Deputy CEO - Company Officer	Acquisitions	Shares	1,000	46.18
Jean-Pierre Denis (and related persons)	Director	Acquisitions	Shares	2,000	49.64
Luce Gendry (and related persons)	Director and Vice-Chairman	Disposals	Shares	1,537	52.77
Véronique Bédague-Hamilius	Deputy CEO	Acquisitions	Shares	400	53.75

Source: statements made to the AMF and/or the Company.

4.10 STOCK OPTIONS AND FREE SHARES AWARDED TO EXECUTIVE COMPANY OFFICERS

4.10.1 Share subscription and share purchase option plans (*stock options*)

No share subscription or purchase option plans are in force for the Executive Company Officers.

4.10.2 Issues of free shares

Alain Dinin, Nexity's company officer, does not receive free shares. He has waived his right since 2006.

Jean-Philippe Ruggieri and Julien Carmona and have free share award plans detailed in sections 4.4.3 and 4.4.5

above, as well as in chapter 3 "Statement of non-financial performance" of this Registration Document, which were awarded to them prior to their appointment as Company Officers.

4.11 MAJOR SHAREHOLDERS

4.11.1 Breakdown of share capital at 31 December 2018

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 2018, as reported to the AMF and/or to the Company at that date:

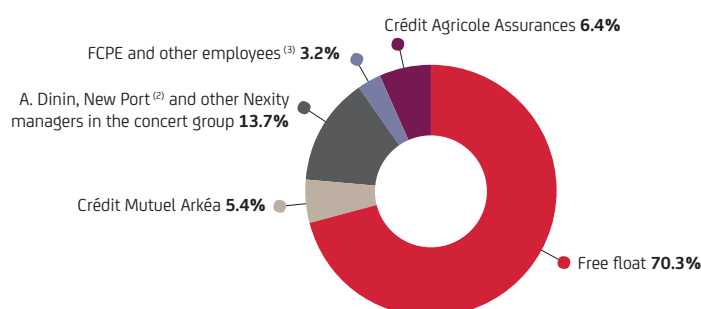
Shareholders (at 31 December 2018)	Number of shares	% of capital	% of voting rights
Alain Dinin ⁽¹⁾	1,223,420	2.2%	2.2%
New Port Concert group and Other senior executives ⁽²⁾	6,469,861	11.5%	11.5%
Other employees	263,759	0.5%	0.5%
FCPE Nexity Actions and Nexity Levier 2017	1,540,149	2.7%	2.8%
Free float	39,483,587	70.3%	71.0%
CAA Predica + Spirica ⁽³⁾	3,594,472	6.4%	6.5%
CM Arkéa + Suravenir ⁽⁴⁾	2,999,451	5.4%	5.4%
Treasury shares	555,025	1.0%	0.0%
TOTAL	56,129,724	100%	100%

(1) And related persons, excluding indirect shareholdings via New Port.

(2) Of which New Port at 7.52%.

(3) Based on the email sent to the Company on 11 July 2017 and including shares held by Spirica.

(4) Based on the notification of crossing an ownership threshold on 7 March 2016.



(1) Of which treasury shares: 555,025 shares (1.0%)

(2) New Port : 7.5%

(3) Of which FCPE Nexity Actions and Nexity Levier 2017: 2.7%

In January 2015, around 120 Nexity executives, as well as Crédit Mutuel Arkéa and its subsidiary Suravenir, formed a group around Alain Dinin, Chairman and CEO of Nexity. They held together 19.1% of the Company's share capital at 31 December 2018 (see section 4.8 "Interests of the Executive Company Officers and members of the Board of Directors in the Company's share capital" of this chapter).

4 CORPORATE GOVERNANCE REPORT

Major shareholders

4.11.2 Changes in ownership over the past three years

The following table shows a breakdown of the Company's share capital at the dates indicated:

Shareholding structure	2018			2017			2016		
	Number of shares	% of capital	% of voting rights	Number of shares	% of capital	% of voting rights	Number of shares	% of capital	% of voting rights
Shareholding structure	1,223,420	2.2%	2.2%	1,110,868	2.0%	2.0%	1,312,832	2.4%	2.4%
Alain Dinin ⁽¹⁾	6,469,861	11.5%	11.6%	5,848,499	10.4%	10.4%	5,786,936	10.6%	10.6%
New Port concert group and other executives	263,759	0.5%	0.5%	443,469	0.8%	0.8%	284,477	0.5%	0.5%
Other employees	1,540,149	2.7%	2.8%	1,553,113	2.8%	2.8%	980,568	1.8%	1.8%
FCPE Nexity Actions and Nexity Levier 2017	39,483,587	70.3%	71.0%	40,486,852	72.2%	72.2%	40,101,421	73.1%	73.1%
Free float	3,594,472	6.4%	6.5%	3,594,472	6.4%	6.4%	3,341,859	6.1%	6.1%
Crédit Agricole Assurances (Predica + Spirica)	2,999,451	5.4%	5.4%	2,999,451	5.4%	5.4%	2,999,451	5.5%	5.5%
CM Arkéa + Suravenir ⁽²⁾	555,025	1.0%	0.0%	0	0.0%	0.0%	1,500	0.0%	0.0%
TREASURY SHARES	56,129,724	100%	100%	56,036,724	100%	100%	54,809,044	100%	100%

(1) And related persons, excluding indirect shareholding via New Port.

(2) Including 450,000 shares purchased as part of the Following the buyback programme of 450,000 shares between 4 October and 20 November 2018.

(3) Based on filings at 31 December 2015.

(4) Based on the notification of 11 July 2017.

(5) Based on the notification of the crossing of an ownership threshold on 10 October 2016.

4.11.3 Notifications of crossing of ownership thresholds under Article L.233-7 of the French Commercial Code and Article L.223-14 of the Autorité des Marchés Financiers (AMF) General Regulation

During financial year 2018

In a letter received by the Company on 4 December 2018, the Group acting in concert around the Chairman and Chief Executive Officer, formed by Crédit Mutuel Arkéa, Suravenir, New Port and some of the Company's executive employee shareholders reported that they had crossed above the statutory threshold of 18% of the Company's share capital and voting rights on 30 November 2018.

In a letter received by the Company on 10 December 2018, the New Port Company reported that it had crossed above

the statutory threshold of 7% of the Company's share capital and voting rights on 6 December 2018.

In a letter received by the Company on 17 December 2018, the Group acting in concert around the Chairman and Chief Executive Officer, formed by Crédit Mutuel Arkéa, Suravenir, New Port and some of the Company's executive employee shareholders reported that they had crossed above the statutory threshold of 19% of the Company's share capital and voting rights on 12 December 2018.

4.11.4 Shareholders' agreements

At the date of this Registration Document, the Company was not aware of any shareholders' agreements.

4.11.5 Control of the Company

At 31 December 2018, Nexity was not a controlled company within the meaning of Article L.233-3-II of the French Commercial Code.

4.11.6 Agreements potentially entailing changes in control of the Company

At the date of this Registration Document, the Company was not aware of any agreements between shareholders that might entail a change in control of the Company.

Furthermore, some of the borrowings mentioned in Note 19 to the consolidated financial statements to 31 December 2018 included in chapter 5 of this Registration Document

contain change of control clauses. This information can be found in the documents made public by the Company on the nexity.fr website.

There is no change of control clause in the employment contracts of members of the Executive Committee and other key executives of the Company.

4.12 INFORMATION ON SHARE CAPITAL

4.12.1 Share capital

At 31 December 2018, the Company's share capital totalled €280,648,620, divided into 56,129,724 fully paid-up shares with a par value of €5 each.

4.12.2 Securities not representing capital

At the date at which this Registration Document was filed, there were no securities that did not represent the Company's capital.

4.12.3 Treasury shares

At the Shareholders' Meeting of 31 May 2018, 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 Articles L.225-209 *et seq.* of the French Commercial Code and in compliance with the conditions laid down in Articles 241-1 to 241-7 of the AMF's General Regulation and in the Commission Implementing Directive on regulation (EU) No. 596/2014 of the European Parliament and the Council of 16 April 2014.

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 of 10% of the share capital. Where applicable, this threshold may be adjusted to reflect transactions affecting the Company's share capital after the Shareholders' Meeting of 31 May 2018.

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 not supported by market trends, under the terms of a liquidity contract entered into with an investment services provider acting independently in compliance with market practices accepted by the AMF;
- Allot the 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 provide for 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 the 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 any transactions to provide for the issuance of such securities, under the conditions laid down by market authorities and at times considered appropriate by the Board of Directors or persons acting under its authority;
- Retire some or all of the shares by reducing the Company's share capital (in particular with a view to optimising cash management, return on equity or earnings per share), subject to the approval of Resolution 13 presented below at this Shareholders' Meeting; and
- Trade in its own shares for any other purpose already authorised or that should become authorised by applicable legislation and regulations or recognised by the AMF as an accepted market practice. In such cases, the Company would notify its shareholders *via* a press release.

On 31 May 2018, on the basis of an authorisation given by the shareholders at the Shareholders' Meeting held on that date, the Company launched a share buyback programme aimed primarily at enhancing liquidity in the Company's shares and increasing the regularity with which the share price is listed or avoiding price discrepancies which are not supported by market trends, under the terms of a liquidity contract entered into with an investment services provider acting independently in compliance with market practices accepted by the Autorité des Marchés Financiers.

4 CORPORATE GOVERNANCE REPORT

Information on share capital

This programme followed the one of 1 June 2017, based on the authorisation by the Shareholders' Meeting of the same day with an identical primary goal.

Shares bought back by the Company in 2018 were purchased under the liquidity contract entered into on 1 October 2015 with Oddo BHF acting as investment services provider. The total amount allocated to this contract in order to implement this agreement was €5.7 million.

Furthermore, as part of an agreement reached on 3 October 2018, with Oddo BHF, the Company proceeded, between 4 October and 20 November 2018 with the purchase of 450,000 shares for the purpose of awarding free shares to recipients. As part of the mandate signed on 11 January 2019 with Oddo BHF, the Company proceeded between 14 January and 15 February 2019, with the purchase of 206,129 shares.

Cumulative information for 2018	Shares	% of capital
Number of shares constituting the issuer's capital at the beginning of the programme initiated on 1 June 2018	56,129,754	100.00%
Directly and indirectly held treasury shares at the beginning of the programme	-	0.00%
Number of treasury shares at 31 December 2017	-	0.00%
Number of treasury shares at 31 December 2016	550,948	0.98%
Number of shares bought back during the year	2,091,230	
Number of shares sold during the year	540,282	
Average purchase price (€)	48.61	
Average selling price (€)	49.91	
Book value of portfolio (€)	23,939,144	
Par value of portfolio (€)*	23,898,430	

* Based on the share price at 31 December 2018 (for the shares held as part of the liquidity contract)

4.12.4 Schedule of authorisations granted at Shareholders' Meetings

Outstanding authorisations to the Board of Directors granted at the Company's Shareholders' Meetings were as follows at 27 March 2019:

Purpose of the authorisation	Date and duration of the authorisation	Maximum nominal amount of the capital increase ⁽¹⁾	Amount used and decision of use
ISSUES OF SHARES			
1. Issues with preemptive subscription rights	Shareholders' Meeting of 31 May 2018 (Resolution 12)	25% of the share capital or €600m in debt securities ⁽²⁾	Not used
Capital increase, with preemptive subscription rights, through the issue of shares or other securities providing access to the share capital	26 months, to 30 July 2020 Superseded the authorisation given at the Shareholders' Meeting of 31 May 2016 (Resolution 21)		
2. Public issues without preemptive subscription rights	Shareholders' Meeting of 31 May 2018 (Resolution 13)	With priority rights: 25% of the share capital or €600m in debt securities ^{(2) (3) (4)}	Not used
Capital increase through the issuance of shares or other securities providing access to the share capital	26 months, to 30 July 2020 Superseded the authorisation given at the Shareholders' Meeting of 31 May 2016 (Resolution 22)	Without priority rights: 10% of the share capital or €300m in debt securities ^{(2) (3) (4)}	

Purpose of the authorisation	Date and duration of the authorisation	Maximum nominal amount of the capital increase ⁽¹⁾	Amount used and decision of use
3. Private placement, without preemptive subscription rights, open to qualified investors (as described in Paragraph II of Article L.412-2 of the French Monetary and Financial Code) Capital increase through the issuance of shares or other securities providing access to the share capital	Shareholders' Meeting of 31 May 2018 (Resolution 14) 26 months, to 30 July 2020 Superseded the authorisation given at the Shareholders' Meeting of 31 May 2016 (Resolution 23)	10% of the share capital or €300m in debt securities ^{(2) (3) (4)}	On 27 February 2018, 2,902,336 bonds were issued with an option of redemption in cash and/or in new and/or existing shares (the "2018 ORNANE bonds"). See 4.12.5 below
4. Overallotment option	Shareholders' Meeting of 31 May 2018 (Resolution 15) 26 months, to 30 July 2020 Superseded the authorisation given at the Shareholders' Meeting of 31 May 2016 (Resolution 24)	Up to the limit of 15% of the initial issue described in 1 and 2 of this table and at the same price ^{(2) (3) (4)}	Not used
5. Capital increase by capitalisation of reserves, earnings, premiums or other accounts	Shareholders' Meeting of 31 May 2018 (Resolution 16) 26 months, to 30 July 2020 Superseded the authorisation given at the Shareholders' Meeting of 31 May 2016 (Resolution 25)	25% of the share capital ⁽⁵⁾	Not used
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 31 May 2018 (Resolution 17) 26 months, to 30 July 2020 Superseded the authorisation given at the Shareholders' Meeting of 31 May 2016 (Resolution 26)	10% of the share capital ^{(2) (3) (4)}	Not used
7. Issue of shares or other securities in exchange for contributions in kind granted to the Company comprising equity securities or securities conferring access to the share capital	Shareholders' Meeting of 31 May 2018 (Resolution 18) 26 months, to 30 July 2020 Superseded the authorisation given at the Shareholders' Meeting of 31 May 2016 (Resolution 27)	10% of the share capital at date authorisation used ^{(2) (3) (4)}	Not used
8. Restrictions on the authorisation to use the authorisations described in Points 1, 2, 4, 5, 6 and 7 during a public takeover bid	Shareholders' Meeting of 31 May 2018 (Resolution 11) 26 months, to 30 July 2020	See the authorisations described in Points 1 to 7 above	Not used

4 CORPORATE GOVERNANCE REPORT

Information on share capital

Purpose of the authorisation	Date and duration of the authorisation	Maximum nominal amount of the capital increase ⁽¹⁾	Amount used and decision of use
ISSUES RESERVED FOR ELIGIBLE EMPLOYEES OR COMPANY OFFICERS			
9. Free awards of new or existing shares	Shareholders' Meeting of 31 May 2018 (Resolution 10) 14 months, to 31 July 2019 Superseded the authorisation given at the Shareholders' Meeting of 1 June 2017 (Resolution 14)	1% of the share capital at the date on which the grant is decided by the Board ⁽⁵⁾	Award of 494,020 free shares granted by the Board of Directors at its meeting of 31 May 2018, and 24,000 at its meeting of 30 October 2018
	Shareholders' Meeting of 1 June 2017 (Resolution 14) 14 months, to 31 July 2018 Superseded the authorisation given at the Shareholders' Meeting of 31 May 2016 (Resolution 19)	1% of the share capital at the date on which the grant is decided by the Board	Award of 392,600 free shares granted by the Board of Directors at its meeting of 1 June 2017 and 13,500 free shares at its meeting of 19 December 2017
10. Issues reserved for participants in Group company savings plans	Shareholders' Meeting of 31 May 2018 (Resolution 19) 26 months, to 31 July 2020 Superseded the authorisation given at the Shareholders' Meeting of 1 June 2017 (Resolution 15)	1% of diluted share capital at 31 May 2018 ⁽⁵⁾ 1% of diluted share capital at 1 June 2017	Not used
	Shareholders' Meeting of 1 June 2017 (Resolution 15) 26 months, to 31 July 2019	1% of diluted share capital on 31 May 2016	
SHARE REPURCHASE AND REDUCTION IN SHARE CAPITAL			
11. Repurchase by the Company of its own shares	Shareholders' Meeting of 31 May 2018 (Resolution 8) 18 months, to 30 November 2019 Superseded the authorisation given at the Shareholders' Meeting of 1 June 2017 (Resolution 12)	10% of the share capital, adjusted to reflect transactions affecting the share capital after 31 May 2018	See 4.12.3 above for the liquidity contract and authorisation given to Oddo BHF to purchase shares. In the context of this authorisation, 450,000 shares were acquired on 31 December 2018 and 206,129 shares between 14 January 2019 and 15 February 2019.
	Shareholders' Meeting of 1 June 2017 (Resolution 12) 18 months, to 30 November 2018	10% of the share capital, adjusted to reflect transactions affecting the share capital after 1 June 2017	

Purpose of the authorisation	Date and duration of the authorisation	Maximum nominal amount of the capital increase ⁽¹⁾	Amount used and decision of use
12. Reduction in share capital via the retirement of treasury shares	Shareholders' Meeting of 31 May 2018 (Resolution 9) 18 months, to 30 November 2019 Superseded the authorisation given at the Shareholders' Meeting of 1 June 2017 (Resolution 13) Shareholders' Meeting of 1 June 2017 (Resolution 13) 18 months, to 30 November 2018	10% of the share capital per 24-month period	Not used

(1) In the event of a capital increase, the limit is expressed as a percentage of the number of shares composing the share capital at the date of the Shareholders' Meeting. Where debt instruments are issued, the maximum limit is stated in euros.

(2) Where debt instruments are issued, the amount of debt issued may result in the Company's share capital increasing by the designated percentage (25% or 10%).

(3) This amount is counted against the maximum percentage of 25% or €600 million for issues with preemptive subscription rights.

(4) Where shares or debt instruments are issued without preemptive rights or priority rights, the amount of the issue without priority rights is counted against the amount of the issue with priority rights and against the amount of the issues with preemptive rights.

(5) Limit separate from the limits for the delegations of authority set at the Shareholders' Meeting of 31 May 2018.

4.12.5 Other securities giving access to the share capital

On 10 May 2016, the Company completed a private placement (as provided for in paragraph II of Article L.411-2 of the French Monetary and Financial Code) of 4,199,066 convertible or exchangeable bonds (the "2016 OCEANE bonds"). The total amount of bonds issued was €269,999,943.80 (the "2016 OCEANE bonds").

The 2016 OCEANE bonds were admitted for trading on the *Marché Libre* of Euronext Paris on 13 May 2016.

Bondholders may request to have their securities converted into or exchanged for newly issued or existing shares at any time. The initial conversion ratio was adjusted to 1.153 shares per 2016 OCEANE bond as of 6 June 2018 following the distribution approved at the Shareholders' Meeting of 31 May 2018.

Except in cases of early redemption, exchange or conversion of bonds, under the terms set out in the Prospectus, the bonds must be redeemed in full at par on 1 January 2023.

On 27 February 2018, the Company completed a private placement (as provided for in Paragraph II of Article L.411-2 of the French Monetary and Financial Code) of 2,902,336 bonds with the option of redemption in cash and/or new and/or existing shares (the "2018 ORNANE bonds"). The total amount issued was €199,999,973.76. The initial conversion ratio is one share for each 2018 ORNANE bond.

The 2018 ORNANE bonds were admitted for trading on the *Marché Libre* of Euronext Paris on 2 March 2018.

The initial conversion ratio was adjusted to 1.052 shares per 2018 ORNANE bond as of 6 June 2018 following the distribution approved at the Shareholders' Meeting of 31 May 2018.

Bondholders may ask to have their bonds converted into or exchanged for new or existing shares with effect from 23 April 2022, as laid down in the terms and conditions.

Unless redeemed early, exchanged or converted as laid down in the terms and conditions, the 2018 ORNANE bonds must be redeemed in full on 2 March 2025.

4.12.6 Potential impact of securities giving access to share capital

At 31 December 2018	
Number of shares outstanding	56,129,724
Number of free shares awarded, not cancelled and not vested (less the number of treasury shares allocated to free share plans)	914,790
Number of shares issued as part of the conversion of 100% of the 2016 OCEANE bonds	841,523
Number of shares issued as part of the conversion of 100% of the 2016 OCEANE bonds	3,053,257
TOTAL NUMBER OF SHARES AFTER THE ISSUANCE OF SHARES GIVING ACCESS TO SHARE CAPITAL	64,939,295

On the basis of the number of shares making up the share capital as at 31 December 2018, the issuance of all free share awards granted (less allocated treasury shares) and the conversion of 2016 OCEANE and 2018 ORNANE bonds would result in maximum potential dilution of 13.6%.

4.12.7 Shares given as collateral

At the date when this Registration Document was filed, the Company had not given any shares as collateral.

4.12.8 Conditional or unconditional options or agreements over the capital of any Group member

Nexity holds a 83.32% stake in Térénéo. Under certain conditions, Nexity has mechanisms at its disposal under which it has the option of ultimately acquiring the company in full.

Nexity holds a 82.14% stake in PERL. Under certain conditions, Nexity has mechanisms at its disposal under which it has the option of ultimately acquiring the company in full.

Nexity holds a 55% stake in Edouard Denis Développement, the parent company of the Edouard Denis real estate development group. Under certain conditions, Nexity has mechanisms at its disposal under which it has the option of ultimately acquiring the company in full.

Nexity has a 65% stake in Prado Gestion (Primosud). Under certain conditions, Nexity has mechanisms at its disposal under which it has the option of ultimately acquiring the company in full.

In June 2018, Nexity exercised the call option allowing it to become the majority shareholder of Ægide. Since then, Nexity holds a 63.16% stake in Ægide SA, the parent company of the Ægide-Domitys group.

In December 2018, Nexity acquired 54% of Bureaux à Partager. Under certain conditions, Nexity has mechanisms at its disposal under which it has the option of ultimately acquiring the company in full.

Given the relative size of the businesses concerned, these commitments pose no risk to the Group's financial structure.

4.12.9 Changes in the Company's share capital over the past three financial years

At 31 December 2018, the share capital of the parent company comprised 56,129,724 shares with a par value of €5 per share, compared with 56,036,724 shares at 31 December 2017. The 93,000-shares increase in the number in 2018 equates to the vesting of 93,000 shares to the Group's employees (see section 3.2.1.1 "Remuneration" in this Registration Document).

Date of the decision	Transaction	Number of shares issued/cancelled	Nominal value of shares	Nominal amount of increase/decrease in capital	Total amount of the share issue, contribution or merger premium	Total share capital	Total number of shares
16/02/2016	Capital increase on 16/02/2016 by partial capitalisation of the "Share issue premium" account	577,000*	€5	€2,885,000	€(2,855,000)	€273,830,085	54,766,017
12/04/2016	Capital increase on 12/04/2016 by partial capitalisation of the "Share issue premium" account	17,000*	€5	€85,000	€(85,000)	€273,915,085	54,783,017
21/07/2016	Capital increase on 21/07/2016 by conversion of 2014 OCEANE bonds	26,027	€5	€130,135	€894,584.40	€274,045,220	54,809,044
21/02/2017	Capital increase on 21/02/2017 by partial capitalisation of "Share issue premium" and "Merger premium" accounts.	496,000*	€5	€2,480,000	€(2,480,000)	€276,525,220	55,305,044
28/07/2017	Capital increase on 28/07/2017 reserved for employees (Axion 2017)	550,000	€5	€2,750,000	€19,998,000	€279,275,220	55,855,044
18/12/2017	Capital increase on 18/12/2017 by partial capitalisation of the "Share issue premium" account	181,680*	€5	€908,400	€(908,400)	€280,183,620	56,036,724
20/02/2018	Capital increase on 20/02/2018 by partial capitalisation of the "Merger premium" account	93,000*	€5	€465,000	€(465,000)	€280,648,620	59,129,724

* Shares created following the vesting of free shares.

4.13 REQUIREMENTS UNDER THE ARTICLES OF ASSOCIATION

4.13.1 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.

4.13.2 Financial year

The Company's financial year runs from 1 January to 31 December.

4.13.3 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.

4.13.4 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.

4.13.5 Shareholders' Meetings

Notice of meeting

Shareholders' Meetings shall be convened, and conduct business as laid down in law. The Company may fulfil the required formalities prior to Shareholders' Meetings using electronic communication methods, pursuant to Article R.225-63 of the French Commercial Code.

Shareholders' Meetings shall be held at the Company's registered office or at any other location indicated in the Notice of meeting.

Shareholders may vote on resolutions at Ordinary, Extraordinary, Special or Combined Shareholders' Meetings, according to the type of resolution to be voted on.

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 no. 2014-1466 of 8 December 2014, shares must be fully accounted for no later than 00:00 hours (Paris time) on the second business day preceding the meeting.

Shareholders may be represented by another shareholder, their spouse, their civil partner or any other natural or legal person of their choice. Shareholders may also vote by post, or electronically if applicable and subject to prior consent

by the Board of Directors, using a form sent to them at their request as specified in the preliminary notice and in the Notice of meeting, in accordance with applicable laws and regulations. Shareholders may send in and revoke their proxy forms electronically. Pursuant to the Board of Directors' decision indicated in the preliminary notice and the Notice of meeting, the electronic signature of this form may be either (i) a secure electronic signature as defined in Decree no. 2001-272 of 30 March 2001 adopted pursuant to Article 1316-4 of the French Civil Code concerning electronic signatures, or (ii) provided using some other reliable identification process that meets the requirements of the first sentence of the second paragraph of the aforementioned Article 1316-4. A shareholder's attendance at a Shareholders' Meeting shall invalidate any vote made by post, electronically or by proxy. In the event of a conflict between a proxy vote and a postal vote, the proxy vote will shall have priority, regardless of when the votes were cast. Voting forms sent in by post shall not count towards the quorum unless they are duly completed and received by the Company at least three (3) calendar days before the date of the Shareholders' Meeting. Voting instructions granting proxy or power of attorney that are sent in electronically as laid down in law and as determined by the Board of Directors shall be executed if received by the Company by 3:00 p.m. (Paris time) the day before the Shareholders' Meeting.

Voting rights

Voting rights attached to shares are proportional to the portion of share capital those shares represent, with each share entitling its holder to one vote. No double voting rights have been granted pursuant to Article L.225-123 of the French Commercial Code.

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.

4.13.6 Shareholder reporting requirements for crossing of thresholds

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 crossing above any of these ownership thresholds. This reporting requirement also applies when a shareholder crosses below any of these thresholds, in terms of share capital or voting rights.

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 acknowledgement 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 these thresholds.

At the request of one or more shareholders holding at least 3% of the Company's share capital or voting rights and duly recorded in the minutes of a Shareholders' Meeting, failure by a shareholder to observe these provisions may be sanctioned by the revocation of that shareholder's right to exercise the voting rights attached to the excess shares over and above the reporting threshold at any Shareholders' Meeting for a period of two years after the date on which the reporting requirement is met.

Subject to the exceptions laid down in legal provisions, any person who holds, either individually or in concert with other persons, in respect of one or more temporary sales of those shares or any transaction conferring the right or giving rise to the obligation to resell those shares or return them to the seller, a number of shares representing more than 0.5% of total voting rights, shall notify both the Company and the Autorité des Marchés Financiers of the total number of shares temporarily held no later than 00:00 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 reported, 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.

4.13.7 Composition of the Board of Directors (Articles 11 to 14 of the Articles of Association)

Information on the start and end dates of directors' terms of office is set out in section 4.1.2 "Members of the Board of Directors during the financial year ended 31 December 2018" in this chapter.

The Board of Directors has no fewer than three and no more than eighteen members.

Board members are appointed at the Ordinary Shareholders' Meeting for four-year terms expiring at the end of the Ordinary Shareholders' Meeting held during the year in which their terms of office expire to approve the financial statements for the preceding year. The Board of Directors also includes one director who represents the Group's employees (Article L.225-27-1 of the French Commercial Code). This director is elected by the Works

Council of UES Nexity Promotion Construction for a four-year term. When the number of directors appointed at a Shareholders' Meeting is greater than twelve, a second director representing the employees is elected under the same conditions.

With the exception of the director representing the employees, according to the Articles of Association each member of the Board of Directors must own at least 200 shares and keep them in registered form for the entirety of his or her term of office. The number of shares held by serving directors is set out in Section 4.8 "Interests of the Executive Company Officers and members of the Board of Directors in the Company's share capital" of this chapter.

Directors are always eligible for reappointment. No more than one third of the Board members may be aged 70 or over. If a director or permanent representative reaches the age of 70 when one third of the 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 as director. The Chairman must be under 72 years of age. If the Chairman of the Board of Directors reaches this age limit while in office, he or she will be deemed to have resigned at the end of the next Annual Ordinary Shareholders' Meeting. The Board of Directors determines the Chairman's remuneration. It may also dismiss the Chairman at any time.

The Chairman organises and directs the Board's activities and reports on them at Shareholders' Meetings. The Chairman oversees the proper functioning of the Company's corporate bodies and specifically ensures that the directors are in a position to fulfil their duties.

Vice-Chairman and Senior Independent Director

If deemed necessary, the Board of Directors may also appoint one or more Vice-Chairmen chosen from among the independent directors, for a term of office that may not exceed that of their appointment as director.

Luce Gendry has served in this position since 17 February 2015.

The Vice-Chairman may convene Board meetings should the Chairman be unable to do so.

In the absence of the Chairman of the Board of Directors, the Vice-Chairman may also chair Board meetings.

The Vice-Chairman is also the Senior Independent Director. His/her duties, responsibilities, resources and prerogatives as such are described in the internal rules and regulations of the Board of Directors. In this capacity, he/she coordinates meetings of independent directors, supervises the formal assessment of the work of the Board of Directors and is the point of contact for Board members in the event of a conflict of interest.

Non-voting Board members

The Company's Articles of Association stipulate that the Board of Directors may be assisted in its duties by up to three non-voting directors appointed by the Shareholders' Meeting for a term of three years. Non-voting directors may be either natural or legal persons and need not be shareholders. Non-voting directors attend Board meetings but cannot vote in decisions. They serve as general advisors to the directors, who are under no obligation to heed their opinions or recommendations. Non-voting directors are bound by the same confidentiality obligations as voting directors and may be dismissed at any time by vote at an Ordinary Shareholders' Meeting.

Works Council representative

Following the appointment of a director representing the employees by the Works Council of UES Nexity Promotion Construction, in accordance with the provisions of Article L.2323-65 of the French Labour Code, a single representative of this Works Council attends Board meetings.

4.13.8 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.

4 CORPORATE GOVERNANCE REPORT

Requirements under the Articles of Association

5 FINANCIAL REPORT

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5.1 OPERATING AND FINANCIAL REVIEW

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

IFRS 11 "Joint arrangements", the application of which became mandatory on 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 requirement and debt.

The segment information presented in this Registration Document reflects Nexity's operational reporting methods and the new IFRS 15 and IFRS 16 accounting standards, applied by the Group since 1 January 2018.

The financial data and indicators presented below are based on Nexity's operational reporting, with joint ventures proportionately consolidated. Section 5.1.3 "Consolidated results and balance sheet items in compliance with IFRS as applied at 31 December 2018" of this chapter includes comments on the consolidated financial statements under IFRS.

2018 business activity

- **New home reservations in France¹:** 19,609 units (up 7% by volume compared to 2017) representing €3.9 billion including VAT (up 10% by value in comparison with 2017), *i.e.* an 12.4% market share (up 1.6 pt in comparison with 2017)
- **Commercial Real Estate order intake excluding VAT:** €349 million compared to €402 million in 2017
- **Development backlog:** €4.5 billion (up 12%)

Strengthening the services platform through external growth

- **Ægide-Domitys:** acquisition of a controlling stake (63% of share capital) in France's number-one operator of senior independent living facilities (83 residences and 9,800 units under management)
- **Morning Coworking:** partnership including acquisition of a majority stake (54% of share capital) in Morning Coworking, a leading player in the Paris ready-to-use office space market (20 locations and 5,000 co-workers)

2018 financial performance

- **Revenue: €4.1 billion (up 16%)**
 - Individual Clients: €3,550 million (up 12%)
 - Commercial Clients: €581 million (up 43%)
- **EBITDA: €523 million (up 14%)**
 - Individual Clients: €477 million (up 15%)
 - Commercial Clients: €72 million (up 7%)
- **Group share of net profit before non-recurring items²: €198 million (up 12%)**
- **Net financial debt before f IFRS 16³: €757 million**

5.1.1 Significant developments

In addition to the items presented above, 2018 was marked by the following significant developments:

Financing

- On 27 February 2018, Nexity issued bonds *via* a private placement that may be converted into cash and/or new shares and/or existing shares (ORNANE 2018), raising an amount of €200 million and maturing in March 2025 (7-year maturity). These bonds bear interest at an annual nominal rate of 0.25%.
- Nexity entered into a 5-year €2.3 billion syndicated corporate credit facility, comprised of a €500 million cash credit line and €1.8 billion in guarantee commitments (engagements par signature, notably including performance bonds and bank guarantees).

¹ Like-for-like figures (*i.e.* based on a constant scope of consolidation) are indicated in this press release (impact of consolidation of Ægide-Domitys in the second half of 2018). Market share has been calculated based on a new housing market of 157,600 units at end-2018 (128,000 retail sales according to the ECLN and 29,600 bulk sales based on the FPI (Fédération des Promoteurs Immobiliers)).

² Non-recurring items totalled €79.2 million, giving Group share of net profit of €277 million (up 52%).

³ Net debt totalled €1,567 million, of which €810 million corresponding to leases accounted for under IFRS 16.

This credit facility will help provide the cash necessary to meet Nexity's general financing needs for the Group's development. The guarantee commitments will enable the Group to expand its development programmes (in both residential and commercial real estate) as well as its urban planning activities.

Under the terms of this facility, the Group must maintain certain financial ratios (Net debt/Equity, Net debt/EBITDA, EBITDA/Cost of financing), which were adapted to neutralise the impact of IFRS 16 Leases on the EBITDA, net debt and cost of financing aggregates.

5.1.2 Business activity

Individual Clients

Through its real estate services platform strategy, Nexity aims to meet all its clients' real estate needs at every stage of life by creating packaged offerings supported by the power of the brand and the wealth of data available to the Group.

To implement this strategy more effectively, in 2018 Nexity continued to roll out its individual client-focused organisational structure, with a single management team – the Individual Clients Committee – providing integrated oversight of Residential Real Estate and Real Estate Services to Individuals. The marketing, sales and digital functions and organisational teams were brought together

Individual Clients – Residential Real Estate

In 2018, the French market for new homes (including bulk sales) began to decline from the record levels seen in 2017. Net reservations totalled 157,600, down around 5% year-on-year, split between 128,000 retail sales (ECLN) and 29,600 bulk sales (Fédération des Promoteurs Immobiliers – FPI). This change was mainly due to a slowdown in reservations by some social housing operators, a one-off supply issue linked to the approaching spring 2020 local elections, and overly inflated prices in some locations.

Conversely, current financial conditions in the residential mortgage market¹ were excellent, with interest rates very low (averaging 1.43% in December 2018), maturities

Share buybacks

- In line with the Board's decision (announced on 19 June 2018) to buy back a sufficient number of treasury shares each year to cancel out the effect of dilution resulting from free shares granted to employees, on 3 October 2018 the Group launched a treasury share buyback programme upon completion of which 450,000 shares totalling €20 million, at an average price of €44 per share had been purchased.

Change in the presentation of the financial information and impact of the new standards

These elements are described in paragraph 5.1.5 "Changes in reporting standards and operational segments" of this chapter.

within two departments covering the whole of the Individual Clients segment.

Starting in 2019, client satisfaction is now monitored and managed across all business lines; Nexity's call centre – which handles over a million calls a year – and customer service team now cover the whole of the Individual Clients business. Synergies and cross-selling between the various business lines have increased. One result of this development is that, of the 12 million visits to the Group's web platforms and the nexity.fr website in 2018, some 11% looked at more than one business line

continuing to lengthen (10 months longer than at end-2017) and record new lending volumes (up 4% relative to 2017). Against this backdrop, the expected gradual rise in interest rates should not have any short-term impact on client solvency. The key underlying trends shaping the markets in which the Group operates (population growth, urbanisation, changing lifestyles and protection of resources) remain very positive.

Residential Real Estate sales to end-2018 (new homes in France, subdivisions and international sales) were up 3% by volume and 8% by value (on a like-for-like basis: up 1% by volume and 5% by value).

¹ Source: Observatoire Crédit Logement, December 2018.

5 FINANCIAL REPORT

Operating and financial review

Reservations (units and €m)	2018	2017	% change
New homes (France)	19,609	18,351	+6.9%
<i>o/w Ægide (reservations made independently of Nexity)*</i>	549	-	-
Subdivisions	2,063	2,601	-20.7%
International	365	420	-13.1%
TOTAL RESERVATIONS (NUMBER OF UNITS)	22,037	21,372	+3.1%
New homes (France)	3,915	3,564	+9.9%
<i>o/w Ægide (reservations made independently of Nexity)*</i>	116	-	-
Subdivisions	169	202	-16.2%
International	32	51	-37.4%
TOTAL RESERVATIONS (€M INCL. VAT)	4,116	3,817	+7.8%

* Development projects undertaken by Ægide without Nexity's involvement. Co-development projects undertaken with Nexity are included in the Group's "Residential Real Estate" reporting..

Residential

In 2018, Nexity booked 19,609 net new home reservations in France, up 7% by volume and 10% by value relative to 2017. Expected revenue from reservations rose more sharply than the volume of reservations, particularly as a result of a favourable product and geographical mix and positive price effects benefiting both retail sales and bulk sales.

After adjusting to exclude external growth transactions (acquisition of a controlling stake in the Ægide-Domitys group in June 2018), a total of 19,060 units were reserved in the year to end-December 2018, up 4% relative to 2017. Expected revenue from reservations came to €3,799 million including VAT, up 7% relative to the year to end-December 2017.

With respect to their geographic distribution, 87% of reservations were located in supply-constrained areas (the A, A bis and B1 zones under the current Pinel scheme). Growth in reservations was more buoyant outside the Paris region (up 10%) and more moderate in the Paris region (up 2%).

In the fourth quarter of 2018 alone, net new home reservations in France were up 15% by volume at 6,600 units and up 17% by value at €1,327 million (on a like-for-like basis: up 12% by volume and 13% by value), mainly driven by the bulk sales segment.

Ægide's senior independent living facilities development business is fully consolidated with effect from 1 July 2018. On a full-year basis, Ægide generated 2,456 reservations (1,051 of them through co-development with Nexity). Of the 1,405 reservations that did not involve Nexity, 549 were in the second half of 2018

Breakdown of new home reservations by client – France (number of units)	2018		2017	
Homebuyers	4,312	22%	4,146	23%
<i>o/w: first-time buyers</i>	3,492	18%	3,183	17%
<i>other homebuyers</i>	820	4%	963	5%
Individual investors	8,191	42%	8,134	44%
Professional landlords	7,106	36%	6,071	33%
TOTAL NEW HOME RESERVATIONS	19,609	100%	18,351	100%

Reservations by first-time buyers were up 10% from 2017 thanks to development programmes closely matching client demand. Reservations placed by homebuyers made up 22% of Nexity's total new home reservations.

Reservation volumes by individual investors were more or less stable (up 1% relative to 2017) and thus slightly less buoyant than in other segments. However, individual investors accounted for 42% of new home reservations during the financial year (with 67% making use of the Pinel scheme), compared with 44% in 2017.

Reservations made by professional landlords comprised 36% of total new home reservations. They rose 17% compared with 2017, with significant growth in reservations made by investors in intermediate and

non-social housing (up 53% relative to 2017). In 2018, the latter accounted for 35% of reservations by professional landlords (with the remaining 65% made by social housing operators, up a modest 4% relative to 2017).

The professional landlords market was boosted by growth in bulk sales of serviced residences to private investors and increasing investment by major players – notably in'li and CDC Habitat – with which Nexity has entered into long-term strategic partnerships: for example, in early October 2018 the Group signed a new agreement with CDC Habitat covering the period 2018–2020 (acquisition of 5,000 intermediate homes and 3,000 social housing units), as well as an agreement with in'li covering the acquisition of 3,000 intermediate homes over three years.

Nexity is thus further strengthening its leadership in bulk sales for professional landlords, a market segment with substantial unrealised growth potential.

Nexity's strong performance relative to the market is first and foremost down to its geographical positioning, which is highly concentrated in Greater Paris and major cities, where underlying demand remains very buoyant. However, it is also driven by the unparalleled breadth of the Group's

product range, its leading positions in steadily growing market segments such as serviced residences and its close partnerships with institutional investors, who are gradually reinvesting in the residential market. More fundamentally, though, Nexity's excellent performance in real estate development is underpinned by the Group's highly integrated services, which enable it to provide solutions that meet its clients' needs.

Average selling price & floor area*	2018	2017	% change
Average price incl. VAT per sq.m. (€)	4,045	3,934	+2.8%
Average floor area per home (sq.m.)	55.3	55.4	-0.1%
AVERAGE PRICE INCL. VAT PER HOME (€K)	223.8	218.0	+2.7%

* Excluding bulk sales; reservations by iSelection, PERL, Ægide and international.

The average price including VAT of new homes reserved by Nexity's individual clients at end-December 2018 was up 3% compared with end-2017, reflecting a supply shortfall. Nexity, whose strategy is to offer affordable housing, does not rely on assumed inflation in selling prices.

The average level of pre-selling booked at the start of construction work remained high at 2018, at 69%, compared with 78% at end 2017.

New sales launches were very buoyant in the fourth quarter (with 38% more units launched than in Q4 2017), boosted by a catch-up effect after a slower first nine months. In 2018, Nexity launched a total of 19,585 units, down 9% relative to 2017 (19,342 units on a like-for-like basis, down 10%) particularly as a result of the fall in the number of building permits granted.

The supply of homes for sale grew 4% relative to end-December 2017, totalling 9,005 units at end-2018 (8,807 units on a like-for-like basis, up 2%), for an average time on market of 5.5 months¹. Unsold completed stock (138 units) as a proportion of the total supply for sale remained very low.

Individual Clients – Real Estate Services to Individuals

In the **Group's property management for individuals businesses, excluding franchises** (condominium management, rental management, lettings, brokerage), the portfolio of units under management totalled almost 897,000 units at 31 December 2018, up 0.8% at current scope in 2018 after declining 0.9% in 2017³.

At the end of 2018, the business potential for new homes² from end-December 2017 at 53,602 units (51,040 units on a like-for-like basis, up 7%), equating to 2.7 years of development operations. This increase, which ensures that future supply will be replenished, was accompanied by a high level of vigilance with regard to land prices

Subdivisions

The subdivisions business (single-family home market) was hit harder by tax measures (withdrawal of interest-free loans in non-supply-constrained areas). Against this backdrop, subdivision reservations totalled 2,063 units, down 21% relative to 2017. Only 27% of reservations were located in supply-constrained areas. The average price of net reservations made by individuals rose 5% to €81k as a result of the higher average price per square metre (up 8%) and the improvement in the geographic mix.

International

In 2018, Nexity booked 365 international new home reservations (down 13% relative to end-2017), almost all of them in Poland. In 2017, expected revenue from reservations included reservations in Italy, where average prices were higher.

In **franchise** operations, Century 21 and Guy Hoquet l'Immobilier signed 5% more provisional sale agreements in financial year 2018 than in 2017, with France's market for existing real estate remaining at historically high levels in 2018⁴. The number of franchisees rose to 1,361 agencies at end-December 2018, compared with 1,292 at end-December 2017.

¹ Time on market: available market supply/reservations for the 12 months, expressed in months.

² Business potential for new homes corresponds to the total volume of potential business at any given moment, expressed as a number of units, within future projects validated by the Group's Committee, in all structuring phases, including the programmes of the Group's urban regeneration business (Villes & Projets). This business potential includes the Group's current supply for sale, its future supply corresponding to project phases not yet marketed on purchased land, and projects not yet launched associated with land secured under options.

³ On a like-for-like basis, the churn rate was 1.4% in 2018, compared with 1.1% in 2017.

⁴ Crédit Foncier Immobilier housing market conditions, December 2018.

Nexity Studéa, France's leading **student residence** management firm (with 122 residences totalling over 15,000 units under management at 31 December 2018), saw its occupancy rate increase to 93.2% (compared with 91.5% at end-December 2017).

The **Domitys**-branded independent living facilities business, fully consolidated with effect from 1 July 2018, posted strong growth. Eleven new residences were opened during the period, increasing its portfolio of serviced residences to 83, corresponding to 9,805 residential units

(up 16% relative to end-2017). The occupancy rate of the 48 "cruising speed" residences¹ is 97%.

Distribution activities, under the iSelection and PERL brands recorded 4,293 reservations in 2018 (compared with 4,514 in 2017 – a 5% decline). 2,301 of these reservations were homes distributed on behalf of third-party developers or through the division of ownership of existing property, up 4% compared to 2017. The remainder corresponds to Nexity's new home reservations recorded in connection with Residential Real Estate sales.

Individual Clients – Digital and Innovation

The Eugénie smart home management service is being rolled out to all developments launched with effect from March 2018. 221 smart homes (nine residences) were delivered in 2018. The application won the IoT Business Hub award for best innovative service and user experience.

During the financial year, Nexity sold its stake in Luckey Homes, a start-up offering premium concierge services for short-term rentals with US giant Airbnb. The company's existing sales agreement with Studéa remains in force.

In addition, Bien'ici – the next-generation property listings website launched in December 2015 in which Nexity currently has a 49% stake alongside a consortium of real estate professionals (*Consortium des Professionnels de l'Immobilier*) and a financial investor – continued to receive a growing number of membership requests from professionals wishing to place paid listings (with 8,448 member agencies at end-2018 compared with 7,352 at end-2017). The number of visits to the website continued to grow, reaching a record 55.5 million in 2018 (twice as many as in 2017), making Bien'ici the third largest real estate portal in the French market a mere three years after its launch

Commercial Clients²

As part of the rollout of its real estate services platform, in December 2018 Nexity launched Nexity Enterprise Solutions. This multiservice platform dedicated to Commercial Clients is intended to speed up the business transformation process, from the design phase through to operation, by making real estate more flexible through turnkey solutions and real-time property management systems.

The French commercial real estate investment market was very buoyant in the fourth quarter of 2018, with €13 billion invested, bringing total investment to end-December 2018 to over €30 billion (up 20% relative to 2017). Office space in the Paris region accounted for the lion's share of these volumes, including prime assets, some of which traded at an all-time low yield of 3%. The market for VEFA off-plan office contracts remained buoyant (at almost €4 billion), with the proportion of speculative deals declining slightly (35% of deals in 2018, compared with 47% in 2017), demonstrating the shift in the market towards supply adapting to user demand.

The rental market remained active, though it declined slightly in the fourth quarter of 2018, with take-up in the

Paris region totalling 642,000 sq.m, bringing full-year take-up (volume of rental transactions and user sales) to 2.5 million sq.m in 2018, down 5% from 2017 but well above the average for the past ten years.

Total order intake in 2018 was €349 million excluding VAT, compared with €402 million in 2017, broken down as follows:

- €166 million in orders in the Paris region (48% of total new orders), notably including the €67 million "New" development in Asnières-sur-Seine (Hauts-de-Seine) and a €57 million development in Bagneux (Hauts-de-Seine); and
- €183 million in orders outside the Paris region (52% of total new orders), including a growing proportion of timber-frame developments (accounting for 47% of reservations outside the Paris region).

Target order intake in Commercial Real Estate was not achieved due to delays in obtaining final administrative authorisations. The projects in question are likely to be confirmed in 2019.

¹ Residences with an occupancy rate of 90% or more at 1 January. The occupancy rate is the number of housing units billed divided by the total number of units.

² Source of market data: CBRE, MarketView, Paris Region Offices and France Investment Q4 2017.

Conversely, business potential in Commercial Real Estate¹ totalled €2.8 billion at end-December 2018 (up 80% relative to end-December 2017), representing 5.5 years of development operations. In particular, this performance reflects the impact of the development in La Garenne-Colombes (Hauts-de-Seine), developed through a financial and technological partnership with Engie. Building permits will continue to be sought in 2019 with a view to marketing these developments from 2020.

The floor areas under management in Real Estate Services to Companies² totalled 18.6 million sq.m at end-December 2018 including 8 million sq.m that is only under technical management, a service offered by the Group, with key developments including the renewal of the contract with SNCF and the signing of two new management agreements with EDF and Enedis in the fourth quarter.

"Nexity Enterprise Solutions" rounded out its service offering by completing a number of external growth transactions:

- Acquisition of a majority stake (54%) in Morning Coworking, a leading player in the Paris ready-to-use office space market, with 20 locations serving more than 5,000 co-workers;
- Acquisition of Service Personnel, which provides corporate concierge services; and
- Acquisition of Accessite, specialising in the management of retail space, at the beginning of 2019.

Nexity Enterprise Solutions also strengthened Nexity Property Management's service offering by entering into a strategic partnership with Intent (a fully digital real-time data exchange platform), making it possible to use data from the buildings it manages.

Lastly, as a result of negotiations opened in January 2019, Nexity sold the majority of the equity in its subsidiary Nexity Conseil et Transaction to the management on 29 March 2019. Nexity retains a 16.3% stake in Nexity Conseil et Transaction.

Local Authority Clients

At end-December 2018, the land development potential of Nexity's urban regeneration business (Villes & Projets) had risen 8% to 635,400-square metres³, with acquisitions including a 36,700 sq.m plot in Solliès-Pont (Var) and Nexity's 98,000 sq.m share of a plot in La Garenne-Colombes (Hauts-de-Seine).

At end-2018, the land bank⁴ stood at €130 million, reflecting the Group's adapting to the issue of intense competition and higher prices for certain types of land, as well as its ability to acquire high-potential land, as seen in the December 2018 acquisition of a commercial building in Saint-Ouen (Seine-Saint-Denis) for renovation.

¹ The business potential for Commercial Real Estate corresponds to the total volume of potential business at any given moment, expressed as estimated revenue excluding VAT, within future projects validated by the Group's Committee, under options or purchased land, in all structuring phases, including the programmes of the Group's urban regeneration business (Villes & Projets). This business potential includes the Group's current supply for sale as well as its future supply.

² Nexity's service offering includes rental management (negotiating and signing leases, property inspections, legal support, accounting and financial reporting) and technical management (technical inspections, planning maintenance, regulatory services and inspections; managing energy and utility costs; and preparing and implementing multi-year work schedules).

³ Floor areas are provided for information purposes only and may be subject to adjustment once administrative authorisations have been obtained.

⁴ Represents the amount of projects in France for which the Group has acquired development rights, before obtaining a building permit and in some cases planning permissions, expressed as an amount recognised within the working capital requirement.

5.1.3 Consolidated results and balance sheet items in compliance with IFRS as applied at 31 December 2018

For ease of comparison, 2017 data has been restated by applying IFRS 15 and by reclassifying the CVAE levy under “Income tax”. The IFRS 16 impact has not been restated for 2017 because the new standard has not been applied retrospectively.

Simplified consolidated income statement at 31 December 2018

<i>(in millions of euros)</i>	31/12/2018 IFRS	31/12/2017 IFRS (restated)	31/12/2017 IFRS (published)
Revenue	3,939.6	3,415.2	3,354.0
Operating expenses	(3,442.8)	(3,055.2)	(3,006.3)
Dividends received from equity-accounted investments	11.8	15.4	15.4
EBITDA	508.6	375.5	363.1
IFRS 16 depreciation	(103.3)	-	-
Depreciation, amortisation and impairment of fixed assets	(31.6)	(24.4)	(24.4)
Net change in provisions	6.7	(4.2)	(4.2)
Share-based payments	(14.3)	(14.3)	(14.3)
Borrowing costs directly attributable to property developments, transferred from inventory	(6.5)	(5.1)	(5.1)
Dividends received from equity-accounted investments	(11.8)	(15.4)	(15.4)
Current operating profit	347.8	312.1	299.8
Remeasurement of equity-accounted investments following acquisition of control	79.2	-	-
Operating profit	427.0	312.1	299.8
Share of net profit from equity-accounted investments	17.9	14.7	14.7
Operating profit after share of net profit from equity-accounted investments	444.9	326.8	314.5
Cost of net financial debt	(54.3)	(28.9)	(28.9)
Other financial income/(expense)	5.0	0.9	0.9
Net financial income/(expense)	(49.4)	(28.0)	(28.0)
Pre-tax recurring profit/(loss)	395.5	298.8	286.5
Income taxes	(108.4)	(102.7)	(90.3)
Share of profit/(loss) from other equity-accounted investments	(4.7)	(4.9)	(4.9)
Consolidated net profit/(loss)	282.4	191.2	191.3
Attributable to non-controlling interests	5.5	5.9	5.7
ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	276.9	185.3	185.6
<i>(in euros)</i>			
Basic earnings per share	4.95	3.34	3.35

In IFRS terms, revenue to end-December 2018 totalled €3,940 million, up 15% relative to restated consolidated revenue of €3,415 million for the year ended 31 December 2017. On a like-for-like basis, revenue totalled €3,766 million, up 10% from 2017). This figure excludes revenue from joint ventures, in accordance with IFRS 11, which requires joint ventures – proportionately consolidated in the Group’s operational reporting – to be accounted for using the equity method.

EBITDA at 31 December 2018 totalled €509 million, up 35% relative to 31 December 2017 (restated, €375 million).

Current operating profit at 31 December 2018 totalled €348 million, up 11% relative to 31 December 2017 (restated, €312 million).

Net financial expense at 31 December 2018 totalled -€49 million, relative to -€28 million at 31 December 2017 (restated).

Consolidated revenue to 31 December 2018 totalled €282 million, up 48% relative to consolidated revenue for the year ended 31 December 2017 (restated, €191 million).

New segmentation impacts are presented under section 5.1.4 “Consolidated results based on operational reporting” of this chapter.

Simplified consolidated balance sheet – 31 December 2018

ASSETS			
<i>(in millions of euros)</i>	31/12/2018 IFRS	31/12/2017 IFRS (restated)	31/12/2017 IFRS (published)
Goodwill	1,579.1	1,213.4	1,213.4
Other non-current assets	1,015.8	171.5	171.5
Equity-accounted investments	35.3	51.9	47.0
Total non-current assets	2,630.2	1,436.9	1,431.9
Net WCR	799.9	744.1	706.1
TOTAL ASSETS	3,430.1	2,181.0	2,138.0

LIABILITIES AND EQUITY			
<i>(in millions of euros)</i>	31/12/2018 IFRS	31/12/2017 IFRS (restated)	31/12/2017 IFRS (published)
Share capital and reserves	1,478.0	1,481.2	1,452.9
Net profit for the period	276.9	185.3	185.6
Equity – attributable to equity holders of the parent company	1,754.9	1,666.5	1,638.6
Non-controlling interests	8.9	6.1	4.9
Total equity	1,763.8	1,672.7	1,643.4
Net debt	1,511.0	305.5	305.5
Provisions	110.1	132.0	132.0
Net deferred taxes	45.2	70.8	57.1
TOTAL LIABILITIES AND EQUITY	3,430.1	2,181.0	2,138.0

Consolidated net debt at 31 December 2018

<i>(in millions of euros)</i>	31/12/2018 IFRS	31/12/2017 IFRS (restated)	31/12/2017 IFRS (published)
Bond issues (incl. accrued interest and arrangement fees)	770.2	703.4	703.4
Loans and borrowings	713.7	429.0	429.0
Loans and borrowings	1,483.9	1,132.3	1,132.3
Other borrowings and other financial receivables	(80.3)	(60.6)	(60.6)
Cash and cash equivalents	(720.8)	(776.4)	(776.4)
Bank overdraft facilities	18.1	10.2	10.2
Net cash and cash equivalents	(702.7)	(766.2)	(766.2)
Total net financial debt	700.9	305.5	305.5
IFRS 16 lease liabilities	810.2		
TOTAL NET DEBT	1,511.0	305.5	305.5

Non-current assets at 31 December 2018 totalled €2,630 million, up €1,193 million relative to 31 December 2017 (restated, €1,437 million).

Net Working Capital Requirement (WCR) at 31 December 2018 totalled €800 million, up 7% relative to 31 December 2017 (restated, €744 million).

Consolidated equity to 31 December 2018 totalled €1,764 million, up €91 million relative to consolidated equity for the year ended 31 December 2017 (restated, €1,673 million).

At 31 December 2018, provisions had decreased relative to 31 December 2017 (restated) to €110 million.

Consolidated net debt at 31 December 2018 totalled €1,511 million, up €1,206 million relative to 31 December 2017 (restated, €306 million).

A more detailed analysis of the year-on-year changes is presented in section 5.1.6 “Balance sheet items based on operational reporting” of this chapter.

Simplified statement of cash flows at 31 December 2017

	31/12/2018 IFRS	31/12/2017 IFRS restated	31/12/2017 IFRS published
<i>(in millions of euros)</i>			
Consolidated net profit	282.4	191.2	191.3
Elimination of non-cash income and expenses	48.5	33.4	33.4
Cash flow from operating activities after interest and tax expenses	330.9	224.6	224.7
Elimination of net interest expense/(income)	54.3	28.9	28.9
Elimination of tax expense, including deferred taxes	97.8	94.0	81.6
Cash flow from operating activities before interest and tax expenses	483.1	347.5	335.1
Change in operating working capital	(79.0)	(23.9)	(24.0)
Dividends received from equity-accounted investments	11.8	13.5	13.5
Interest paid	(24.6)	(16.5)	(16.5)
Net tax paid	(109.0)	(99.2)	(86.7)
NET CASH FLOW FROM/(USED IN) OPERATING ACTIVITIES	282.2	221.4	221.4
Net cash from/(used in) operating investments (net)	(47.8)	(32.7)	(32.7)
Free cash flow	234.4	188.7	188.7
Acquisitions of subsidiaries and other changes in scope	(71.3)	(4.4)	(4.4)
Other net financial investments	(5.5)	(5.9)	(5.9)
NET CASH FROM/(USED IN) INVESTING ACTIVITIES	(76.8)	(10.3)	(10.3)
Capital increase	0.0	22.7	22.7
Dividends paid to equity holders of the parent company	(140.3)	(132.7)	(132.7)
Dividends paid to minority shareholders	(1.5)	(5.4)	(5.4)
Acquisition of minority interests with no gain of control	(33.9)	(3.9)	(3.9)
Net disposal/(acquisition) of treasury shares	(19.8)	0.4	0.4
IFRS 16 lease liability payments	(103.9)	-	-
Change in borrowings and financial receivables (net)	78.4	89.1	89.1
NET CASH FROM/(USED IN) FINANCING ACTIVITIES	(221.0)	(29.7)	(29.7)
Impact of foreign currency exchange rate changes on cash and cash equivalents	(0.1)	0.4	0.4
CHANGE IN CASH AND CASH EQUIVALENTS	(63.5)	149.1	149.1

5.1.4 Consolidated results based on operational reporting

The financial data and indicators below correspond to Nexity's operational reporting, with joint ventures proportionately consolidated and their reconciliation with the income statement at 31 December 2018.

For better comparability, the 2017 data are presented with the new segmentation, pursuant to IFRS 15 and a simulation of IFRS 16, and the CVAE levy is reclassified under Income Taxes. A breakdown of the restatements done on 2017 and reconciliation with the data published in the consolidated financial statements under section 5.1.5 of this chapter.

The contribution from Ægide-Domitys, fully consolidated with effect from 1 July 2018, includes only the second half of 2018, when it contributed €175 million in revenue and €35 million in EBITDA. Ægide-Domitys is included in the Individual Clients segment for development (Residential Real Estate) and operations (Real Estate Services to Individuals) and in Other Activities for head office costs.

Simplified consolidated income statement at 31 December 2018

	31/12/2018 IFRS	Restatement of joint ventures	31/12/2018 Operational reporting	Restatement of non-recurring items	31/12/2018 Operational reporting before non-recurring items	31/12/2017 Operational reporting restated before non-recurring items
<i>(in millions of euros)</i>						
Revenue	3,939.6	195.4	4,135.0	-	4,135.0	3,571.3
Operating expenses	(3,442.8)	(169.2)	(3,612.0)	-	(3,612.0)	(3,110.7)
Dividends received from equity-accounted investments	11.8	(11.8)	-	-	-	-
EBITDA	508.6	14.4	523.0	-	523.0	460.6
IFRS 16 depreciation	(103.3)	-	(103.3)	-	(103.3)	(74.7)
Depreciation, amortisation and impairment of fixed assets	(31.6)	-	(31.6)	-	(31.6)	(24.4)
Net change in provisions	6.7	(1.2)	5.4	-	5.4	(4.2)
Share-based payments	(14.3)	-	(14.3)	-	(14.3)	(14.3)
Borrowing costs directly attributable to property developments, transferred from inventory	(6.5)	(0.0)	(6.5)	-	(6.5)	(5.1)
Dividends received from equity-accounted investments	(11.8)	11.8	-	-	-	-
Current operating profit	347.8	25.0	372.7	-	372.7	337.9
Remeasurement of equity-accounted investments following acquisition of control	79.2	-	79.2	(79.2)	-	-
Operating profit	427.0	25.0	451.9	(79.2)	372.7	337.9
Share of net profit from equity-accounted investments	17.9	(17.9)	-	-	-	-
Operating profit after share of net profit from equity-accounted investments	444.9	7.0	451.9	(79.2)	372.7	337.9
Cost of net financial debt	(54.3)	(0.9)	(55.2)	-	(55.2)	(39.4)
Other financial income/(expense)	5.0	(1.4)	3.6	-	3.6	0.9
Net financial income/(expense)	(49.4)	(2.3)	(51.7)	-	(51.7)	(38.5)
Pre-tax recurring profit/(loss)	395.5	4.7	400.3	(79.2)	321.1	299.4
Income taxes	(108.4)	(4.7)	(113.1)	-	(113.1)	(112.8)
Share of profit/(loss) from other equity-accounted investments	(4.7)	-	(4.7)	-	(4.7)	(4.9)
Consolidated net profit/(loss)	282.4	(0.0)	282.4	(79.2)	203.2	181.8
Attributable to non-controlling interests	5.5	0.0	5.5	-	5.5	6.0
ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	276.9	(0.0)	276.9	(79.2)	197.7	175.8
<i>(in euros)</i>						
Basic earnings per share	4.95		4.95		3.53	3.17

Revenue

Nexity posted **revenue** of €4,135 million in 2018, up 16% relative to 2017 (€3,959 on a like-for-like basis, up 11% compared to 2017).

<i>(in millions of euros)</i>	2018	2017 (restated)	% change
Individual Clients	3,550.1	3,160.4	+12.3%
Residential Real Estate*	2,648.4	2,350.0	+12.7%
Real Estate Services to Individuals	901.6	810.4	+11.3%
Commercial Clients	580.7	406.6	+42.8%
Commercial Real Estate*	512.0	343.1	+49.2%
Real Estate Services to Companies	68.7	63.4	+8.3%
Other activities	4.3	4.3	-0.8%
REVENUE	4,135.0	3,571.3	+15.8%

* Revenue generated by Residential Real Estate and Commercial Real Estate from VEFA off-plan sales and CPI development contracts is recognised using the percentage-of-completion method, i.e. on the basis of notarised sales and pro-rated to reflect the progress of inventoriable costs.

Individual Clients

Revenue from Individual Clients amounted to €3,550 million at end-2018, up 12% from 2017. On a like-for-like basis, revenue to end-2018 totalled €3,375 million (up 7% relative to 2017).

Residential Real Estate posted revenue of €2,648 million in 2018, up 13% relative to 2017 (€2,565 million on a like-for-like basis, up 9% relative to 2017). This growth reflects the increase in the backlog over previous quarters, buoyant business at Edouard Denis and the consolidation of Ægide's development business with effect from 1 July 2018, which added €83 million.

Real Estate Services to Individuals posted revenue of €902 million in 2018, up 11% relative to 2017 (€810 million on a like-for-like basis, equating to stable revenue year-on-year).

The *property management for individuals and brokerage business* (including franchises) generated €360 million in revenue, up 2% relative to 2017, driven by strong performance in the brokerage business.

Distribution activities generated 2018 revenue of €359 million, down 3% from 2017 due to slightly lower levels of business activity.

Serviced residence activities generated revenue of €183 million, including €91 million from Studéa (up 4% due to higher occupancy rates at residences) and €91 million from the Domitys senior independent living facilities business, consolidated with effect from 1 July 2018.

Commercial Clients

Commercial Clients posted 2018 revenue of €581 million, up 43% relative to 2017. This strong growth reflects a year-on-year increase in the volume of developments under construction as well as strong momentum in Real Estate Services to Companies.

Commercial Real Estate posted 2018 revenue of €512 million, representing very strong growth relative to 2017 (up 49%) both in and outside the Paris region, notably thanks to the volume of developments generating high levels of revenue delivered during the year.

Real Estate Services to Companies posted 2018 revenue of €69 million, up 8% year-on-year.

Revenue under IFRS

In IFRS terms, revenue to end-December 2018 totalled €3,940 million, up 15% relative to restated consolidated revenue of €3,415 million for the year ended 31 December 2017. On a like-for-like basis, revenue totalled €3,766 million, up 10% from 2017). This figure excludes revenue from joint ventures, in accordance with IFRS 11, which requires joint ventures – proportionately consolidated in the Group's operational reporting – to be accounted for using the equity method.

EBITDA¹

Nexity posted EBITDA of €523 million at end-December 2018 (compared with €461 million in 2017), up 14% year-on-year, giving an EBITDA margin of 12.6% (down 0.3 percentage points relative to 2017). Like-for-like EBITDA to end-December 2018 came in at €488 million, giving an EBITDA margin of 12.3%.

(in millions of euros)	2018	2017 restated	% change
Individual Clients	477.4	416.5	+14.6%
% of revenue	13.4%	13.2%	
Residential Real Estate	283.6	239.2	
% of revenue	10.7%	10.2%	
Real Estate Services to Individuals	193.8	177.3	
% of revenue	21.5%	21.9%	
Commercial Clients	71.7	67.2	+6.7%
% of revenue	12.3%	16.5%	
Commercial Real Estate	64.8	62.2	
% of revenue	12.7%	18.1%	
Real Estate Services to Companies	6.9	4.9	
% of revenue	10.0%	7.8%	
Other activities	(26.0)	(23.1)	N/A
EBITDA	523.0	460.6	+13.6%
% of revenue	12.6%	12.9%	

Individual Clients

EBITDA from Individual Clients totalled €477 million in 2018, up 15% year-on-year (€416 million in 2017), giving an EBITDA margin of 13.4% (up 0.2 percentage points relative to 2017). Like-for-like EBITDA to end-2018 came in at €438 million (up 5% from 2017), giving an EBITDA margin of 13.0% (down 0.2 percentage points relative to 2017).

The **Residential Real Estate** segment posted EBITDA of €284 million in full year 2018, up 19% or €44 million relative to 2017. The margin widened by 0.5 points to 10.7%. This growth reflects good progress on housing development and subdivision projects, strong momentum in the Edouard Denis business, and consolidation of Aegide's development business, and represents a strong performance amid pressure on construction costs and land prices..

EBITDA from **Real Estate Services to Individuals** rose €17 million, giving an EBITDA margin of 21.5% (compared with 21.9% in 2017).

EBITDA from *Property Management for Individuals* including Franchise networks fell €7 million to €67 million (giving a margin of 18.7%, compared with a restated margin of 19.8% in 2017). The 2017 restatement reflects the impact of IFRS 16-related items (high base effect in 2017 and renegotiation of a lease in financial year 2018).

EBITDA from *distribution activities* was stable at €56 million, with the EBITDA margin rising to 15.7% (vs 15.4% in 2017).

The *Serviced Residence* business generated EBITDA of €70 million (up €24 million), consisting of €40 million from Studéa (down 12% relative to 2017 taking into account the impact of IFRS 16-related items) and €30 million from the Domitys senior independent living facilities business, consolidated with effect from 1 July 2018.

Commercial Clients

EBITDA from Commercial Clients totalled €72 million in 2018, up 7% year-on-year (€67 million in 2017), giving an EBITDA margin of 12.3% (down 4.2 percentage points relative to 2017).

Commercial Real Estate generated EBITDA of €65 million in 2018, compared with €62 million in 2017 (up 4%). The EBITDA margin to end-2018 was still high at 12.7%, albeit down 5.5 percentage points relative to 2017. This change notably reflects higher construction costs. Nexity expects this business's EBITDA margin to gradually return towards its normative level of 10%.

The **Real Estate Services to Companies** business generated EBITDA of €7 million, compared with €5 million in 2017, reflecting strong revenue momentum and cost control.

¹ EBITDA is defined by Nexity as equal to current operating profit before depreciation, amortisation and impairment of non-current 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. Depreciation and amortisation includes rights of use calculated in accordance with IFRS 16, together with the impact of neutralising internal margins on disposal of an asset by development companies, followed by take-up of a lease by a Group company.

Other activities

EBITDA from Other Activities (-€26 million in 2018, compared with -€23 million in 2017) includes profit/(loss) from the holding company, research and overhead costs

Operating profit

Operating profit came to €452 million, reflecting the impact of €79 million arising from the remeasurement (following the acquisition of control) of the 45% stake in Ægide-Domitys, which was previously accounted for under the equity method.

In 2018, Nexity generated **current operating profit**¹ of €373 million, compared with €338 million in 2017 (up

incurred by Villes & Projets, and the development of incubated startups and digital projects.

10%), giving a margin of 9.0%, slightly down from 9.5% in 2017, mainly due to the dilutive impact of consolidating Ægide-Domitys. On a like-for-like basis, current operating profit to end-December 2018 totalled €382 million, giving a margin of 9.6%, comparable to that seen in 2017.

Other income statement items

<i>In millions of euros</i>	2018	2017 restated	% change
Revenue	4,135.0	3,571.3	+15.8%
EBITDA	523.0	460.6	+13.6%
% of revenue	12.6%	12.9%	
Current operating profit	372.7	337.9	+10.3%
Remeasurement of Ægide-Domitys following acquisition of control	79.2	-	
Operating profit	451.9	337.9	+33.7%
Net financial income/(expense)	(51.7)	(38.5)	
Income taxes	(113.1)	(105.9)	
Share of profit/(loss) from equity-accounted investments	(4.7)	(4.9)	
Net profit	282.4	188.6	+49.7%
Non-controlling interests	(5.5)	(6.0)	
Net profit attributable to equity holders of the parent company	276.9	182.7	+51.6%
NET PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY BEFORE NON-CURRENT ITEMS	197.7	175.8	+12.4%
<i>(in euros)</i>			
Basic earnings per share	4.95	3.30	
BASIC EARNINGS PER SHARE BEFORE INCLUSION OF NON-RECURRING ITEMS	3.53	3.17	+11.4%

Net financial expense was €52 million, *versus* €39 million in 2017. This increase in net finance costs was due firstly to higher finance costs under IFRS 16 (€16 million in 2018, compared with €9 million in 2017) arising from consolidation of Ægide-Domitys in the second half of 2018 and secondly to an increase in Nexity's average debt, while the average cost of borrowing fell to 2.6% (compared with 2.9% in 2017).

The **effective corporate income tax rate** (excluding the CVAE levy² was 31.7% in 2018, compared with 35.0% in 2017 (after adjusting to exclude the impact of the refund of the 3% tax on dividends). The tax expense totalled €113 million at 31 December 2018, including €17 million in respect of the CVAE levy in 2018 (compared with €12 million in 2017).

Equity-accounted investments made a €4.7 million negative contribution (compared with a €4.9 million loss in 2017). This item mainly consists of contributions from Bien'ici and Ægide-Domitys (prior to consolidation of the latter).

The **Group share of net profit** was €277 million, up 52% relative to net profit in 2017.

Net profit before non-recurring items attributable to equity holders of the parent company was up 12% at €198 million in 2018 (compared with €176 million in 2017).

Non-recurring items (€79 million) consisted of the remeasurement of the investment in Ægide previously accounted for using the equity method following the acquisition of a controlling interest in the company. In 2017, non-recurring items consisted of the refund of the 3% tax on dividends.

The **net profit before non-recurring items** per share came in at €3.53³ (compared with €3.17 in 2017), up 11%.

¹ Current operating profit includes all operating profit items with the exception of items resulting from unusual, abnormal and infrequently occurring transactions. In particular, impairment of goodwill is not included in current operating profit.

² Contribution sur la valeur ajoutée des entreprises (French business value-added tax).

³ Based on the average number of shares outstanding over the financial year.

5.1.5 Changes in reporting standards and operational segments

The following changes are accounted for in the 2018 financial statements:

- The Group now shows financial communications in accordance with its client-focused organisation (with two major divisions: Individual Clients and Commercial Clients);
- Nexity applies the accounting standards IFRS 15 and IFRS 16;
- The CVAE levy¹ is shown with the corporate income tax; and
- Nexity now also uses Earnings per share before non-recurring items to provide a more accurate reflection of operating performance per share.

In this context, to facilitate measuring the 2018 operational performance, the tables below show the 2017 financial statements in accordance with the same rules and methods as financial year 2018 and their reconciliation with the operational report published in the 2017 and 2018 consolidated financial statements.

The following reclassifications have been applied:

- The former Services division has been broken down into two activities (Real Estate Services to Individuals and Real Estate Services to Companies), reclassified respectively under the Individual Clients division and the Commercial Clients division); and
- The following activities were transferred from Residential Real Estate to Real Estate Services to

Individuals under the Individual Clients division: the marketing of new homes on behalf of third parties under the iSelection brand, the marketing of homes through the division of ownership of existing property under the PERL brand, property brokerage activities by the subsidiary Nexity Solutions Crédit and asset management consultancy activities by the subsidiary Nexity Patrimoine.

The CVAE levy has now been shown with the corporate income tax since 1 January 2018 because it qualifies as an income tax under IAS 12.

The Group has opted for early application of IFRS 16 Leases as from 1 January 2018. This standard is applied according to the simplified retrospective method. Under this standard, the restated comparative information cannot be shown in the financial statements. To allow comparability with financial year 2018, a simulation of the impact of this standard on the accounts for financial year 2017 is shown below.

Earnings per share before non-recurring items reflects the Group share of net profit restated for non-recurring items such as the repayment of the 3% dividend tax claimed in 2017, and with effect from 2018, change in fair value adjustments in respect of the ORNANE bond issue and items included in non-current operating profit (any goodwill impairment losses, remeasurement of equity-accounted investments following the acquisition of control).

¹ Contribution sur la valeur ajoutée des entreprises (French business value-added tax)

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Income statement

<i>(in millions of euros)</i>	Restated operational reporting published at 31 December 2017	Impact of IFRS 15	Reclassification of CVAE levy	Restated 2017 operational reporting published at 31 December 2018	Simulation impact of IFRS 16	2017 operational reporting restated according to 2018 presentation and standards
Revenue	3,506.1	65.1	-	3,571.3	-	3,571.3
Operating expenses	(3,137.7)	(65.0)	12.5	(3,190.2)	79.5	(3,110.7)
Dividends received from equity-accounted investments	-	-	-	-	-	-
EBITDA	368.5	0.1	12.5	381.1	79.5	460.6
IFRS 16 depreciation	-	-	-	-	(74.7)	(74.7)
Depreciation, amortisation and impairment of fixed assets	(24.4)	-	-	(24.4)	-	(24.4)
Net change in provisions	(4.2)	-	-	(4.2)	-	(4.2)
Share-based payments	(14.3)	-	-	(14.3)	-	(14.3)
Borrowing costs directly attributable to property developments, transferred from inventory	(5.1)	-	-	(5.1)	-	(5.1)
Dividends received from equity-accounted investments	-	-	-	-	-	-
Current operating profit	320.5	0.1	12.5	333.1	4.8	337.9
Cost of net financial debt	(30.4)	-	-	(30.4)	(9.0)	(39.4)
Other financial income/(expense)	0.9	-	-	0.9	-	0.9
Net financial income/(expense)	(29.5)	-	-	(29.5)	(9.0)	(38.5)
Pre-tax recurring profit/(loss)	291.0	0.1	12.5	303.6	(4.2)	299.4
Income taxes	(101.7)	(0.0)	(12.5)	(114.2)	1.4	(112.8)
Repayment of 3% dividend tax	6.9	-	-	6.9	-	6.9
Share of profit/(loss) from other equity-accounted investments	(4.9)	-	-	(4.9)	-	(4.9)
Consolidated net profit/(loss)	191.3	0.1	-	191.4	(2.7)	188.6
Attributable to non-controlling interests	5.7	0.3	-	6.0	-	6.0
ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	185.6	(0.2)	-	185.4	(2.7)	182.7
<i>(in euros)</i>						
Earnings per share	3.35	-	-	3.34	-	3.30
Earnings per share before non-recurring items:						
Net profit before non-recurring items*	184.4	0.1	-	184.5	(2.7)	181.8
Attributable to non-controlling interests	5.7	0.3	-	6.0	-	6.0
ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	178.7	(0.2)	-	178.5	(2.7)	175.8
<i>(in euros)</i>						
Earnings per share before non-recurring items*	3.22	-	-	3.22	-	3.17

* Restated for the repayment of the 3% dividend tax

Revenue

<i>(in millions of euros)</i>	Restated operational reporting published at 31 December 2017	Reclassi- fication of Services (Individual, Commercial)	Reclassi- fication of operational segments	2017 operational reporting (new segmentation)	Impact of IFRS 15	Reclassi- fication of CVAE levy	Restated 2017 operational reporting published at 31 December 2018	Simulation of Impact of IFRS 16	2017 operational reporting restated according to 2018 presentation and standards
At 31 December 2017									
Individual Clients	2,597.5	443.5	-	3,041.0	119.5	-	3,160.4	-	3,160.4
Residential Real Estate	2,597.5	-	(369.3)	2,228.2	121.9	-	2,350.0	-	2,350.0
Real Estate Services to Individuals	-	443.5	369.3	812.8	(2.4)	-	810.4	-	810.4
Commercial Clients	397.2	63.7	-	460.9	(54.3)	-	406.6	-	406.6
Commercial Real Estate	397.2	-	-	397.2	(54.1)	-	343.1	-	343.1
Real Estate Services to Companies	-	63.7	-	63.7	(0.3)	-	63.4	-	63.4
Services	507.2	(507.2)	-	-	-	-	-	-	-
Other activities	4.3	-	-	4.3	-	-	4.3	-	4.3
REVENUE	3,506.1	-	-	3,506.1	65.1	-	3,571.3	-	3,571.3

EBITDA

<i>(in millions of euros)</i>	Restated operational reporting published at 31 December 2017	Reclassi- fication of Services (Individual, Commercial)	Reclassi- fication of operational segments	2017 operational reporting (new segmentation)	Impact of IFRS 15	Reclassi- fication CVAE levy	Restated 2017 operational reporting published at 31 December 2018	Simulation of Impact of IFRS 16	2017 operational reporting restated according to 2018 presentation and standards
At 31 December 2017									
Individual Clients	263.8	59.8		323.7	10.4	10.4	344.5	72.0	416.5
% of revenue	10.2%			10.6%			10.9%		13.2%
o/w Residential Real Estate	263.8	-	(53.8)	210.0	10.4	5.1	225.5	13.7	239.2
% of revenue	10.2%			9.4%			9.6%		10.2%
o/w Real Estate Services to Individuals	-	59.8	53.8	113.7		5.3	118.9	58.3	177.2
% of revenue				14.0%			14.7%		21.9%
Commercial Clients	70.7	2.1	-	72.9	(10.3)	1.6	64.2	3.0	67.2
% of revenue	17.8%			15.8%			15.8%		16.5%
o/w Commercial Real Estate	70.7	-	-	70.7	(10.3)	0.8	61.2	1.0	62.2
% of revenue	17.8%			17.8%			17.8%		18.1%
o/w Real Estate Services to Companies	-	2.1	-	2.1		0.8	2.9	2.0	4.9
% of revenue				3.3%			4.6%		7.8%
Services	62.0	(62.0)	-	-	-	-	-	-	-
% of revenue	12.2%			0.0%			0.0%		0.0%
Other activities	(28.1)	-	-	(28.1)	-	0.5	(27.6)	4.5	(23.1)
EBITDA AT 31 DECEMBER 2017	368.5	-	-	368.5	0.1	12.5	381.1	79.5	460.6
% of revenue	10.5%			10.5%			10.7%		12.9%

Current operating profit

<i>(in millions of euros)</i>	Restated operational reporting published at 31 December 2017	Reclassi- fication of Services (Individual, Commercial)	Reclassi- fication of operational segments	2017 operational reporting (new segmentation)	Impact of IFRS 15	Reclassi- fication CVAE levy	Restated 2017 operational reporting published at 31 December 2018	Simulation of Impact of IFRS 16	2017 operational reporting restated according to 2018 presentation and standards
At 31 December 2017									
Individual Clients	247.0	48.4	-	295.4	10.4	10.4	316.2	4.4	320.6
% of revenue	9.5%			9.7%			10.0%		10.1%
o/w Residential Real Estate	247.0		(48.7)	198.3	10.4	5.1	213.9	0.9	214.8
% of revenue	9.5%			8.9%			9.1%		9.1%
o/w Real Estate Services to Individuals	-	48.4	48.7	97.1		5.3	102.3	3.5	105.8
% of revenue				11.9%			12.6%		13.1%
Commercial Clients	70.41	(1.3)		69.0	(10.3)	1.6	60.3	0.2	60.5
% of revenue	17.7%			15.0%			14.8%		14.9%
o/w Commercial Real Estate	70.4%			70.4	(10.3)	0.8	60.9	0.1	61.0
% of revenue	17.7%			17.7%			17.5%		17.8%
o/w Real Estate Services to Companies	-	(1.3)		(1.3)		0.8	(0.5)	0.1	(0.4)
% of revenue				-2.1%			-0.8%		-0.7%
Services	47.0	(47.0)		-	-	-	-	-	-
% of revenue	9.3%			-			-	-	-
Other activities	(43.9)			(43.9)	-	0.5	(43.4)	0.3	(43.2)
CURRENT OPERATING INCOME AS AT 31 DECEMBER 2017	320.5	-	-	320.5	0.1	12.5	333.1	4.8	337.9
% of revenue	9.1%			9.1%			9.3%		9.5%

Working capital requirement

<i>(in millions of euros)</i>	Restated operational reporting published at 31 December 2017	Reclassi- fication of Services (Individual, Commercial)	Reclassi- fication of operational segments	2017 operational reporting (new segmentation)	Impact of IFRS 15	Reclassi- fication CVAE levy	Restated 2017 operational reporting published at 31 December 2018	Simulation of Impact of IFRS 16	2017 operational reporting restated according to 2018 presentation and standard
At 31 December 2017									
Individual Clients	826.0	(45.6)	-	780.5	25.4	-	805.9	-	805.9
Residential Real Estate	826.0	-	(116.5)	709.5	25.4	-	734.9	-	734.9
Real Estate Services to Individuals	-	(45.6)	116.5	71.0	-	-	71.0	-	71.0
Commercial Clients	(44.0)	5.6	-	(38.4)	17.5	-	(20.9)	-	(20.9)
Commercial Real Estate	(44.0)	-	-	(44.0)	17.5	-	(26.5)	-	(26.5)
Real Estate Services to Companies	-	5.6	-	5.6	-	-	5.6	-	5.6
Services	(40.0)	40.0	-	-	-	-	-	-	-
Other activities	28.4	-	-	28.4	-	-	28.4	-	28.4
Corporate income tax	3.2	-	-	3.2	-	-	3.2	-	3.2
WCR AT 31 DECEMBER 2017	773.6	-	-	773.6	43.0	-	816.6	-	816.6

Backlog

<i>(in millions of euros)</i>	Restated operational reporting published at 31 December 2017	Reclassification of operational segments	2017 operational reporting (new segmentation)	Impact of IFRS 15	Reclassification CVAE levy	Restated 2017 operational reporting published at 31 December 2018	Simulation of Impact of IFRS 16	2017 operational reporting restated according to 2018 presentation and standards
At 31 December 2017								
Residential Real Estate – New homes	3,945	(136)	3,810	(475)	-	3,335	-	3,335
Residential Real Estate – Subdivisions	246	-	246	(55)	-	191	-	191
Residential Real Estate backlog	4,191	(136)	4,056	(530)	-	3,526	-	3,526
Commercial Real Estate backlog	562	-	562	(97)	-	465		465
TOTAL GROUP BACKLOG AT 31 DECEMBER 2017	4,754	(136)	4,618	(627)	-	3,991	-	3,991

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5.1.6 Balance sheet items based on operational reporting

The financial data and indicators presented below correspond to Nexity's operational reporting, with joint ventures proportionately consolidated and reconciled with the new IFRSs as applied since 1 January 2018. 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 requirement and debt.

Simplified consolidated balance sheet – 31 December 2018**ASSETS**

<i>(in millions of euros)</i>	31/12/2018 IFRS	Restatement of joint ventures	31/12/2018 Operational reporting	31/12/2017 Operational reporting restated published on 31 December 2018	Simulation of impact of IFRS 16	31/12/2017 Operational reporting restated according to 2018 presentation and standards
Goodwill	1,579.1	-	1,579.1	1,213.4		1,213.4
Other non-current assets	1,015.8	0.3	1,016.1	170.2	300.1	470.4
Equity-accounted investments	35.3	(33.3)	2.0	24.2		24.2
Total non-current assets	2,630.2	(33.0)	2,597.2	1,407.8	300.1	1,707.9
Net WCR	799.9	96.5	896.4	816.6		816.6
TOTAL ASSETS	3,430.1	63.5	3,493.6	2,224.4	300.1	2,524.5

LIABILITIES AND EQUITY

<i>(in millions of euros)</i>	31/12/2018 IFRS	Restatement of joint ventures	31/12/2018 Operational reporting	31/12/2017 Operational reporting restated published on 31 December 2018	Simulation of impact of IFRS 16	31/12/2017 Operational reporting (restated)
Share capital and reserves	1,478.0	(0.0)	1,478.0	1,480.0		1,480.0
Net profit for the period	276.9	0.0	276.9	185.4	(2.7)	182.7
Equity – attributable to equity holders of the parent company	1,754.9	(0.0)	1,754.9	1,665.5	(2.7)	1,662.7
Non-controlling interests	8.9	(0.0)	8.9	6.0		6.0
Total equity	1,763.8	(0.0)	1,763.8	1,671.5	(2.7)	1,668.8
Net debt	1,511.0	55.7	1,566.7	342.7	304.3	647.0
Provisions	110.1	2.1	112.1	132.8		132.8
Net deferred taxes	45.2	5.8	51.0	77.3	(1.4)	75.9
TOTAL LIABILITIES AND EQUITY	3,430.1	63.5	3,493.6	2,224.4	300.1	2,524.5

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Net debt at 31 December 2018

	31/12/2018 IFRS	Restatement of joint ventures	31/12/2018 Operational reporting	31/12/2017 Operational reporting restated published on 31 December 2018	Simulation of impact of IFRS 16	31/12/2017 Operational reporting restated
<i>(in millions of euros)</i>						
Bond issues (incl. accrued interest and arrangement fees)	770.2	-	770.2	703.4		703.4
Loans and borrowings	713.7	45.1	758.8	454.0		454.0
Loans and borrowings	1,483.9	45.1	1,529.0	1,157.4		1,157.4
Other financial borrowings and other financial receivables	(80.3)	75.2	(5.1)	2.6		2.6
Cash and cash equivalents	(720.8)	(76.2)	(797.0)	(836.2)		(836.2)
Bank overdraft facilities	18.1	11.5	29.6	18.9		18.9
Net cash and cash equivalents	(702.7)	(64.7)	(767.4)	(817.2)		(817.2)
TOTAL NET FINANCIAL DEBT	700.9	55.7	756.5	342.7		342.7
IFRS 16 lease liabilities	810.2	-	810.2		304.3	304.3
TOTAL NET DEBT	1,511.0	55.7	1,566.7	342.7	304.3	647.0

Simplified statement of cash flows at 31 December 2018

	31/12/2018 IFRS	Restatement of joint ventures	31/12/2018 Operational reporting	31/12/2017 Operational reporting restated published on 31 December 2018	Simulation of impact of IFRS 16	31/12/2017 Operational reporting restated
<i>(in millions of euros)</i>						
Consolidated net profit	282.4	0.0	282.4	191.4	(2.7)	188.6
Elimination of non-cash income and expenses	48.5	19.1	67.6	48.1	74.7	122.7
Cash flow from operating activities after interest and tax expenses	330.9	19.1	350.0	239.4	71.9	311.4
Elimination of net interest expense/(income)	54.3	0.9	55.2	30.4	9.0	39.4
Elimination of tax expense, including deferred taxes	97.8	4.7	102.6	98.6	(1.4)	97.2
Cash flow from operating activities before interest and tax expenses	483.1	24.7	507.8	368.4	79.5	447.9
Change in operating working capital	(79.0)	(23.2)	(102.3)	(63.7)		(63.7)
Dividends received from equity-accounted investments	11.8	(11.8)	(0.0)	(2.0)		(2.0)
Interest paid	(24.6)	(0.9)	(25.5)	(18.0)		(18.0)
Net tax paid	(109.0)	(1.0)	(110.0)	(99.7)		(99.7)
NET CASH FLOW FROM/(USED IN) OPERATING ACTIVITIES	282.2	(12.3)	270.0	185.0	79.5	264.5
Net cash from/(used in) operating investments (net)	(47.8)	(0.1)	(47.9)	(32.7)		(32.7)
Free cash flow	234.4	(12.3)	222.1	152.2	79.5	231.7
Acquisitions of subsidiaries and other changes in scope	(71.3)	(0.0)	(71.3)	(4.6)		(4.6)
Other net financial investments	(5.5)	(1.5)	(7.0)	(5.8)		(5.8)
NET CASH FROM/(USED IN) INVESTING ACTIVITIES	(76.8)	(1.5)	(78.4)	(10.5)		(10.5)
Capital increase	0.0	(0.0)	(0.0)	22.7		22.7
Dividends paid to equity holders of the parent company	(140.3)	-	(140.3)	(132.7)		(132.7)
Dividends paid to minority shareholders	(1.5)	-	(1.5)	(5.4)		(5.4)
Acquisition of minority interests with no gain of control	(33.9)	-	(33.9)	(3.9)		(3.9)
Net disposal/(acquisition) of treasury shares	(19.8)	-	(19.8)	0.4		0.4
IFRS 16 lease liability payments	(103.9)	-	(103.9)	(79.5)		(79.5)
Change in borrowings and financial receivables (net)	78.4	27.6	105.9	117.4		117.4
NET CASH FROM/(USED IN) FINANCING ACTIVITIES	(221.0)	27.6	(193.4)	(1.4)	(79.5)	(80.9)
Impact of foreign currency exchange rate changes on cash and cash equivalents	(0.1)	-	(0.1)	0.5		0.5
CHANGE IN CASH AND CASH EQUIVALENTS	(63.5)	13.7	(49.8)	140.8		140.8

5.1.6.1 Cash flows and working capital requirement (WCR)

<i>In millions of euros</i>	2018	2017 (restated)
Cash flow from operating activities before interest and tax expenses	507.8	447.9
Cash flow from operating activities after interest and tax expenses	350.0	311.4
Change in operating working capital (excluding tax)	(102.3)	(63.7)
Changes in tax-related working capital, dividends from equity-accounted investments and other	22.3	16.8
Net cash flow from/(used in) operating activities	270.0	264.5
Net cash flow from/(used in) operating investments	(47.9)	(32.7)
Free cash flow	222.1	231.7
Net cash flow from/(used in) financial investments	(78.4)	(10.5)
IFRS 16 lease payments made	(103.9)	(79.5)
Dividends paid by Nexity SA	(140.3)	(132.7)
Net cash flow from/(used in) financing activities, excluding dividends	50.7	131.8
CHANGE IN CASH AND CASH EQUIVALENTS	(49.8)	140.8

Cash flow from operating activities before interest and tax expenses totalled €508 million in the year to end-December 2018, up €60 million relative to 2017. This change is consistent with EBITDA growth during the financial year.

Net cash from operating activities in the year to end-December 2018 totalled €270 million, virtually unchanged from 2017.

Operating investment rose to €48 million (2017: €33 million), with half of this increase due to integration of Ægide-Domitys.

In the year to end-December 2018, Nexity generated free cash flow¹ of €222 million, compared with €232 million to

end-December 2017, comfortably exceeding the amount of the dividend paid in 2018 (€140 million).

Net cash from financial investments amounting to €78 million mainly corresponds to external growth transactions: acquisition of 18% of Ægide, a majority stake in Morning Coworking and several firms in property management for individuals..

Net cash from financing activities (€51 million) corresponds to new borrowings net of redemptions (€39 million), the ORNANE bond issue (€200 million) less the redemption of a bond (-€135 million), payments relating to commitments to buy out minority interests over the period (-€34 million) and the cost of the share buyback programme (-€20 million).

<i>(in millions of euros)</i>	31 December 2018	31 December 2017 (restated)	Change
Individual Clients	762	806	(45)
Commercial Clients	87	(21)	108
Other activities	51	28	23
Total WCR excluding tax	900	813	87
Corporate income tax	(4)	3	(7)
WCR	896	817	80

Operating WCR at 31 December 2018 was €900 million, up €87 million from its level in December 2017.

For **Individual Clients**, the overall decrease in working capital reflects virtually stable working capital in Residential Real Estate (up €12 million), in spite of strong momentum in this segment, and an improvement in working capital in *Real Estate Services to Individuals* (€15 million at end-2018, compared with €71 million at end-2017), mainly due to consolidation of the Domitys business (where WCR is negative).

For **Commercial Clients**, WCR for *Commercial Real Estate* was up €108 million, due to higher levels for certain developments with less favourable client payment schedules, while WCR for *Real Estate Services to Companies* was close to zero.

WCR for **Other activities** totalled €51 million and includes new land positions secured by the Group's urban regeneration business (Villes & Projets).

¹ Free cash flow corresponds to cash generated by operating activities after taking into account tax paid, financial expenses, changes in WCR, dividends received from companies accounted for under the equity method and net investments in operating assets.

5.1.6.2 Goodwill

Goodwill at end-December 2018 totalled €1,579 million (compared with €1,213 million at end-2017). This increase includes goodwill arising from the acquisition of controlling stakes in Ægide-Domitys (€288 million) and in Morning Coworking (€61 million), and from the acquisition of a number of firms specialising in property management for individuals (€16 million).

5.1.6.3 Financial structure

Nexity's consolidated equity (attributable to equity holders of the parent company) was €1,754 million at end-December 2018, compared with €1,663 million at end-December 2017, mainly after taking into account net profit for the financial year (€277 million Group share) and the dividend payment (€140 million).

<i>In millions of euros</i>	31 December 2018	31 December 2017 (restated)	Change
Bond issues (incl. accrued interest and arrangement costs)	770	703	67
Loans and borrowings	759	454	305
Other financial borrowings and other financial receivables	(5)	3	(8)
Net cash and cash equivalents	(767)	(817)	50
Net financial debt before IFRS 16	757	343	414
IFRS 16 lease liabilities	810	304	506
TOTAL NET DEBT	1,567	647	920

On 27 February 2018, Nexity issued €200 million of 7-year bonds that may be converted into cash and/or new shares and/or existing shares (2018 ORNANE bonds), offered by way of a private placement and maturing in March 2025. These bonds bear interest at an annual nominal rate of 0.25%.

In July 2018, Nexity also took out a €500 million working capital loan with a term of five years. The loan was unutilised at 31 December 2018.

Net financial debt before IFRS 16 totalled €757 million (compared with €343 million at 31 December 2017), equating to 43% of equity and approximately 1.8x EBITDA excluding IFRS 16 (€419 million). The increase in financial debt in financial year 2018 (up €414 million) was mainly the result of external¹ growth transactions totalling €306 million (including €226 million for Ægide-Domitys, €64 million for Morning Coworking and €16 million for a number of firms specialising in property management for individuals) and €45 million arising from the remeasurement of commitments to buy out minority interests in previously acquired companies.

Under IFRS 16, future lease commitments (€810 million) must now be recognised in liabilities. This change has a particularly significant impact on the Group, given its serviced residences and shared office space businesses. In addition to debt in connection with Studéa (€140 million), as a result of acquisition-related growth, debt is now also recognised for Domitys (€474 million) and Morning Coworking (€39 million). The balance of €157 million mainly consists of rentals of premises occupied by employees of the Group

Net debt amounted to €1,567 million at 31 December 2018, compared with €647 million at 31 December 2017 (up €920 million). This represents three times EBITDA for the past 12 months.

At 31 December 2018, the average maturity of the Group's debt was 3.7 years and the average cost of borrowing was 2.6%, compared with 2.9% at 31 December 2017. At 31 December 2018, Nexity was in compliance with the financial covenants attached to its borrowings.

5.1.7 Economic uncertainties

The Group's sales activity and performance will remain subject to uncertainties arising from the potential impact of various risks inherent in its economic, legislative, fiscal and competitive environment, as set out in Section 2 - Risk factors of this Registration Document, including:

- Change in the economic climate and context;

- A decline in the financial capacity of households and more difficult lending conditions;
- Change in property ownership and tax incentive schemes;
- Change in regulatory constraints or applicable tax law; and
- Changes in interest rates.

¹ These amounts include the purchase price paid, the amount of the commitment to buy out minority interests and each company's financial debt at the time of acquisition.

5.2 TRENDS

5.2.1 Recent developments

On 14 January 2019, based on the share buyback programme for which details were published on 31 May 2018, a share buyback programme was launched for a maximum amount of €10 million, maturing on 15 February 2019. The Company bought back 206,129 shares totalling €8.5 million over the period, at an average price of €41 per share.

As a result of negotiations opened in January 2019, Nexity sold the majority of the equity in its subsidiary Nexity Conseil et Transaction to the management on 29 March 2019. Nexity retains a 16.3% stake in Nexity Conseil et Transaction.

Alain Dinin, Chairman and Chief Executive Officer of Nexity, informed the Board of Directors of his wish that the positions of Chairman and Chief Executive Officer be separated beginning next 22 May, provided his appointment as a board director is renewed by the Shareholders' Meeting of that date. Alain Dinin would be named Chairman of the Board of Directors, Jean-Philippe Ruggieri would be named Chief Executive Officer and Julien Carmona would be re-appointed Deputy Chief Executive Officer of the company. This arrangement is therefore expected to take place 22 May 2019 during the Board of Directors meeting held at the close of the Shareholders' Meeting convening that same day (see chapter 4 "Corporate Governance Report" in this Registration Document).

There are no other recent developments to report.

5.2.2 Backlog at 31 December 2018

The term "backlog" refers to reservations that have been signed but are not yet reflected in revenue.

<i>(in millions of euros)</i>	31 December 2018	31 December 2017 (restated)	% change
Residential Real Estate – New homes	3,979	3,335	+19.3%
Residential Real Estate – Subdivisions	182	191	-4.7%
Residential Real Estate backlog	4,161	3,526	+18.0%
Commercial Real Estate backlog	308	465	-33.8%
TOTAL GROUP BACKLOG	4,469	3,991	+12.0%

At end-December 2018, the Group's backlog stood at a record €4,469 million, up 12% relative to end-2017 (€4,223 million, up 6% on a like-for-like basis), equivalent to 17 months' revenue from Nexity's development operations (revenue on a rolling 12-month basis).

Backlog in **Residential Real Estate** totalled €4,161 million, up 18% relative to 31 December 2017. This figure now includes developments by Aegide (€246 million). This

backlog amounts to 19 months of revenue (Residential Real Estate division revenue on a rolling 12-month basis).

Backlog in **Commercial Real Estate** totalled €308 million at end-December 2018, down 34% compared with 31 December 2017 as a result of relatively weak order intake during the financial year. This backlog amounts to 7 months of revenue (Commercial Real Estate revenue on a rolling 12-month basis).

5.2.3 Outlook

In view of the current environment in which it operates, the Group anticipates the following:

- Revenue and EBITDA expected to grow by at least 5% in 2019;
- Target of 10% compound annual growth (2017-2021) in revenue and EBITDA confirmed;
- Dividend¹ of €2.50 per share payable in 2019 ;
- **For Individual Clients:**
 - **growth of the Group's market share** in a new housing market (retail and bulk sales) set to decline to around 145,000 units in 2019,
- **serviced residences (students and seniors):** the Group expects to open over **20 new residences** in 2019 while **rejuvenating 1,000 student housing units**;
- **For Commercial Clients:** Order intake volume at least equal to 2018, and continued growth of new service offerings (Intent, Accessite, etc.); and
- **For Local Authority Clients:** initiation of the largest private project in Greater Paris in La Garenne-Colombes (Hauts-de-Seine).

¹ Compared with a dividend of €2.50 per share paid in 2018, subject to approval at Nexity's Shareholders' Meeting.

5.2.4 Statutory Auditors' report on the Company's profit forecast for financial year 2018

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

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 5.3 of Nexity's 2018 Registration Document. You are responsible for preparing the forecast and for the assumptions on which it is based, in accordance with the provisions of Commission Regulation (EC) No. 809/2004 and ESMA guidelines.

It is our responsibility, based on our work, to express an opinion as to whether the profit forecast has been properly compiled, pursuant to Annex I, item 13.2 of Commission Regulation (EC) No. 809/2004.

We conducted the work we deemed necessary in accordance with the professional standards issued by the French national institute of statutory auditors (CNCC) relating to this engagement. Our work included an assessment of the procedures implemented by Group management to compile the forecast, and verifications to ensure that the basis of accounting used for the forecast was consistent with the accounting policies used to prepare Nexity's historical financial information. We also gathered all the information and explanations that we deemed necessary in order to obtain reasonable assurance that the forecast had been properly compiled on the basis of the assumptions stated.

We remind you that given the inherently uncertain nature of profit forecasts, actual figures may differ significantly from the forecasts made, and we do not express an opinion as to the probability of the forecasts being achieved.

In our opinion:

- the forecast has been properly compiled on the basis stated;
- the accounting basis used to prepare the forecast is consistent with Nexity's accounting policies.

This report has been issued for the sole purpose of filing the Registration Document with the Autorité des Marchés Financiers (the French securities regulator) and, where appropriate, for a public offering of Nexity's shares and/or debt securities (with a par value of less than €100,000) in France and other European Union countries in which the prospectus approved by the AMF has been filed. It may not be used for any other purpose.

Paris La Défense, 27 March 2019

The Statutory Auditors

KPMG Audit IS
François Plat
Partner

MAZARS
Olivier Thireau
Partner

MAZARS
Michel Barbet-Massin
Partner

5.3 CONSOLIDATED FINANCIAL STATEMENTS - 31 DECEMBER 2018

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The following restatements were made to the 2017 consolidated financial statements:

a) The Group has decided to apply IFRS 15 Revenue from Contracts with Customers with effect from 1 January 2018 using the full retrospective method (see Note 2.2.1). The description of the 2017 financial statements was therefore restated. The impacts of the application of IFRS 15 are presented in Note 2.4.

b) Taxes (mainly the CVAE levy, based on the value added by the Group's businesses), calculated on taxable income as defined by IAS 12 "Income Taxes", which were previously shown under operating expenses, are included within income taxes beginning with the 2018 reporting year (see Note 2.3). The description of the 2017 financial statements was therefore restated. The restatements made are presented in Note 2.4.

c) The Group applied IFRS 16 (Leases) early as from 1 January 2018 (see Note 2.2.2). This standard is applied according to the simplified retrospective method. Under this standard, the restated comparative information cannot be shown in the financial statements. To allow comparability with financial year 2018, a simulation of the impact of this standard on the accounts for financial year 2017 is shown in paragraph 5.1.5 of this chapter.

5.3.1 Summary statements

Consolidated balance sheet¹

ASSETS			
<i>(in thousands of euros)</i>	Notes	31/12/2018	31/12/2017 (restated) ¹
Non-current assets			
Goodwill	7	1,579,107	1,213,417
Right-of-use assets (IFRS 16)	8	756,793	-
Other intangible assets	8	113,503	77,580
Property, plant and equipment	8	100,637	46,233
Equity-accounted investments	9	35,292	51,937
Other financial assets	10	44,887	47,696
Deferred tax assets	29	39,261	15,084
Total non-current assets		2,669,480	1,451,947
Current assets			
Inventories and work in progress	12	1,440,670	1,220,531
Trade and other receivables	13	991,871	860,156
Tax receivable	29	19,989	26,572
Other current assets	14	1,320,777	1,134,862
Other financial receivables	20	160,698	119,039
Cash and cash equivalents	21	720,796	776,408
Total current assets		4,654,801	4,137,568
TOTAL ASSETS		7,324,281	5,589,515
LIABILITIES AND EQUITY			
<i>(in thousands of euros)</i>		31/12/2018	31/12/2017 (restated) ¹
Equity			
Share capital	16	280,649	280,184
Additional paid-in capital		521,060	659,888
Treasury shares held	18	(23,980)	-
Reserves and retained earnings		700,255	541,119
Net profit for the period		276,874	185,332
Equity attributable to equity holders of the parent company		1,754,858	1,666,523
Non-controlling interests		8,926	6,132
Total equity		1,763,784	1,672,655
Non-current liabilities			
Long-term borrowings and financial debt	19	1,157,780	702,523
IFRS 16 lease liabilities – Non-current portion	19	678,633	-
Employee benefits	24	22,346	31,568
Deferred tax liabilities	29	84,505	85,915
Total non-current liabilities		1,943,264	820,006
Current liabilities			
Short-term borrowings, financial debt and operating liabilities	19	424,590	498,447
IFRS 16 lease liabilities – Current portion	19	131,539	-
Current provisions	24	87,705	100,405
Trade and other payables		1,619,158	1,061,931
Tax payable	29	18,658	23,474
Other current liabilities	15	1,335,583	1,412,597
Total current liabilities		3,617,233	3,096,854
TOTAL LIABILITIES AND EQUITY		7,324,281	5,589,515

¹ See the description of these restatements on page 247.

Consolidated income statement¹

<i>(in thousands of euros)</i>	Notes	31/12/2018	31/12/2017 (restated) ¹
Revenue		3,939,575	3,415,165
Purchases		(2,533,035)	(2,253,374)
Personnel costs	25	(629,594)	(539,337)
Other operating expenses	26	(268,123)	(262,159)
Taxes (other than income tax)		(26,138)	(23,604)
Depreciation, amortisation and impairment of fixed assets	27	(134,915)	(24,583)
Current operating profit		347,770	312,108
Remeasurement of equity-accounted investments following acquisition of control	3.3	79,222	-
Operating profit		426,992	312,108
Share of net profit from equity-accounted investments	9	17,912	14,702
Operating profit after share of net profit from equity-accounted investments		444,904	326,810
Financial expense	28	(58,254)	(32,553)
Financial income	28	8,885	4,558
Net financial income/(expense)		(49,369)	(27,995)
Pre-tax recurring profit/(loss)		395,535	298,815
Income taxes	29	(108,369)	(102,737)
Share of net profit/(loss) from other equity-accounted investments	9	(4,750)	(4,859)
NET PROFIT		282,416	191,219
Attributable to equity holders of the parent company		276,874	185,332
Attributable to non-controlling interests		5,542	5,887
<i>(in euros)</i>			
Basic earnings per share	30	4.95	3.34
Diluted earnings per share	30	4.37	3.07

Statement of total comprehensive income ¹

<i>(in thousands of euros)</i>	31/12/2018	31/12/2017 restated ¹
NET PROFIT	282,416	191,219
Foreign currency translation gains and losses	(920)	1,534
Gains and losses that may be recycled to net profit	(920)	1,534
Actuarial gains and losses on retirement benefits	12,269	(247)
Deferred tax on actuarial gains and losses	(3,894)	85
Gains and losses that may not be recycled to net profit	8,375	(162)
TOTAL OTHER COMPREHENSIVE INCOME (NET OF TAX)	7,455	1,372
TOTAL COMPREHENSIVE INCOME	289,871	192,591
Attributable to equity holders of the parent company	284,329	186,704
Attributable to non-controlling interests	5,542	5,887

¹ See the description of these restatements on page 247.

Change in consolidated equity¹

<i>(in thousands of euros)</i>	Share capital	Additional paid-in capital	Treasury shares held	Reserves and retained earnings	Other comprehensive income	Equity attributable to equity holders of the parent company	Non-controlling interests	Total equity
Movements in 2017								
At 1 January 2017	274,045	778,546	-	535,658	1,023	1,589,272	4,866	1,594,138
Restatement due to application of IFRS 15				28,256		28,256	1,041	29,297
At 1 January 2017 (restated) ¹	274,045	778,546	-	563,914	1,023	1,617,528	5,907	1,623,435
Capital increase	6,139	16,609				22,748		22,748
Appropriation of 2016 earnings		(2,535)		2,535		-		-
Treasury shares				279		279		279
Share-based payments				14,267		14,267		14,267
Other				458		458		458
Effect of acquisitions or disposals to minority shareholders subsequent to a takeover				(42,729)		(42,729)		(42,729)
Dividends paid by Nexity (€2.40 per share)		(132,732)				(132,732)		(132,732)
Total movements linked to relationships with shareholders	6,139	(118,658)	-	(25,190)	-	(137,709)	-	(137,709)
Net profit for the period				185,332		185,332	5,887	191,219
Other comprehensive income					1,372	1,372		1,372
Total comprehensive income	-	-	-	185,332	1,372	186,704	5,887	192,591
Dividends paid by subsidiaries						-	(5,358)	(5,358)
Impact of changes in scope						-	(304)	(304)
At 31 December 2017 (restated) ¹	280,184	659,888	-	724,056	2,395	1,666,523	6,132	1,672,655
Movements in 2018								
At 1 January 2018 (restated) ¹	280,184	659,888	-	724,056	2,395	1,666,523	6,132	1,672,655
Capital increase	465	(465)				-		-
Treasury shares			(23,980)	(800)		(24,780)		(24,780)
Share-based payments				14,324		14,324		14,324
Other				(251)		(251)		(251)
Effect of acquisitions or disposals to minority shareholders subsequent to a takeover				(44,963)		(44,963)		(44,963)
Dividends paid by Nexity (€2.50 per share)		(110,934)		(29,390)		(140,324)		(140,324)
Total movements linked to relationships with shareholders	465	(111,399)	(23,980)	(61,080)	-	(195,994)	-	(195,994)
Net profit for the period				276,874		276,874	5,542	282,416
Other comprehensive income					7,455	7,455		7,455
Total comprehensive income	-	-	-	276,874	7,455	284,329	5,542	289,871
Dividends paid by subsidiaries						-	(1,489)	(1,489)
Impact of changes in scope						-	(1,259)	(1,259)
AT 31 DECEMBER 2018	280,649	548,489	(23,980)	939,850	9,850	1,754,858	8,926	1,763,784

¹ See the description of these restatements on page 247.

Statement of consolidated cash flows¹

<i>(in thousands of euros)</i>	Notes	31/12/2018	31/12/2017 restated ¹
Net profit attributable to equity holders of the parent company		276,874	185,332
Net profit attributable to non-controlling interests		5,542	5,887
Consolidated net profit		282,416	191,219
Elimination of non-cash income and expenses:			
Elimination of depreciation, amortisation and provisions		127,017	28,729
Elimination of gains and losses on asset disposals		(79,654)	207
Elimination of the impact of changes in fair value		-	-
Elimination of net profit from equity-accounted investments		(17,912)	(14,702)
Elimination of net profit/(loss) from other equity-accounted investments		4,750	4,859
Elimination of the impact of share-based payments		14,324	14,267
Cash flow from operating activities after interest and tax expenses		330,941	224,579
Elimination of net interest expense/(income)		54,328	28,851
Elimination of tax expense, including deferred tax and tax credits		97,816	94,033
Cash flow from operating activities before interest and tax expenses		483,085	347,463
Change in operating working capital	11	(79,041)	(23,874)
Dividends received from equity-accounted investments	9	11,795	13,471
Interest paid		(24,596)	(16,468)
Net tax paid		(109,010)	(99,173)
Net cash flow from/(used in) operating activities		282,233	221,419
Acquisition of subsidiaries, net of cash acquired	3.4	(71,893)	(4,598)
Proceeds from sale of subsidiaries, net of cash divested	3.5	1,262	714
Other changes in scope		(701)	(542)
Purchase of property, plant, equipment and intangible assets		(48,041)	(33,047)
Purchase of financial assets		(15,204)	(12,559)
Proceeds from sale of property, plant, equipment and intangible assets		246	307
Proceeds from sale and redemption of financial assets		9,712	6,695
Net cash from/(used in) investing activities		(124,619)	(43,030)
Capital increase subscribed by equity holders of the parent company		-	22,748
Capital increase subscribed by minority shareholders in consolidated companies		54	-
Dividends paid to equity holders of the parent company		(140,324)	(132,732)
Dividends paid to minority shareholders of consolidated companies		(1,489)	(5,358)
Net disposal/(acquisition) of treasury shares		(19,797)	426
(Acquisitions)/disposals of minority interests with no gain or loss of control		(33,889)	(3,894)
Proceeds from issuance of bonds		328,277	226,816
Redemption of bonds		(221,210)	(102,907)
IFRS 16 lease liability payments		(103,919)	-
Decrease in receivables and increase in short-term financial debt		(28,702)	(34,788)
Net cash from/(used in) financing activities		(220,999)	(29,689)
Impact of foreign currency exchange rate changes on cash and cash equivalents		(134)	439
CHANGE IN CASH AND CASH EQUIVALENTS		(63,519)	149,139
Cash and cash equivalents, beginning of period		766,222	617,083
Cash and cash equivalents, end of period	21	702,702	766,222

¹ See the description of these restatements on page 247.

5.3.2 Notes to the consolidated financial statements

Note 1 Information on the Company and key developments

1.1 Description

Nexity is an integrated real estate operator harnessing the entire spectrum of property know-how and skills to serve private individuals, companies, institutional investors and local authorities. Covering all segments of the property development and services markets, Nexity is one of the top players in French real estate and offers its clients a unique range of expertise and advice, products, services and solutions to meet their evolving needs.

Nexity is present throughout France and elsewhere in Europe.

The Group is organised around the following three operating divisions:

- The Individual Clients division, focused on Residential Real Estate, comprising the development of new homes and subdivisions; and on Real Estate Services to Individuals, including Property Management for Individuals, as well as the administration, coordination and development of real estate franchise networks, the management of residences for students and, since 1 July 2018, for seniors; and real estate product distribution activities;

- The Commercial Clients division, focused on Commercial Real Estate, comprising the development of new or refurbished office buildings, high-rises, business parks, logistics facilities, retail property and hotels; and on Real Estate Services to Companies, comprising property management, real estate advisory and brokerage services for companies and investors; and
- The Other activities division, which includes Nexity's urban regeneration business (Villes & Projets), investment activities, innovative startups in the incubation phase, the Group's main digital projects and the holding company.

Nexity's shares are listed on Eurolist by NYSE Euronext Paris.

The Company's press releases and annual reports – including historical financial information about the Company and the consolidated financial statements – are available on the Company's website (www.nexity.fr). Copies may also be obtained from Nexity's head office at 19 rue de Vienne – TSA 50029 – 75801 Paris Cedex 8 (France).

1.2 Significant developments

2018 was marked by the following significant developments:

Business activity

- Over the year, net new home reservations in France totalled 19,609 units, up 7% by volume and up 10% by value year on year compared with 2017;
- €349 million in Commercial Real Estate orders.

At 31 December 2018, the development backlog came to €4.5 billion, 12% higher than at 31 December 2017.

New segmentation

As part of the growth strategy adopted by Nexity in 2017, through which it aims to become a real estate services platform, the Group now presents its segments using its client-centred organisation (with two main divisions: Individual Clients and Commercial Clients).

Application of new reporting standards:

- Full retrospective approach used for the application of IFRS 15 Revenue from Contracts with Customers; and
- Early application as from 1 January 2018 of IFRS 16 Leases using the simplified retrospective approach; the 2017 financial statements have therefore not been restated under this standard.

Change in presentation

Reclassification of the CVAE levy from "Operating expenses" to "Income taxes".

Financing

In February 2018, Nexity issued €200 million of 7-year bonds that may be converted into cash and/or new shares and/or existing shares (ORNANE bonds), offered by way of a private placement, redeemable at maturity in March 2025 and paying an annual coupon rate of 0.25%. This new borrowing extends the maturity of the debt while also taking advantage of current favourable interest rates.

In July 2018, Nexity entered into a €2.3 billion syndicated corporate credit facility, comprised of a €500 million cash credit line and €1.8 billion in guarantee commitments ("engagements par signature", notably including performance bonds and bank guarantees). This facility lasts for five years (maturing in July 2023). At 31 December 2018 the credit facility had not been used.

Controlling stake acquired in Ægide-Domitys

In June 2018, the Group exercised the call option to acquire an additional 18% stake in Ægide, thus raising its ownership interest to 63.16%. Ægide-Domitys has been fully consolidated since 1 July 2018. The Ægide-Domitys Groups is the French leader in the market of senior independent living residences. At 31 December 2018, it had 83 residences open comprising a total of 9,800 homes.

Controlling stake in Morning Coworking

In December 2018, Nexity acquired 54% of the company Bureau à Partager, a leading player operating under the

Morning Coworking brand. The company offers fully-equipped offices in the Paris market, covering a total of 20 spaces with a capacity of over 5,000 coworkers.

GENERAL INFORMATION**Note 2 Principles and policies****2.1 Statement of compliance**

Nexity's consolidated financial statements for the year ended 31 December 2018 have been prepared in accordance with the International Financial Reporting Standards (IFRS) and the interpretations of the IFRS Interpretations Committee (IFRIS IC), as adopted by the European Union.

The accounting principles and methods used to prepare the consolidated financial statements for the year ended 31 December 2018 were identical to those applied for the financial year ended 31 December 2017, except for the standards mentioned in Note 2.2, "New IFRSs", and Note 2.3, "Change in presentation".

The Group opted for early application of IFRS 16 (Leases) as from 1 January 2018.

The other standards, amendments and interpretations adopted by the European Union for mandatory application in 2018 had no impact on the financial statements.

The consolidated financial statements were approved by the Board of Directors on 19 February 2019 and will be submitted to the shareholders for approval at the Shareholders' Meeting of 22 May 2019.

2.2 New IFRSs**2.2.1 IFRS 15 Revenue from Contracts with Customers**

Application of **IFRS 15** Revenue from Contracts with Customers is mandatory for annual reporting periods beginning on or after 1 January 2018.

For the transition, the Group has opted for the fully retrospective method. As a result, Nexity applies all the provisions of **IFRS 15** to each comparable period presented, and the cumulative impact of the transition is therefore included in equity at the beginning of the comparable period, 1 January 2017.

The application of this standard does not pose a challenge to the principle of revenue and profit recognition based on percentage-of-completion for real estate development operations in France under VEFA off-plan agreements and CPI development contracts. In VEFA situations, control of the asset is passed to the client over time as it is completed, and in CPI arrangements the developer cannot make any alternative use of the asset and has an enforceable right to payment for performance completed to date.

For development projects, given the method used to hold work in progress in inventory, revenue is recognised in line with all inventoriable costs (including land, contrary to the previous practice), which results in a higher rate of revenue and margin recognition.

Conversely, and for all ongoing developments, the Group's backlog (which represents future revenue) decreases due to this higher percentage of completion.

The impacts on the 2017 financial statements are presented in Note 2.4. They are marked by a €29 million impact on the Group's equity at 31 December 2017, in return for a WCR increase of €38 million (Note 11 provides details on the changes in each item), and a €5 million increase in equity-accounted investments, offset by a €14 million deferred tax liability.

2.2.2 IFRS 16 Leases

Application of **IFRS 16** Leases is mandatory for annual reporting periods beginning on or after 1 January 2019.

This standard requires lessees to recognise, for all eligible leases, all remaining lease payments in the form of a:

- **Right-of-use assets**, under non-current assets;
- **Lease liability**, under borrowings.

The Group opted for early application starting 1 January 2018 using the simplified retrospective restatement method, by applying the simplified measures provided by the standard. Exclusion of the following contracts:

- Contracts expired at 31 December 2018;
- Tacit leases or leases of under one year; and
- Contracts related to assets with a value of under €5,000.

The discount rate used is the marginal rate of debt:

- It is unique for a contract portfolio;
- It corresponds to the rate at 1 January 2018 for all on-going contracts at that date.

Leased assets include both premises occupied and equipment used by Nexity employees, together with serviced student residences (Nexity Studéa) and senior residences (Domitys).

Leases that renew automatically or that are for less than one year are not restated.

The discount rate used to value lease liabilities was 2.9% for leases signed in the first half of 2018, and 2.5% for those signed in the second half of 2018.

The standard requires neutralisation of the margins for leaseback transactions. For Nexity, this covers property sales to investors, who then lease these properties to the Group's subsidiaries (serviced residences and occasionally office buildings occupied by Nexity employees). The portion of the margin generated by the share of rents discounted in relation to the sale price is neutralised during construction by a reduction in the value of rights of use, which reduces depreciation over the duration of the lease.

The application of this standard at 1 January 2018 resulted in a €288 million increase in the Group's debt and a €273 million increase in intangible assets. The difference between the two aggregates corresponds to the reclassification of provisions for loss-making contracts and restatements of lease disposal transactions existing at the transition date.

2.2.3 IFRS 9 Financial Instruments

Application of **IFRS 9** Financial Instruments is mandatory for annual reporting periods beginning on or after 1 January 2018.

At 31 December 2018, the application of this standard had no material impact on the financial statements or their presentation.

2.3 Change in presentation

Following an analysis of the taxes falling within the scope of the definition of taxes calculated on the basis of taxable income under IAS 12 Income Taxes, Nexity now presents the CVAE levy, based on the value added by the Group's businesses, under "Income taxes" rather than under "Taxes (other than income tax)" within operating expenses.

This change in presentation was analysed as a change in method, and the financial statements for prior periods were modified to provide a basis for comparison. The restated 2017 financial statements are presented in Note 2.4.

The impact of this change in presentation is not material at Group level.

2.4 Restated 2017 consolidated financial statements

2.4.1 Restated consolidated statement of financial position at 31 December 2017

ASSETS (RESTATED)				
<i>(in thousands of euros)</i>	31/12/2017 (published)	Impact of IFRS 15	Reclassification of CVAE levy	31/12/2017 (restated)
Non-current assets				
Goodwill	1,213,417	-	-	1,213,417
Other intangible assets	77,580	-	-	77,580
Property, plant and equipment	46,233	-	-	46,233
Equity-accounted investments	47,021	4,916	-	51,937
Other financial assets	47,696	-	-	47,696
Deferred tax assets	15,084	-	-	15,084
Total non-current assets	1,447,031	4,916	-	1,451,947
Current assets				
Inventories and work in progress	1,763,502	(542,971)	-	1,220,531
Trade and other receivables	541,112	319,044	-	860,156
Tax receivable	26,572	-	-	26,572
Other current assets	1,181,953	(47,091)	-	1,134,862
Other financial receivables	119,039	-	-	119,039
Cash and cash equivalents	776,408	-	-	776,408
Total current assets	4,408,586	(271,018)	-	4,137,568
TOTAL ASSETS	5,855,617	(266,102)	-	5,589,515

LIABILITIES AND EQUITY (RESTATED)				
<i>(in thousands of euros)</i>	31/12/2017 (published)	Impact of IFRS 15	Reclassification of CVAE levy	31/12/2017 (restated)
Equity				
Share capital	280,184	-	-	280,184
Additional paid-in capital	659,888	-	-	659,888
Treasury shares held	-	-	-	-
Reserves and retained earnings	512,863	28,256	-	541,119
Net profit for the period	185,632	(300)	-	185,332
Equity attributable to equity holders of the parent company	1,638,567	27,956	-	1,666,523
Non-controlling interests	4,868	1,264	-	6,132
Total equity	1,643,435	29,220	-	1,672,655
Non-current liabilities				
Long-term borrowings and financial debt	702,523	-	-	702,523
Employee benefits	31,568	-	-	31,568
Deferred tax liabilities	72,152	13,763	-	85,915
Total non-current liabilities	806,243	13,763	-	820,006
Current liabilities				
Short-term borrowings, financial debt and operating liabilities	498,447	-	-	498,447
Current provisions	100,405	-	-	100,405
Trade and other payables	1,071,171	(9,240)	-	1,061,931
Tax payable	23,474	-	-	23,474
Other current liabilities	1,712,442	(299,845)	-	1,412,597
Total current liabilities	3,405,939	(309,085)	-	3,096,854
TOTAL LIABILITIES AND EQUITY	5,855,617	(266,102)	-	5,589,515

2.4.2 Restated consolidated income statement at 31 December 2017

RESTATED INCOME STATEMENT				
<i>(in thousands of euros)</i>	31/12/2017 (published)	Impact of IFRS 15	Reclassification of CVAE levy	31/12/2017 (restated)
Revenue	3,353,977	61,188	-	3,415,165
Purchases	(2,192,069)	(61,305)	-	(2,253,374)
Personnel costs	(539,337)	-	-	(539,337)
Other operating expenses	(262,159)	-	-	(262,159)
Taxes (other than income tax)	(36,069)	-	12,465	(23,604)
Depreciation, amortisation and impairment of fixed assets	(24,583)	-	-	(24,583)
Current operating profit	299,760	(117)	12,465	312,108
Remeasurement of equity-accounted investments following acquisition of control		-	-	-
Operating profit	299,760	(117)	12,465	312,108
Share of net profit from equity-accounted investments	14,702	-	-	14,702
Operating profit after share of net profit from equity-accounted investments	314,462	(117)	12,465	326,810
Financial expense	(32,553)	-	-	(32,553)
Financial income	4,558	-	-	4,558
Net financial income/(expense)	(27,995)	-	-	(27,995)
Pre-tax recurring profit/(loss)	286,467	(117)	12,465	298,815
Income taxes	(90,312)	40	(12,465)	(102,737)
Share of net profit/(loss) from other equity-accounted investments	(4,859)	-	-	(4,859)
NET PROFIT	191,296	(77)	-	191,219
Attributable to equity holders of the parent company	185,632	(300)	-	185,332
Attributable to non-controlling interests	5,664	223	-	5,887
<i>(in euros)</i>				
Basic earnings per share	3.35			3.34
Diluted earnings per share	3.08			3.07

2.4.3 Restated consolidated statement of cash flows at 31 December 2017

RESTATEMENT OF CASH FLOWS

<i>(in thousands of euros)</i>	31/12/2017 (published)	Impact of IFRS 15	Reclassification of CVAE levy	31/12/2017 (restated)
Net profit attributable to equity holders of the parent company	185,632	(300)	-	185,332
Net profit attributable to non-controlling interests	5,664	223	-	5,887
Consolidated net profit	191,296	(77)	-	191,219
Elimination of non-cash income and expenses:				
Elimination of depreciation, amortisation and provisions	28,729	-	-	28,729
Elimination of gains and losses on asset disposals	207	-	-	207
Elimination of the impact of changes in fair value	-	-	-	-
Elimination of net profit from equity-accounted investments	(14,702)	-	-	(14,702)
Elimination of net profit/(loss) from other equity-accounted investments	4,859	-	-	4,859
Elimination of the impact of share-based payments	14,267	-	-	14,267
Cash flow from operating activities after interest and tax expenses	224,656	(77)	-	224,579
Elimination of net interest expense/(income)	28,851	-	-	28,851
Elimination of tax expense, including deferred tax and tax credits	81,608	(40)	12,465	94,033
Cash flow from operating activities before interest and tax expenses	335,115	(117)	12,465	347,463
Change in operating working capital	(23,991)	117	-	(23,874)
Dividends received from equity-accounted investments	13,471	-	-	13,471
Interest paid	(16,468)	-	-	(16,468)
Net tax paid	(86,708)	-	(12,465)	(99,173)
Net cash flow from/(used in) operating activities	221,419	-	-	221,419
Acquisition of subsidiaries, net of cash acquired	(4,598)	-	-	(4,598)
Proceeds from sale of subsidiaries, net of cash divested	714	-	-	714
Other changes in scope	(542)	-	-	(542)
Purchase of property, plant, equipment and intangible assets	(33,047)	-	-	(33,047)
Purchase of financial assets	(12,559)	-	-	(12,559)
Proceeds from sale of property, plant, equipment and intangible assets	307	-	-	307
Proceeds from sale and redemption of financial assets	6,695	-	-	6,695
Net cash from/(used in) investing activities	(43,030)	-	-	(43,030)
Capital increase subscribed by equity holders of the parent company	22,748	-	-	22,748
Dividends paid to equity holders of the parent company	(132,732)	-	-	(132,732)
Dividends paid to minority shareholders of consolidated companies	(5,358)	-	-	(5,358)
Net disposal/(acquisition) of treasury shares	426	-	-	426
(Acquisitions)/disposals of minority interests with no gain or loss of control	(3,894)	-	-	(3,894)
Proceeds from issuance of bonds	226,816	-	-	226,816
Redemption of bonds	(102,907)	-	-	(102,907)
Increase in receivables and decrease in short-term financial debt	(34,788)	-	-	(34,788)
Net cash from/(used in) financing activities	(29,689)	-	-	(29,689)
Impact of foreign currency exchange rate changes on cash and cash equivalents	439	-	-	439
CHANGE IN CASH AND CASH EQUIVALENTS	149,139	-	-	149,139
Cash and cash equivalents, beginning of period	617,083	-	-	617,083
Cash and cash equivalents, end of period	766,222	-	-	766,222

2.5 Estimates and assumptions

In the process of preparing the consolidated financial statements, the measurement of certain balance sheet and income statement items calls for the use of assumptions and assessments based, in particular, on budgets for property developments. These are used to measure the operating margin, non-current assets, provisions, inventory impairment and accrued expenses. Other items also require the use of estimates based on assumptions regarding business plans, or changes in the rates applied, and include provisions, goodwill, and put options granted to minority shareholders.

These assumptions, estimates and assessments are established and reviewed regularly on the basis of information available and the actual position of the

Company on the date the financial statements are prepared, taking into consideration past experience and other relevant factors. Actual results may differ significantly from estimates due to changes in the underlying conditions and assumptions.

The assumptions, estimates and assessments on which the financial statements of 31 December 2018 are based have been made in the context of high volumes in the French real estate market, but with a decrease in the new homes real estate development market. This overall downward trend is likely to continue into 2019. In the medium term, expectations of interest rate rises pose risks to the Group's activity levels and future margins.

2.6 Date of the financial statements

Group companies are consolidated on the basis of their financial statements for the period ended 31 December 2018.

Note 3 Scope of reporting and business combinations

3.1 Consolidation and reporting

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has power over the entity, has rights to variable returns from its involvement with the entity, and has the ability to affect those returns through its power over the entity.

In assessing control, potential voting rights that the Group is able in practice to exercise are taken into account.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Associates and joint ventures

Associates are entities in which the Group has significant influence, but not control, over financial and operating policies.

Joint ventures are entities over whose activities the Group has joint control, established by contractual agreement. Most joint ventures are property developments (residential or commercial) undertaken with another developer (co-developments).

The consolidated financial statements include the Group's share of the total recognised gains and losses of associates and joint ventures on an equity-accounted basis, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

Transactions eliminated on consolidation

The following are eliminated:

- Intragroup receivables and payables; and
- Intragroup balances and transactions (purchases, sales, dividends, profit, provisions recorded against consolidated companies, etc.).

3.2 Scope of reporting

BASIS OF REPORTING	Individual Clients	Commercial Clients	Other activities	Total at 31/12/2018
Fully consolidated	1,906	102	32	2,040
Joint ventures	218	6	6	230
Associates	15	-	1	16
Equity-accounted	233	6	7	246
TOTAL SCOPE OF REPORTING	2,139	108	39	2,286

The number of consolidated companies fell by 576 between 31 December 2017 and 31 December 2018.

In 2018, 891 companies were removed from the scope of reporting. This primarily concerned vehicles associated with completed projects or, occasionally, entities sold to the client upon delivery of the project.

In 2018, 315 companies were brought into the scope of reporting, broken down into 217 companies founded primarily to support the Group's real estate development projects, and 98 companies acquired through external growth.

3.3 Additions to the scope

Individual Clients

Ægide

In June 2018, Nexity exercised the purchase option to acquire an additional 18% stake in Ægide, for which it paid €41 million. Nexity thereby acquired control of this company, previously 45.16% owned and accounted for using the equity method. The ownership interest already held was remeasured at €109.1 million, thus generating a profit of €79.2 million. A liability for the put options granted to minority interests allowing the repurchase of the shares corresponding to the remaining stake in the company (37.84%) was valued at €100.8 million. Following the fair value adjustment of the assets and liabilities, all of the above steps led to the recognition of a provisional goodwill of €288.4 million, thereby recognising under client relationships a net deferred tax amount of €6.3 million, to be amortised over a 24-month period. The final goodwill amount will be calculated during the first half of 2019.

The impact of the first Ægide-Domitys consolidation on Nexity's balance sheet has resulted in a net debt increase prior to IFRS 16 of around €73 million, in return for property, plant and equipment and working capital requirement.

Due to the impact of IFRS 16, IFRS 16 rights of use of €423.4 million were recorded together with lease liabilities of €446.2 million on 1 July 2018. These impacts result from the secured residence business.

In 2018, Ægide-Domitys generated revenue of €331 million, and since its takeover has been included in the consolidated income statement, representing €175 million in additional revenue and a loss of €8.9 million on the operating profit for the second half of 2018.

Property management for individuals

In 2018, the Group acquired property management firms and several property management contract portfolios in France, for a purchase price of €17 million. After allocating a client relationship net of deferred taxes of €5.1 million, these transactions generated €15.7 million in goodwill.

The payments relating to these acquisitions totalled €20.1 million during the period. The rest of the purchase price had been paid in late 2017 (see Note 10, "Other financial assets – Companies in the process of being acquired or sold").

Commercial Clients

Bureaux à Partager (Morning Coworking)

At the end of December 2018, Nexity took a controlling stake (54% of the capital) in Bureaux à Partager (Morning Coworking), for a price of €23.9 million. It also committed to buy back the remaining shares, valued at €40.8 million. The company is a leading actor in the Paris market for fully-equipped offices.

Provisional goodwill of €61.4 million was recorded in the consolidated balance sheet at 31 December 2018. The fair value adjustment of the assets and liabilities will be finalised over the 2019 financial year.

The impact of the initial consolidation of Bureaux à Partager has resulted in an IFRS 16 rights of use for €39 million being recorded, with debt for the same amount in return. The other assets and liabilities are immaterial (see table below).

Bureaux à Partager generated revenue of €17 million in 2018. Considering the takeover date, no contribution was recorded in the income statement.

5 FINANCIAL REPORT

Consolidated financial statements - 31 December 2018

BREAKDOWN OF VESTED NET ASSETS

<i>(in thousands of euros)</i>	Notes	Ægide Individual Clients	Property Management for Individuals Individual Clients	Morning Coworking Commercial Clients	Total
Non-current assets	8	61,592	7,647	6,113	75,352
IFRS 16 assets	8	423,404	61	38,976	462,441
Other financial assets	10	921	(3,073)	-	(2,152)
Equity-accounted investments	9	(22,997)	-	-	(22,997)
WCR (incl. taxes)	11	(31,142)	(251)	(3,436)	(34,829)
Non-controlling interests	17	(667)	-	-	(667)
Current and non-current provisions	25.1	(1,852)	(323)	-	(2,175)
Deferred tax liabilities (net)	30	19,500	(2,086)	-	17,414
Total net operating assets		448,759	1,975	41,653	492,387
Net cash and cash equivalents	20	8,317	987	650	9,954
IFRS 16 debts	20	(446,188)	(58)	(38,976)	(485,222)
Loans and borrowings	20	(78,304)	(1,660)	-	(79,964)
Total debt net of acquisitions		(516,175)	(731)	(38,326)	(555,232)
TOTAL NET IDENTIFIABLE ASSETS		(67,416)	1,244	3,327	(62,845)
Goodwill	7	288,407	15,725	61,417	365,549
TOTAL VESTED NET ASSETS		220,991	16,969	64,744	302,704

BREAKDOWN OF ACQUISITION PRICES

<i>(in thousands of euros)</i>	Ægide Individual Clients	Property Management for Individuals Individual Clients	Morning Coworking Commercial Clients	Total
Purchase price	41,000	16,969	23,878	81,847
Put options granted to minority shareholders	100,791	-	40,866	141,657
Remeasurement of equity-accounted share	79,200	-	-	79,200
TOTAL	220,991	16,969	64,744	302,704

3.4 Detail of acquisitions reported in the consolidated statement of cash flows

<i>(in thousands of euros)</i>	Acquisitions in 2018	Acquisitions in 2017
Purchase price	81,847	4,947
Cash of subsidiaries acquired	(9,954)	(349)
ACQUISITION OF CONSOLIDATED COMPANIES, NET OF CASH ACQUIRED	71,893	4,598

3.5 Detail of disposals reported in the consolidated statement of cash flows

<i>(in thousands of euros)</i>	Disposals in 2018	Disposals in 2017
Sale price	1,262	797
Less cash of subsidiaries sold	-	(83)
PROCEEDS FROM SALES OF CONSOLIDATED COMPANIES, NET OF CASH DIVESTED	1,262	714

These disposals were primarily one-off sales of business assets in the property management for individuals business.

3.6 Revenue by geographic region

The Group conducts international business in Europe (Italy, Belgium, Poland and Switzerland) which in 2018 represented 1.8% of the revenue generated by the Group (compared with 2.1% in 2017).

FINANCIAL YEAR 2018

<i>(in thousands of euros)</i>	France	International	Operational reporting total
Individual Clients	3,474,842	75,223	3,550,066
Commercial Clients	580,675	-	580,675
Other activities	4,251	-	4,251
	4,059,768	75,223	4,134,992

FINANCIAL YEAR 2017

<i>(in thousands of euros)</i>	France	International	Operational reporting total (restated) ⁽¹⁾
Individual Clients	3,084,597	75,793	3,160,390
Commercial Clients	406,595	-	406,595
Other activities	4,289	-	4,289
	3,495,481	75,793	3,571,273

(1) See the description of these restatements on page 247.

Note 4 Recognition of revenue and operating profit

Consolidated revenue comprises the Group's aggregate revenue from sales of real estate and the provision of services, after elimination of intra-Group transactions.

Residential and Commercial Real Estate development

The majority of the Group's revenue is generated by VEFA off-plan sales contracts or CPI real estate development contracts, which at 31 December 2018 accounted for €2,882 million of a total €3,939 million.

Revenue and profit from VEFA or CPI contracts are recognised for the sold assets as the construction process progresses.

Partially completed operations at the end of the period are recorded using the percentage-of-completion method on the basis of the most updated estimates of the results of operations, discounted at year-end.

The status percentage is calculated based on the commercial status and on the cost status percentage completed on the reporting date.

If results on completion cannot be determined reliably, revenue is only recognised on recoverable costs.

The operating margin for the Group's development activities includes all costs directly attributable to contracts:

- Land acquisition costs;
- Site development and construction costs;
- Urban planning taxes and duties;

- Preliminary contract costs, which are capitalised only if the probability of obtaining the contract is high;
- Project ownership costs;
- Directly allocated marketing and selling costs (in-house and external sales commissions, etc.); and
- Financial expenses directly attributed to the development operations.

Revenue and profit from real estate development operations undertaken in Italy and Poland are recognised at the time of sale, which cannot be prior to the building's completion.

Services and Other activities

Revenue is recognised when transactions are closed and over the period that services are provided.

Income for distribution activities under the iSelection and PERL brands is recognised when the notarised agreement is signed, based on the contracts, in the form of fees or sales of real estate products. Indeed, the sales contract follows the disposal of a VEFA contract acquired from a third-party developer, or sales on existing buildings.

Current operating profit

Current operating profit includes all operating profit items with the exception of items resulting from unusual, abnormal and infrequently occurring transactions. In particular, the impairment of goodwill and the remeasurement of equity-accounted investments following the acquisition of control are not included in current operating profit.

Note 5 Alternative performance measures

EBITDA acts as a measurement of operational cash flow generated (See Note 6.2). 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 companies whose operations are an extension of the Group's business.

Amortisations and depreciations include rights of use calculated pursuant to IFRS 16, and the impact of neutralising internal margins on the disposal of an asset by developers, followed by a lease take-up by one of the Group's companies.

The Group uses "working capital requirement" (abbreviated as WCR; see Note 11) and net debt (see Note 20) to analyse its financial structure.

Note 6 Segment information

6.1 Segment definitions

Operating segments (hereafter "divisions") are subgroups of companies or activities for which separate financial information is available and reviewed on a regular basis by company management with a view to allocating resources and assessing their economic performance.

The presentation of Nexity's business activities, as presented to the Group's Executive Committee (composed of its chief operating decision-makers), was revised at the beginning of the 2018 financial year to reflect its strategy of becoming a real estate services platform, and is now based on a client-centred organisation, mainly structured around two divisions: Individual Clients and Commercial Clients.

Individual Clients

This division comprises real estate development and services activities for Individual Clients, as follows:

Residential Real Estate

- Residential real estate development: In France (Nexity Logement, Edouard Denis Développement, Ægide [since 1 July 2018], their subsidiaries, joint ventures), and outside France (Poland, Italy, Belgium [prospective], Portugal [prospective]); and
- Development of subdivisions, in particular with Foncier Conseil.

Real Estate Services to Individuals

- Property management for individuals: rental management, sales and lettings, and managing agent services under the Nexity and Oralia brands, as well as the management, operation and development of real estate franchise networks under the Century 21 France and Guy Hoquet l'Immobilier trade names;
- Management of residences for students (with Studéa) and for seniors (with Domitys, since 1 July 2018), mainly in France, and to a lesser extent in Switzerland and Belgium;
- Distribution of real estate products, mainly under two brands: iSelection (which markets rental properties on behalf of third parties) and PERL (which markets properties based on the distinction between usufruct

and bare ownership); real estate brokerage activities carried out by Nexity Solutions Crédits; and financial advisory activities carried out by Nexity Patrimoine.

Commercial Clients

This division comprises real estate development and services activities for Commercial Clients, as follows:

Commercial Real Estate

Development of offices (new or refurbished), high-rises, retail property and hotels, logistics facilities and other industrial space (Nexity Immobilier d'Entreprise, Ywood, Térénéo, Nexity Contractant Général and project-specific entities).

Real Estate Services to Companies

Real Estate Services to Companies: brokerage, consultancy (Nexity Conseil Transaction), rental management, property management (Nexity Property Management) and short-term lets with Morning Coworking (since 31 December 2018).

Other activities

This division mainly includes the following companies and activities:

- Villes & Projets and pre-development urban regeneration projects;
- Equity interests in investment vehicles;
- The Nexity holding company; and
- Innovative startups in the incubation phase, Nexity Blue Office (shared office space) and the Group's main digital projects.

Operational reporting

Segment reporting is based on the operational reporting that the Group uses for management purposes. In its operational reporting, Nexity applies proportionate consolidation to its joint ventures, which in its view provides a more accurate reflection of the Group's performance and risks as measured by revenue, operating profit, working capital and debt.

Notes 6.2.1 and 6.3.1 present the condensed financial statements based on operational reporting data, with a reconciliation to the full statements.

Operating reporting data are analysed and commented on in the management report and the press release on annual results.

6.2 Income statement

6.2.1 Income statement based on operational reporting¹

<i>(in thousands of euros)</i>	31/12/2018 (12-month period)	Restatement of joint ventures	31/12/2018 Operational reporting	31/12/2017 (12-month period) (restated) ⁽¹⁾	Restatement of joint ventures	31/12/2017 Operational reporting (restated) ⁽¹⁾
Revenue	3,939,575	195,417	4,134,992	3,415,165	156,108	3,571,273
Purchases	(2,533,035)	(167,633)	(2,700,668)	(2,253,374)	(131,918)	(2,385,292)
Personnel costs	(629,594)	(12)	(629,606)	(539,337)	(13)	(539,350)
Other operating expenses	(268,123)	(2,548)	(270,671)	(262,159)	(3,020)	(265,179)
Taxes (other than income tax)	(26,138)	(270)	(26,408)	(23,604)	(165)	(23,769)
Depreciation, amortisation and impairment of fixed assets	(134,915)	-	(134,915)	(24,583)	-	(24,583)
Current operating profit	347,770	24,954	372,724	312,108	20,992	333,100
Remeasurement of equity-accounted investments following acquisition of control	79,222	-	79,222	-	-	-
Operating profit	426,992	24,954	451,946	312,108	20,992	333,100
Share of net profit from equity-accounted investments	17,912	(17,912)	-	14,702	(14,702)	-
Operating profit after share of net profit from equity-accounted investments	444,904	7,042	451,946	326,810	6,290	333,100
Financial expense	(58,254)	(1,532)	(59,786)	(32,553)	(1,445)	(33,998)
Financial income	8,885	(763)	8,122	4,558	(82)	4,476
Net financial income/(expense)	(49,369)	(2,295)	(51,664)	(27,995)	(1,527)	(29,522)
Pre-tax recurring profit/(loss)	395,535	4,747	400,282	298,815	4,763	303,578
Income taxes	(108,369)	(4,748)	(113,117)	(102,737)	(4,605)	(107,342)
Share of net profit/(loss) from other equity-accounted investments	(4,750)	-	(4,750)	(4,859)	-	(4,859)
NET PROFIT	282,416	-	282,416	191,219	158	191,377
Attributable to equity holders of the parent company	276,874	-	276,873	185,332	81	185,413
Attributable to non-controlling interests	5,542	-	5,542	5,887	77	5,964
<i>(in euros)</i>						
Basic earnings per share	4.95		4.95	3.34		3.34
Diluted earnings per share	4.37		4.37	3.07		3.07

¹ See the description of these restatements on page 247.

5 FINANCIAL REPORT

Consolidated financial statements - 31 December 2018

Income statement broken down by segment

AT 31 DECEMBER 2018

<i>(in thousands of euros)</i>	Individual Clients	Commercial Clients	Other activities	Total Operational reporting
Total revenue	3,550,066	580,675	4,251	4,134,992
Revenue from other divisions	-	-	-	-
Revenue	3,550,066	580,675	4,251	4,134,992
Operating expenses	(3,072,700)	(508,993)	(30,266)	(3,611,959)
EBITDA	477,366	71,682	(26,015)	523,033
IFRS 16 depreciation	(93,740)	(3,563)	(5,970)	(103,273)
Depreciation, amortisation and impairment of fixed assets	(17,741)	(2,146)	(11,755)	(31,642)
Net change in provisions	1,107	165	4,150	5,422
Share-based payments	(7,090)	(2,145)	(5,090)	(14,325)
Borrowing costs directly attributable to property developments, transferred from inventory	(6,492)	-	-	(6,492)
Current operating profit	353,410	63,993	(44,680)	372,724
Remeasurement of equity-accounted investments following acquisition of control	-	-	79,222	79,222
Operating profit	353,410	63,993	34,542	451,946
Financial expense	(27,225)	(2,823)	(29,739)	(59,786)
Financial income	4,144	31	3,947	8,122
Net financial income/(expense)	(23,081)	(2,792)	(25,791)	(51,664)
Pre-tax recurring profit/(loss)	330,329	61,201	8,751	400,282
Income taxes	(120,990)	(16,005)	23,879	(113,117)
Share of profit/(loss) from equity-accounted investments	795	-	(5,545)	(4,750)
Net profit	210,134	45,196	27,085	282,416
Attributable to equity holders of the parent company	204,778	45,008	27,085	276,873
Attributable to non-controlling interests	5,355	188	(1)	5,542

AT 31 DECEMBER 2017

<i>(in thousands of euros)</i>	Individual Clients	Commercial Clients	Other activities	Total Operational reporting (restated) ⁽¹⁾
Total revenue	3,160,385	406,595	4,289	3,571,273
Revenue from other divisions	-	-	-	-
Revenue	3,160,385	406,595	4,289	3,571,273
Operating expenses	(2,815,882)	(342,467)	(31,877)	(3,190,231)
EBITDA	344,503	64,128	(27,589)	381,042
IFRS 16 depreciation	-	-	-	-
Depreciation, amortisation and impairment of fixed assets	(12,873)	(2,188)	(9,330)	(24,391)
Net change in provisions	(5,251)	(66)	1,141	(4,176)
Share-based payments	(4,953)	(1,563)	(7,749)	(14,265)
Borrowing costs directly attributable to property developments, transferred from inventory	(5,115)	-	-	(5,115)
Current operating profit	316,311	60,311	(43,527)	333,095
Operating profit	316,311	60,311	(43,527)	333,095
Financial expense	(9,333)	(2,473)	(22,193)	(33,998)
Financial income	3,111	39	1,326	4,476
Net financial income/(expense)	(6,222)	(2,434)	(20,867)	(29,522)
Pre-tax recurring profit/(loss)	310,089	57,878	(64,393)	303,578
Income taxes	(104,294)	(22,534)	19,486	(107,343)
Share of profit/(loss) from equity-accounted investments	(6,032)	-	1,174	(4,859)
NET PROFIT	199,762	35,343	(43,734)	191,377
Attributable to equity holders of the parent company	193,794	35,346	(43,733)	185,413
Attributable to non-controlling interests	5,968	(3)	(1)	5,964

(1) See the description of these restatements on page 247.

6.3 Balance sheet

6.3.1 Balance sheet based on operational reporting

ASSETS

<i>(in thousands of euros)</i>	31/12/2018	Restatement of joint ventures	31/12/2018 Operational reporting	31/12/2017 (restated) ⁽¹⁾	Restatement of joint ventures	31/12/2017 Operational reporting (restated) ⁽¹⁾
Non-current assets						
Goodwill	1,579,107	-	1,579,107	1,213,417	-	1,213,417
Right-of-use assets (IFRS 16)	756,793	-	756,793	-	-	-
Other intangible assets	113,503	-	113,503	77,580	-	77,580
Property, plant and equipment	100,637	-	100,637	46,233	-	46,233
Equity-accounted investments	35,292	(33,317)	1,975	51,937	(27,765)	24,172
Other financial assets	44,887	293	45,180	47,696	(1,292)	46,404
Deferred tax assets	39,261	1,846	41,107	15,084	1,168	16,252
Total non-current assets	2,669,480	(31,176)	2,638,304	1,451,947	(27,889)	1,424,058
Current assets						
Inventories and work in progress	1,440,670	240,520	1,681,190	1,220,531	90,688	1,311,219
Trade and other receivables	991,871	54,584	1,046,455	860,156	21,648	881,804
Tax receivable	19,989	285	20,274	26,572	219	26,791
Other current assets	1,320,777	34,728	1,355,505	1,134,862	26,904	1,161,766
Other financial receivables	160,698	(83,643)	77,055	119,039	(78,149)	40,890
Cash and cash equivalents	720,796	76,219	797,015	776,408	59,756	836,164
Total current assets	4,654,801	322,693	4,977,494	4,137,568	121,066	4,258,634
TOTAL ASSETS	7,324,281	291,517	7,615,798	5,589,515	93,177	5,682,692

(1) See the description of these restatements on page 247.

LIABILITIES AND EQUITY

<i>(in thousands of euros)</i>	31/12/2018	Restatement of joint ventures	31/12/2018 Operational reporting	31/12/2017 (restated) ⁽¹⁾	Restatement of joint ventures	31/12/2017 Operational reporting (restated) ⁽¹⁾
Equity						
Share capital	280,649	-	280,649	280,184	-	280,184
Additional paid-in capital	521,060	-	521,060	659,888	-	659,888
Treasury shares held	(23,980)	-	(23,980)	-	-	-
Reserves and retained earnings	700,255	-	700,255	541,119	(1,051)	540,068
Net profit for the period	276,874	-	276,874	185,332	100	185,432
Equity – attributable to equity holders of the parent company	1,754,858	-	1,754,858	1,666,523	(951)	1,665,572
Non-controlling interests	8,926	-	8,926	6,132	(85)	6,047
Total equity	1,763,784	-	1,763,784	1,672,655	(1,036)	1,671,619
Non-current liabilities						
Long-term borrowings and financial debt	1,157,780	1,614	1,159,394	702,523	701	703,224
IFRS 16 lease liabilities – Non-current portion	678,633	-	678,633	-	-	-
Employee benefits	22,346	-	22,346	31,568	-	31,568
Deferred tax liabilities	84,505	7,641	92,146	85,915	7,591	93,506
Total non-current liabilities	1,943,264	9,255	1,952,519	820,006	8,292	828,298
Current liabilities						
Short-term borrowings, financial debt and operating liabilities	424,590	46,620	471,210	498,447	18,103	516,550
IFRS 16 lease liabilities – Current portion	131,539	-	131,539	-	-	-
Current provisions	87,705	2,052	89,757	100,405	802	101,207
Trade and other payables	1,619,158	220,866	1,840,024	1,061,931	64,783	1,126,714
Tax payable	18,658	5,161	23,819	23,474	162	23,636
Other current liabilities	1,335,583	7,564	1,343,147	1,412,597	2,071	1,414,668
Total current liabilities	3,617,233	282,262	3,899,495	3,096,854	85,921	3,182,775
TOTAL LIABILITIES AND EQUITY	7,324,281	291,517	7,615,798	5,589,515	93,177	5,682,692

(1) See the description of these restatements on page 247.

6.3.2 Balance sheet items broken down by segment

AT 31 DECEMBER 2018

<i>(in thousands of euros)</i>	Individual Clients	Commercial Clients	Other activities	Inter-division eliminations and not segmented	Total operational reporting
Assets					
Non-current division assets	2,232,723	232,366	136,152	(4,044)	2,597,198
Deferred tax assets				41,108	41,108
Total non-current assets	2,232,723	232,366	136,152	37,064	2,638,306
Current division assets	4,129,854	710,503	1,047,205	(930,344)	4,957,217
Tax receivable				20,274	20,274
Total current assets	4,129,854	710,503	1,047,205	(910,070)	4,977,491
TOTAL ASSETS	6,362,577	942,869	1,183,357	(873,007)	7,615,798
Liabilities					
Total equity				1,762,233	1,762,233
Non-current division liabilities	625,821	59,010	1,178,986	(3,444)	1,860,373
Deferred tax liabilities				93,698	93,698
Total non-current liabilities	625,821	59,010	1,178,986	90,254	1,954,071
Current division liabilities	3,512,138	653,484	641,244	(931,191)	3,875,674
Tax payable				23,819	23,819
Total current liabilities	3,512,138	653,484	641,244	(907,372)	3,899,493
TOTAL LIABILITIES AND EQUITY	4,137,959	712,494	1,820,230	945,115	7,615,798
Working capital requirement	761,591	86,980	51,161	(3,298)	896,434

AT 31 DECEMBER 2017

<i>(in thousands of euros)</i>	Individual Clients	Commercial Clients	Other activities	Inter-division eliminations and not segmented	Total operational reporting (restated) ⁽¹⁾
Assets					
Non-current division assets	1,128,687	204,657	79,314	(4,852)	1,407,806
Deferred tax assets				16,252	16,252
Total non-current assets	1,128,687	204,657	79,314	11,400	1,424,059
Current division assets	3,618,880	531,974	996,091	(915,102)	4,231,842
Tax receivable				26,791	26,791
Total current assets	3,618,880	531,974	996,091	(888,311)	4,258,633
TOTAL ASSETS	4,747,566	736,631	1,075,405	(876,910)	5,682,692
Liabilities					
Total equity				1,671,619	1,671,619
Non-current division liabilities	37,920	29,383	671,084	(3,595)	734,792
Deferred tax liabilities				78,707	78,707
Total non-current liabilities	37,920	29,383	671,084	75,112	813,499
Current division liabilities	2,815,997	429,343	830,405	(916,606)	3,159,139
Tax payable				38,435	38,435
Total current liabilities	2,815,997	429,343	830,405	(878,171)	3,197,574
TOTAL LIABILITIES AND EQUITY	2,853,917	458,726	1,501,489	868,560	5,682,692
Working capital requirement	805,919	(20,902)	28,142	3,402	816,560

(1) See the description of these restatements on page 247.

ANALYSIS OF THE FINANCIAL STATEMENTS

Non-current assets

Note 7 Goodwill

In line with Nexity's new client-centred segmentation, the breakdown by cash-generating unit (CGU) has been updated to present data under two CGUs:

- The Individual Clients CGU includes the activities of the former Residential Real Estate CGU, together with the share of the Services CGU corresponding to the activities of Real Estate Services to Individuals; and
- The Commercial Clients CGU includes the activities of the former Commercial Real Estate CGU, together with the share of the Services CGU corresponding to the activities of Real Estate Services to Companies.

Goodwill impairment testing

Goodwill reflects the expertise and synergies expected from acquired companies.

Goodwill is tested for impairment at least once a year and when there is an indication of impairment loss. To test for

impairment, goodwill is broken down into cash-generating units (CGUs), which are groups of similar assets generating identifiable cash flows. An impairment test involves comparing the carrying amount of each CGU with the recoverable amount. The recoverable amount corresponds to the value in use, determined on the basis of the present value of expected future cash flows, which is the most suitable method considering the lack of recent comparable transactions. In the event of impairment the corresponding amount is recognised as an expense in the income statement.

An impairment loss recognised for a CGU is first allocated to the carrying amount of the goodwill associated with the CGU and then to the other non-monetary assets of the CGU in proportion to their carrying amounts.

An impairment loss of goodwill may not be reversed.

<i>(in thousands of euros)</i>	Balance at 31/12/2017 (published)	Reclassification Services (Individual/Commercial Clients)	Balance at 31/12/2017 (reallocated)
Individual Clients	452,956	655,235	1,108,191
Commercial Clients	59,345	45,881	105,226
Services	701,116	(701,116)	-
Other activities	-	-	-
TOTAL GOODWILL	1,213,417	-	1,213,417

<i>(in thousands of euros)</i>	Balance at 31/12/2017 (reallocated)	Acquisitions and remeasurements	Disposals	Adjustments during the allocation period	Balance at 31/12/2018
Individual Clients	1,108,191	304,132	-	140	1,412,463
Commercial Clients	105,226	61,417	-	-	166,643
TOTAL GOODWILL	1,213,417	365,549	-	140	1,579,106

For Individual Clients, acquisitions for the period include the acquisition of control of Ægide shares totalling €288,407 thousand, and the acquisition of new French property management firms totalling €15,704 thousand, representing overall provisional goodwill of €304,132 thousand.

For Commercial Clients, the provisional goodwill of €61,417 thousand was generated by the acquisition of Morning Coworking (see details in Note 3.3).

Adjustments to goodwill during the allocation period related to the acquisition of firms in property management for individuals in late 2017.

After testing at the 2018 balance sheet date, no impairment losses were recognised.

Main assumptions used for testing

At 31 December 2018, an independent expert calculated the discount rate of the future cash flows for the CGUs, using the capital asset pricing model (CAPM) to measure the cost of equity, and using the actual cost method to measure the cost of debt. The tax rate takes into account the year-on-year decline in rates to 25% in 2022, in accordance with the Finance Act passed in 2017.

DISCOUNT RATE (WACC AFTER TAX)

	Individual Clients		Commercial Clients	
At 31 December 2018	6.32 %		6.75 %	
At 31 December 2017	Residential			
	Real Estate	Services	Commercial Real Estate	Services
	5.01 %	5.36 %	6.30 %	5.36 %

The value tests use Executive Management's 5-year business plan, which was presented to the Board of Directors in December 2018. This business plan involves differing growth assumptions depending on the business activity involved. These assumptions take into account current market conditions and foreseeable developments as well as the Group's assumptions about changes in the regulatory environment and competitive pressures. The budgeted margin levels are consistent with the margin targets set by the Commitments Committee for Commercial and Residential Real Estate development projects, and with the current profit margin for the business activities of the Services division.

Beyond the 5-year plan, the perpetual growth rate used to calculate the terminal value is 1.5% (the same rate as at 31 December 2017). This rate is lower than the average growth rate for business activities over the period of the business plan.

Sensitivity of useful life values to key assumptions

Given the very pronounced difference between the DCF value and the value to be tested, there is no potential loss of value for the two CGUs with downgraded assumptions. The threshold at which the DCF would display a loss of value requires a 75% fall in terminal flows for Individual Clients, and a 90% fall for Commercial Clients.

Moreover, value tests have also been carried out for each CGU based on the same distribution as previous years (Residential Real Estate, Commercial Real Estate, Real Estate Services). These tests show that no impairment losses were recognised.

Note 8 IFRS 16 rights of use, other intangible assets and property, plant and equipment

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses. They consist mainly of software, including purchased packages as well as tools developed for internal use, and client relationships that may be recognised when accounting for business combinations in the Services business.

Amortisations are calculated on a straight-line basis based on the anticipated useful life of each asset: between 1 and 7 years for software and IT developments, 2 years for client relationships as part of real estate development operations, and 20 years for client relationships as part of real estate Services.

Property, plant and equipment is stated at acquisition or production cost less accumulated depreciation and impairment losses.

Property, plant and equipment is mainly composed of fixtures and fittings, office and computer equipment, and furniture.

Amortisations are calculated on a straight-line basis based on the useful life of each asset's components. The amortisation periods generally used vary from 3 to 10 years.

(in thousands of euros)	Gross	Depreciation, amortisation and impairment	Balance at 31/12/2018	Gross	Depreciation, amortisation and impairment	Balance at 31/12/2017
Other intangible assets	207,046	(93,543)	113,503	153,577	(75,997)	77,580
Right-of-use assets (IFRS 16)	911,025	(154,232)	756,793	-	-	-
Property, plant and equipment	246,156	(145,519)	100,637	(159,495)	(113,263)	46,233
TOTAL NON-CURRENT ASSETS	1,364,226	(393,294)	970,932	313,072	(189,259)	123,813

CHANGES IN THE PERIOD

(in thousands of euros)	Balance at 31/12/2017	Movements acquisitions and disposals	Additions for the financial year	Change in scope and other	Balance at 31/12/2018
Other intangible assets	77,580	26,021	(15,781)	25,683	113,503
Right-of-use assets (IFRS 16)	-	123,914	(103,272)	736,151	756,793
Property, plant and equipment	46,233	19,784	(15,411)	50,031	100,637
TOTAL NON-CURRENT ASSETS	123,813	169,719	(134,465)	811,865	970,932

The change in scope and other for the IFRS 16 right of use, totalling €736,151 thousand, can be explained by both the application of IFRS 16 (Leases) which at 1 January 2018 totalled €273,506 thousand, and by external growth with the acquisition of the Ægide Group and Morning Coworking totalling €462,380 thousand.

Changes in scope for other intangible assets cover client relationships as part of the acquisition of property

management firms for the pre-tax amount of €7,503 thousand. The latter will be amortised on a straight-line basis over a period of 20 years.

Other changes in scope for property, plant, equipment and intangible assets are primarily related to the Ægide acquisition.

<i>(in thousands of euros)</i>	Balance at 31/12/2018
● Student residences	131,241
● Senior residences	434,437
● Fully-equipped offices	41,299
Serviced residence and full-equipped office activities	606,977
Corporate assets	149,816
TOTAL RIGHT-OF-USE ASSETS (IFRS 16)	756,793

IFRS 16 rights of use are primarily property-related.

Note 9 Equity-accounted investments

The Group's equity-accounted investments are initially recorded at acquisition cost including any goodwill generated. Their carrying amount is then increased or decreased to take into account the Group's share in any profit and loss generated after the acquisition date.

If the Group's share of the losses of an associate or joint venture exceeds the carrying amount of the investee, the carrying amount is reduced to nil and the recognition of further losses is discontinued unless the Group has a legal or constructive obligation to cover the losses or make payments in respect of said associate or joint venture.

If there is an indicator of impairment, a test is performed which compares the carrying amount of the investee to its recoverable amount.

CHANGE IN THE PERIOD	31/12/2018	31/12/2017
<i>(in thousands of euros)</i>		
Value of investments at beginning of period	47,021	46,597
Change in scope and foreign exchange gains and losses	(4,406)	(2,706)
Change in reporting standard (IFRS 15)	3,234	-
Change in consolidation method	(28,158)	-
Change in equity of equity-accounted investments	16,230	6,757
Share of profit from investees with activities that are an extension of the Group's operating activities	17,912	14,702
Group share of profit/(loss) from other investees	(4,750)	(4,858)
Net dividends paid	(11,796)	(13,471)
VALUE OF INVESTMENTS AT PERIOD-END	35,287	47,021
<i>o/w companies with activities that are an extension of the Group's operating activities</i>	<i>33,312</i>	<i>22,848</i>
<i>o/w other investees</i>	<i>1,975</i>	<i>24,173</i>

"Investees with activities that are an extension of the Group's operating activities" are joint ventures. Most joint ventures are property developments (residential or commercial) undertaken with another developer (co-developments).

Other companies with a value of €1,975 thousand are associates, which include minority interests in joint ventures and Bien'ici, the property listings website (49.50% stake).

The change in consolidation method, amounting to €28,158 thousand, corresponds to the reclassification of Ægide shares following the acquisition of a controlling stake in this company (previously 45.16% owned) via the purchase of additional shares (see Note 3.3).

The change of standard (IFRS 15) covers the share of income recorded more quickly for joint venture projects.

Note 10 Other financial assets

<i>(in thousands of euros)</i>	Balance at 31/12/2017	Movements acquisitions and disposals	Additions for the financial year	Change in scope and other	Balance at 31/12/2018
Start-up investments	15,002	1,453	-	-	16,455
Unconsolidated acquired companies	3,243	2,095	-	(3,243)	2,095
Companies soon to be dissolved	2,216	(1,355)	447	-	1,308
Cash allocated to the liquidity agreement	6,530	(4,983)	-	-	1,547
Deposits and guarantees	11,374	394	(50)	-	11,717
Investments in funds and property developments	2,558	(2,176)	-	-	382
Loans for property acquisitions from Crédit Financier Lillois	6,711	4,501	-	-	11,212
Other	62	108	-	-	170
TOTAL OTHER FINANCIAL ASSETS	47,696	37	397	(3,243)	44,885

“Start-up investments” are investments in FPCIs (French private equity funds for professional investors) or direct investments in private companies, in business sectors such as digital technology that may offer future synergies or growth opportunities.

“Unconsolidated acquired companies” consists of firms in property management for individuals acquired at the end of the financial year and intended to be consolidated in the following financial year. The “Change in scope and other” column consists of the consolidation on 1 January 2018 of property management firms acquired at the end of 2017.

“Companies soon to be dissolved” means investments in private companies that have been used as vehicles for property developments that have been delivered.

“Cash allocated to the liquidity agreement” designates the financial resources made available to the investment services provider contracted to manage the liquidity of Nexity’s publicly traded shares in accordance with the authorisations approved at the Shareholders’ Meeting.

“Deposits and guarantees” are held by third parties, and mainly include security deposits on the office buildings leased and occupied by the Group and on the surety bonds obtained for property management and brokerage activities in real estate Services. Deposits and guarantees relating to the completion of property developments are included in the calculation of the working capital requirement (WCR).

“Investments in funds and property developments” refers to medium-term financing contributed by the Group to co-developments, and investments in real estate investment funds.

“Loans for property acquisitions from Crédit Financier Lillois” came to €11,212 thousand (including €647 thousand maturing in less than one year) at 31 December 2018, compared to €6,711 thousand (including €369 thousand maturing in less than one year) at 31 December 2017.

“Total other financial assets” mainly mature in more than one year.

Working capital requirement

Note 11 Breakdown of working capital requirement

<i>(in thousands of euros)</i>	Notes	Balance at 31/12/2018	Balance at 31/12/2017
Current assets			
Inventories and work in progress	12	1,440,670	1,763,502
Trade and other receivables	13	991,871	541,112
Other current assets	14	1,320,777	1,181,953
Current liabilities			
Trade and other payables		(1,619,157)	(1,071,170)
Other current liabilities	14	(1,335,583)	(1,712,442)
WORKING CAPITAL REQUIREMENT BEFORE TAX		798,578	702,955
Tax receivable	29	19,989	26,572
Tax payable	29	(18,658)	(23,474)
TOTAL WORKING CAPITAL REQUIREMENT		799,909	706,053

CHANGE IN THE PERIOD

<i>(in thousands of euros)</i>	Change in the period
WORKING CAPITAL REQUIREMENT BEFORE TAX AT 31/12/2017	702,955
Change in working capital requirement as per cash flow statement	79,041
Impact of changes in scope	(30,746)
Impact of change in reporting standard (IFRS 15)	38,067
Change in receivables and payables for fixed assets and similar items (included in trade payables)	9,260
TOTAL WORKING CAPITAL REQUIREMENT BEFORE TAX AT 31/12/2018	798,578

At 31 December 2017, the impact of the application of IFRS 15 was a net increase of €38,067 thousand in the working capital requirement, broken down as follows:

IMPACT AT 31 DECEMBER 2017

<i>(in thousands of euros)</i>	Notes	Assets	Liabilities	Net WCR
Inventories and work in progress	14	(542,971)		
Trade and other receivables	13	319,044		
Trade and other payables			(9,240)	
Other current assets	14	(47,091)		
Other current liabilities	15		(299,845)	
IMPACT OF CHANGE IN REPORTING STANDARD (IFRS 15)		(271,018)	(309,085)	38,067

Note 12 Inventories and work in progress

"Inventories and work in progress" includes land recorded at acquisition cost, construction in progress (site development and construction costs), selling expenses assignable to contracts (in-house and external commissions) and finished products, recorded at production cost. Borrowing costs that may be allocated to real estate development projects are included in the cost of inventories.

Preliminary contract costs for real estate development programmes are included in the cost of inventories if the probability of securing the contract is high. If the contract is not obtained, the related costs are expensed.

When the net realisable value of inventories and work in progress is less than their cost, impairment losses are recorded.

<i>(in thousands of euros)</i>	Gross	Impairment	Balance at 31/12/2018	Gross	Impairment	Balance at 31/12/2017
TOTAL INVENTORIES AND WORK IN PROGRESS	1,496,716	(56,046)	1,440,670	1,815,533	(52,031)	1,763,502

At 31 December 2018, inventories included borrowing costs of €4,470 thousand, compared to €3,855 thousand at 31 December 2017 (see Note 28.2).

Note 13 Trade and other receivables

Client receivables

Current contracts are recorded at the original cost, minus any payments and increased by the profit amount recorded up to the balance sheet date (minus anticipated losses) and interim invoices issued.

The amount of client receivables due at 31 December 2018 stood at €333,873 thousand.

Trade and other receivables

Trade and other receivables are stated at fair value upon initial recognition, then at amortised cost less allowances for uncollectible items.

<i>(in thousands of euros)</i>	Gross	Impairment	Balance at 31/12/2018	Gross	Impairment	Balance at 31/12/2017
TOTAL TRADE AND OTHER RECEIVABLES	1,011,576	(19,705)	991,871	558,282	(17,170)	541,112

The Group believes that its credit risk is not material as it essentially operates in a regulated business environment, which secures the payment of trade receivables.

Services covered by a VEFA off-plan sales contract, but not yet recognised in the revenue on a percentage-of-completion basis, totalled €2.1 billion at 31 December 2018.

Note 14 Other current assets

The Real Estate Services business enters into agreements with clients to perform services on their behalf as authorised agents. For this purpose, the Group holds client working capital accounts. As the authorised agent, the

Group manages these clients' working capital accounts and reports them as separate accounts in its balance sheet under the line items "Other current assets" and "Other current liabilities".

<i>(in thousands of euros)</i>	Gross	Impairment	Balance at 31/12/2018	Gross	Impairment	Balance at 31/12/2017
Suppliers – Advances and deposits paid	74,768	(150)	74,618	58,685	(322)	58,363
Government receivables	376,419	-	376,419	342,761	-	342,761
Prepaid expenses	17,696	-	17,696	19,478	-	19,478
Other receivables	74,046	(5,924)	68,122	55,801	(5,785)	50,016
Cash held in client working capital accounts	783,921	-	783,921	711,335	-	711,335
TOTAL OTHER CURRENT ASSETS	1,326,851	(6,074)	1,320,777	1,188,060	(6,107)	1,181,953

Note 15 Other current liabilities

<i>(in thousands of euros)</i>	Balance at 31/12/2018	Balance at 31/12/2017
Tax payable and social security contributions	386,127	318,952
Prepaid income and other accruals	52,997	35,880
Clients – Advances and deposits received	89,066	618,789
Client working capital accounts	783,921	711,334
Reservation deposits held in escrow	23,471	27,486
TOTAL OTHER CURRENT LIABILITIES	1,335,583	1,712,440

Equity**Note 16 Share capital**

At 31 December 2018, the share capital of the parent company comprised 56,129,724 shares with a par value of €5 per share, compared with 56,036,724 shares at 31 December 2017.

The additional 93,000 shares in 2018 correspond to the vesting of free shares to Group employees (see details in Note 18).

Note 17 Non-controlling interests

Non-controlling interests are mainly minority interests in the subsidiaries that are not wholly owned by the Group.

For certain entities, the Group has made undertakings to purchase the remaining stake that it does not own. In such cases, the minority stake is reclassified as a financial liability (see Note 19.2). The non-controlling interest is no longer recognised, and the entity's profit or loss is fully consolidated in the Group's financial statements.

Note 18 Free share plans

Free share awards may be granted to Group employees and senior executives by the Board of Directors, as authorised by a vote at a Shareholders' Meeting.

The employee incentive plans offering free share awards, ongoing or ended in the period, are as follows:

NEXITY PLANS

<i>(number of shares)</i>	Awarded	Cancelled	Vested	Awarded, not cancelled and not vested	Vesting period end
April 2015 plan	92,000	10,000	82,000	-	Q1 2018
October 2015 plan	11,000	-	11,000	-	Q1 2018
May 2016 plan	469,500	37,000	-	432,500	Q2 2019
January 2017 plan	50,000	-	-	50,000	Q1 2020
April 2017 plan	5,000	-	-	5,000	Q2 2020
June 2017 plan	392,600	16,250	-	376,350	Q2 2020
December 2017 plan	13,500	-	-	13,500	Q4 2020
May 2018 plan for managers	284,950	4,600	-	280,350	Q2 2021
May 2018 plan for all employees	209,070	25,980	-	183,090	Q2 2021
October 2018 plan	24,000	-	-	24,000	Q4 2021
TOTAL NEXITY PLANS	1,551,620	93,830	93,000	1,364,790	

Moreover, the Shareholders' Meeting has granted the Board of Directors the right until 30 July 2019 to allocate 1% of the share capital for free share awards (subject to certain conditions and with a minimum 3-year vesting period). A total of 518,020 free shares have been awarded under this authorisation.

The maximum potential dilution (taking into account the treasury shares acquired and destined to be given to the beneficiaries of free shares) would be 1.6% (as a percentage of share capital ownership) if all free shares in awards granted were to vest, and 1.7% if the calculation includes all free shares in awards not yet vested.

Valuation of Nexity's free share plans

Share-based payments are recognised at the grant date at their fair value. Changes in value after the grant date have no effect on the initial measurement.

The calculated value of the shares is recognised as a payroll expense on a straight-line basis over the vesting period with a corresponding increase in equity.

The aggregate value is modulated to take into account the probability of the allocation conditions being met for each plan, based on the following criteria:

- Length of service at the Company at the end of the plan; and
- Where relevant, performance criteria such as achieving a level of cumulative operating profit over the term of the plan, and/or a minimum backlog by the time the plan matures, and/or a minimum operating profit or EBITDA by the time the plan matures, and/or a maximum net debt by the time the plan matures.

The aggregate value of Nexity's free share plans was €52,196 thousand in 2018, representing an expense of €14,324 thousand.

<i>(in thousands of euros)</i>	April 2015 plan	May 2016 plan	January 2017 plan	April 2017 plan	June 2017 plan	December 2017 plan	May 2018 plan	October 2018 plan
Aggregate value	2,543	15,390	1,932	196	15,144	587	15,630	774
2018 expenses	158	5,130	644	66	5,048	196	3,039	43
Assumptions								
Share price at grant date (€)	37.7	48.4	45.1	49.7	54.5	52.0	49.8	42.1
Vesting period (in years)	3	3	3	3	3	3	3	3
Dividend rate*	5.3%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%

* Based on the Nexity underlying rate.

Treasury shares

In accordance with the authorisations granted by the Shareholders' Meeting and implemented by the Board of Directors the Group may hold treasury shares.

At 31 December 2018, treasury shares were held for two main purposes:

- In the framework of a liquidity contract led by an investment services provider;
- In the framework of treasury share buyback programmes to be implemented in return for free share plans.

Nexity treasury shares are recognised at cost and presented as a deduction from equity. Any gains or losses from the disposal of treasury shares, determined using the first-in, first-out (FIFO) method, are directly recognised in equity and have no effect on profit or loss for the period.

<i>(number of shares)</i>	Authorised	Held on the transaction date
POSITION AT 31 DECEMBER 2017	5,603,672	-
Purchase of treasury shares		
• Via the liquidity contract led by an investment services provider		100,948
• In the framework of treasury share buyback programmes to be implemented in return for free share plans		450,000
Implementation of arrangements agreed at Shareholders' Meeting of 31 May 2018	10% of the share capital adjusted for changes	
POSITION AT 31 DECEMBER 2018	5,612,972	550,948

Debt and financial risk factors

Note 19 Breakdown of net debt

BREAKDOWN NET DEBT			
<i>(in thousands of euros)</i>	Notes	Balance at 31/12/2018	Balance at 31/12/2017
Bond issues	19	770,497	703,357
Long-term borrowings and financial debt	19	393,630	140,074
Short-term borrowings and financial debt	19	319,744	288,917
Loans and borrowings		1,483,871	1,132,348
Current accounts held as liabilities and related payables	20	80,407	58,436
Current accounts held as assets and related receivables	20	(160,698)	(119,039)
Other financial borrowings and other financial receivables		(80,292)	(60,603)
Cash and cash equivalents	21	(720,796)	(776,408)
Bank overdraft facilities	21	18,094	10,186
Net cash and cash equivalents		(702,702)	(766,222)
TOTAL NET FINANCIAL DEBT BEFORE IFRS 16		700,877	305,523
IFRS 16 lease liabilities	19	810,171	-
TOTAL NET DEBT		1,511,048	305,523

CHANGE IN THE PERIOD									
<i>(in thousands of euros)</i>	31/12/2017	Cash flows	Additions to the scope	Change in value of OCEANE bonds	Put options granted to minority shareholders	New leases contracts	Change in reporting standard	Other	31/12/2018
Loans and borrowings	1,132,348	73,111	221,621	5,159	52,324			(691)	1,483,872
Other financial borrowings and other financial receivables	(60,603)	(28,702)	1,881					7,132	(80,292)
Net cash and cash equivalents	(766,222)	63,519							(702,703)
TOTAL NET FINANCIAL DEBT BEFORE IFRS 16	305,523	107,928	223,502	5,159	52,324	-	-	6,441	700,877
IFRS 16 lease liabilities		(103,919)	485,222			140,592	288,072	204	810,171
TOTAL NET DEBT	305,523	4,009	708,724	5,159	52,324	140,592	288,072	6,645	1,511,048

COMPONENTS OF NET DEBT RECOGNISED IN THE STATEMENT OF CASH FLOWS									
<i>(in thousands of euros)</i>	Cash flows								
Proceeds from issuance of bonds	328,277								
Redemption of bonds	(221,277)								
Acquisitions of minority interests	(33,889)								
CHANGE IN BANK BORROWINGS AND ACQUISITION-RELATED DEBT	73,111								
IFRS 16 LEASE LIABILITY PAYMENTS	(103,919)								
Change in other borrowings and other financial receivables	(28,702)								
Change in cash and cash equivalents	63,519								
NET TOTAL CHANGE IN NET DEBT	4,009								

Borrowings and financial liabilities

Borrowings are broken down into:

- Long-term loans and borrowings (long-term portion of borrowings for non-current assets), which are classified as non-current liabilities; and
- Short-term loans and borrowings, and financial and operating liabilities, which are classified as current liabilities.

Borrowings are stated at amortised cost, less attributable issuance costs, which are recognised gradually in net financial income or expense over the borrowing period on an effective interest basis.

Financial liabilities also include derivative instruments recognised as liabilities. Derivatives recognised as assets appear in "Other financial receivables".

5 FINANCIAL REPORT

Consolidated financial statements - 31 December 2018

(in thousands of euros)	Balance at 31/12/2018		Balance at 31/12/2017	
	Non-current	Current	Non-current	Current
Bond issues	764,152	6,000	562,449	140,908
Loans and borrowings	393,975	319,744	140,074	288,917
Current account and equivalent liabilities	-	80,407	-	58,436
Bank overdraft facilities	-	18,094	-	10,186
TOTAL BORROWINGS AND FINANCIAL LIABILITIES BEFORE IFRS 16	1,158,127	424,245	702,523	498,447
IFRS 16 lease liabilities	678,633	131,539	-	-
TOTAL BORROWINGS AND FINANCIAL LIABILITIES	1,836,759	555,783	702,523	498,447

19.1 Bond issues

At 31 December 2018, the reported nominal amount of bond issues (€792 million) differed from their consolidated value (€770 million), as a result of the restatement of the OCEANE equity component and the phasing of arrangement costs.

Bondholders may ask for early redemption in whole or in part, in cash, if at least 50% of the voting rights attaching to Nexity's shares are directly held by a single third party.

Nexity SA Euro PP bond issues

EURO PP NOTES				
Issue date	Nominal amount at 31/12/2018 (in millions of euros)	Nominal amount at 31/12/2017 (in millions of euros)	Annual interest rate	Maturity
24 January 2013	-	135.0	3.75%	27 December 2018
5 May 2014	25.0	25.0	3.25%	5 May 2020
5 May 2014	146.0	146.0	3.52%	5 May 2021
29 June 2017	30.0	30.0	2.05%	10 November 2023
29 June 2017	121.0	121.0	2.60%	29 June 2025
TOTAL	322.0	457.0		

The Group has agreed to comply with the following financial ratios for these bond issues, calculated for the consolidated financial statements on a half-yearly and rolling 12-month basis:

RATIO LIMIT	
Net Debt excluding IFRS 16/Consolidated Equity ratio	≤ 2
Net Debt excluding IFRS 16 and excluding Project Debt*/EBITDA excluding IFRS 16 ratio	≤ 3
EBITDA excluding IFRS 16/Cost of Net Financial Debt excluding IFRS 16 ratio	≥ 2.5

* Programme-related debt is debt linked to commercial real estate developments marketed for lease or sale, and debt linked to real estate assets, taken out by Nexity or one of its subsidiaries, with no possibility of recourse against other members of the Group.

The Group was in compliance with these ratios at 31 December 2018.

Nexity SA convertible bond issues

CONVERTIBLE BONDS				
Issue date	Nominal amount (in millions of euros)	Annual interest rate	Maturity	Number of bonds
2016 OCEANE – 13/05/2016	270.0	0.125%	01/01/2023	4,199,066
2018 ORNANE – 27/02/2018	200.0	0.250%	02/03/2025	2,902,336
TOTAL	470.0			

2016 OCEANE bond issue (bonds that may be converted or exchanged for new or existing shares)

In 2016, the Group issued €270 million of 6.5-year bonds that may be converted or exchanged for new or existing shares (OCEANE bonds), redeemable at maturity in January 2023 and paying an annual coupon rate of 0.125%.

The nominal unit value per 2016 OCEANE convertible bond was set at €64.30. The conversion rate was adjusted following the dividend distribution in June 2018. It is 1.153 shares for one bond (as opposed to one share for one bond at the date of issuance).

If all convertible bonds were converted, the dilution would be 8% (as a percentage of share capital ownership).

At 31 December 2018, after taking into account financial expense for the period, the equity component of this instrument amounted to €21.8 million and its debt component to €248.2 million.

2018 ORNANE bond issue (bonds that may be converted into cash and/or new shares and/or existing shares)

On 27 February 2018, the Group issued €200 million of 7-year bonds that may be converted into cash and/or new shares and/or existing shares (ORNANE bonds), redeemable at maturity in March 2025 and paying an annual coupon rate of 0.25%.

The nominal unit value per 2018 ORNANE convertible bond was set at €68.91. The conversion rate was adjusted following the dividend distribution in June 2018. It is 1.052 shares for one bond (as opposed to one share for one bond at the date of issuance).

If all convertible bonds were converted, the dilution would be 5.1% (as a percentage of share capital ownership).

At 31 December 2018, the market value of this instrument was €200 million, which is fully accounted for under the "Borrowings and financial liabilities" item. The Nexity Group has opted for the "fair value" method to record this instrument. The fair value adjustment will have a comprehensive effect on the net financial income/(expense).

19.2 Credit facilities

AUTHORISATIONS AND DRAWDOWNS

(in millions of euros)	31/12/2018			31/12/2017		
	Non-current borrowings	Current borrowings	Total drawdowns	Authorised	Drawn	Authorised
Non-allocated credit facility – Residential Real Estate	-	-	-	-	-	300.0
Corporate holding borrowing facilities	-	-	-	530.0	-	-
Other corporate borrowing facilities	69.8	44.7	114.5	114.5	55.9	55.9
Put options granted to minority shareholders	324.1	-	324.1	324.1	158.5	158.5
TOTAL CORPORATE DEBT	393.9	44.7	438.6	968.6	214.4	514.4
Project-related loans	-	275.1	275.1	644.1	214.6	469.8
TOTAL CREDIT FACILITIES	393.9	319.8	713.7	1,612.7	429.0	984.3

At 31 December 2018, put options granted to minority shareholders and credit drawdowns totalled €713.7 million out of total authorised credit facilities of €1,612.7 million negotiated with banks.

The Group has revolving non-allocated credit facilities and credit facilities earmarked to fund real estate development programmes. Borrowings and financial liabilities are mainly denominated in euros and are at floating rates indexed to Euribor.

Generally, credit agreements require the borrower to comply with a number of covenants, particularly of a financial nature, as summarised below:

Non-allocated borrowing facilities

Nexity SA has access to maximum non-allocated financing of €530 million, which breaks down as follows:

- €500 million is covered by a banking pool and matures in July 2023. One of the contract clauses sets out mandatory early repayment in the event of a change of control of Nexity SA representing at least 30% of its capital, or should Nexity SA's capital holding in Nexity Logement fall below 95%;

- €30 million which matures in March 2021. One of the contract clauses sets out mandatory early repayment in the event of a change of control of Nexity SA representing at least 50.01% of its capital.

In the framework of these borrowing facilities, the Group must comply with the same financial ratios as for the bond issue contract, with the exception of the consolidated Net Debt/EBITDA excluding IFRS 16 ratio, for which the threshold is set at 3.5.

Other corporate borrowing facilities

Some subsidiaries have access to borrowing facilities to finance their operating requirements. At 31 December 2018, such borrowings amounted to €114.5 million.

Put options granted to minority shareholders

If minority shareholders have been granted put options covering their investment, their share in the net assets of subsidiaries is reclassified from non-controlling interests to financial debt in the consolidated balance sheet, whereby the amount recognised corresponds to the present value of the exercise price of the option;

The Group recognises price fluctuations as adjustments to equity. The valuation of the options had no impact on the consolidated income statement.

The liability is estimated on the basis of the price or price formulas specified in the agreements. When price formulas are based on a multiple of an income statement item after subtracting this liability, the amount of the option is estimated on the basis of projected income statement items and the value of the liability at the most likely date for the exercise of options.

The increase from €158.5 million at 31 December 2017 to €324.1 million at 31 December 2018 is largely due to the following factors:

In the first half of 2018, the Nexity Group raised its stake in Térénéo by 33.2% to 83.3% and its stake in PERL by 6.7% to 88.8%, for a total purchase amount of €33.9 million.

In light of new assumptions regarding the performance of contractual obligations, total commitments were revalued at €45 million.

New payables were recorded over the period for Ægide shares worth €100.8 million, and for Morning Coworking shares worth €40.8 million (see Note 3.3).

The maturity schedule of put options granted to minority shareholders is based on the probable date of performance of the contractual obligations. At 31 December 2018, this primarily covered Ægide, Morning Coworking, PERL, Térénéo, Edouard Denis and Primosud.

Project-related loans

Specific bank financing can be set up on a transaction-by-transaction basis to cover the financing needs.

19.3 Liquidity risk

AMORTISATION SCHEDULE

(in millions of euros)	Drawn 31/12/2018	Amortisation					
		2019	2020	2021	2022	2023	> 5 years
Bond issues	792.0	-	25.0	146.0	-	300.0	321.0
Corporate holding borrowing facilities	-	-	-	-	-	-	-
Other corporate borrowing facilities	114.5	2.3	16.5	33.1	1.9	30.8	30.0
Put options granted to minority shareholders	324.1	-	16.7	164.5	-	102.1	40.9
TOTAL CORPORATE AND BOND DEBT	1,230.6	2.3	58.1	343.6	1.9	432.8	391.9
Project-related loans	275.1	84.0	95.0	90.5	2.7	2.9	0.0
TOTAL AMORTISATION		86.3	153.2	434.1	4.5	435.7	391.9
TOTAL BORROWINGS AND FINANCIAL LIABILITIES	1,505.7	1,419.4	1,266.3	832.1	827.6	391.9	-

The other components of net debt shown in Note 20 are short-term items.

At 31 December 2018, the maturity of borrowings prior to IFRS 16 was 94% higher at 1 year, and 26% higher at 5 years.

The average maturity of debt outstanding at 31 December 2018 was 3.7 years.

19.4 Derivatives

The Group is exposed to market risk, particularly in terms of interest rates. The Group may use a number of derivative financial instruments to manage this risk (such as swaps, caps and collars). The purpose is to reduce, where appropriate, the fluctuations in cash flows related to changes in interest rates.

Derivative financial instruments are recognised at fair value in the balance sheet, based on external appraisals. The gain or loss on remeasurement of the derivative instruments to fair value is recognised in the income statement, unless the instruments are used for hedging purposes.

At 31 December 2018, the Group had no hedging derivatives in place.

Note 20 Other financial receivables

(in thousands of euros)			Balance at 31/12/2018			Balance at 31/12/2017
	Gross	Impairment		Gross	Impairment	
Current accounts – Assets and similar receivables	160,928	(230)	160,698	119,293	(254)	119,039
TOTAL OTHER FINANCIAL RECEIVABLES	160,928	(230)	160,698	119,293	(254)	119,039

Note 21 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and highly liquid investments, generally with maturities of three months or less, with immaterial risk of changes in value. This item includes reservation deposits held in escrow for clients of the Residential Real Estate division.

Highly liquid investments are measured to fair value at the date of the financial statements. They are recognised at the

transaction date, with subsequent changes in value recorded in financial income and expenses.

Cash held in client working capital accounts by the Services division is recorded as a separate item under "Other current assets".

<i>(in thousands of euros)</i>	Balance at 31/12/2018	Balance at 31/12/2017
Marketable securities – Cash equivalents	118,236	305,878
Cash and cash equivalents	579,089	443,044
Reservation deposits held in escrow	23,471	27,486
TOTAL CASH AND CASH EQUIVALENTS	720,796	776,408

Residential Real Estate reservation deposits are placed in escrow accounts at the time of reservation (under "Reservation deposits held in escrow"). These deposits are released and therefore available when deeds are signed at the notarial office (they are presented below under unavailable cash).

The majority of cash and cash equivalents are invested in fixed-rate demand deposit accounts.

Aggregate cash and cash equivalents at the reporting date in the statement of cash flows were as follows:

<i>(in thousands of euros)</i>	31/12/2018	31/12/2017
Cash and cash equivalents	720,796	776,408
Bank overdraft facilities	(18,094)	(10,186)
CASH AND CASH EQUIVALENTS AS REPORTED IN THE STATEMENT OF CASH FLOWS	702,702	766,222
<i>o/w available cash</i>	<i>679,231</i>	<i>738,736</i>
<i>o/w unavailable cash</i>	<i>23,471</i>	<i>27,486</i>

Note 22 Financial risk factors

22.1 Interest rate risk

Exposure to interest rate risk

Bonds pay a fixed rate. The majority of the Group's bank borrowings are at floating interest rates.

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

The cost of borrowing on debt drawn down by the Group was 2.6% in 2018 (2.9% in 2017).

The Group may set up interest rate hedging instruments using hedge accounting (where effective) to mitigate the effects of severe interest rate movements. Such instruments are entered into with top-ranking financial institutions.

Interest rate sensitivity analysis

The fixed-rate debt share (before IFRS 16) represents approximately 72% of total debt at 31 December 2018.

The Group's exposure to interest rate risk excludes fixed-rate debt and debt hedged by financial instruments (swaps), but includes the following items with respect to net interest income:

- In terms of borrowings, all floating-rate loans and borrowings, whether or not hedged by interest rate caps and floors, and held-for-trading instruments;
- In terms of financial income, cash and cash equivalents and demand deposit accounts; and
- In terms of revenue generated by the Services division, the interest on cash held in client working capital accounts (except for separate accounts).

The Group is not exposed to long-term interest rate risk as regards its net financial expense because its floating-rate debt is mostly indexed to 3-month Euribor.

The following tables provide a simulation sensitivity analysis of a 50 basis point instantaneous rise in short-term interest rates (and symmetrically a 50 basis point instantaneous decrease in short-term interest rates) on the various items described above based on the Group's financial structure at 31 December 2018.

The simulation merely reflects the purely mathematical impact of a change in interest rates on the Group's financial assets and liabilities. It does not show the more pervasive influence of interest rate movements on the borrowing capacity of the Group's clients and the potential impact of such movements on the Group's business activity and performance.

**INTEREST RATE SENSITIVITY ANALYSIS OF FLOATING-RATE DEBT INSTRUMENTS WITHIN NET DEBT
AFTER HEDGING AND OF CASH AND CASH EQUIVALENTS HELD IN CLIENT WORKING CAPITAL
ACCOUNTS**

(in millions of euros)

Impact on the income statement after tax

Sensitivity analysis at 31 December 2018

Impact of a 50-bp increase in short-term interest rates	2.6
Impact of a 50-bp decrease in short-term interest rates	(2.6)

Sensitivity analysis at 31 December 2017

Impact of a 50-bp increase in short-term interest rates	2.6
Impact of a 50-bp decrease in short-term interest rates	(2.6)

22.2 Currency risk

The Group's exposure to currency risk is not material because it has no material operations outside the eurozone.

22.3 Bank insolvency risk

The Group maintains ongoing relationships with major banking groups, with respect to its financing arrangements (those for its operating activities as well as its corporate credit facilities), guarantees given or received, cash investments made, or the derivative instruments used in the context of hedging strategies. For this reason, and

despite the fact that the Group spreads responsibilities for its banking needs among a number of banks, the Group may be exposed to counterparty risk in the event of default by a bank with which it maintains a relationship, particularly as the result of a systemic event. This risk is mitigated by raising funding on the bond market.

22.4 Equity risk

The Group does not hold any listed securities. However, within the scope of an existing liquidity contract, the Group may hold a small percentage of treasury shares. Other treasury shares are allocated to share transfers under free share plans.

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

Note 23 Fair value of financial instruments by category

POSITION AT 31 DECEMBER 2018											
Balance sheet items		Accounting categories						Fair value measured on the basis of:			
(in millions of euros)	Notes	Assets and liabilities designated at fair value by income	Hedging derivatives	Financial instruments available for sale	Loans and receivables	Liabilities at amortised cost	Total net book value	Listings on an active market	Internal model based on observable data	Internal model based on non-observable data	Total fair value
								Level 1	Level 2	Level 3	
Equity investments (unconsolidated)	10			4.1			4.1		4.1		4.1
Capitalised receivables	10				40.8		40.8		40.8		40.8
Current accounts and other financial receivables	19				149.2		149.2	149.2			149.2
Reservation cash and cash equivalents	19				720.8		720.8	720.8			720.8
Marketable securities	19						-	-			-
TOTAL FINANCIAL ASSETS		-	-	4.1	910.7	-	914.8	870.0	44.9	-	914.8
Derivatives	20	2.0					2.0		2.0		2.0
Credit facilities	19					713.4	713.4		713.4		713.4
Bond issues	19					770.5	770.5		740.7		740.7
IFRS 16 Lease liabilities	19					810.2	810.2		810.2		810.2
Current account liabilities	19					80.4	80.4		80.4		80.4
Bank overdraft facilities	19					18.1	18.1	18.1			18.1
TOTAL FINANCIAL LIABILITIES		2.0	-	-	-	2,392.5	2,394.5	18.1	2,346.7	-	2,364.7

POSITION AT 31 DECEMBER 2017											
Balance sheet items		Accounting categories						Fair value measured on the basis of:			
(in millions of euros)	Notes	Assets and liabilities designated at fair value by income	Hedging derivatives	Financial instruments available for sale	Loans and receivables	Liabilities at amortised cost	Total net book value	Listings on an active market	Internal model based on observable data	Internal model based on non-observable data	Total fair value
								Level 1	Level 2	Level 3	
Equity investments (unconsolidated)	10			5.5			5.5		5.5		5.5
Capitalised receivables	10				42.2		42.2		42.2		42.2
Current accounts and other financial receivables	19				119.0		119.0	119.0			119.0
Reservation cash and cash equivalents	19				776.4		776.4	776.4			776.4
TOTAL FINANCIAL ASSETS		305.9	-	5.5	631.8	-	943.1	895.4	47.7	-	943.1
Credit facilities	19					429.0	429.0		429.0		429.0
Bond issues	19					703.4	703.4		713.8		713.8
Current account liabilities	19					58.4	58.4		58.4		58.4
Bank overdraft facilities	19					10.2	10.2	10.2			10.2
TOTAL FINANCIAL LIABILITIES		-	-	-	-	1,201.0	1,201.0	10.2	1,201.2	-	1,211.4

If there is no active market, the fair value of the bond issues is calculated based on the risk-free rate and on a stable risk premium.

Provisions

Note 24 Current and non-current provisions

24.1 Provisions

A provision is recognised in the balance sheet when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle that obligation.

If the effect of the time value of money is material, the provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

CHANGES IN PROVISIONS

<i>(in thousands of euros)</i>	31/12/2017	Net additions	Reversals: used	Reversals: unused	Changes in scope and other	31/12/2018
Employee benefits	31,568	3,334	(797)	-	(11,759)	22,346
Total non-current provisions	31,568	3,334	(797)	-	(11,759)	22,346
Litigation	47,120	11,795	(9,642)	(4,999)	2,635	46,908
Tax and investment risk	412	20	(80)	(289)	-	63
Lease commitments	5,828	(1)	(43)	-	(5,784)	-
Employee benefits (short-term portion)	1,304	-	(230)	-	29	1,103
Provisions for risks and charges	45,742	4,322	(8,152)	(2,264)	(18)	39,631
Total current provisions	100,406	16,136	(18,147)	(7,552)	(3,139)	87,705
TOTAL PROVISIONS	131,974	19,470	(18,944)	(7,552)	(14,898)	110,051

ANALYSIS BY TYPE OF EXPENSE

<i>(in thousands of euros)</i>	31/12/2017	Net change for operations	Net change for financing	Net change for tax	Changes in scope and other	31/12/2018
Employee benefits	31,568	2,537	-	-	(11,759)	22,346
Total non-current provisions	31,568	2,537	-	-	(11,759)	22,346
Litigation	47,120	(2,846)	-	-	2,635	46,908
Tax and investment risk	412	-	(94)	(256)	-	63
Lease commitments	5,828	(44)	-	-	(5,784)	-
Employee benefits (short-term portion)	1,304	(230)	-	-	29	1,103
Provisions for risks and charges	45,742	(6,093)	-	-	(17)	39,631
Total current provisions	100,406	(9,213)	(94)	(256)	(3,138)	87,705
TOTAL PROVISIONS	131,974	(6,676)	(94)	(256)	(14,897)	110,051

“Changes in scope and other” covers the actuarial gains and losses on employee benefits (see Note 24.2) and the reclassification of provisions for unprofitable leases as an impairment of the IFRS 16 right of use:

- Non-current provisions (for the share due within one year) include provisions for employee benefits (see Note 24.2);
- Current provisions include:
 - provisions for disputes ongoing at the date of the financial statements. They are assessed based on the status of the legal proceedings under way and the estimated risk at the reporting date,

there are many disputes, but the individual amount of each one is not very significant at the Group level. These disputes often take a long time to resolve, due to their technical nature and the time required to seek expert opinions,

- provisions for tax to cover risks resulting from tax audits. Any additional tax due is expensed in the period the reassessment is accepted. If contested, the risk may be provisioned,
- the portion of non-current provisions due within one year, and
- provisions for risks and charges including payables mainly related to ordinary operations. Individual amounts are relatively low at the Group level.

24.2 Employee benefits

As regards the Group, employee benefits are provided through defined-benefit and defined-contribution plans. Obligations relating to these plans involve retirement and long-service benefits, less the fair value of any qualifying plan assets (defined-benefit plans). Estimates for these obligations, which are discounted to present value, are calculated annually on the basis of actuarial assumptions for life expectancy and rates of employee turnover and salary increases.

The values obtained are subject to verification by an independent actuary using the projected unit credit method. Actuarial gains and losses on retirement benefits are recognised directly in other comprehensive income. Actuarial gains and losses on long-service benefits are recognised in profit or loss.

EMPLOYEE BENEFIT OBLIGATIONS (BALANCE SHEET)

<i>(in thousands of euros)</i>	Balance at 31/12/2018	Balance at 31/12/2017
Measurement of obligations		
Obligations at beginning of year	32,892	31,142
Net current service cost	2,680	2,336
Interest expense	558	439
Employee benefits paid	(1,376)	(1,076)
Plan amendment	1,761	-
Acquisitions	326	-
EXPECTED OBLIGATION AT YEAR-END	36,841	32,841
o/w fair value at year-end	23,469	32,892
o/w actuarial (gains)/losses	13,372	(51)
Changes in assumptions	(11,567)	454
Experience adjustments	(335)	(404)
Fair value of plan assets		
Fair value of assets at beginning of year	20	286
Impairment of plan assets	-	(266)
OBLIGATIONS AT YEAR-END	20	20
o/w fair value at year-end	20	20
o/w actuarial (gains)/losses	-	(266)
Reconciliation of financial position at year-end		
Present value of benefit obligation	23,469	32,892
Fair value of plan assets	(20)	(20)
NET BENEFIT LIABILITY RECOGNISED IN THE BALANCE SHEET	23,449	32,873
o/w non-current provisions	22,346	31,569
o/w current provisions	1,103	1,304
Assumptions relating to obligations		
Retirement benefits discount rate at year-end	1.50%	1.50%
Long-service award discount rate at year-end	0.99%	NC
Salary increase rate at year-end	2.00%	1.75%

The plan assets are contributed in full when the contracts are signed. They mainly comprise shares in SICAVs, FCPs and listed shares.

The main assumptions used to calculate employee benefits are based on a retirement age of 62 for non-management staff and 64 for managers, at the request of the employee, an average turnover rate of 13.5% (compared with 10% in 2017) and a social security contributions rate of 42% (compared with 45% in 2017).

The INSEE 2013/2015 mortality table was used (INSEE 2010/2012 in 2017).

The discount rate is determined on the basis of the index rate for AA-rated corporate bonds in the eurozone.

The drop in the provision from €32.9 million to €23.4 million is primarily due to the Group's increased turnover.

The retirement benefits portion of the actuarial gain was recorded under "Other comprehensive income", while the long-service award portion was recorded in the income statement.

5 FINANCIAL REPORT

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EXPENSES IN THE PERIOD

<i>(in thousands of euros)</i>	Balance at 31/12/2018	Balance at 31/12/2017
Expense for the year		
Net current service cost	2,680	2,336
Interest expense	558	439
Plan amendment	1,761	-
Amortisation of unrecognised actuarial gains and losses	(1,100)	(195)
Impairment of plan assets	-	266
Return on plan assets and additional payments	-	-
TOTAL EXPENSE RECOGNISED UNDER OPERATING PROFIT	3,899	2,846
o/w net expense recognised for employee benefits	2,523	1,770
o/w expenses included under personnel costs	1,376	1,076
CHANGE IN GAINS AND LOSSES RECOGNISED DIRECTLY IN OTHER COMPREHENSIVE INCOME	(12,272)	246
Actuarial gains and losses on retirement benefits	(12,272)	246
o/w changes in assumptions	(11,113)	454
o/w experience adjustments	(1,159)	(208)

CHANGE IN THE PERIOD

<i>(in thousands of euros)</i>	Balance at 31/12/2017	Gains and losses recognised directly in other comprehensive income	Income	Changes in scope	Balance at 31/12/2018
Employee benefits	32,873	(12,272)	2,523	326	23,449

SENSITIVITY OF PROVISIONS FOR EMPLOYEE BENEFITS TO RATE ASSUMPTIONS

<i>(in thousands of euros)</i>	Provisions for employee benefits
Provisions for employee benefits at 31 December 2018	23,449
Sensitivity analysis at 31 December 2018	
Impact of a 25-bp increase in the discount rate	(523)
Impact of a 25-bp decrease in the discount rate	543
Impact of a 50-bp increase in the salary increase rate	1,079

Income

Note 25 Personnel costs

<i>(in thousands of euros)</i>	31/12/2018	31/12/2017
Salaries and withholdings	(607,463)	(518,175)
Tax credit on remuneration (CICE, etc.)	9,214	9,147
Employee profit-sharing	(17,021)	(16,042)
Expense related to share-based payments	(14,325)	(14,267)
TOTAL PERSONNEL COSTS	(629,595)	(539,337)

The Group's average full-time equivalent workforce amounted to 8,939 employees at 31 December 2018 (of which 1,317 from the Aégide-Domitys acquisition), compared with 7,109 people at 31 December 2017. At 31 December 2018, there was a total workforce of 10,093 employees.

Note 26 Other operating expenses

<i>(in thousands of euros)</i>	31/12/2018	31/12/2017
Leases and rental expenses	(24,728)	(56,640)
Fees and commissions	(64,527)	(45,792)
Other external services	(179,745)	(160,605)
Other income	5,339	3,917
Other expenses	(4,265)	(2,909)
Gain/(loss) on disposal of consolidated shares	(197)	(131)
TOTAL OTHER OPERATING EXPENSES	(268,123)	(262,159)

The decrease in the "leases and rental expenses" item is primarily due to the application of IFRS 16 from 1 January 2018. In 2018, this item included €11.7 million in rental costs and €13 million in rent on leases expired at 31 December 2018 or with a duration of under 12 months, which do not enter into the scope of application of IFRS 16.

Note 27 Depreciation, amortisation and impairment of fixed assets

<i>(in thousands of euros)</i>	31/12/2018	31/12/2017
IFRS 16 depreciation	(103,273)	-
Net increase/(decrease) in depreciation, amortisation and impairment of fixed assets	(31,642)	(24,583)
TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT OF FIXED ASSETS	(134,915)	(24,583)

The IFRS 16 depreciations of €103,273 thousand at 31 December 2018 were recorded in 2017, at the rental amount paid:

- Under the "Leases and rental expenses" item for premises and equipment used by Nexity employees; and
- Under the "Purchases" item for rental expenses related to serviced student residences (Nexity Studéa).

Note 28 Net financial income/(expense)

28.1 Analysis of financial income/(expense)

<i>(in thousands of euros)</i>	31/12/2018	31/12/2017
Interest expense	(42,376)	(32,046)
Interest income	3,683	3,195
Cost of financial debt before IFRS 16	(38,693)	(28,851)
IFRS 16 interest expense	(15,636)	-
COST OF NET FINANCIAL DEBT	(54,328)	(28,851)
Other financial expenses	(242)	(507)
Other financial income	5,203	1,363
OTHER NET FINANCIAL INCOME/(EXPENSE)	4,960	856
Total financial expenses	(58,254)	(32,553)
Total financial income	8,885	4,558
TOTAL FINANCIAL INCOME/(EXPENSE)	(49,368)	(27,995)

28.2 Analysis of other financial income/(expense) by type

<i>(in thousands of euros)</i>	31/12/2018	31/12/2017
Other net financial expenses	(2,852)	(4,038)
Other net financial income	2,782	808
Net gain/(loss) on derivative instruments	(1,676)	(21)
Net financial impairment and provisions	515	(1,354)
Transfer of borrowing costs to inventories	6,191	5,463
OTHER NET FINANCIAL INCOME/(EXPENSE)	4,960	856

The percentage of borrowing costs to be included in the cost of assets is determined on the basis of the interest rates on the loans used to finance those assets (see Note 24.1).

ANALYSIS OF CHANGE IN INVENTORY VALUE OF BORROWING COSTS

<i>(in thousands of euros)</i>	31/12/2018	31/12/2017
INVENTORY VALUE OF BORROWING COSTS AT START OF PERIOD	3,855	3,061
Transfer of borrowing costs to inventories	6,191	5,463
Borrowing costs transferred from inventory to operating profit and loss	(6,469)	(5,056)
Impact of change in reporting standard (IFRS 15)	(639)	-
Impact of changes in scope	1,532	387
INVENTORY VALUE OF BORROWING COSTS AT END OF PERIOD	4,470	3,855
As % of total inventories and work in progress	0.3%	0.2%

Note 29 Taxes

29.1 Income taxes

<i>(in thousands of euros)</i>	31/12/2018	31/12/2017
Corporate income tax	(106,133)	(98,761)
Deferred tax	13,436	(84)
Additional tax on dividends	334	6,928
<i>Contribution sur la valeur ajoutée des entreprises</i> (CVAE – contribution levied on business value-added)	(16,261)	-
Net change in tax provisions	255	1,604
TOTAL INCOME TAXES	(108,369)	(90,313)

From 2018, the CVAE levy is now classified under Income taxes. On 31 December 2018, this tax totalled €16,261 thousand (see breakdown in Note 2.3) compared with €12,465 thousand in 2017.

29.2 Changes in balance sheet tax items

CHANGES IN BALANCE SHEET TAX ITEMS

<i>(in thousands of euros)</i>	Balance at 31/12/2017	Expense*	Additional tax on dividends	Tax credits	Not recognised in the income statement	Net payments*	Balance at 31/12/2018
Current tax							
Tax receivable	26,572						19,989
Tax payable	(23,474)						(18,658)
TOTAL CURRENT TAX	3,098	(122,394)	334	10,808	476	109,010	1,332
Deferred tax							
Assets	15,084						39,261
Liabilities	(72,152)						(84,505)
TOTAL DEFERRED TAX	(57,068)	13,436			(1,613)		(45,245)

* Including the CVAE levy

The “Not recognised in the income statement” column mainly reflects the impact of the application of IFRS 15 with effect from 1 January 2018 and changes in scope.

29.3 Tax analysis

RECONCILIATION OF THEORETICAL AND ACTUAL TAX RATES IN THE CONSOLIDATED INCOME STATEMENT

<i>(in thousands of euros)</i>	31/12/2018	31/12/2017
Theoretical tax base		
Net profit	276,874	185,632
Remeasurement of equity-accounted investments	(79,222)	-
Group share of profit/(loss) from companies with activities that are an extension of the Group's operating activities	(17,912)	(14,702)
Share of profit/(loss) from other equity-accounted investments	4,750	4,859
Attributable to non-controlling interests	5,542	5,664
Income taxes	108,369	90,312
Pre-tax profit on activities	298,401	271,765
Theoretical tax rate used by the Group	34.4%	34.4%
Actual tax rate	36.3%	33.2%
Actual tax rate excluding CVAE levy and Additional tax on dividends	32.8%	35.8%
Theoretical tax liability	(102,739)	(93,569)
Difference between theoretical tax and actual income tax	(5,630)	3,257
The difference is due to:		
Tax on equity-accounted flow-through entities	(2,826)	(2,605)
Impact of the CVAE levy (net of the income tax saving)	(10,662)	-
Effect of tax rates	4,712	1,423
Tax on non-taxable net income for the period	4,432	14,848
Tax on non-deductible or uncapitalised net expenses for the period	(5,002)	(10,609)
Impact of derecognition of bases for prior periods	3,716	200
NET DIFFERENCE	(5,630)	3,257

The differences observed between the tax expense based on the theoretical tax rate in France and the tax expense recognised for the financial year exist mainly for the following reasons:

As most equity-accounted investments are tax-transparent, their contribution to the income statement is presented pre-tax. The matching tax expense is included in the Group's tax expense.

As of 2018, the CVAE levy is classified under income taxes, which has caused the Group's tax rate to increase from 32.8% to 36.3%.

In 2018, the tax rate effect was largely due to a deferred tax saving which took into account the provisions implemented by the Finance Act in 2017 on the gradual reduction of the corporate income tax rate to 28% in 2020, and then 25% in 2022.

The non-taxable net income comprises primarily tax credits (CICE in particular), and in 2017 comprised the claim for repayment of the additional tax on dividends.

The non-deductible net expenses primarily comprise limited deductions for financial costs and discount expenses for payables calculated under IFRS. In 2017, they primarily comprised share-based payment expenses.

The Group's income tax rate decreased from 35.8% in 2017 to 32.8% in 2018, due to the restatement of tax expenses for one-off items (CVAE levy in 2018 and the additional tax on dividends in 2017). This reduction is essentially due to the future decrease in corporate income tax rates, and to the option in 2018 of deducting expenses on free shares under the treasury share buyback programme to be provided in return for the free share plans.

29.4 Deferred tax assets and liabilities by nature

Deferred taxes are generally recorded for all timing differences between the tax value and book value of assets and liabilities on the consolidated balance sheet, and are determined based on the liability method. The effects of any tax rate changes are recorded in the income statement for the financial year in which the rate change is voted on by Parliament.

Deferred tax assets resulting from temporary differences, tax deficits or deferrable tax credits are only recorded if they are likely to be completed in the future. This likelihood is assessed at the end of the financial year based on the forecast results of the tax entities concerned.

Deferred taxes are reported net on the balance sheet at Group tax consolidation level, and in the asset and liability columns of the consolidated balance sheet.

<i>(in thousands of euros)</i>	Balance at 31/12/2018	Balance at 31/12/2017
Employee benefits	5,769	9,549
Loss carryforwards	19,385	1,969
Portion of contract revenues earned	(81,052)	(68,817)
Other deferred provisions, income and expenses	10,652	232
NET DEFERRED TAXES	(45,245)	(57,067)
<i>o/w deferred tax assets</i>	<i>39,262</i>	<i>15,084</i>
<i>o/w deferred tax liabilities</i>	<i>(84,507)</i>	<i>(72,152)</i>

29.5 Tax amounts by type without tax base

<i>(in thousands of euros)</i>	Balance at 31/12/2018	Balance at 31/12/2017
Loss carryforwards	87,994	63,341
Other deferred provisions, income and expenses	22,932	19,597
TOTAL AMOUNTS WITHOUT TAX BASE	110,926	82,938

Deferred taxes have not been calculated for these amounts as it is unlikely that they will be used and the timing of their use cannot be estimated reliably or is too distant in the future.

Note 30 Earnings per share

The calculation of basic earnings per share (EPS) is based on the net profit attributable to shareholders of the parent company and the average number of shares outstanding during the year, less the average number of treasury shares held during the year.

As regards free share allocations, the calculation of diluted earnings per share is based on the treasury stock method assuming that all dilutive options and other dilutive potential ordinary shares are exercised. Dilution is attributable to the free share award plans described in Note 18. The average number of shares is calculated as the weighted average number of shares outstanding, which

reflects the grant dates of plans during the period. The numbers of potentially dilutive shares only take into account plans valued at a price lower than the average share price during the period.

Convertible bonds have a dilutive impact on the diluted earnings per share when the net interest expense recorded is lower than the basic earnings per share for each bond. The weighted average number of shares is therefore increased by the weighted average number of convertible bonds, and the Group share of net profit is adjusted for the net financial expense of the convertible bonds.

The maximum potential dilution resulting from the conversion of all the convertible bonds and the vesting of all free shares in awards granted would be 13.6% (as a percentage of share capital ownership) based on the number of shares at the end of the period.

<i>(number of shares)</i>	31/12/2018	Earnings per share (in euros)	31/12/2017	Earnings per share (in euros)
Number of shares at end of period	56,129,724		56,036,724	
Average number of shares outstanding during the period	55,967,992	4.95	55,435,357	3.35
Dilutive effect of share plans using the treasury stock method	370,628		466,877	
Dilutive effect of convertible bond issues	7,240,058		4,511,281	
Average number of shares (diluted)	63,578,678	4.37	60,413,515	3.08

Additional information

Note 31 Off balance sheet commitments

Off balance sheet items are described in the consolidated financial statements for the year ended 31 December 2018.

31.1 Off balance sheet commitments related to the Group's scope of reporting

LIABILITY GUARANTEES		
<i>(in thousands of euros)</i>	Total at 31/12/2018	Total at 31/12/2017
Liability guarantees received	34,520	36,870
Liability guarantees given	1,530	1,530

Liability guarantees received are related to the acquisition of companies, and decrease at the end of the guaranteed period.

31.2 Off balance sheet commitments related to Group financing

The amount of granted credit facilities is indicated in Note 19.2.

Guarantees, collateral and pledges granted to banks in connection with certain credit facilities are described below:

TYPE OF GUARANTEE					
<i>(in thousands of euros)</i>	Start date	Maturity date	Secured payables amount	Total consolidated balance sheet item	% of item pledged
Intangible assets:			-	2,449,403	
Property, plant and equipment:			-	100,637	
Financial assets:			-	44,887	
Inventories:			73,026	1,440,670	5.1%
Mortgage on land and buildings as collateral for a loan awarded to Neximmo 101	22/12/2017	21/04/2021	58,786		
Pledging of securities by Oralia Investissement as collateral for a loan to acquire companies	18/10/2016	29/11/2022	1,500		
Guarantee of loan granted to Neximmo 89 via a lender's lien over a building	13/06/2013	28/06/2019	11,000		
Guarantee of loan granted to Melisande Invest via a lender's lien over a building	23/06/2015	23/06/2020	1,740		
Cash and cash equivalents:			12,380	720,796	1.7%
Oralia term deposit pledges	26/11/2014	04/01/2021	12,380		
RATIO OF TOTAL GUARANTEES TO TOTAL CONSOLIDATED ASSETS			85,406	7,324,281	1.2%

31.3 Off balance sheet commitments relating to operating activities

The commitments given and received listed below include activities related to co-developments and reflect operational reporting.

Commitments received

COMMITMENTS RECEIVED FOR RECURRING OPERATIONS

<i>(in thousands of euros)</i>	Total at 31/12/2018	Total at 31/12/2017
Payment guarantees in respect of development contracts received from clients	251,352	324,304
Other commitments	1,078	1,078
TOTAL COMMITMENTS RECEIVED	252,430	325,382

Payment guarantees in respect of development contracts primarily relate to Commercial Real Estate. They are issued by financial institutions and are calculated every six months on the basis of the aggregate outstanding amount still due from clients. The Group grants the client a corresponding performance bond (see below).

Other commitments mainly concern guarantees on various indemnity payments.

In the course of its ordinary business in France, the Group also receives retention bonds in lieu of holdback from contractors on construction projects (up to 5% of the contract amount).

Commitments given

COMMITMENTS GIVEN FOR RECURRING OPERATIONS

<i>(in thousands of euros)</i>	Total at 31/12/2018	Total at 31/12/2017
<i>Residential Real Estate</i>	1,783,343	1,454,132
<i>Commercial Real Estate</i>	239,294	438,583
Counter-guarantees for performance bonds	2,022,637	1,892,715
Counter-guarantees for deposit payment bonds	39,470	35,578
Other commitments given	435,816	414,351
TOTAL COMMITMENTS GIVEN	2,497,923	2,342,644

Completion bonds are issued on a case-by-case basis by financial institutions to clients buying property, in accordance with existing law. In exchange, Nexity grants financial institutions an irrevocable undertaking to mortgage the property and a commitment not to transfer or sell its shares in the Company backing the development project.

The value of completion bonds is measured internally on a quarterly basis, before being reconciled and adjusted to the values set by the financial institutions based on changes in their commitments. Such a guarantee has never been exercised.

Deposit payment bonds are bank guarantees that may substitute cash payments on reacquisition agreements and promises to buy land and involve counter guarantees offered by Nexity to the banks issuing the guarantees (see Section on bilateral commitments below).

Other commitments given include guarantees on deferred payments relating to land purchases and planning taxes and duties.

Bilateral commitments

In the course of its normal business, the Group enters into the following agreements:

- In order to secure land for future housing and land development, the Group signs unilateral and bilateral pre-acquisition agreements with landowners:
 - under unilateral pre-acquisition agreements, the landowner agrees to sell the land. In exchange, the Group agrees to pay an indemnity, which the landowner may retain if the transaction falls through,
 - under bilateral sales agreements, the landowner agrees to sell the land, and the Group agrees to buy it if the conditions precedent are fulfilled. The Group also agrees to pay an indemnity or penalty if it decides not to buy the land, despite the fulfilment of the conditions precedent,
 - when agreements are signed, security deposits are either paid by the Group and held in escrow by the notary, or are covered by a bank guarantee;

- In order to market its real estate development and subdivision programmes, the Group signs reservation or pre-acquisition agreements with its clients:
 - the pre-acquisition agreements become deeds of sale if the conditions precedent are fulfilled (particularly if clients obtain financing to buy the property),
 - to reserve property, clients pay a deposit (or guarantee), which is returned if the sale falls through; and
- Real estate agents and intermediaries from the Services division are also required to provide guarantees pursuant to the Hoguet Act, which sets forth regulations governing the profession, particularly with regard to the management of client working capital accounts. At 31 December 2018, the amount guaranteed came to €992,050 thousand.

31.4 Schedule of contractual obligations

<i>(in thousands of euros)</i>	Total at 31/12/2018	Schedule at 31 December 2018		
		Under one year	1 to 5 years	Over 5 years
Long-term borrowings and financial debt	962,858	-	773,503	189,355
Operating loans and borrowings	263,993	65,626	198,367	-
Performance bonds	2,022,637	823,976	1,114,627	84,034
Other off-balance sheet commitments	435,816	104,186	321,354	10,276
TOTAL CONTRACTUAL OBLIGATIONS	3,685,304	993,788	2,407,851	283,665

Note 32 Statutory Auditors' fees

FINANCIAL YEARS: 2018 AND 2017 ⁽¹⁾	KPMG				Mazars				Other audit firms			
	Amount excl. VAT		%		Amount excl. VAT		%		Amount excl. VAT		%	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
<i>(in thousands of euros)</i>												
Statutory Auditors, certification, review of individual and consolidated accounts ⁽²⁾												
Issuer: Nexity SA	545	548	19%	21%	472	451	30%	34%				
Fully consolidated subsidiaries	2,215	2,023	79%	77%	1,095	834	69%	62%	261	360	95%	100%
Services excluding account certification ⁽³⁾												
Issuer: Nexity SA	0	1		0%	25	27	2%	2%				
Fully consolidated subsidiaries	60	71	2%	3%		26		2%	13		5%	
TOTAL	2,819	2,643	100%	100%	1,592	1,337	100%	100%	274	360	100%	100%

(1) Services provided during the accounting period and expensed in the income statement.

(2) Including the services of independent experts and members of the audit firm's network, who were called upon in connection with the statutory audit.

(3) Essentially certification of CSR information, pre-acquisition audits and various certificates.

Note 33 Information on related parties

33.1 Services between related parties

Co-development projects

The Group engages in numerous co-developments *via* special-purpose entities. In accordance with IFRS 11, those entities are accounted for using the equity method. Their results are reflected in the column entitled "Restatement of joint ventures" in Note 6.

33.2 Compensation of directors and executives

The remuneration of directors and executive officers covers members of the Executive Committee.

<i>(in thousands of euros)</i>	31/12/2018
Short-term benefits	4,648
Short-term benefits (Deferred remuneration – Amounts due if criteria are met in full)	3,792
Post-employment benefits	N/A
Long-term benefits	N/A
Valuation of the awarded free shares	N/A

N/A: Not applicable.

Note 34 Subsequent events

No significant events occurred between 31 December 2018 and the Board of Directors' meeting of 19 February 2019 convened to approve the financial statements for the period ended 31 December 2018.

Note 35 Main entities in the scope of reporting at 31 December 2018

MAIN FULLY CONSOLIDATED COMPANIES

Company name	Address	Siren	Legal form	% held
NEXITY	19, rue de Vienne – 75801 Paris Cedex 08	444 346 795	SA	100.00%
ABBEVILLE L'AIGRETTE BLEUE	42, avenue Raymond-Poincaré – 75116 PARIS	799 955 315	SCI	63.16%
ÆGIDE	42, avenue Raymond-Poincaré – 75116 PARIS	401 397 765	SA	63.16%
ANGLET BAROJA	25, allée Vauban – 59562 LA MADELEINE CEDEX	803 277 151	SCI	100.00%
ANNECY LE-VIEUX CDG	25, allée Vauban – 59562 LA MADELEINE CEDEX	508 777 158	SCI	100.00%
APOLLONIA	19, rue de Vienne – 75801 PARIS CEDEX 08	332 540 087	SAS	100.00%
ASNIERES ÎLOT 3	25, allée Vauban – 59562 LA MADELEINE CEDEX	792 160 699	SCI	100.00%
ASNIÈRES OLYMPE DE GOUGES	25, allée Vauban – 59562 LA MADELEINE CEDEX	792 407 462	SCI	100.00%
ASNIERES SUR OISE VULLI DOMAINES	25, allée Vauban – 59562 LA MADELEINE CEDEX	803 430 073	SCI	100.00%
AVIGNON BARBUSSE	25, allée Vauban – 59562 LA MADELEINE CEDEX	819 394 685	SCI	100.00%
BOIS-COLOMBES FOCH CLOAREC	25, allée Vauban – 59562 LA MADELEINE CEDEX	807 997 390	SCI	100.00%
BORDEAUX LUCIEN FAURE	25, allée Vauban – 59562 LA MADELEINE CEDEX	750 180 838	SCI	100.00%
BORDEAUX RUE BLANQUI	25, allée Vauban – 59562 LA MADELEINE CEDEX	525 328 795	SNC	100.00%
BORDEAUX RUE CARLE VERNET	25, allée Vauban – 59562 LA MADELEINE CEDEX	809 547 433	SCI	100.00%
BOUFFEMONT DOMAINES	25, allée Vauban – 59562 LA MADELEINE CEDEX	810 457 630	SCI	100.00%
BUREAUX À PARTAGER	21, place de la République – 75003 PARIS	789 597 317	SAS	53.80%
CARRE 9 ^{ème}	30, rue Louis-Rège – 13008 MARSEILLE	799 719 117	SCI	65.01%
CARRIERES CENTRALITE ILOT S3	25, allée Vauban – 59562 LA MADELEINE CEDEX	438 724 163	SCI	100.00%
CENON AVENUE CASSAGNE	25, allée Vauban – 59562 LA MADELEINE CEDEX	817 905 060	SCI	100.00%
CENTURY 21 FRANCE	3, rue des Cévennes – 91017 ÉVRY CEDEX LISSES	339 510 695	SAS	100.00%
CERGY BOULEVARD DE L'OISE	25, allée Vauban – 59562 LA MADELEINE CEDEX	814 368 023	SNC	100.00%
CHEMIN DES HOMMERIES	25, allée Vauban – 59562 LA MADELEINE CEDEX	540 082 609	SCI	100.00%
CLICHY 33 BD JEAN-JAURES	25, allée Vauban – 59562 LA MADELEINE CEDEX	802 319 996	SNC	100.00%
CONSTRUGESTION	2, rue Leday – Le Nouvel Hermitage – 80100 ABBEVILLE	430 342 667	SARL	55.00%
CORBEIL LE MOULIN DES BRUYERES	25, allée Vauban – 59562 LA MADELEINE CEDEX	752 966 176	SCI	87.11%
CORMEILLES LOT 2	25, allée Vauban – 59562 LA MADELEINE CEDEX	489 219 311	SCI	100.00%

MAIN FULLY CONSOLIDATED COMPANIES (CONTINUED)

Company name	Address	Siren	Legal form	% held
CRÉTEIL 23 PARIS	25, allée Vauban – 59562 LA MADELEINE CEDEX	812 219 335	SCI	100.00%
CRÉTEIL BROSSOLETTE GÉNÉRAL LECLERC	25, allée Vauban – 59562 LA MADELEINE CEDEX	807 710 546	SCI	100.00%
DOMAINES FEREAL	10, rue Marc Bloch – 92613 CLICHY CEDEX	415 120 955	SNC	100.00%
DOMITYS CENTRE OUEST	42, avenue Raymond-Poincaré – 75116 PARIS	452 414 774	SARL	63.16%
DOMITYS EST	42, avenue Raymond-Poincaré – 75116 PARIS	750 184 632	SARL	63.16%
DOMITYS NORD	42, avenue Raymond-Poincaré – 75116 PARIS	750 157 612	SARL	63.16%
DOMITYS NORD OUEST	42, avenue Raymond-Poincaré – 75116 PARIS	531 823 698	SARL	63.16%
DOMITYS SAS	42, avenue Raymond-Poincaré – 75116 PARIS	488 701 434	SAS	63.16%
DOMITYS SUD EST	42, avenue Raymond-Poincaré – 75116 PARIS	537 705 022	SARL	63.16%
DOMITYS SUD OUEST	42, avenue Raymond-Poincaré – 75116 PARIS	519 083 406	SARL	63.16%
EDOUARD DENIS DÉVELOPPEMENT	2, rue Leday – Le Nouvel Hermitage – 80100 ABBEVILLE	531 728 889	SAS	55.00%
EMILE DUCLEAUX	115, rue Réaumur – 75002 PARIS	794 388 850	SCI	88.79%
EVRY ZAC DES AUNETTES LOT UY	25, allée Vauban – 59562 LA MADELEINE CEDEX	804 699 205	SCI	100.00%
FEREAL	19, rue de Vienne – 75801 PARIS CEDEX 08	334 850 690	SA	100.00%
FINANCIERE GUY HOQUET L'IMMOBILIER	39, avenue Paul-Vaillant-Couturier – 94250 GENTILLY	478 793 698	SAS	95.00%
FONCIER CONSEIL	19, rue de Vienne – 75801 PARIS CEDEX 08	732 014 964	SNC	100.00%
FRANCONVILLE CERNAY	25, allée Vauban – 59562 LA MADELEINE CEDEX	811 896 679	SCI	100.00%
GARGENVILLE DOMAINES	25, allée Vauban – 59562 LA MADELEINE CEDEX	811 562 214	SCI	100.00%
GEORGE V GESTION	19, rue de Vienne – 75801 PARIS CEDEX 08	327 256 947	SAS	100.00%
GONESSE ZAC DU CENTRE ANCIEN	25, allée Vauban – 59562 LA MADELEINE CEDEX	801 645 789	SCI	100.00%
GUIBEVILLE DOMAINES	25, allée Vauban – 59562 LA MADELEINE CEDEX	813 068 855	SCI	100.00%
GUY HOQUET L'IMMOBILIER	39, avenue Paul-Vaillant-Couturier – 94250 GENTILLY	389 011 537	SA	95.00%
HERBLAY LES BAYONNES	25, allée Vauban – 59562 LA MADELEINE CEDEX	751 063 710	SCI	100.00%
HOUILLES HENRI BARBUSSE	25, allée Vauban – 59562 LA MADELEINE CEDEX	807 851 407	SCI	100.00%
HOUILLES VICTOR SCHOELCHER	25, allée Vauban – 59562 LA MADELEINE CEDEX	812 219 533	SCI	100.00%
I INVEST	400, promenade des Anglais – 06200 NICE	479 020 893	SAS	100.00%
IFS ROCQUANCOURT	25, allée Vauban – 59562 LA MADELEINE CEDEX	504 282 948	SCI	100.00%
IMMOPERL 1	115, rue Réaumur – 75002 PARIS	518 090 964	SNC	88.79%
ISELECTION	400, promenade des Anglais – 06200 NICE	432 316 032	SAS	100%
KINGERSHEIM L'ORGANDI	25, allée Vauban – 59562 LA MADELEINE CEDEX	803 805 134	SCI	85.26%
KRYPTON KALELITHOS	25, allée Vauban – 59562 LA MADELEINE CEDEX	819 433 905	SCI	100.00%
LA CIOTAT DULAC	25, allée Vauban – 59562 LA MADELEINE CEDEX	791 498 918	SNC	100.00%
LA CIOTAT LES LANTERNES BLEUES	25, allée Vauban – 59562 LA MADELEINE CEDEX	803 412 493	SCI	85.26%
LA LONDE CHATEAUVERT OUEST	25, allée Vauban – 59562 LA MADELEINE CEDEX	820 011 252	SCI	100.00%
LE SKATING	2, rue Leday – Le Nouvel Hermitage – 80100 ABBEVILLE	812 705 416	SCI	55.00%
LES BORDS DE L'OISE	2, rue Leday – Le Nouvel Hermitage – 80100 ABBEVILLE	798 803 383	SCI	55.00%
LES DUNES DE FLANDRES	2, rue Leday – Le Nouvel Hermitage – 80100 ABBEVILLE	408 888 659	SARL	55.00%
LES TERRASSES DU CABOT	30, rue Louis-Rège – 13008 MARSEILLE	811 038 462	SCI	65.01%
LES TERRASSES DU GOLF	2, rue Leday – Le Nouvel Hermitage – 80100 ABBEVILLE	814 650 461	SCI	55.00%
LOUVRES PLACE DE LA GARE	25, allée Vauban – 59562 LA MADELEINE CEDEX	793 753 245	SCI	100.00%
MARSEILLE 24 AVRIL 1915	25, allée Vauban – 59562 LA MADELEINE CEDEX	800 191 017	SCI	100.00%
MARSEILLE AUPHAN CHARPENTIER	25, allée Vauban – 59562 LA MADELEINE CEDEX	793 097 684	SCI	100.00%
MARSEILLE CREMIEUX	25, allée Vauban – 59562 LA MADELEINE CEDEX	808 682 934	SNC	100.00%
MENNECY ROUSSET DOMAINES	25, allée Vauban – 59562 LA MADELEINE CEDEX	810 050 179	SNC	100.00%
METZ CALLIOPE	42, avenue Raymond-Poincaré – 75116 PARIS	814 982 179	SCI	63.16%
MONCONSEIL LOT 15	25, allée Vauban – 59562 LA MADELEINE CEDEX	809 667 686	SCI	100.00%

MAIN FULLY CONSOLIDATED COMPANIES (CONTINUED)

Company name	Address	Siren	Legal form	% held
MONTREUIL ÉGLISE CONVENTION	25, allée Vauban – 59562 LA MADELEINE CEDEX	750 350 001	SCI	100.00%
MONTREUIL LES RÉSERVOIRS BOULEVARD DE LA BOISSIÈRE	25, allée Vauban – 59562 LA MADELEINE CEDEX	480 556 042	SCI	70.00%
NEXIMMO 102	19, rue de Vienne – 75801 PARIS CEDEX 08	814 256 442	SAS	100.00%
NEXIMMO 106	19, rue de Vienne – 75801 PARIS CEDEX 08	823 421 482	SAS	100.00%
NEXIMMO 120	19, rue de Vienne – 75801 PARIS CEDEX 08	834 215 865	SAS	100.00%
NEXIMMO 38	19, rue de Vienne – 75801 PARIS CEDEX 08	498 710 534	SAS	100.00%
NEXIMMO 39	19, rue de Vienne – 75801 PARIS CEDEX 08	488 710 567	SAS	100.00%
NEXIMMO 65	19, rue de Vienne – 75801 PARIS CEDEX 08	513 636 142	SAS	100.00%
NEXIMMO 85	19, rue de Vienne – 75801 PARIS CEDEX 08	752 524 454	SAS	100.00%
NEXIMMO 88	19, rue de Vienne – 75801 PARIS CEDEX 08	752 285 668	SAS	100.00%
NEXIMMO 90	19, rue de Vienne – 75801 PARIS CEDEX 08	752 307 413	SAS	100.00%
NEXIMMO 91	19, rue de Vienne – 75801 PARIS CEDEX 08	752 307 314	SAS	100.00%
NEXITY CONSEIL ET TRANSACTION	43/47, avenue de la Grande-Armée – 75116 PARIS	431 315 159	SAS	100.00%
NEXITY CONTRACTANT GÉNÉRAL	10/12, rue Marc-Bloch – 92110 CLICHY-LA-GARENNE	813 337 136	SAS	100.00%
NEXITY FRANCHISES	19, rue de Vienne – 75801 PARIS CEDEX 08	488 710 740	SAS	100.00%
NEXITY HOLDING ITALIA	Corso Galileo Ferraris – 110 – 10129 TURIN	Italy – Turin 495 089 0964	SRL	100.00%
NEXITY IMMOBILIER D'ENTREPRISE	19, rue de Vienne – 75801 PARIS CEDEX 08	332 335 769	SA	100.00%
NEXITY IMMOBILIER RÉSIDENTIEL RÉGION SUD	5, rue René-Cassin – 13003 MARSEILLE	351 039 193	SNC	100.00%
NEXITY LAMY	19, rue de Vienne – 75801 PARIS CEDEX 08	487 530 099	SAS	100.00%
NEXITY LOGEMENT	19, rue de Vienne – 75801 PARIS CEDEX 08	399 381 821	SAS	100.00%
NEXITY MILANO PORTA VOLTA	Corso Galileo Ferraris – 110 – 10129 TURIN	Italy – Turin 1018 374 0017	SRL	100.00%
NEXITY PATRIMOINE	19, rue de Vienne – 75801 PARIS CEDEX 08	329 087 118	SNC	100.00%
NEXITY POLSKA	ul. Aleje Jerozolimskie, n 98-00807 WARSAW	Poland – Warsaw 281 618	Sp.z.o.o	100.00%
NEXITY PROPERTY MANAGEMENT	10/12, rue Marc-Bloch – 92110 CLICHY-LA-GARENNE	732 073 887	SA	100.00%
NEXIMMO 115	19, rue de Vienne – 75801 PARIS CEDEX 08	830 845 426	SAS	100.00%
NEXITY STUDÉA	19, rue de Vienne – 75801 PARIS CEDEX 08	342 090 834	SA	100.00%
NEXIVILLE 2	19, rue de Vienne – 75801 PARIS CEDEX 08	523 781 011	SAS	100.00%
NICE AVENUE ÉMILE-RIPERT	25, allée Vauban – 59562 LA MADELEINE CEDEX	809 191 380	SCI	100.00%
NIEUL SUR MER MAILLEZAIS	25, allée Vauban – 59562 LA MADELEINE CEDEX	812 288 892	SCI	100.00%
NP7 SPOLKA AKCYJNA	ul. Aleje Jerozolimskie, n 98-00807 WARSAW	Poland – Warsaw 462 107	SA	100.00%
OLONNES LES FREGATES	42, avenue Raymond Poincaré – 75116 PARIS	810 546 937	SCI	37.26%
ORALIA INVESTISSEMENTS	94, quai Charles-de-Gaulle – 69006 LYON	395 329 113	SA	100.00%
ORALIA MANAGEMENT	94, quai Charles-de-Gaulle – 69006 LYON	395 190 051	SARL	100.00%
ORALIA PARTENAIRES	94, quai Charles-de-Gaulle – 69006 LYON	397 581 984	SAS	100.00%
PARIS 17 BATIGNOLLES LOT 08	25, allée Vauban – 59562 LA MADELEINE CEDEX	798 952 644	SCI	100.00%
PERIGNAT LA CASTEL DU VAL	42, avenue Raymond Poincaré – 75116 PARIS	794 405 209	SCI	50.23%
PERL	115, rue Réaumur – 75002 PARIS	438 411 035	SAS	87.79%
PERSAN DOMAINES	25, allée Vauban – 59562 LA MADELEINE CEDEX	538 448 531	SNC	100.00%
POISSY LA COUDRAIE	25, allée Vauban – 59562 LA MADELEINE CEDEX	808 164 685	SCI	100.00%
PONTOISE CHEMIN DE LA PELOUSE	25, allée Vauban – 59562 LA MADELEINE CEDEX	793 250 663	SCI	100.00%
PRADO GESTION	30, rue Louis-Rège – 13008 MARSEILLE	479 927 238	SAS	65.01%
PRIMOSUD	30, rue Louis-Rège – 13008 MARSEILLE	339 901 365	SAS	65.01%
RÉSIDENCE AMBROISE PARE	30, rue Louis-Rège – 13008 MARSEILLE	788 756 054	SCI	82.51%
RICHARDIÈRE	19, rue de Vienne – 75801 PARIS CEDEX 08	682 009 121	SAS	100.00%
ROMAINVILLE PAUL DE KOCK	25, allée Vauban – 59562 LA MADELEINE CEDEX	794 012 195	SCI	100.00%

MAIN FULLY CONSOLIDATED COMPANIES (CONTINUED)

Company name	Address	Siren	Legal form	% held
ROUEN ALEXANDRA DAVID NEEL	25, allée Vauban – 59562 LA MADELEINE CEDEX	814 864 914	SNC	100.00%
SACLAY DOMAINES	25, allée Vauban – 59562 LA MADELEINE CEDEX	811 980 309	SCI	100.00%
SCHILTIGHEIM RUE PERLE	25, allée Vauban – 59562 LA MADELEINE CEDEX	810 424 143	SCI	100.00%
SEERI	19, rue de Vienne – 75801 PARIS CEDEX 08	331 129 437	SAS	100.00%
SERVON RÉPUBLIQUE DOMAINES	25, allée Vauban – 59562 LA MADELEINE CEDEX	798 499 414	SNC	100.00%
SAINT-OUEN CHEMIN DU LANDY	25, allée Vauban – 59562 LA MADELEINE CEDEX	798 952 842	SCI	100.00%
STAINS 3 RIVIÈRES	25, allée Vauban – 59562 LA MADELEINE CEDEX	537 972 275	SCI	100.00%
TERENEO	10, rue Horus – 59650 VILLENEUVE D'ASCQ	502 931 777	SAS	83.32%
THIVERVAL DOMAINES	25, allée Vauban – 59562 LA MADELEINE CEDEX	813 756 335	SCI	100.00%
TOULOUSE 105, AVENUE DE CASSELARDIT	25, allée Vauban – 59562 LA MADELEINE CEDEX	790 325 112	SCI	100.00%
TOULOUSE LES PAGELLES	25, allée Vauban – 59562 LA MADELEINE CEDEX	812 916 674	SCI	85.26%
ULIPERL	115, rue Réaumur – 75002 PARIS	841 612 716	SNC	88.79%
URBAN CITY	2, rue Leday – Le Nouvel Hermitage – 80100 ABBEVILLE	818 457 996	SCI	55.00%
VANNES GRANDES MURAILLES	25, allée Vauban – 59562 LA MADELEINE CEDEX	814 320 008	SCI	100.00%
VILLES & PROJETS	19, rue de Vienne – 75801 PARIS CEDEX 08	409 260 775	SNC	100.00%
VILLIERS HAUTES NOUES NL5	25, allée Vauban – 59562 LA MADELEINE CEDEX	810 127 944	SCI	100.00%
YWOOD GESTION	19, rue de Vienne – 75801 PARIS CEDEX 08	752 288 399	SAS	100.00%

MAIN EQUITY-ACCOUNTED COMPANIES

Company name	Address	Siren	Legal form	% held
Associates				
BIEN'ICI	19, rue de Vienne – 75801 PARIS CEDEX 08	488 073 412	SAS	49.50%
Joint ventures				
GARENNE AMENAGEMENT	19, rue de Vienne – 75801 PARIS CEDEX 08	837 487 172	SAS	51.00%
BAGNEUX BRIAND	19, rue de Vienne – 75801 PARIS CEDEX 08	818 336 059	SAS	50.00%
MEUDON TRIVAUX	25, allée Vauban – 59562 LA MADELEINE CEDEX	834 040 297	SAS	70.00%
LYON RUE DES GIRONDINS	25, allée Vauban – 59562 LA MADELEINE CEDEX	821 286 580	SCI	90.00%
RUEIL MASSENA	25, allée Vauban – 59562 LA MADELEINE CEDEX	821 695 830	SAS	50.00%
LILAS PAUL-MEURICE	19, rue de Vienne – 75801 PARIS CEDEX 08	800 417 677	SAS	50.00%
NEXIMMO 93 – CURIAL	19, rue de Vienne – 75801 PARIS CEDEX 08	752 524 587	SAS	50.00%
PARIS 16 SAINT DIDIER SABLONS	25, allée Vauban – 59562 LA MADELEINE CEDEX	803 690 718	SCI	50.00%
LA VALETTE TERRA SOULEOU	25, allée Vauban – 59562 LA MADELEINE CEDEX	804 555 944	SCI	63.00%
VAURÉAL BD DE L'OISE NORD	25, allée Vauban – 59562 LA MADELEINE CEDEX	814 122 438	SCI	52.00%

5.3.3 Statutory Auditors' report on the consolidated financial statements

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

Year ended 31 December 2018

To the shareholders of Nexity,

1 Opinion

In compliance with the engagement entrusted to us by your annual general meeting, we have audited the accompanying consolidated financial statements of Nexity for the year ended 31 December 2018.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at 31 December 2018 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Audit and Financial Statements Committee.

2 Basis for Opinion

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

Independence

We conducted our audit engagement in compliance with the independence rules applicable to us for the period from 1 January 2018 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5 of Regulation (EU) No 537/2014 or in the French code of ethics (Code de déontologie) for statutory auditors.

3 Emphasis of Matter

Without qualifying our opinion expressed above, we draw your attention to the effects of the changes in accounting policies arising due to the application of IFRS 15 and IFRS 16 and to the change in presentation of France's levy on enterprise added value (CVAE) set out in notes 2.2 and 2.3 to the consolidated financial statements.

4 Justification of Assessments - Key Audit Matters

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (Code de commerce) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period, and how we addressed those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

Measurement of goodwill

(Note 7 to the consolidated financial statements)

Risk identified

In the framework of its development, the Group has undertaken a certain number of acquisitions and has recognised goodwill in the consolidated statement of financial position as at 31 December 2018 for a total carrying amount of €1,579 million.

At each year-end, the Group's management reviews the carrying amounts of goodwill and tests them for impairment at least once per year and whenever any indication of impairment is noted. For that purpose, goodwill is allocated to cash-generating units (CGUs) defined as homogeneous groups of assets that generate separately identifiable cash flows. Impairment testing involves comparing the carrying amount of each CGU with its recoverable amount. The bases applied for that purpose by management, and details of the applicable assumptions, are described in note 7 to the consolidated financial statements. Recoverable amounts are determined by reference to the value in use of each CGU based on the present value of its estimated future cash flows, the applicable 5 year business plan used by general management and presented to the Board of Directors, and the perpetual growth rate estimated for the period beyond the 5 year horizon.

The Group performs sensitivity analyses as described in note 7 to the consolidated financial statements.

Given the judgement required by management to determine recoverable amounts, the sensitivity analysis and the amounts of goodwill involved, we consider the measurement of goodwill to be a key audit point.

Audit procedures in response to the risk identified

We assessed the compliance of the company's valuation methodology with the applicable accounting standards, and its bases of application, with particular regard to:

- The appropriateness of the approach used to determine the applicable CGUs for testing and of the process for preparing the applicable 5 year business plans, in particular by comparing the prior year's impairment test projections with the current year's results;
- The consistency of the estimated future cash flows used to calculate the values in use of each CGU with those included in the 5 year business plans presented by management to the company's Board of Directors in December 2018;
- The appropriateness of the applicable discount rate and perpetual growth rate assumptions as assessed by our financial appraisal specialists;
- Management's analysis of the sensitivity of value in use to changes in the main underlying assumptions.

We also assessed the appropriateness of the financial information provided in note 7 to the consolidated financial statements.

Recognition of revenue and profit based on percentage of completion for real estate development operations under VEFA off-plan agreements and CPI development contracts

(Notes 2.2.1 and 4 to the consolidated financial statements)

Risk identified

As indicated in note 4 to the consolidated financial statements, Nexity's revenue from residential and commercial real estate development operations involving VEFA off-plan agreements and CPI property development contracts amounts to more than 70% of consolidated revenue, representing the majority of the Group's revenue.

Revenue and profit for such real estate development operations are recognised using the percentage of completion method.

Percentage of completion is determined on the basis of the commercial stage of development and on the percentage of development expenditure already incurred at year-end in comparison with the latest budget estimate updated at year-end.

Given the requirement for management to exercise judgement and make estimates to determine the operating budgets used for the percentage of completion method, we consider the recognition of revenue and profit based on the percentage of completion of real estate development operations involving VEFA off-plan agreements and CPI property development contracts to be a key audit matter.

Audit procedures in response to the risk identified

Our approach was adapted to the degree of maturity of the system of internal control applicable to each business or subsidiary:

- The first such approach was notably based on the following work:
 - Assessment of the relevant controls implemented by Group management for the preparation and updating of operating budgets contributing to their reliability;
 - Assessment of the relevant controls implemented by Group management for the management of purchases and sales contributing to the reliability of the calculation of percentage of technical and commercial completion of real estate development operations;
 - Analysis of significant changes in revenue and profit from one period to the next.
- The second such approach was notably based on the following work:
 - Assessment of the consistency of the latest updated operating budgets for the period and comparison with supporting documentation and information obtained from the applicable financial controllers and/or programme managers;
 - Comparison of accounting data with the operating data for each programme and cross-checking of percentage of completion data with operating data on contract progress or architects' certificates or sale agreements.

We also assessed the appropriateness of the financial information provided and the impact of the new revenue recognition accounting standard (IFRS 15) described in notes 2.2, 4 and 6.2 to the consolidated financial statements.

Acquisition of a controlling interest in Ægide-Domitys

(Notes 1.2 and 3.3 to the consolidated financial statements)

Risk identified

In June 2018, Nexity exercised a purchase option allowing it to acquire an additional 18% interest in the share capital of Ægide, the parent company of Ægide-Domitys. Nexity's total interest thereby rose from 45% to 63%. As a result, the investment in Ægide-Domitys, previously accounted for using the equity method, became fully consolidated with effect from 1 July 2018 and generated a €79 million gain on revaluation of the investment previously held.

The description of the acquisition of a controlling interest in Ægide-Domitys in notes 1.2 and 3.3 to the consolidated financial statements mentions a provisional goodwill amount of €288 million.

The accounting treatment of the acquisition of the controlling interest notably requires recognition of the identifiable assets acquired and liabilities assumed at their fair value. Significant measurement requiring management's judgement is involved.

Given the requirement for management to exercise judgement and the amounts involved, we consider that the accounting treatment of the acquisition of Ægide-Domitys is a key audit matter.

Audit procedures in response to the risk identified

We performed the following procedures:

- We obtained an understanding of the process implemented by management for the identification of the assets, liabilities and contingent liabilities of Ægide-Domitys requiring recognition in Nexity's consolidated financial statements in the framework of the acquisition of a controlling interest;
- We analysed the contracts between Nexity and the other stakeholders in the transaction and obtained information from management on their estimation of the gain on revaluation of the investment previously held and of the put options granted to minority shareholders;
- We assessed the compliance of the accounting treatment of the acquisition of a controlling interest with the applicable accounting requirements. We also assessed the appropriateness of the financial information provided in notes 1.2 and 3.3 to the consolidated financial statements.

First-time application of IFRS 16

(Notes 2.2.2, 8 and 19 to the consolidated financial statements)

Risk identified

Nexity has opted for the early application of the new standard on accounting for leases (IFRS 16) with simplified retrospective effect from 1 January 2018. Under the new standard, all leases are accounted for by lessees on a uniform basis with recognition of a "right of use" asset and of a lease liability.

As at 31 December 2018 and as mentioned in notes 8 and 19 to the consolidated financial statements, Nexity's consolidated rights of use amounted to €757 million net and the associated lease liabilities to €810 million, after discounting.

We consider the early application of IFRS 16 to be a key audit matter given the large volume of accounting data required, the materiality of the right of use assets and lease liabilities and the degree of management judgement required to measure those amounts, in particular with regard to the assumptions as to probable lease duration and associated discount rates.

Audit procedures in response to the risk identified

We performed the following procedures:

- We obtained an understanding of the process and key controls implemented by management to apply the standard, in particular with regard to the identification and analysis of leases;
- We assessed the quality of the lease data input to Nexity's information systems;
- We assessed management's assumptions on probable lease durations and the useful lives of assets;
- We independently recalculated the first-time application balance sheet and profit and loss impacts by applying our own software resources to management's lease database and related assumptions.

We also assessed the appropriateness of the financial information provided in note 2.2 to the consolidated financial statements.

5 Specific Verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations of the Group information given in the management report of the Board of Directors.

We have no matters to report as to its fair presentation and consistency with the consolidated financial statements.

We attest that the consolidated non-financial information required by Article L.225-102-1 of the French Commercial Code (Code de commerce) is included in the Group's management report, it being specified that, in accordance with article L.823-10 of the Code, we have verified neither the fair presentation nor the consistency with the consolidated financial statements of the information contained therein. This information should be reported on by an independent third party.

6 Report on Other Legal and Regulatory Requirements

Appointment of the Statutory Auditors

We were appointed statutory auditors of Nexity by the annual general meeting held on 30 April 2008 for Mazars and on 16 October 2003 for KPMG. As at 31 December 2018, Mazars and KPMG were in the 11th year and 16th year of the total uninterrupted engagement, which are the 11th year and 15th year respectively since securities of the Company were admitted to trading on a regulated market.

7 Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is intended to liquidate the Company or to cease operations.

The Audit and Financial Statements Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems and where applicable, internal audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements have been approved by the Board of Directors.

8 Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Objectives and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

As specified in Article L.823-10-1 of the French Commercial Code (Code de commerce), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for the audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control;

- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements;
- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether any material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of the audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or are inadequate, to modify the opinion expressed therein;
- Evaluates the overall presentation of the consolidated financial statements and assesses whether they represent the underlying transactions and events in a manner that achieves fair presentation;
- Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on the consolidated financial statements.

Report to the Audit Committee

We submit a report to the Audit and Financial Statements Committee which includes a description of the scope of the audit and the audit programme implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit and Financial Statements Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit and Financial Statements Committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L822-10 to L822-14 of the French Commercial Code (Code de commerce) and in the French code of ethics (Code de déontologie) for statutory auditors. Where appropriate, we discuss with the Audit and Financial Statements Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris La Défense, 27 March 2019

The statutory auditors

KMPNG Audit IS

François Plat

Partner

MAZARS

Olivier Thireau

Partner

Michel Barbet-Massin

Partner

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5.4.1 Summary statements

Balance sheet

ASSETS					
			31/12/2018		31/12/2017
			Amortisation, depreciation and impairment	Net amount	Net amount
(in thousands of euros)	Notes	Gross amount			
Intangible assets					
Concessions, patents and similar rights	6.1	102,550	(30,656)	71,894	65,144
Goodwill	6.1	-	-	-	-
Other intangible assets	6.1	26,327	-	26,327	18,670
Property, plant and equipment					
Property, plant and equipment	6.2	35,601	(20,628)	14,973	15,301
Assets in progress		218	-	218	-
Non-current financial assets					
Equity investments	6.3	2,292,991	(205,366)	2,087,625	1,865,419
Receivables from equity investments		5,872	(4,287)	1,585	1,219
Other equity securities	6.4	13,198	-	13,198	11,868
Loans	6.5	25,974	(155)	25,819	28,010
Other non-current financial assets	6.6	145,146	(41)	145,105	27,860
Non-current assets	6.7	2,647,877	(261,133)	2,386,744	2,033,491
Inventories and work in progress					
Advances and deposits paid on orders		4,803	-	4,803	247
Receivables					
Trade and other receivables	7.1	22,367	(55)	22,312	10,196
Other receivables	7.2	595,952	(53,213)	542,739	473,810
Other					
Marketable securities	7.3	116,788	-	116,788	304,348
Treasury shares held	7.4	19,797	-	19,797	-
Cash and cash equivalents	7.5	127,038	-	127,038	137,033
Adjustment accounts					
Prepaid expenses	7.6	3,083	-	3,083	2,568
Current assets		889,828	(53,268)	836,560	928,202
Deferred expenses	7.7	6,007	-	6,007	2,552
Foreign currency translation gains and losses assets		532	-	532	657
TOTAL ASSETS		3,544,244	(314,401)	3,229,843	2,964,902

LIABILITIES AND EQUITY

<i>(in thousands of euros)</i>	Notes	31/12/2018	31/12/2017
Equity			
Share capital	8.1	280,649	280,184
Share issue, merger, contribution premiums		1,130,173	1,241,573
Legal reserve		28,018	26,788
Other reserves (including purchase of original works)		-	-
Retained earnings		-	-
Profit/(loss) for the financial year		398,974	30,620
Regulated provisions		3,869	2,904
TOTAL EQUITY	8	1,841,683	1,582,069
Provisions		34,327	16,835
TOTAL PROVISIONS	9	34,327	16,835
Financial debt			
Convertible bonds	10.1	470,167	270,000
Bond issues	10.1	327,833	462,909
Loans and borrowings from financial institutions		425	357
Borrowings and financial liabilities	10.2	480,533	562,252
Operating liabilities			
Trade and other payables		32,748	19,162
Tax payable and social security contributions		24,925	22,828
Other liabilities			
Liabilities in respect of fixed assets		9,856	14,766
Other liabilities		7,283	13,464
Adjustment account			
Deferred income		54	54
TOTAL LIABILITIES		1,353,824	1,365,792
Foreign currency translation gains and losses liabilities		9	206
TOTAL LIABILITIES AND EQUITY		3,229,843	2,964,902

5 FINANCIAL REPORT

Parent company financial statements

Income statement

<i>(in thousands of euros)</i>	Notes	31/12/2018	31/12/2017
Sales of goods			
Production of goods sold			
Production of services sold		116,597	98,260
Revenue		116,597	98,260
Capitalised production		8,518	6,554
Operating subsidies		1	77
Reversals on depreciation, provisions, transfers of charges		11,276	3,933
Other income		-	-
Operating income	11	136,392	108,824
Purchase of raw materials and other supplies		(8)	(7)
Other purchases and external expenses		(81,110)	(77,285)
Taxes, duties and other levies		(2,723)	(4,018)
Wages		(37,821)	(28,588)
Social security contributions		(16,774)	(15,628)
Operating additions			
On fixed assets: depreciation, amortisation and impairment		(10,576)	(8,996)
On fixed assets: provisions		-	(284)
On current assets: provisions		-	(55)
For risks and charges: provisions		(19,019)	-
Other expenses		(3,162)	(870)
Operating expenses	12	(171,193)	(135,731)
OPERATING RESULTS	13	(34,801)	(26,907)
Financial income from investments		200,499	31,433
Income from other securities and receivables from non-current assets		1,039	373
Other interest and equivalent		7,929	9,288
Reversals on provisions and transfers of charges		200,184	58,808
Positive exchange rate differences		1	3
Net income on disposals of marketable securities		25	10
Financial income	14	409,677	99,915
Financial additions to depreciation, amortisation and provisions		(64,968)	(45,243)
Interest and equivalent expenses		(17,128)	(16,064)
Negative exchange rate differences		(22)	(1)
Net expenses on disposals of marketable securities		-	-
Finance costs	15	(82,118)	(61,308)
NET FINANCIAL INCOME/(EXPENSE)	16	327,559	38,607
CURRENT PROFIT/(LOSS) BEFORE TAX		292,758	11,700
Non-recurring income from management operations		6	-
Non-recurring income from equity operations		106,609	1,861
Reversals on provisions and transfers of charges		28,313	563
Non-recurring income		134,928	2,424
Non-recurring expenses from management operations		-	-
Non-recurring expenses from equity operations		(57,829)	(4,990)
Non-recurring additions to depreciation, amortisation and provisions		(965)	(824)
Non-recurring expenses		(58,794)	(5,814)
NON-RECURRING PROFIT/(LOSS)	17	76,134	(3,390)
Employee profit-sharing (Participation)	18	(160)	(261)
Income taxes	19	30,242	22,571
Total income		680,997	211,163
Total expenses		(282,023)	(180,543)
PROFIT (OR LOSS)	20	398,974	30,620

Statement of cash flows

<i>(in thousands of euros)</i>	Notes	31/12/2018	31/12/2017
Net accounting profit/(loss)		398,974	30,620
Elimination of non-cash income and expenses and gains and losses:			
Elimination of depreciation, amortisation and provisions		(133,101)	(7,105)
Elimination of gains and losses on asset disposals		(50,080)	599
Elimination of the loss due to the early repurchase of bond issues			2,957
Other non-cash income and expenses			
Net losses arising on mergers of assets and liabilities			(1,400)
Cash flow		215,793	25,671
Change in Working Capital Requirement		(20,118)	43,436
Net cash flow from/(used in) operating activities		195,675	69,107
Acquisition of intangible assets		(19,718)	(17,165)
Acquisition of property, plant and equipment		(5,064)	(3,240)
Acquisition/increase in equity investments		(103,505)	(72,170)
Increase in receivables attached to investments and other financial receivables		(84,632)	(117,932)
Proceeds from disposals of property, plant, equipment and intangible assets		15	142
Proceeds from disposals of equity investments		747	710
Repayment of capital for subsidiaries		656	-
Decrease in receivables attached to investments and other financial receivables		87,501	106,819
Net cash from/(used in) investing activities		(124,001)	(102,837)
Capital increase		-	22,748
Dividends paid		(140,324)	(132,732)
Acquisition of treasury shares		(19,797)	
Increase in convertible bonds issues		200,000	-
Increase in bond issues		-	151,000
Repayment of bond issues		(135,000)	(67,957)
Net change in financial current accounts		(169,743)	195,329
Increase in deferred expenses		(4,557)	(681)
Net cash from/(used in) financing activities		(269,421)	167,707
Impact of foreign currency exchange rate changes on cash and cash equivalents		125	(79)
CHANGE IN CASH AND CASH EQUIVALENTS	24	(197,622)	133,899
Cash and cash equivalents, beginning of period		441,023	307,125
Cash and cash equivalents, end of period		243,401	441,023

5.4.2 Notes to the parent company financial statements

Note 1 Information on the Company and key developments

1.1 Description

Notes to the balance sheet, before appropriation of earnings, for the financial year ended 31 December 2018, showing a balance sheet total of €3,229,842,889.80, and to the income statement, showing earnings of €398,974,286.85.

The Company's financial year runs from 1 January to 31 December 2018 (12 months).

The notes and tables presented below are an integral part of the parent company financial statements.

The Company's press releases and annual reports – including the Company's historical financial information and parent company financial statements – are available on the Company's website: www.nexity.fr/en/group. Copies may also be obtained from Nexity's head office at 19, rue de Vienne – TSA 50029 – 75801 Paris Cedex 08 (France).

The Company is a holding company with Nexity Group at the head, and controls the Group's main subsidiaries (see list of the main subsidiaries in Note 30).

Nexity's shares are listed on Eurolist of Euronext Paris.

1.2 Significant developments during the financial year

2018 was marked by the following significant developments:

In terms of external growth:

- In June 2018, the subsidiary Nexity Résidence Gérées exercised the call option on 18% of the capital in Ægide, bringing the Group's investment to 63.16% of the capital. Ægide-Domitys is France's number-one operator of senior independent living facilities, with 83 residences open at 31 December 2018.

In December 2018, Nexity made a partial contribution of its 45.16% investment to Nexity Résidences Gérées.

Following this operation, the Group's total investment in Ægide's capital (63.18%) is held by Nexity Résidences Gérées, a wholly owned subsidiary of Nexity;

- In December 2018, Nexity acquired 54% of Bureaux à Partager, a leading player, under the Morning Coworking brand, in the Paris ready-to-use office space market.

In terms of financing:

- In February 2018, Nexity issued €200 million of 7-year bonds that may be converted into cash and/or new shares and/or existing shares (ORNANE bonds), offered by way of a private placement, redeemable at maturity in March 2025 and paying an annual coupon rate of 0.25%. This new borrowing extends the maturity of the debt while also taking advantage of current favourable interest rates;

- In July 2018, Nexity entered into a €2.3 billion syndicated corporate credit facility, comprised of a €500 million cash credit line and €1.8 billion in guarantee commitments ("engagements par signature", notably including performance bonds and bank guarantees). This facility lasts for 5 years (maturing in July 2023). At 31 December 2018 the cash credit facility had not been used;
- In December 2018, Nexity repaid the €135 million bond issue subscribed in 2013 at maturity.

In terms of treasury shares:

- As part of the share buyback programme authorised by the Shareholders' Meeting, Nexity acquired 450,000 shares (0.8% of the capital) for a total price of €19.8 million. This programme was added to the existing programme as part of the liquidity contract managed by an Investment Services Provider (Note 6.6).

Nexity's Board of Directors decided to allocate these shares to add to the existing measures on free share plans currently being vested and allocated to Group employees. This measure cancels the dilutive effect during the allocation to beneficiaries after the vesting period.

As the free share plans concern all Group employees, this buyback operation is recognised in the financial statements by a provision for expenses of €18.7 million representing the obligation to provide free shares and by rebilling of €12.6 million to the subsidiaries employing the beneficiary employees. The net expense of €6.1 million represents the personnel costs for the Company's employees.

1.3 Subsidiaries and investments

Equity investments and the associated technical merger losses went from €1,887 million at 31 December 2017 to €2,227 million at 31 December 2018, *i.e.* a net increase of €340 million which corresponds to:

- €161 million in net financial reversals of amortisation on equity investments and technical losses;
- €77 million due to the contribution gain on *Ægide* securities to Nexity Résidence Gérées. These securities were stated at their real value in accordance with the French General Accounting Plan (PCG – Article 743-3 amended by ANC regulation No. 2017-01) in cases where the net assets contributed are insufficient to allow the capital to be paid-up.

The real value was calculated on the same basis as the transaction of June 2018. The contribution gain recognised in non-recurring income amounted to €77.6 million given the book value of the securities (€22.9 million) and the losses allocated to these securities (€2.4 million);

- €60 million mainly due to capital increases for subsidiaries;
- €43 million due to acquisitions of securities in *Bureaux à Partager* (54%) and *PERL* (7% taking the holding from 82% to 89%); and
- -€1 million in net disposals of intra-group investments.

GENERAL INFORMATION

Note 2 Accounting principles

The parent company financial statements were approved in accordance with the provisions of the French Commercial Code, Ruling No. 2014-03 of the *Autorité des Normes Comptables* (Accounting Standards Authority – ANC) relating to the French General Accounting Plan and the applicable regulations.

The general accounting conventions were applied in compliance with the principle of prudence, in accordance

with the basic assumptions: going concern, consistency of accounting methods from one financial year to another, independence of financial years, in accordance with the general rules for preparing and presenting parent company financial statements.

The basic method selected to assess the items entered into the accounts is the historical cost method.

Note 3 Change of method

The presentation of the parent company financial statements and the assessment methods selected have not changed compared to the previous financial year.

Note 4 Estimates and assumptions

In the process of preparing the parent company financial statements, the measurement of certain balance sheet and income statement items calls for the use of assumptions and assessments based, in particular, on budgets for property developments. These notably concern the valuation of equity investments.

These assumptions, estimates and assessments are established and reviewed regularly on the basis of information available and the actual position of the Company on the date the financial statements are prepared, taking into consideration past experience and

other relevant factors. The actual results may differ significantly from these estimates due to changes in the underlying conditions and assumptions.

The assumptions, estimates and judgements leading to the presentation of the financial statements at 31 December 2018 were conducted in a context of high volumes in the real estate markets in France, but with a decline in the new home real estate development market. This overall downward trend is likely to continue into 2019. In the medium term, expectations of interest rate rises pose risks to the Group's activity levels and future margins.

Note 5 Accounting principles

5.1 Property, plant, equipment and intangible assets

Property, plant and equipment and intangible assets are stated at acquisition (purchase price and associated expenses) or contribution cost. Moreover, in accordance with the obligations placed by the BOI instruction 4 I-1-93 (paragraph 32), the cost of entry of the goods subject to a universal transmission of assets is broken down into gross value and depreciation.

Depreciation is calculated on a straight-line or degressive basis according to the estimated life of the goods:

- Software: 1 to 7 years straight-line basis;

- Fixtures and fittings: 7 to 9 years straight-line basis;
- Office equipment: 1 to 5 years straight-line basis;
- IT equipment: 1 to 5 years straight-line basis;
- Office furniture: 8 to 10 years straight-line basis.

Technical losses are allocated in the accounts according to Article 745-5 *et seq.* and Article 12 of the ANC Ruling No. 2015-06 of 23 November 2015. The technical losses presented in Nexity's financial statements are all allocated to the equity investments contributed by the absorbed company, and to the related depreciations (Note 6.6).

5.2 Non-current financial assets

5.2.a Equity investments

Equity investments are stated according to the valuation rules for the cost of entry of assets. Assets acquired subject to payment are recognised at their acquisition cost, comprising the purchase price plus the directly attributable costs. Assets acquired by contribution are recognised at the value indicated on the contribution document.

Impairment is recognised when the current value of an equity investment becomes lower than its cost. The goodwill recognised is subject to impairment. Subsequently, if needed, the receivables held in the subsidiary may be impaired and a provision for risks may be recognised.

The current value of the investment is determined according to the share of the net position and the profitability forecasts.

The profitability forecasts for the operational subsidiaries are generally based on the discounted future cash flow method, calculated based on the 5-year business plan defined by the Executive Management team and presented to the Board of Directors in December 2018. The business plan involves different growth assumptions depending on the business activity involved. These assumptions take into account current market conditions and foreseeable developments as well as the Company's assumptions about changes in the regulatory environment and competitive pressures.

Beyond the 5-year plan, the perpetual growth rate used to calculate the terminal value is 1.5% (the same rate as at 31 December 2017). This rate is lower than the average growth rate for the business activities over the period of the business plan.

By way of derogation to the General Accounting Plan principle, reversals on amortisation and provisions relating to equity investments are recognised in non-recurring income if the investments are sold, so that all impacts of the disposal are recognised in non-recurring profit/(loss).

5.2.b Loans

Loans are stated at their nominal value. They are assessed on a case-by-case basis. Impairment is recognised when there is a strong risk of non-recovery.

5.2.c Other non-current financial assets

Nexity shares held as part of a liquidity contract are recognised at their acquisition price less expenses. If at the end of the financial year, the average price of the last month of the financial year is lower than the acquisition price, impairment is recognised. Gains and losses on asset disposals are recognised in non-recurring profit/(loss) according to the FIFO (First In – First Out) method.

By way of derogation to the General Accounting Plan principle, reversals on amortisation and provisions relating to treasury shares are recognised in non-recurring income if the investments are sold, so that all impacts of the disposal are recognised in non-recurring profit/(loss).

The technical losses allocated to the equity investments contributed by the absorbed company are impaired when the current value of the investments becomes lower than the cumulative value of the investments and the losses allocated to them.

5.3 Receivables

5.3.a Trade and other receivables

Trade receivables are stated at their nominal value. They are assessed on a case-by-case basis. Impairment is recognised when there is a strong risk of non-recovery.

5.3.b Other receivables

Other receivables are recognised at their nominal value. They are assessed individually and impaired if required.

Receivables acquired or contributed for a discounted value are stated at their acquisition or contribution value. The difference between the nominal value and the acquisition or contribution value is only recognised in profit after cashing a surplus compared to the amount entered in the balance sheet. The risk of non-recovery gives rise to the recognition of impairment only if the loss compared to the nominal value of the receivable exceeds the discount amount.

Receivables on indirect subsidiaries are not subject to impairment when the risks relating to these subsidiaries are entered into the financial statements of their direct parent companies.

5.4 Marketable securities

They are recognised at the acquisition cost. If at the end of the financial year, the asset value is lower than the acquisition value, the difference is subject to financial

impairment. Gains and losses on disposals are recognised in net financial income/(expense) according to the FIFO (First In – First Out) method.

5.5 Treasury shares

Treasury shares acquired for the purpose of their free allocation to Group employees (free share plans) are recognised in a “Treasury shares” item according to their destination, pursuant to the share allocation decision.

These shares are not stated at their market value due to the commitment to allocate them to employees, which is subject to a provision for charges.

5.6 Deferred expenses

Bank commissions and miscellaneous costs paid as part of the setting up of loans are spread out as finance costs over the duration of the loan. When a loan is repaid early, these

commissions and costs are cleared into the financial income/(expense) of the repayment year.

5.7 Regulated provisions

The costs directly attributable to the acquisition of shares, incorporated into their entry costs, are amortised for tax purposes on a straight-line basis over a period of five years.

5.8 Provisions

The provisions are stated for the amount corresponding to the best estimate of the outflow of resources required to extinguish the obligation, pursuant to ANC Ruling No. 2014-03. At the end of the financial year, this estimate is made according to the information known at the date of preparation of the financial statements.

The provision for charges representing the obligation to deliver the securities to the beneficiaries of free shares was stated according to the cost of the purchased shares, the number of shares to be delivered and the services rendered. As each free share plan provides for a vesting period, the provision is calculated for each plan on a *pro rata temporis* basis for the vesting periods elapsed at the closing date.

BALANCE SHEET - ASSETS

Note 6 Non-current assets

6.1 Intangible assets

This item comprises:

- Concessions, patents and similar rights for €71,894 thousand net of depreciation, amortisation and impairment comprising the Nexity brand (€56,417 thousand) and various software used in the Group for €15,477 thousand net of depreciation, amortisation and impairment; and
- Other intangible assets comprising expenses related to IT projects in progress for €26,327 thousand.

6.2 Property, plant and equipment

Property, plant and equipment is mainly composed of fixtures and fittings, and office furniture at the Group's registered office and IT equipment. These fixed assets are used by the central services and other Group subsidiaries.

6.3 Equity investments

This item comprises the shares of the Group's main operating subsidiaries.

The main investments are indicated in Note 30.

6.4 Other equity securities

This item mainly comprises the investments made by the Group in a certain number of investment funds in innovative activities. The share of the commitments not

paid at the end of the financial year are indicated in liabilities in payables to fixed asset suppliers for €5,997 thousand.

6.5 Loans

This item mainly comprises loans granted to subsidiaries and holdings.

It notably includes a loan of €22,000 thousand maturing in July 2019 to the Némoe subsidiary.

6.6 Other non-current financial assets

<i>(in thousands of euros)</i>	31/12/2018	31/12/2017
Guarantees paid	168	45
Amounts allocated to the liquidity contract:		
Cash account	1,547	6,530
Treasury shares	4,183	-
Impairment of treasury shares	(41)	-
Technical losses allocated to equity investments		
Losses: gross value	139,248	140,977
Losses: amortisation	-	(119,692)
TOTAL OTHER NON-CURRENT FINANCIAL ASSETS	145,105	27,860

Treasury shares held

Pursuant to the authorisations granted by the Shareholders' Meeting and implemented by the Board of Directors, the Group may hold treasury shares up to 10% of the share capital adjusted for changes, i.e. 5,612,972 shares at 31 December 2018.

At the closing date, this holding was carried out for two reasons:

- As part of a liquidity contract coordinated by an investment services provider; and
- As part of a buyback programme of treasury shares destined to be awarded under the free share plans.

NEXITY SHARES HELD

<i>(in number of shares)</i>	Authorisations	Holding (by date of operation)
Position at 31 December 2017	5,603,672	0
Purchase of treasury shares		
• via the liquidity contract coordinated by an investment services provider		100,948
• as part of the buyback programme of treasury shares destined to be awarded under the free share plans		450,000
Implementation of the programme authorised by the Shareholders' Meeting of 31 May 2018	10% of the adjusted capital according to its change	
POSITION AT 31 DECEMBER 2018	5,612,972	550,948

In respect of the liquidity contract, the Group owned 100,948 treasury shares at 31 December 2018. Their net value amounted to €4,142 thousand corresponding to the acquisition price of €4,183 thousand less impairment of

€41 thousand calculated based on the average price in December. The cash account stood at €1,547 thousand. These elements are recorded in non-current financial assets.

6.7 Gross fixed assets: changes

<i>(in thousands of euros)</i>	31/12/2017	Increase acquisition creation	Reclassification restructuring	Disposal scrapping, repayment	31/12/2018
Concessions, patents and similar rights	90,703	801	11,046		102,550
Other intangible assets	18,670	18,917	(11,260)		26,327
Intangible assets	109,373	19,718	(214)	-	128,877
General installations, fixtures and fittings	11,603	19	501		12,123
Transport equipment	4	136			140
Office, IT equipment, furniture	19,034	4,262	142	(100)	23,338
Property, plant and equipment in progress	-	647	(429)		218
Property, plant and equipment	30,641	5,064	214	(100)	35,819
Equity investments	2,140,696	103,505	79,029	(30,239)	2,292,991
Receivables from equity investments	5,400	472			5,872
Other equity securities	11,895	1,703	500	(900)	13,198
Loans	28,165	482		(2,673)	25,974
Other non-current financial assets	147,552	81,975	(1,729)	(82,653)	145,146
Non-current financial assets	2,333,708	188,137	77,800	(116,465)	2,483,180
TOTAL NON-CURRENT ASSETS	2,473,721	212,920	77,800	(116,565)	2,647,877

Equity investments: the main changes are as follows:

- Increase of €103,505 thousand: purchase of securities (€42,338 thousand), capital increases to reconstitute the equity of loss-making subsidiaries (€12,267 thousand) and subscription to the capital of companies (€48,900 thousand);
- Restructuring of €79,029 thousand: mainly gain on the contribution of €77,625 thousand in Ægide shares to Nexity Résidences Géréées; and
- Decrease of €30,239 thousand: disposal of securities (mainly to Group subsidiaries).

5 FINANCIAL REPORT

Parent company financial statements

6.8 Amortisation, depreciation

MOVEMENTS DURING THE PERIOD

<i>(in thousands of euros)</i>	31/12/2017	Additions	Reversals	31/12/2018
Concessions, patents and similar rights (amortisation)	25,274	5,189		30,463
Concessions, patents and similar rights (depreciation)	284		(91)	193
Intangible assets	25,559	5,189	(91)	30,657
General installations, fixtures and fittings	5,122	1,387		6,509
Transport equipment	4	1		5
Office, IT equipment, furniture	10,214	3,999	(100)	14,113
Property, plant and equipment	15,340	5,388	(100)	20,628
TOTAL AMORTISATION	40,899	10,577	(191)	51,284

Amortisation for the period mainly comprises straight-line amortisation.

Note 7 Current assets

7.1 Trade and other receivables

This item mainly comprises inter-group receivables due to invoicing of operating income.

7.2 Other receivables

<i>(in thousands of euros)</i>	31/12/2018	31/12/2017
Trade payables	419	168
Workforce and social organisations	90	787
State - Corporate income tax and VAT	11,404	22,097
Group: financial current accounts and share of profits	558,608	469,789
Impairment on Group current accounts	(53,213)	(26,875)
Group: tax consolidation current accounts	19,967	6,862
Group: miscellaneous payables	370	435
Miscellaneous payables	5,094	547
TOTAL OTHER RECEIVABLES	542,739	473,810

7.3 Marketable securities

This item includes the Group's cash investments for €116,788 thousand mainly comprising remunerated bank accounts.

7.4 Treasury shares

At 31 December 2018, Nexity held a total of 550,948 treasury shares (1% of the share capital) for a total of €23,939 thousand:

- 100,948 shares for a total of €4,142 thousand in respect of the liquidity contract recognised in non-current financial assets (see Note 6.6); and

- 450,000 shares for a total of €19,797 thousand which are destined to be given to Group employees after the vesting period as part of free share plans, if the vesting conditions are met.

7.5 Cash and cash equivalents

The cash and cash equivalents of €127,038 thousand mainly comprise the balance of bank current accounts.

7.6 Prepaid expenses

The prepaid expenses comprise expenses relating to the following financial year for €3,083 thousand.

7.7 Deferred charges

These correspond to the commissions paid when bond issues are set up and are spread over the duration of the contract.

<i>(in thousands of euros)</i>	31/12/2017	Increases	Amortisation, depreciation	31/12/2018
Deferred bond issue expenses	2,552	4,557	(1,102)	6,007

The increase in 2018 relates to the expenses on the ORNANE bond issue and the setting up of corporate financing.

BALANCE SHEET – LIABILITIES

Note 8 Equity

8.1 Share capital

At 31 December 2018, the share capital of the Company comprised 56,129,724 shares with a par value of €5 per share, compared with 56,036,724 shares at 31 December

2017. The additional 93,000 shares in 2018 correspond to the issue of new shares given to employees of the parent company and related companies as part of free share plans.

8.2 Diluted share capital

The maximum potential dilution resulting from the conversion of all the OCEANE and ORNANE bonds and the vesting of all free shares in awards granted would be 13.6%

(as a percentage of share capital ownership) based on the number of shares at the end of the period.

8.3 Change in equity

<i>(in thousands of euros)</i>	Share capital	Share issue, merger, contribution premium	Legal reserve	Retained earnings	Earnings for the financial year	Provisions	Shareholders' equity
AT 1 JANUARY 2018	280,184	1,241,573	26,788	-	30,620	2,904	1,582,069
Allocation of earnings			1,230	29,390	(30,620)		-
Distribution		(110,935)		(29,390)			(140,325)
Equity movements (free shares)	465	(465)					-
Capital increase							-
Additions to regulated provisions						965	965
Profit/(loss) for the financial year					398,974		398,974
AT 31 DECEMBER 2018	280,649	1,130,173	28,018	-	398,974	3,869	1,841,683

Note 9 Provisions

		Increases		Decreases	
(in thousands of euros)	31/12/2017	Additions for the financial year	Provisions used	Provisions not used	31/12/2018
Provisions for litigation	584			(41)	543
Provisions for exchange rate losses	451	73			524
Provisions for free shares	-	18,719			18,719
Other provisions	15,800	6,884	(8,143)		14,541
TOTAL PROVISIONS	16,835	25,676	(8,143)	(41)	34,327

The provisions for free shares cover the expense corresponding to the commitment to allocate free shares to Group employees.

The other provisions mainly cover the risks due to the net financial positions of certain subsidiaries, notably real estate development companies.

Note 10 Payables

10.1 Bond issues

(in thousands of euros)	Issue date	Opening amount	Closing amount	Maturity	Fixed annual rate
Convertible bond issue (OCEANE)	13/05/2016	270,000	270,000	01/01/2023	0.125%
Convertible bond issue (ORNANE)	02/03/2018		200,000	02/03/2025	0.250%
Accrued interest			167		
Convertible bond issue subtotal		270,000	470,167		
Bond issue	24/01/2013	135,000	0	27/12/2018	3.749%
Bond issue	05/05/2014	25,000	25,000	05/05/2020	3.252%
Bond issue	05/05/2014	146,000	146,000	05/05/2021	3.522%
Bond issue	29/06/2017	30,000	30,000	10/11/2023	2.053%
Bond issue	29/06/2017	121,000	121,000	29/06/2025	2.600%
Accrued interest		5,909	5,833		
Bond issues subtotal		462,909	327,833		
TOTAL		732,909	798,000		

2016 OCEANE bond issue (bonds that may be converted or exchanged for new or existing shares)

In 2016, the Group issued €270 million of 6.5-year bonds that may be converted or exchanged for new or existing shares (OCEANE bonds), redeemable at maturity in January 2023 and paying an annual coupon rate of 0.125%.

The nominal unit value per 2016 OCEANE convertible bond was set at €64.30. The conversion rate was adjusted following the dividend distribution in June 2018. It is 1.153 shares for one bond (as opposed to one share for one bond at the date of issuance).

If all convertible bonds were converted, the dilution would be 8.0% (as a percentage of share capital ownership).

2018 ORNANE bond issue (bonds that may be converted into cash and/or new shares and/or existing shares)

On 27 February 2018, the Group issued €200 million of 7-year bonds that may be converted into cash and/or new shares and/or existing shares (ORNANE bonds), redeemable

at maturity in March 2025 and paying an annual coupon rate of 0.25%.

The nominal unit value per 2018 ORNANE convertible bond was set at €68.91. The conversion rate was adjusted following the dividend distribution in June 2018. It is 1.052 shares for one bond (as opposed to one share for one bond at the date of issuance).

If all convertible bonds were converted, the dilution would be 5.2% (as a percentage of share capital ownership).

Other bond issues

At the end of December 2018, Nexity repaid the €135 million bond issue subscribed in January 2013 at maturity.

Under the terms of the other bond issues, the Group must maintain certain financial ratios (Net debt/Equity, Net debt/EBITDA, EBITDA/Cost of financing), calculated based on the Group's consolidated financial statements excluding the impact of IFRS 16 (Lease contracts). The Group was in compliance with these ratios at 31 December 2018.

10.2 Loans and borrowings from financial institutions

This item mainly comprises the outstanding capital on credit drawdowns, accrued interest and bank overdrafts:

<i>(in thousands of euros)</i>	Authorised amount	Amount used	Maturity
Syndicated corporate credit facility July 2018	500,000	-	31/07/2023
Bank overdrafts		425	
TOTAL		425	

Under the terms of the syndicated corporate credit line, the Group must maintain certain financial ratios (Net debt/Equity, Net debt/EBITDA, EBITDA/Cost of financing), calculated based on the Group's consolidated financial

statements excluding the impact of IFRS 16 (Lease contracts). The Group was in compliance with these ratios at 31 December 2018.

10.3 Borrowings and financial liabilities

This item mainly comprises financial current account advances granted by the direct and indirect subsidiaries as part of the Group's cash centralisation, amounts due to

subsidiaries as part of the Group's tax consolidation and shares of losses to be paid.

INCOME STATEMENT

Note 11 Operating income

<i>(in thousands of euros)</i>	31/12/2018	31/12/2017
Brand fees	29,743	28,165
Professional assistance fees	21,623	19,294
IT fees	27,077	22,995
Rent from sub-lettings and services related to premises	15,393	15,632
Provision of workforce	5,677	4,992
Rebilling of expenses related to free shares	12,567	-
Rebilling of other operating expenses	4,517	7,182
Revenue subtotal	116,597	98,260
Reversals on operating provisions and other income	132	1,522
Transfers of charges	11,016	2,308
Capitalised production	8,518	6,554
Other income	129	180
TOTAL OPERATING INCOME	136,392	108,824

The transfers of charges included €6,152 thousand in expenses on free shares relating to Company employees transferred into personnel costs (wages and social security contributions). The total operating income relating to free

shares (€12,567 thousand of rebilling to subsidiaries increased by transfers of charges) amounted to €18,719 thousand, which is the amount of the provision for charges constituted in respect of the free shares.

Note 12 Operating expenses

<i>(in thousands of euros)</i>	31/12/2018	31/12/2017
Salaries and social security contributions	(54,595)	(44,216)
Rent and related expenses	(17,608)	(16,500)
Fees	(11,394)	(10,765)
Additions to amortisation and depreciation	(10,576)	(8,996)
Additions to impairment of assets	-	(339)
Additions to provisions: free shares	(18,719)	-
Additions to provisions: other	(300)	-
Other overheads	(58,001)	(54,915)
TOTAL OPERATING EXPENSES	(171,193)	(135,731)

Note 13 Analysis of the operating results

The Company generated revenue of €116,597 thousand in 2018 compared to revenue of €98,260 thousand in 2017. The revenue mainly corresponds to invoicing to other Group companies.

99.7% of the revenue is generated in France.

The operating expenses, net of reversals of provisions, which amounted to €171,193 thousand in 2018 compared to €135,731 thousand in 2017, correspond to the costs of the Group's central services and to the holding's overheads.

The operating loss was -€34,801 thousand compared to a loss of -€26,907 thousand in 2017.

Note 14 Financial income

<i>(in thousands of euros)</i>	31/12/2018	31/12/2017
Dividends and share of profits	200,499	31,028
Reversals of depreciation, amortisation and provisions	200,184	58,807
Gains arising on mergers of assets	-	1,400
Interest on financial current accounts and loans to subsidiaries	8,968	8,667
Net income on disposals of marketable securities	25	10
Other financial income	1	3
TOTAL FINANCIAL INCOME	409,677	99,915

Note 15 Finance costs

<i>(in thousands of euros)</i>	31/12/2018	31/12/2017
Additions to depreciation, amortisation and provisions	(63,865)	(44,494)
Additions to amortisation of deferred expenses (loans)	(1,102)	(749)
Share of losses	(9)	(993)
Losses arising on mergers of assets	(1)	-
Interest and commissions on bond issues	(15,455)	(14,471)
Interest and commissions on bank loans	(1,664)	-
Subsidies and debt write-offs		(600)
Exchange rate losses	(22)	(1)
TOTAL FINANCE COSTS	(82,118)	(61,308)

The additions to depreciation, amortisation and provisions are related to the amortisation of equity investments or subsidiary current accounts.

Note 16 Analysis of the net financial income/(expense)

The net financial income/(expense) totalled €327,559 thousand in 2018, compared to €38,606 thousand in 2017.

The net financial income/(expense) is broken down as follows:

- €200,490 thousand in respect of dividends and shares of income received from Group subsidiaries and holdings (compared to €30,034 thousand in 2017);
- €136,432 thousand in respect of the different movements of additions and reversals on current accounts and equity investments induced by subsidiary

profit/(loss) forecasts (compared to €15,115 thousand in 2017). The reversals notably came from iSelection (€101,514 thousand) and Nexity Lamy (€62,120 thousand); and

- -€9,227 thousand in respect of financial cash expenses (compared to -€6,543 thousand in 2017), resulting from €18,220 thousand in financial expenses for deferred interest and expenses on bank financing and current accounts of subsidiaries lending to Nexity, less €8,993 thousand of net income on disposals of marketable securities and interest on current accounts granted to subsidiaries.

Note 17 Analysis of the non-recurring profit/(loss)

The non-recurring profit amounting to €76,134 thousand mainly takes into account the gain on the contribution of Ægide shares to Nexity Résidences Gérées for €77,625 thousand.

Note 18 Employee profit-sharing

The Company is part of an Economic and Social Unit (UES). As such, employee profit-sharing is calculated at the UES level by each company generating profit-sharing. Profit-sharing relating to the employees of the UES is

allocated to the expenses of each company employing beneficiary employees.

The profit-sharing relating to employees of the Company estimated for the 2018 financial year (to be paid in 2019) amounted to €160 thousand.

Note 19 Corporate income tax

As a parent company, the Company has opted for the tax consolidation regime, stipulated in the provisions of Article 223A of the French General Tax Code. Consequently, the Company is the only entity that pays corporate income tax for the entire consolidated tax group.

The Group's principle is that the Group's consolidation option should be financially neutral for all of the member subsidiaries during the consolidation period.

The income on the line "Income taxes" of €30,242 thousand (compared to €22,571 thousand in 2017) mainly comprises the amount of income tax, the social contribution of 3.3% from each of the subsidiaries consolidated under the income tax deduction (including additional contributions) calculated for the whole Group.

Note 20 Net profit

The Company's net profit amounted to €398,974 thousand (compared to €30,620 thousand in 2017).

ADDITIONAL INFORMATION

Note 21 Analysis by nature of the regulated provisions, depreciation, amortisation and provisions

<i>(in thousands of euros)</i>	31/12/2017	Additions	Reversals	31/12/2018
Derogatory amortisation and depreciation	2,820	909		3,729
Non-recurring amortisation and depreciation	84	56		140
Regulated provisions	2,904	965	-	3,869
Provisions for litigation	584	-	(41)	543
Provisions for exchange rate losses	451	73		524
Provisions for free shares	-	18,719		18,719
Other provisions	15,800	6,884	(8,143)	14,541
Provisions	16,835	25,676	(8,184)	34,327
Amortisation and impairment on concessions, patents and similar rights	284		(91)	193
Amortisation and impairment on equity investments	275,277	22,213	(92,124)	205,366
Amortisation and impairment on receivables attached to investments	4,181	106		4,287
Amortisation and impairment on other non-current securities	27		(27)	-
Amortisation and impairment on loans	155			155
Amortisation and impairment on other non-current financial assets	119,692		(119,692)	-
Amortisation and impairment on treasury shares	-	41		41
Amortisation and impairment on customer accounts	55			55
Other amortisation and impairment	26,875	34,848	(8,510)	53,213
Depreciation and impairment	426,546	57,208	(220,444)	263,310
TOTAL	446,285	83,849	(228,628)	301,506
Operating additions and reversals		19,019	(132)	
Financial additions and reversals		63,865	(200,184)	
Non-current additions and reversals		965	(28,312)	
Additions and reversals for income tax				

Note 22 Schedules of receivables and payables

22.1 Receivables

	Gross amount	Schedule	
<i>(in thousands of euros)</i>	31/12/2018	1 year at most	Over 1 year
Receivables from equity investments	5,872		5,872
Loans	25,974	22,557	3,417
Other non-current financial assets	145,146		145,146
Trade and other receivables	22,367	22,367	
Other receivables	595,952	595,952	
Prepaid expenses	3,083	3,083	
TOTAL RECEIVABLES	798,394	643,959	154,435
Amount of loans granted during the financial year	-		
Amount of repayments obtained during the financial year	2,558		

22.2 Payables

	Gross amount	Schedule		
	31/12/2018	1 year at most	Over 1 year less than 5 years	Over 5 years
<i>(in thousands of euros)</i>				
Convertible bonds	470,167	168	270,000	200,000
Bond issues	327,833	5,833	201,000	121,000
Loans and borrowings from financial institutions	425	425		
Trade and other payables	32,748	32,748		
Tax payable and social security contributions	24,925	24,925		
Liabilities in respect of fixed assets	9,856	6,056	3,800	
Group and partners	480,533	480,533		
Other liabilities	7,283	7,283		
Deferred income	54	54		
TOTAL DEBT	1,353,824	558,025	474,800	321,000
Loans subscribed during the financial year	200,000			
Loans repaid during the financial year	135,000			

Note 23 Adjustment accounts**23.1 Statement of accrued income**

<i>(in thousands of euros)</i>	31/12/2018
Other non-current financial assets	557
Trade and other receivables	14,778
Other receivables	7,734
Cash management	78
TOTAL DEFERRED INCOME	23,147

23.2 Statement of accrued expenses

<i>(in thousands of euros)</i>	31/12/2018
Accrued interest on bond issues	6,000
Trade and other payables	25,962
Tax payable and social security contributions	20,588
Other liabilities	653
Loans and borrowings from financial institutions	55
TOTAL ACCRUED EXPENSES	53,258

Note 24 Analysis of the statement of cash flows and change in net debt

Cash and cash equivalents amounted to €243,401 thousand (excluding treasury shares) at 31 December 2018 (compared to €441,023 thousand at 31 December 2017), down €197,622 thousand mainly due to:

- Cash flows from/(used in) operating activities of €195,675 thousand notably including the cash flow position (€215,793 thousand) less the increase in the working capital requirement (€20,118 thousand);
- Net cash from/(used in) investing activities of -€124,001 thousand mainly corresponding to -€24,782 thousand in acquisitions of fixed assets and -€103,505 thousand in respect of external growth and capital increases; and
- Cash flows from/(used in) financing activities of -€249,624 thousand, notably including the cash requirements of operating subsidiaries (-€169,743 thousand), dividend payments (-€140,324 thousand), the repayment of the bond issue (-€135,000 thousand), the ORNANE issue in February 2018 (€200,000 thousand) and the acquisition of treasury shares (-€19,797 thousand).

The Company's net debt amounted to €504,747 thousand (compared to €394,896 thousand in 2017). It corresponds to the amount of bond issues (€798,000 thousand) less receivables (-€49,852 thousand) and gross cash (-€243,401 thousand).

Note 25 Off balance sheet commitments

25.1 Commitments given

Related to the current operations of Group subsidiaries:

As parent company of the Nexity Group, the Company guarantees or counter-guarantees some commitments made by its subsidiaries within the normal framework of their activities.

<i>(in thousands of euros)</i>	31/12/2018	31/12/2017
Completion bonds	40,722	105,938
Reservation fees	417	-
Other guarantees on real estate projects	166,462	137,262
Loan guarantees	3,780	27,785
Liability guarantees	1,390	1,390
Other commitments	26,476	28,486
TOTAL	239,247	300,861

Other commitments given

As part of the tax consolidation agreements, the amount of tax deficits likely to be used by the consolidated subsidiaries would represent a tax expense of €83.3 million for the Company.

As part of various external growth operations, the Company granted several put options to minority shareholders for their investments. These options mainly concern PERL, Bureaux à Partager, Ægide and Edouard Denis securities. Based on the price or price formulas defined in the contracts and the probable date of execution of the contractual obligations, the discounted amount of these commitments may be estimated at €293.4 million.

25.2 Commitments received

The Company benefits from liability guarantees for a total of €18.5 million in respect of the acquisitions of Edouard Denis Développement, Costame, Némoa and Bureaux à Partager.

25.3 Workforce commitments

Pensions

Pension commitments amounted to €1.7 million and are stated according to the updated IAS 19 method.

The main assumptions for calculating employee benefits are based on a retirement departure age of 62 years for

non-managers and 64 years for managers, on the employee's initiative, an average turnover rate of 13.5% and a social security contribution rate of 42%. The mortality table used is that of INSEE 2013/2015, the discount rate at year-end is 1.61% and the salary increase rate at year-end is 2%.

25.4 Deferred and unrealised tax position

Deferred tax position: the temporarily non-deductible provisions and charges generate corporate income tax savings for a total of €20,755 thousand during reversal years.

Unrealised tax position: the unrealised tax gains would lead to an increase in corporate income tax of €18,798 thousand in the event of the disposal of the concerned assets.

Note 26 Workforce

In 2018, the Company's average workforce was 358 people compared to 309 in 2017.

The 2018 headcount included 14 employees made available to the subsidiaries.

Note 27 Free share plans

During the financial year, 93,000 free shares were definitively vested. At the end of the financial year, the number of free shares in vesting periods amounted to 1,364,790 shares, for all plans.

Vesting of free shares is subject to conditions of presence at the end of the plans and, if applicable, to performance conditions (achievement of cumulative operating income over the plan's duration and/or minimum backlog at plan maturity and/or minimum level of operating income at plan maturity and/or maximum net debt at the plan maturity).

NEXITY PLANS

<i>(in number of shares)</i>	Awarded	Cancelled	Vested	Awarded, not cancelled and not vested	Maturity vesting period
April 2015 plan	92,000	10,000	82,000	-	Q1 2018
October 2015 plan	11,000	-	11,000	-	Q1 2018
May 2016 plan	469,500	37,000	-	432,500	Q2 2019
January 2017 plan	50,000	-	-	50,000	Q1 2020
April 2017 plan	5,000	-	-	5,000	Q2 2020
June 2017 plan	392,600	16,250	-	376,350	Q2 2020
December 2017 plan	13,500	-	-	13,500	Q4 2020
May 2018 plan for managers	284,950	4,600	-	280,350	Q2 2021
May 2018 plan for all employees	209,070	25,980	-	183,090	Q2 2021
October 2018 plan	24,000	-	-	24,000	Q4 2021
TOTAL NEXITY PLANS	1,551,620	93,830	93,000	1,364,790	

Moreover, the Shareholders' Meeting has granted the Board of Directors the right until 30 July 2019 to allocate 1% of the share capital for free share awards (subject to certain conditions and with a minimum 3-year vesting period). In total, 518,020 free shares have been awarded under this authorisation.

The maximum potential dilution (taking into account the treasury shares acquired and destined to be given to the beneficiaries of free shares) would be 1.6% (as a percentage of share capital ownership) if all free shares in awards granted were to vest, and 1.7% if the calculation includes all free shares in awards not yet vested.

Note 28 Information on related parties

The compensation for Nexity directors and executive officers (Executive Committee) amounted to €4,648 thousand in 2018.

The total amount of directors' fees due to members of the Board of Directors amounted to €280 thousand in respect of the 2018 financial year.

Note 29 Subsequent events

No significant events occurred between 31 December 2018 and the Board of Directors' meeting of 19 February 2019 convened to approve the financial statements for the period ended 31 December 2018.

Note 30 List of significant subsidiaries and holdings

Denomination	Share capital	Share held	Gross value Shares	Loans, advances	Revenue
Registered office	Equity other than share capital	Dividends received	Net value Shares	Guarantees	Earnings
<i>(in thousands of euros)</i>					
1 – Subsidiaries					
1.1 – French subsidiaries (over 50%)					
NEXITY LOGEMENT	6,562	100.00%	969,558	0	1,640
19, rue de Vienne – TSA 60030 – 75801 Paris Cedex 08	521,747	131,239	969,558	0	113,295
ISELECTION	2,578	100.00%	154,688	0	72,326
400, promenade des Anglais – 06600 Nice	39,540	30,000	154,688	0	28,295
PERL	3,568	88.79%	124,668	10,788	74,992
115, rue Réaumur – 75002 Paris	77,332	0	124,668	1	12,952
EDOUARD DENIS DÉVELOPPEMENT	32,625	55.00%	55,433	36,450	NC
2, rue Leday Le nouvel Hermitage – 80100 Abbeville	NC	0	55,433	0	NC
NEXITY IMMOBILIER D'ENTREPRISE	150	99.68%	32,992	0	17,186
19, rue de Vienne – TSA 50029 – 75801 Paris Cedex 08	(10,735)	0	0	0	(10,086)
NEXITY LAMY	219,388	100.00%	258,632	132,257	214,456
19, rue de Vienne – TSA 10034 – 75801 Paris Cedex 08	(7,421)	0	258,632	0	26,040
ORALIA PARTENAIRES	33,098	100.00%	87,597	15,411	9,833
94, quai Charles-de-Gaulle – 69006 Lyon	5,789	0	87,597	0	170
NEXITY FRANCHISES	37	100.00%	21,088	38,840	0
19, rue de Vienne – TSA 50029 – 75801 Paris Cedex 08	6,520	0	21,088	0	(166)
NEXIMMO 39	88,016	64.15%	61,374	0	0
19, rue de Vienne – TSA 50029 – 75801 Paris Cedex 08	24,069	0	61,374	0	26,232
NEXITY PROPERTY MANAGEMENT	11,519	100.00%	30,712	3,026	49,109
10, rue Marc-Bloch – 92110 Clichy	34,261	1,500	30,712	0	2,820
COSTAME	2,756	100.00%	9,280	635	625
14, rue Ernest-Psichari – 75007 Paris	1,237	0	6,380	0	(126)
NEXITY RESIDENCES GÉRÉES	175,000	100.00%	175,000	0	0
19, rue de Vienne – TSA 50029 – 75801 Paris Cedex 08	(447)	0	175,000	0	(445)
BUREAUX À PARTAGER	19	53.80%	30,166	-	NC
21, place de la République – 75003 Paris	NC	-	30,166	2	NC
1.2 – Foreign subsidiaries (over 50%)					
NEXITY HOLDING ITALIA	17,771	100.00%	50,010	25,788	0
Corso Galileo Ferraris n°110 – 10129 Turin – Italy	3,686	0	19,233	412	3,685
2 – Holdings (10% to 50%)					
Bien'ici	321	49.50%	15,851	3,003	9,459
19, rue de Vienne – TSA 50029 – 75801 Paris Cedex 08	8,097	-	-	-	(6,589)
3 – Subsidiaries not covered in paragraph 1					
French		34,927	149,379 42,090	146,141 184,993	
Foreign		-	61,786 46,361	13,005 418	
4 – Holdings not covered in paragraph 2					
French		1,102	4,778 3,809	9,501 7,341	
Foreign			1	-	
5 – Other holdings (less than 10%)					

Denomination	Share capital	Share held	Gross value Shares	Loans, advances	Revenue
Registered office	Equity other than share capital	Dividends received	Net value Shares	Guarantees	Earnings
<i>(in thousands of euros)</i>					
6 – Overall information					
French subsidiaries		197,666	2,160,567 2,017,385	383,868 184,996	
Foreign subsidiaries		-	111,796 66,430	23,766 830	
Equity investments in French companies		1,102	20,628 3,809	9,501 7,341	
Equity investments in foreign companies		-	1 1	- -	
			2,292,991	417,135	
TOTAL		198,768	2,087,625	193,167	

5.4.3 Statutory Auditors' Report on the parent company financial statements

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

Year ended 31 December 2018

To the shareholders of Nexity,

1 Opinion

In compliance with the engagement entrusted to us by your annual general meeting, we have audited the accompanying financial statements of Nexity for the year ended 31 December 2018.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of Nexity as at 31 December 2018 and of the results of its operations for the year then ended in accordance with French accounting principles.

The audit opinion expressed above is consistent with our report to the Audit and Financial Statements Committee.

2 Basis for Opinion

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the Statutory Auditors' Responsibilities for the Audit of the Financial Statements section of our report.

Independence

We conducted our audit engagement in compliance with the independence rules applicable to us for the period from 1 January 2018 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5 of Regulation (EU) No 537/2014 or in the French code of ethics (Code de déontologie) for statutory auditors.

3 Justification of Assessments - Key Audit Matters

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (Code de commerce) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the financial statements of the current period, and how we addressed those risks.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the financial statements.

Measurement of equity investments

(Note 5.2 to the financial statements)

Risk identified

Equity investments reported in the company's statement of financial position as at 31 December 2018 at a carrying amount of €2,088 million, represented 65% of the company's total assets. They are recognised at acquisition cost less any applicable impairment observable at the year-end, as determined by management based on the company's share of the investee's net assets and the investee's profitability outlook.

Estimation of the present value of investments requires judgement by management in choosing the elements to be taken into consideration, which, for each investment, may be based on historical (net assets) or forward-looking (profitability outlook) information.

For these reasons, we considered the measurement of equity investments as a key audit point.

Audit procedures in response to the risk identified

To assess the reasonableness of the estimated present values of the investments, based on the information communicated to us, our work mainly consisted in verifying that management's estimates were founded on appropriate justification of the valuation method applied and financial data used and, depending on the investments, in:

For valuations based on historical data (net assets): verifying that the net asset values used were consistent with the financial statements of the applicable entities subject to an audit or analytical review and that any equity adjustments were backed up by adequate supporting documentation;

For valuations based on forward-looking data (profitability outlook): assessing the approach used to determine the present value of the investments, in particular with regard to:

- The appropriateness of the underlying 5 year business plans, notably by comparing the prior year's impairment test projections with the current year's results;
- The consistency of the estimated future cash flows used to calculate the present value of the investments with those included in the 5 year business plans presented by management to the company's Board of Directors in December 2018;
- The appropriateness of the applicable discount rate and perpetual growth rate assumptions as assessed by our financial appraisal specialists.

In addition to the assessment of the value in use of the investments, our work also consisted in:

- Assessing the collectability of any associated receivables;
- Verifying the due recognition of a provision for risk in the event of the company being required to absorb the losses of an equity investment with negative equity.

4 Specific Verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations.

Information given in the management report and in other documents with respect to the company's financial position and to the financial statements provided to Shareholders

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Board of Directors and in other documents with respect to the company's financial position and to the financial statements provided to Shareholders.

We attest the fair presentation and consistency with the financial statements of the information relating to payment terms mentioned in Article D.441-4 of the French Commercial Code (Code de commerce).

Report on corporate governance

We attest that the Board of Directors' report on corporate governance sets out the information required by Articles L.225-37-3 and L.225-37-4 of the French Commercial Code (Code de commerce).

Concerning the information given in accordance with the requirements of Article L.225-37-3 of the French Commercial Code (Code de commerce) relating to the remuneration and benefits received by the directors and any other commitments made in their favour, we have verified its consistency with the financial statements, or with the underlying information used to prepare the financial statements and, where applicable, with the information obtained by your company from controlling and controlled companies. Based on these procedures, we attest the accuracy and fair presentation of the information. With respect to the information relating to items that your company considered likely to have an impact in the event of a takeover bid or exchange offer, provided pursuant to Article L.225-37-5 of the French Commercial Code (Code de commerce), we checked this information with the source documents communicated to us. Based on these procedures, we have no observations to make on the information.

Other information

In accordance with French law, we have verified that the required information concerning the purchase of investments and controlling interests and the identity of the shareholders and holders of voting rights has been properly disclosed in the management report.

5 Report on Other Legal and Regulatory Requirements

Appointment of the Statutory Auditors

We were appointed as statutory auditors of Nexity by the annual general meeting held on 30 April 2008 for Mazars and on 16 October 2003 for KPMG.

As at 31 December 2018, Mazars and KPMG were in the 11th year and 16th year of the total uninterrupted engagement, which are the 11th year and 15th year respectively since securities of the Company were admitted to trading on a regulated market.

6 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with French accounting principles and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is intended to liquidate the Company or to cease operations.

The Audit and Financial Statements Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems and where applicable, internal audit, regarding accounting and financial reporting procedures.

The financial statements have been approved by the Board of Directors.

7 Statutory Auditors' Responsibilities for the Audit of the Financial Statements

Objectives and audit approach

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in Article L.823-10-1 of the French Commercial Code (Code de commerce), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for the audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control;
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the financial statements;
- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of the audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or are inadequate, to modify the opinion expressed therein;
- Evaluates the overall presentation of the financial statements and assesses whether they represent the underlying transactions and events in a manner that achieves fair presentation.

Report to the Audit and Financial Statements Committee

We submit a report to the Audit and Financial Statements Committee which includes a description of the scope of the audit and the audit programme implemented, as well as the results of our audit. We also report any significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit and Financial Statements Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit and Financial Statements Committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France as set out in Articles L822-10 to L822-14 of the French Commercial Code (Code de commerce) and in the French code of ethics (Code de déontologie) for statutory auditors. Where appropriate, we discuss with the Audit and Financial Statements Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris, La Défense, 27 March 2019

KPMG Audit IS
François Plat
Partner

MAZARS
Olivier THireau
Partner

MAZARS
Michel Barbet-Massin
Partner

5.5 ADDITIONAL ITEMS

5.5.1 Information on invoice payment terms

Pursuant to Article L.441-6-1 of the French Commercial Code and its Implementing Decree No. 2015-1553 of 27 November 2015, the table below shows the invoices received and issued that were payable at the balance sheet

date. Invoices that become payable on the balance sheet date are not included in this table.

69 supplier invoices are payable, representing €0.2 million excluding VAT and 0.3% of purchases.

(in thousands of euros)	Article D.441 I.-1°: Invoices received that were payable at the balance sheet date but had not been paid					Article D.441 I.-2°: Invoices issued that were payable at the balance sheet date but had not been paid				
	1 to 30 days	31 to 60 days	61 to 90 days	91 days or more	Total (1 day or more)	1 to 30 days	31 to 60 days	61 to 90 days	91 days or more	Total (1 day or more)
(A) Invoices by number of days past due										
Total number of invoices					69					915
Total amount of these invoices (excl. VAT)	21	97	1	129	248	0	576	1,339	705	2,621
Percentage of the total amount of purchases for the year (excl. VAT)	0.0%	0.1%	0.0%	0.2%	0.3%					
Percentage of annual revenue (excl. VAT)						0.0%	0.5%	1.1%	0.6%	2.2%
(B) Invoices not included in Section (A) relating to payables or receivables that are disputed or have not been recognised										
Number of invoices excluded	-	-	-	-	-	-	-	-	1	-
Total amount of the invoices excluded	-	-	-	-	-	-	-	-	66	-
(C) Reference payment terms used (contractual or statutory pursuant to Article L.441-6 or L. 443-1 of the French Commercial Code):										
Information on invoice payment terms used to calculate payment delays	Contractual payment terms: 30 days end of month					Contractual payment terms: 30 days				

NB: Payables and receivables that fall due on the balance sheet date are not included in the total payables and receivables that are payable.

5.5.2 Non-deductible expenses

In 2018, the Company had expenses of €67,936 as set out by Article 39.4 of the French General Tax Code.

5.5.3 Dividend policy

When communicating the 2018 full-year results, the Company indicated that it intended to make a proposal to the Shareholders' Meeting due to approve the accounts for the 2018 financial year that a dividend of €2.50 per share should be paid in June 2019 (compared with €2.50 paid in 2018 and €2.50 as previously announced for 2019) and that it planned to propose to its shareholders that the Shareholders' Meeting due to approve the accounts for the 2019 financial year should re-apply a dividend of at least €2.50 per share. The dividend paid in 2019 represents approximately 35% of 2018 net earnings.

The Company cannot guarantee the amount of dividends that will actually be paid. The amount of the dividend in respect of each year is assessed in line with the Company's earnings, financial position and any other factors deemed relevant by the Board of Directors.

DIVIDENDS PAID OVER THE PAST FIVE FINANCIAL YEARS

Financial year	2017 paid in 2018	2016 paid in 2017	2015 paid in 2016	2014 paid in 2015	2013 paid in 2014
Number of shares	56,129,724	55,305,044	54,783,017	54,189,017	54,037,984
Dividend per share (€)	2.50 ⁽³⁾	2.40 ⁽²⁾	2.20 ⁽²⁾	2.00 ⁽²⁾	2.00 ⁽¹⁾
Total amount paid out (in €)	140,324,310	132,732,106	120,522,637	108,378,034	108,075,968

(1) For eligible payees, this dividend amount is eligible for the 40% income tax exemption laid down in Article 158-3-2° of the French General Tax Code.

(2) For tax purposes, this dividend amount in its entirety constitutes a return of capital (*remboursement d'apport*).

(3) This amount is a return of capital for €1.98 and dividend for €0.52.

5.5.4 Proposal for the allocation and distribution of 2018 earnings

It is proposed that the shareholders at the Shareholders' Meeting:

- Record, prior to the allocation of profits for the financial year, that the retained earnings account balance stands at 0;
- Transfer from distributable profits for the financial year, which totals €398,974,286.85, the amount of €45,500.00 to the legal reserve, bringing the total legal reserve to €28,064,862.00, thereby reducing the distributable profit to €398,927,786.85;
- Decide to pay shareholders €2.50 per share, totalling €140,324,310.00, to be deducted in full from the distributable profit;
- €140,324,310.00 from distributable profits, equal to €2.50 per share; and
- Record that following the allocation of earnings, the retained earnings account balance will be 258,603,476.85.

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 distribution of the amounts taken from distributable profits, totalling €140,324,310.00, equating to €2.50 per share, is eligible to be treated as a dividend under the French General Tax Code.

As of 1 January 2018, the share of amounts distributed to shareholders who are natural persons resident in France, eligible to be treated as a dividend for tax purposes under the French General Tax Code, is subject to a flat tax rate of 30% (12.80% corresponding to a flat rate of tax on income and 17.20% for social security contributions). If dividends are taxed under this regime, the tax-free allowance of 40% is not applicable. However, shareholders may still opt for taxation of dividends at the progressive income tax rate, including the application of the 40% deduction, if this is advantageous for them.

The amounts to be paid out would be paid on or after Wednesday 29 May 2019.

- Shareholders' equity after the proposed appropriation and dividend would total €1,701,359,252.63.

5.5.5 Statutory limitation period

Any dividends not claimed within five years of their payment date are forfeited to the French state.

5.5.6 Table of Nexity's results over the past five financial years

Financial year-end date Length of financial year (months) (in euros)	31/12/2018 12	31/12/2017 12	31/12/2016 12	31/12/2015 12	31/12/2014 12
Year-end capital					
Share capital	280,648,620	280,183,620	274,045,220	270,945,085	270,904,935
Number of ordinary shares	56,129,724	56,036,724	54,809,044	54,189,017	54,180,987
Maximum number of new shares issuable in respect of conversion rights	7,895,833	4,597,977	4,368,238	4,373,327	4,153,207
in respect of subscription rights	1,379,220	1,012,200	1,281,820	1,462,360	1,154,000
Operations and results					
Pre-tax revenue	116,596,885	98,259,593	89,179,253	85,083,930	82,299,111
Profit before tax, profit-sharing, depreciation, amortisation and provisions	235,790,799	2,818,328	(54,945,583)	24,403,410	57,178,787
Corporate income tax	30,242,762	22,570,783	33,451,509	11,999,247	10,894,359
Employee profit-sharing	(160,352)	(260,681)	(363,753)		
Net additions/reversals of amortisation, depreciation and provisions	133,101,078	5,491,281	19,294,854	(50,541,018)	(85,739,296)
Net profit	398,974,287	30,619,711	(2,562,973)	(14,138,362)	(17,666,150)
Distributed profit ⁽¹⁾	140,324,310 ⁽²⁾	140,324,310	132,732,106	120,522,637	108,378,034
Earnings per share					
Profit after tax, profit-sharing, and before additions to depreciation, amortisation and provisions	4.74	0.45	(0.39)	0.67	1.26
Profit after tax, profit-sharing, additions to depreciation, amortisation and provisions	7.11	0.55	(0.05)	(0.26)	(0.33)
Dividend paid	2.50 ⁽²⁾	2.50	2.40	2.20	2.00
Workforce					
Average headcount	359	309	280	252	222
Salaries and wages	37,821,445	28,588,324	27,340,009	22,686,450	20,250,200
Amount paid in employee benefits (social security, social benefits, etc.)	15,550,269	13,856,190	12,337,467	10,282,026	9,210,724

(1) Based on the number of shares outstanding at the date of the Shareholders' Meeting (without deducting the number of any treasury shares not paying a dividend), and for 2018, on the publication date of the 2018 Registration Document.

(2) Subject to approval at the Shareholders' Meeting of 22 May 2019.

6 INFORMATION ABOUT THE ISSUER

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6 INFORMATION ABOUT THE ISSUER

General information

6.1 GENERAL INFORMATION

Company name

The Company's corporate name is Nexity.

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 office SIRET (business premises) number is 444 346 795 00057. The Company's APE (business activity) code is 7010 Z.

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.

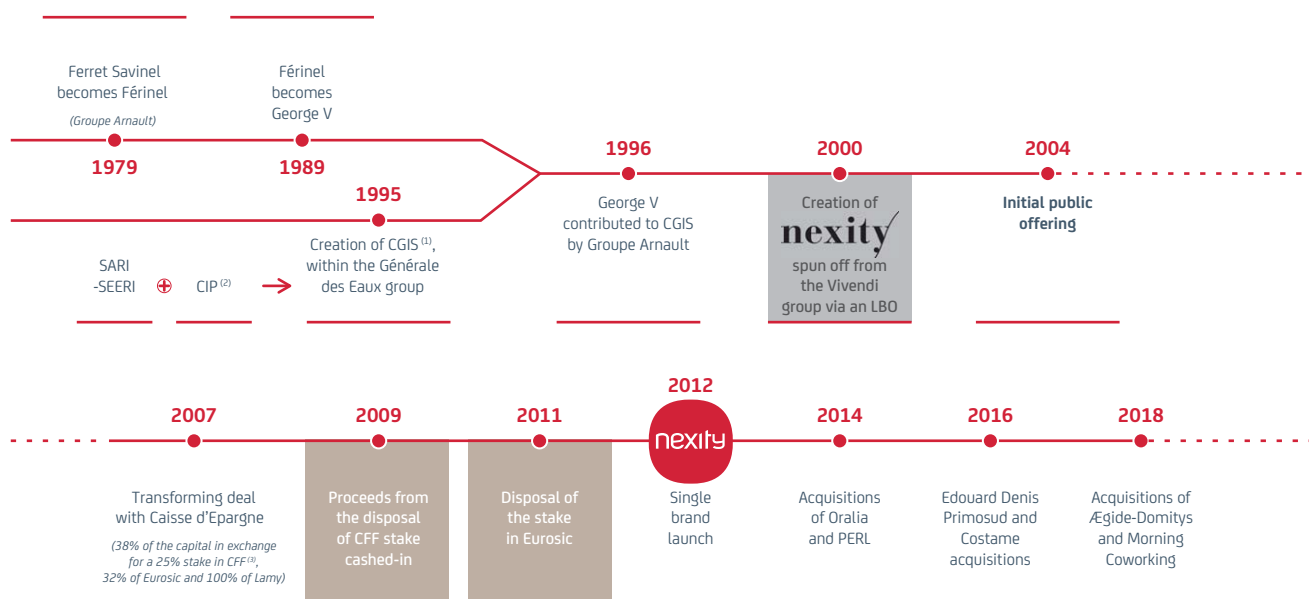
The length of the Company's life is ninety-nine years from the date of its registration, unless this term of existence is extended or the Company is liquidated at an earlier date.

Registered office, legal form and applicable legislation

The address of the Company's registered office is:
19, rue de Vienne
TSA 50029 - 75801 Paris Cedex 08 (France)
Phone: +33 (0)1 85 55 12 12

The Company is a French *société anonyme* with a Board of Directors, regulated in particular by the provisions of Book II of the French Commercial Code.

6.2 HISTORY OF THE COMPANY



(1) Compagnie Générale d'Immobilier et de Services.

(2) Compagnie Immobilière Phénix.

(3) Crédit Foncier de France.

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

Following the LBO in 2000, the Group decided to concentrate on its core real estate development business and, in 2001, sold its subsidiaries Gymnase Club and Maeva as well as a portfolio of real estate assets acquired from the

Vivendi group, followed in 2009-2011 by its financial investments in *Crédit Foncier de France* (CFF) and Eurosic.

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

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

In 2014, Nexity successively acquired the following:

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

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

Since 2016, Nexity has acquired:

- A majority shareholding in **Edouard Denis Développement**, a generalist real-estate developer benefiting from strong positions in the Hauts-de-France and Île-de-France regions, Lyon, Bordeaux and Nantes markets, consolidating Nexity's market-leading position in Residential Real Estate;
- A majority shareholding in **Prado Gestion**, a developer with a presence, in the markets of Aix-en-Provence, Marseille, under the Primosud brand;
- **Costame**, provider of technical solutions after damage. This deal rounds out Nexity's offering in services to companies; and
- An additional shareholding in **Ægide-Domitys**, leader in the market of senior independent living facilities.

Nexity has an organisational structure that is adapted to its strategic ambition of being a real estate services platform resolutely focused on its three client groups: Individual, Commercial and Local Authority Clients (see section 1.2.1 of this Registration Document, "An integrated real estate operator model with a real estate services platform").

In 2018 this strategy resulted, for Individual Clients, in buying the call option enabling it to acquire an additional 18% of the capital of Ægide, parent company of Ægide-Domitys, and for Commercial Clients, the creation of Nexity Solutions *Entreprise* through acquisitions or strategic partnerships (Morning CoWorking, *Services personnels* and Intent).

6.3 SIMPLIFIED ORGANISATION CHART

Below is an organisation chart covering the Company's main subsidiaries (showing the percentage of capital held) at 1 March 2019. Voting rights correspond to the percentage of share capital held.

A list of the main consolidated companies is provided in Note 35 to the Group's consolidated financial statements, set out in section 5.3 of this Registration Document, "Consolidated financial statements – 31 December 2018". The full list is available on request from the Investor Relations Department (investorrelations@nexity.fr).

The parent company pools the cash from a majority of the Group's subsidiaries and manages the Group's central functions. It also holds the Nexity trademark. As part of its management assistance agreements, Nexity charges its subsidiaries management fees. It also charges them royalties for using the Nexity trademark, where applicable. Internal Group agreements are signed under market conditions.

Where a lease is taken up for an office building occupied by more than one subsidiary, the lease is generally signed by the Company that occupies the largest surface area. Annually renewable subleases are signed with the various subsidiaries occupying the premises, and rental payments and charges are re-invoiced in proportion to each company's actual usage.

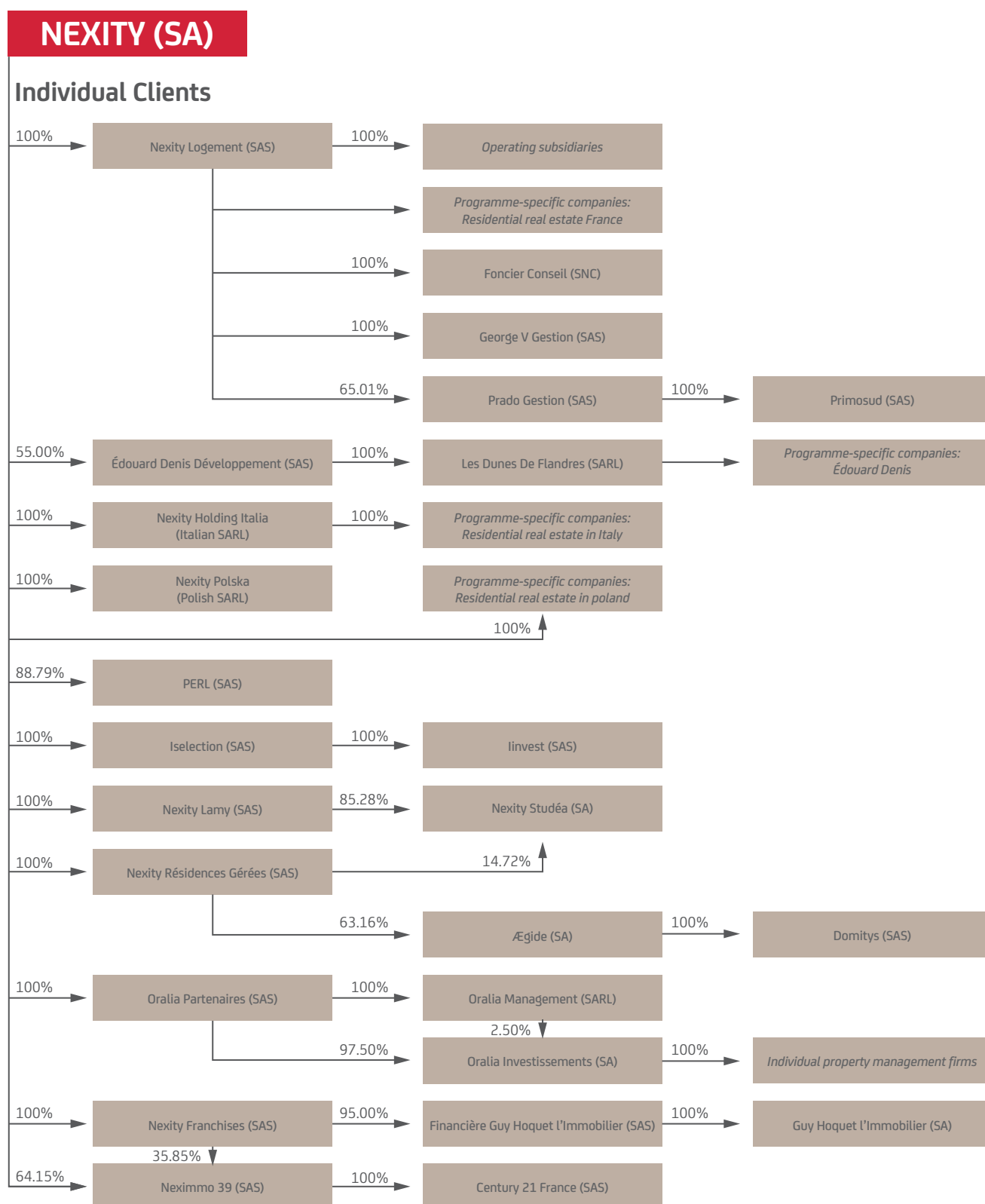
For more information on the regulated agreements between the Company and its significant subsidiaries, see Section 4.3 of this Registration Document, "Related-party transactions".

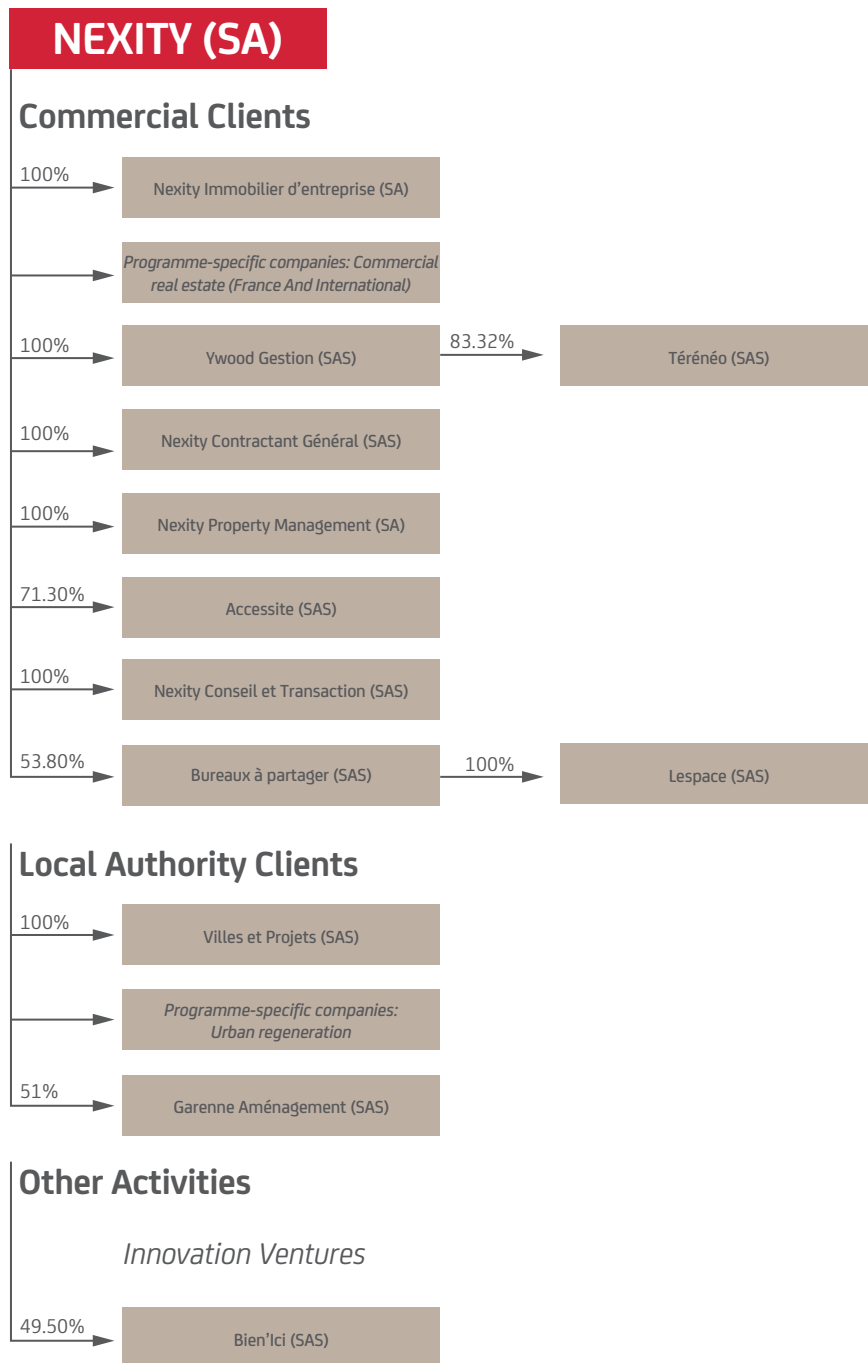
As part of its development plan in partnership with the Engie Company, the Group holds 51% of the Company La Garenne Aménagement (see section 1.9 "Material contracts" of this Registration Document).

The Group holds no other 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 4.12.8 of this Registration Document, "Conditional or unconditional options or agreements over the capital of any Group member".

6 INFORMATION ABOUT THE ISSUER

Simplified organisation chart





6 INFORMATION ABOUT THE ISSUER

Real estate owned

6.4 REAL ESTATE OWNED

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 2018, the Group's annual rental and related expenses amounted to €57.2 million, broken down by division as follows:

As a rule, the Group does not own any land other than for the purpose of carrying out development projects;

Within the Group, the Services business owns some of its own premises. For example, the Group owns some commercial properties and car parks used by its agencies. Most of these premises have been acquired through external growth transactions and are not intended to be retained on a full ownership basis.

In connection with its serviced residences business (student and senior), 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 the operational assignments have been completed.

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 in sections 3.1 and 1.8 of this Registration Document, "CSR: an integral part of the Group's strategy" and "Legislative and regulatory environment".

6.5 STOCK MARKET INFORMATION

Nexity shares

Listing market	Euronext Paris, compartment A, eligible for the deferred settlement system (SRD)
Initial public offering	21 October 2004 at the price of €17.90 per share
Indices	SBF 80 SBF 120 CAC Mid 60 CAC Mid & Small CAC All Tradable
Codes	Ticker symbol: NXI Reuters: NXI.PA Bloomberg: NXI:FP
Number of shares outstanding at 31 December 2018	56,129,724
Market capitalisation at 31 December 2018	€2,212 million

Nexity share price performance

	Closing price end of period (in euros)	Average closing price (in euros)	Highest (in euros)	Lowest (in euros)	Number of shares traded (on Euronext)	Capital traded (in millions of euros)
January 2018	48.50	50.31	52.75	47.90	1,747,891	87.62
February 2018	51.35	49.15	54.55	45.28	2,860,543	141.67
March 2018	52.05	52.50	54.55	50.00	2,047,880	107.49
April 2018	51.75	52.26	54.25	49.50	1,851,970	96.61
May 2018	49.80	51.45	53.70	47.70	1,965,995	100.22
June 18	54.10	51.31	56.60	47.86	2,855,132	147.86
July 2018	52.70	54.05	56.00	52.30	1,784,060	96.48
August 2018	52.55	52.16	53.55	51.00	1,727,488	89.97
September 2018	47.58	49.78	52.60	47.04	1,967,939	97.50
October 2018	42.32	44.22	48.68	41.60	2,797,356	123.90
November 2018	43.30	42.68	44.98	40.44	2,223,115	94.73
December 2018	39.40	40.91	44.86	38.04	1,858,568	76.67
January 2019	40.80	39.85	41.24	37.78	1,595,234	63.48
February 2019	42.94	42.29	43.86	39.24	2,262,569	112.32

Source: Euronext.

Documents on display

The Company's press releases and annual reports – including historical financial information about the Company – are available on the Company's website: www.nexity.fr. Copies may also be obtained from Nexity's head office at 19, rue de Vienne – TSA 50029 – 75801 Paris Cedex 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.

Shareholder information

Nexity has agreed to issue regular communications about its business activities, strategy and outlook for its individual or institutional shareholders and, more generally, the financial community.

During the 2018 financial year, Nexity's managers and the Investor Relations Department made over 300 contacts with analysts and investors, primarily during roadshows, conferences and meetings in France, the United Kingdom, the United States, Switzerland, Belgium, the Netherlands and Germany.

Financial calendar

25 April 2019: Q1 2019 business activity and revenue.

22 May 2019: Shareholders' Meeting ¹.

23 July 2019: 2019 half-year results.

24 October 2019: Q3 2019 business activity and revenue.

Investor Relations contact

investorrelations@nexity.fr

Phone: +33 (0)1 85 55 14 97

Address: Nexity – 19, rue de Vienne – TSA 50029 – 75801 Paris Cedex 08 (France)

¹ For logistical reasons, the date of the Shareholders' Meeting has been brought forward by one day.

6.6 PERSONS RESPONSIBLE FOR THE REGISTRATION DOCUMENT

Person responsible for the information contained in this report

Alain Dinin, Chairman and Chief Executive Officer of Nexity.

Statement by the person responsible for the information contained in this report

I declare, to the best of my knowledge and having taken all reasonable care to ensure that such is the case, that the information contained in this Registration Document is in accordance with the facts and does not omit anything likely to affect the import of said information.

I confirm, to the best of my knowledge, that the financial statements have been prepared in accordance with the applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and all consolidated entities. I also

confirm that the management report whose various information headings are mentioned on page 341 of the original French version of this Registration Document presents a true and fair view of business developments, results of operations and the financial position of the Company and of all consolidated entities, as well as a description of the main risks and uncertainties that they face.

I have received a letter from the Statutory Auditors reporting on the completion of their audit work, in which they state that they have verified the information relating to the Company's financial position, the financial statements included in this Registration Document as well as the overall presentation of the document.

Paris, 4 April 2019

Alain Dinin

Chairman and Chief Executive Officer

6.7 STATUTORY AUDITORS

Principal Statutory Auditors

KPMG Audit IS SAS

Tour Egho
2, avenue Gambetta - CS 60055
92066 Paris La Défense Cedex (France)

Represented by François Plat.

Appointed by the Combined Shareholders' Meeting of 20 May 2014 (first appointment was on 16 October 2003), for a term of office expiring at the close of the Ordinary Shareholders' Meeting called to approve the financial statements for the year ending 31 December 2019.

Mazars

61, rue Henri Regnault - Tour Exaltis
92075 Paris La Défense Cedex (France)

Represented by Olivier Thireau and Michel Barbet-Massin.

Appointed by the Combined Shareholders' Meeting of 20 May 2014 (renewal; first appointment was on 30 April 2008), for a term of office expiring at the close of the Ordinary Shareholders' Meeting called to approve the financial statements for the year ending 31 December 2019.

Alternate Statutory Auditors

KPMG Audit ID SAS

Tour Egho
2, avenue Gambetta - CS 60055
92066 Paris La Défense Cedex (France)

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 called to approve the financial statements for the year ending 31 December 2019.

Franck Boyer

61, rue Henri Regnault - Tour Exaltis
92075 Paris La Défense Cedex (France)

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 called to approve the financial statements for the year ending 31 December 2019.

Fees paid to Statutory Auditors

Fees paid by the Group to the Statutory Auditors are broken down in Note 34 to the Group's Consolidated financial statements, set out in section 5.3.2 of this Registration Document.

6.8 CROSS-REFERENCE TABLES

6.8.1 Cross-reference table of the Registration Document in accordance with the "Prospectus" Directive (2003/71/EC)

	Item of Annex 1 of Commission regulation (EC) No. 809/2004	Section	Page number
1	Persons responsible		
1.1	Persons responsible	§6.6	338
1.2	Declaration by those responsible	§6.6	338
2	Statutory Auditors	§6.7	338
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4	Risk factors	Chapter 2	73-104
5	Information about the issuer		
5.1	History and development of the issuer	§6.2	332
5.1.1	<i>Legal and commercial name of the issuer</i>	§6.1	332
5.1.2	<i>Place of registration of the issuer and its registration number</i>	§6.1	332
5.1.3	<i>Date of incorporation and length of life of the issuer</i>	§6.1	332
5.1.4	<i>Domicile and legal form of the issuer</i>	§6.1	332
5.1.5	<i>Important events in the development of the issuer's business</i>	§6.2	332
5.2	Investments	§1.7	67-68
6	Business overview		
6.1	Principal activities	§1.3 to §1.5	14-65
6.2	Principal markets	§1.3 to §1.5	14-65
6.3	Exceptional factors	N/A	N/A
6.4	Extent to which the issuer is dependent on patents or licences, industrial, commercial or financial contracts, or new manufacturing processes	N/A	N/A
6.5	Competitive position	§1.3 to §1.5	14-65
7	Organisational structure		
7.1	Description of the Group	§6.3	333-335
7.2	List of significant subsidiaries	§5.3.2 Note 35 §6.3	292-295 333-335
8	Property, plants and equipment		
8.1	Existing or planned material tangible fixed assets	§6.4	336
8.2	Environmental issues that may affect the issuer's utilisation of the tangible fixed assets	§6.4	336
9	Operating and financial review		
9.1	Financial condition	§5.1	224-244
9.2	Operating results	§5.1	224-244
10	Capital resources		
10.1	Information concerning the issuer's capital resources	§5.1.6	241-244
10.2	Cash flows	§5.1.6	241-244
10.3	Borrowing requirements and funding structure	§5.1.6	241-244
10.4	Restrictions on the use of capital resources	N/A	N/A
10.5	Anticipated sources of funds	§5.1.6	241-244
11	Research and development, patents and licences	§1.7.3	70
12	Trend information	§5.2	245-246
13	Profit forecasts or estimates	§5.2	245-246
14	Board practices		
14.1	Information about administrative and management bodies	§4.1	153-169
14.2	Conflicts of interest involving administrative, management and supervisory bodies and senior management	§4.1.6	169
15	Remuneration and benefits		
15.1	Amount of remuneration paid and benefits in kind granted	§4.4	182-203
15.2	Total amounts set aside or accrued by the issuer or its subsidiaries to provide pension, retirement or similar benefits	§4.4	182-203

6 INFORMATION ABOUT THE ISSUER

Cross-reference tables

	Item of Annex 1 of Commission regulation (EC) No. 809/2004	Section	Page number
16	Board practices		
16.1	Terms of office of members of administrative, management and supervisory bodies	§4.1.1 to §4.1.4	153-168
16.2	Information about service contracts of members of the administrative, management or supervisory bodies	§4.3	179-181
16.3	Information about the issuer's Audit Committee and Remuneration Committee	§4.2.7	175-178
16.4	Statement as to whether or not the issuer complies with the applicable corporate governance regime	§4.2.10	179
17	Employees		
17.1	Number of employees	§3.2	113
17.2	Shareholdings and <i>stock options</i>	§3.2.1 §4.10	114-118 208
17.3	Arrangements for involving the employees in the capital of the issuer	§3.2.1 §4.11	114-118 209-210
18	Major shareholders		
18.1	Names and ownership interests of major shareholders	§4.11	209-210
18.2	Different voting rights	§4.13.4	218
18.3	Control of the issuer	§4.11.5	210
18.4	Arrangements the operation of which may result in a change in control of the issuer	§4.11.6	210
19	Related-party transactions	§4.3	179-181
20	Financial information concerning the issuer's assets and liabilities, financial position and profits and losses		
20.1	Historical financial information	Incorporated by reference	
20.2	<i>Pro forma</i> financial information	N/A	N/A
20.3	Financial statements	§5.3 §5.4	247-295 301-323
20.4	Auditing of historical financial information	§5.5.3 §5.4.3	296-300 324-327
20.5	Age of latest audited financial information	31/12/2018	
20.6	Interim and other financial information	N/A	
20.7	Dividend policy	§5.5.3	328
20.8	Legal and arbitration proceedings	§2.7	102
20.9	Significant change in the issuer's financial or trading position	N/A	N/A
21	Additional information		
21.1	Share capital	§4.12.1	211
21.1.1	<i>Amount of issued capital and number of shares</i>	§4.12.1	211
21.1.2	<i>Shares not representing capital</i>	§4.12.2	211
21.1.3	<i>Treasury shares</i>	§4.12.3	211-212
21.1.4	<i>Convertible securities, exchangeable securities or securities with warrants</i>	§4.12.5	215
21.1.5	<i>Terms of any acquisition rights and/or obligations over authorised but unissued capital or an undertaking to increase the capital</i>	§4.12.6	216
21.1.6	<i>Information on the capital of any Group member subject to an option or conditional or unconditional agreement to place it under option</i>	§4.12.8	216
21.1.7	<i>Share capital history</i>	§4.12.9	217
21.2	Memorandum and Articles of Association	§4.13	218-221
21.2.1	<i>Corporate purpose</i>	§4.13.1	218
21.2.2	<i>Management, administrative, supervisory and executive bodies</i>	§4.13.7	220-221
21.2.3	<i>Rights and restrictions attached to shares</i>	§4.13.3	218
21.2.4	<i>Changes to the rights of shareholders</i>	§4.13.4	218
21.2.5	<i>Calling and conditions for admission to Shareholders' Meetings</i>	§4.13.5	219
21.2.6	<i>Requirements that may have an effect of delaying, deferring or preventing a change in control of the issuer</i>		
21.2.7	<i>Shareholder reporting requirements for crossing of thresholds</i>	§4.13.6	220
21.2.8	<i>Conditions governing changes in the capital</i>	§4.13.4	218
22	Material contracts	§1.9	72
23	Third-party information, statements by experts and declarations of any interest	N/A	N/A
24	Documents on display	§6.5	337
25	Information on holdings	§5.3.2 Note 35 §5.4.2 Note 30 §6.3	292-295 322-323 333-335

6.8.2 Cross-reference table for the management report provided for by Articles L.225-100 *et seq.* of the French Commercial Code

The 2018 management report covering the items listed below is included in this Registration Document.

The management report to which the Corporate Governance Report is attached was approved by Nexity's Board of Directors on 27 March 2019.

Items required under the French Commercial Code, the French Monetary and Financial Code, the French General Tax Code and the AMF General Regulation	Section	Page number
Analysis of the Company's business performance, results and financial position during the year ended (Articles L.225-100 and L.232-1 of the French Commercial Code)	\$5.1	224-244
Analysis of the Group's business performance, results and financial position during the year ended (Articles L.225-100-2 and L.233-26 of the French Commercial Code)	\$5.1 \$5.2 \$5.3	224-244 245-246 247-300
Results of the subsidiaries and controlled companies by business sector (L.223-6 of the French Commercial Code)	\$5.1	224-244
Forecasts and outlook (Articles L.232-1 and L.233-26 of the French Commercial Code)	\$5.2	245-246
Significant events occurring after the year-end (L.223-1 and L.233-26 of the French Commercial Code)	\$5.2.1 \$5.4.2 Note 34	245 292
Research and development activities (L.223-1 and L.233-26 of the French Commercial Code)	\$1.7	67-70
Acquisition of stakes or control in companies having their registered office in France (L.223-6 of the French Commercial Code)	N/A	N/A
Information on environmental matters and the environmental impact of activities (Articles L.225-100, L.225-102-1 and R.225-105 of the French Commercial Code)	Chapter 3	105-150
Information on personnel matters and the impact of activities on employees (L.225-100, L.225-100-1 and R.225-104 of the French Commercial Code)	Chapter 3	105-150
Description of the main risks and uncertainties (L.225-100 and L.225-100-2 of the French Commercial Code)	Chapter 2	73-104
Group policy concerning financial risk management (L.225-100 and L.225-100-2 of the French Commercial Code)	Chapter 2	73-104
The Group's exposure price, credit, liquidity and cash risk (L.225-100 and L.225-100-2 of the French Commercial Code)	\$2.2.2	94
Summary table of current valid authorisations granted to the Board of Directors at a Shareholders' Meeting in connection with increases in share capital, and use of those authorisations during the year (Article L.225-37-4 of the French Commercial Code)	\$4.12.4	212-215
Information liable to have an impact in the event of a takeover bid (L.225-37-5 of the French Commercial Code)	\$4.4 \$4.11	182-203 209-210
Employee shareholding at year-end (L.225-102 of the French Commercial Code)	\$4.11 \$4.12	209-210 211-217
Information on supplier payment terms (L.441-6-1 of the French Commercial Code)	\$5.5.1	328
Table of Company results over the past five financial years (R.225-102 of the French Commercial Code)	\$5.5.6	330
Identity of the shareholders with a stake exceeding 5%; treasury shares (L.223-13 of the French Commercial Code)	\$4.11 \$4.12	209-210 211-217
Summary table of transactions by executives in the Company's shares (L.621-18-2 of the French Monetary and Financial Code and 223-26 of the AMF General Regulation)	\$4.9	208
Total remuneration and benefits of all kinds paid to each company officer (L.225-37-3 of the French Commercial Code)	\$4.4	182-203
Offices and roles held in any company by the Company officers during the year (Article L.225-37-4 of the French Commercial Code)	\$4.1	153-169
Information concerning the trading of treasury shares (L.225-211 of the French Commercial Code)	\$4.12.3	211-212
Amount of the dividends paid in respect of the past three financial years (Article 243 <i>bis</i> of the French General Tax Code)	\$5.5.3	328
Changes in the presentation of the annual financial statements (L.223-6 of the French Commercial Code)	N/A	N/A
Duty of care plan	\$2.4	97-99
Corporate Governance Report	Chapter 4	151-222

6 INFORMATION ABOUT THE ISSUER

Cross-reference tables

6.8.3 Cross-reference table for the Annual Financial Report

This Registration Document includes the Annual Financial Report required under Article L.451-1-1 of the French Monetary and Financial Code and Article 222-3 of the AMF General Regulation and reporting on the items listed below.

Items required under Article L.451-1-1 of the French Monetary and Financial Code	Section	Page number
Consolidated financial statements (IFRS)	§5.3	247-295
Parent company financial statements (French GAAP)	§5.4	301-323
Management report including the non-financial performance statement	Chapter 3 Chapter 5	105-150 223-330
Statement by the person responsible for the document	§6.6	338
Statutory Auditors' report on the consolidated financial statements	§5.3.3	296-300
Statutory Auditors' report on the parent company financial statements	§5.4.3	324-327
Statutory Auditors' fees	§5.4 Note 32 §6.7	291 338
Corporate Governance Report	Chapter 4	151-222

The cross-reference table with the French Act on the Statement of non-financial performance is provided in section 3.7 of this Registration Document.

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