



AFFINE



**2016**  
Registration  
Document

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## 2016 Registration Document

This document is a free translation into English of the original French "Document de Référence" hereafter 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.

AUTORITÉ  
DES MARCHÉS FINANCIERS

AMF

This registration document was filed with the French Financial Markets Authority (Autorité des Marchés Financiers / AMF) on 5/04/2017, in accordance with Article 212-13 of its General Regulations. It may only be used in support of a financial transaction if accompanied by a securities note authorised by the AMF. This document was prepared by the issuer and the signatories are responsible for its contents.

Copies of this registration document are available free of charge from the Affine Group, 39 rue Washington – 75008 Paris, and from the Affine website ([www.affine.fr](http://www.affine.fr)) and AMF website ([www.amf-france.org](http://www.amf-france.org)).

# 1 PERSONS RESPONSIBLE

## 1.1 Names and titles of the persons responsible for the registration document

Until 31 December 2016

Maryse Aulagnon, *Chairperson and Chief Executive Officer*

Alain Chaussard, *Deputy Chief Executive Officer*

From 1 January 2017

Maryse Aulagnon, *Chairperson*

Alain Chaussard, *Chief Executive Officer*

## 1.2 Declaration of the persons responsible for the document

*"We hereby certify, after taking every reasonable measure in this regard, that the information contained in this registration document is, to our knowledge, true and correct and free from material misstatement.*

*We hereby declare that, to our knowledge, the financial statements have been prepared in accordance with the applicable accounting standards and give a true and fair view of the assets and liabilities, financial position and financial performance of the company and of all the companies included within the scope of consolidation, and that the management report presents an accurate picture of changes in the business, performance and financial position of the company and of all the companies included within the scope of consolidation, as well as a description of the principal risks and uncertainties to which they are exposed.*

*We have obtained an audit letter from the Statutory Auditors in which they state that they have verified the information relating*

*to the financial position and financial statements contained in this document and that they have read the entire document."*

The consolidated and separate financial statements for 2016 presented in the registration document are the subject of the Statutory Auditors' reports found in sections 20.1 and 20.3 of this document, which contain no particular observations.

The consolidated and annual financial statements for 2015 presented in the registration document are the subject of the Statutory Auditors' reports found in sections 20.1 and 20.3 of this document. Each report contains an observation drawing the reader's attention to the uncertainty about the value of Banimmio.

The consolidated and separate financial statements for 2014 presented in the registration document are the subject of the Statutory Auditors' reports found in sections 20.1 and 20.3 of this document, which contain no particular observations.

Paris, 5 April 2017

**Maryse Aulagnon**  
*Chairperson*

**Alain Chaussard**  
*Chief Executive Officer*

# 2 STATUTORY AUDITORS

## 2.1 Statutory auditors at 31 December 2016

### a) Principal Statutory Auditors

#### **Cailliau Dedouit et associés**

Represented by: Rémi Savournin  
Address: 19 rue Clément Marot, 75008 Paris  
Date of first appointment: 25 April 1979 (Immobilier)  
Term of office: six financial years from 30 April 2015  
End of term: at the end of the 2021 Ordinary General Shareholders' Meeting held to approve the 2020 financial statements.

#### **KPMG Audit (a division of KPMG FS I)**

Represented by: Isabelle Goalec  
Address: Tour Egho 2 avenue Gambetta 92066 Paris la Défense Cedex  
Date of first appointment: 26 April 2007  
Term of office: six financial years from 24 April 2013  
End of term: at the end of the 2019 Ordinary General Shareholders' Meeting held to approve the 2018 financial statements.

### b) Deputy Statutory Auditors

#### **Laurent Brun**

Address: 19 rue Clément Marot, 75008 Paris  
Date of first appointment: 30 April 2015  
Term of office: six financial years from 30 April 2015  
End of term: at the end of the 2021 Ordinary General Shareholders' Meeting held to approve the 2010 financial statements.

#### **KPMG Audit FS II**

Address: Tour Egho 2 avenue Gambetta 92066 Paris la Défense Cedex  
Date of first appointment: 24 April 2013  
Term of office: six financial years from 24 April 2013  
End of term: at the end of the 2019 Ordinary General Shareholders' Meeting held to approve the 2018 financial statements.

## 2.2 Re-election – appointment of statutory auditors

The terms of service of the Statutory Auditors were not changed or renewed during the financial year.

# 3 SELECTED FINANCIAL INFORMATION

The selected financial information below, relating to the years ended 31 December 2014, 2015 and 2016, is taken from the consolidated financial statements in Appendix 20.1.

The consolidated annual financial statements are presented in section 20.3.

## 3.1 Key figures

CONSOLIDATED STATEMENTS (€M)	2014	2015	2016
Gross rental income	43.7	39.0	34.7
Current operating profit <sup>(1)</sup>	30.2	27.1	19.6
<b>EPRA earnings (excl. Banimmo)</b>	<b>16.5</b>	<b>17.4</b>	<b>11.7</b>
<b>EPRA earnings</b>	<b>18.3</b>	<b>13.3</b>	<b>7.1</b>
Net profit – group share	(11.0)	0.4	5.5
Funds from operation	22.8	21.9	14.3
Investments (acquisition and works) <sup>(2)</sup>	21.8	42.9	22.3
FV of investment properties (incl. TT) <sup>(3)</sup>	610.1	547.0	553.5
FV of investment properties (excl. TT) <sup>(3)</sup>	575.1	514.4	518.6
<b>EPRA net asset value (excl. TT) <sup>(4)</sup></b>	<b>236.0</b>	<b>221.7</b>	<b>215.6</b>
<b>EPRA NNNAV (excl. TT) <sup>(4)</sup></b>	<b>261.1</b>	<b>250.0</b>	<b>245.9</b>
Net financial debt	345.0	284.4	280.3
LTV (%)	49.3	46.6	46.4
Average cost of debt (%) <sup>(5)</sup>	3.0	2.5	2.3
<b>Occupancy rate (EPRA) (%)</b>	<b>90.2</b>	<b>85.8</b>	<b>87.5</b>
<b>EPRA vacancy rate (%)</b>	<b>9.8</b>	<b>14.2</b>	<b>12.5</b>
FIGURES PER SHARE (€)	2014	2015	2016
Net profit <sup>(6)</sup>	(1.29)	(0.18)	0.34
<b>EPRA earnings (excl. Banimmo) <sup>(7)</sup></b>	<b>1.38</b>	<b>1.48</b>	<b>0.95</b>
<b>EPRA earnings <sup>(7)</sup></b>	<b>1.56</b>	<b>1.08</b>	<b>0.50</b>
Dividend	1.00	1.00	1.00
<b>EPRA net asset value (excl. TT) <sup>(4)</sup></b>	<b>22.99</b>	<b>21.60</b>	<b>21.02</b>
<b>EPRA NNNAV (excl. TT) <sup>(4)</sup></b>	<b>25.44</b>	<b>24.35</b>	<b>23.98</b>
Share price (end of the period)	15.17	16.35	14.95

NB: The Banimmo sub-group is consolidated under the equity method.

(1) In 2014, 2015 and 2016, this amount does not include the depreciation of buildings in inventory of the property development business of -€1.0m, -€0.1m and -€0.2m respectively, which is recognised under other income and expenses.

(2) At historic cost, with full ownership or under a finance lease agreement.

(3) Fair value of investment properties, including property held for sale, including or excluding transfer taxes. The transfer tax rate used for buildings is 1.8%, 6.9% or 7.5% depending on their status.

(4) Including BRS (bonds redeemable in shares) and after deducting Perpetual Subordinated Loan notes (PSL).

(5) Including hedging costs.

(6) After dilution due to BRS and taking into account the interest on the PSL.

(7) The average number of diluted shares in 2015 was adjusted by the average number of new shares issued from BRS redemption.

# 4 RISK FACTORS

The company has assessed the risks which could have a significant adverse effect on its activity, financial position or earnings (or on its ability to achieve its targets), and believes that there are no significant risks other than those presented below and in the Notes to the consolidated statements in section 20.1.5 The information does not claim to be exhaustive, and risks may exist that are unknown or not identified by the company. This information therefore does not cover all the risks to which the company may be exposed but only the clearest risks.

The risk review presented is based on internal and external factors known to the company on the date that this registration document was released, factors that may subsequently change.

## 4.1 Risks related to business activity

### 4.1.1 RISKS RELATED TO THE ECONOMIC ENVIRONMENT

The company's activity and its development are sensitive to changes in the economic environment. Such changes may stimulate, or conversely reduce, demand for commercial properties. They could also have a long-term impact on occupancy rate and on the ability of tenants to pay their rent and service charges.

### 4.1.2 RISKS RELATED TO THE PROPERTY MARKET

The level of rents and building values are heavily influenced by supply and demand for property. This trend is likely to affect the ability of landlords to maintain rents when they come to renew leases. Adverse changes in demand relative to supply could therefore affect the value of assets, results, activity or financial position of the company.

The company's current earnings mainly consist of rents and recoverable service charges collected from tenants. Rent reviews are dependent on changes in the official indices to which they are index-linked.

The company adopts a prudent policy towards rents, ensuring that these remain consistent with rental values to ensure tenant stability.

In 2016, the indices were fairly stable or even slightly down. Rents are generally index-linked to the ILAT (Retail Rental Index), ICC (Construction Cost Index), or ILC (Commercial Rent Index). Index-linking generally results in higher rents.

The €0.6m decrease on a like-for-like basis in the portfolio's fair value (that is 1.0%) is the result of:

- a 1.0% decrease due to the fall in market rents (ERV).
- a 3.5% increase due to lower yield rates used by appraisers,
- a residual 3.4% decrease (works to be carried out, reversion, etc.).

The average yield resulting from appraisals is 6.4%. A downward or upward change of 25 basis points in this rate would lead to an increase or a decrease respectively of the portfolio's value of €20.8m.

### 4.1.3 RISKS RELATED TO THE REGULATION AND NON-RENEWAL OF LEASES

The latest regulatory changes to commercial leases, following the publication of French law **no. 2014-626 of 18 June 2014 on artisans, merchants and very small businesses** (the "Pinel law"), as well as the changes in law resulting from Order no 2016-131 of 10 February 2016 concerning contracts law reform were included in the leases. Leases are reviewed regularly to adjust them to legislative and regulatory changes.

It cannot be ruled out that the company might be faced with a market which is unfavourable for landlords, or with changes in legislation, regulations or case law imposing new constraints, particularly in terms of rent reviews.

In the event of vacation of leased premises, the company cannot guarantee that it would be able to rapidly re-lease the assets at satisfactory rents. The company faces strong competition from players in the sector that can offer tenants assets under more attractive rental terms. The absence of rental income caused by vacant premises and the fixed expenses are likely to affect the company's results.

The company strives to maintain close relations with and monitor its tenants, supporting their growth and expansion, to facilitate the renewal of expired leases.

### 4.1.4 RISKS RELATED TO NON-PAYMENT OF RENT

In order to minimise the risk of tenants defaulting on their rent payments, the company conducts a detailed analysis of the creditworthiness and financial capacity of prospective tenants prior to signing a new lease.

In addition, when signing leases, payment of a security deposit is systematically requested, either in cash or in the form of on-demand bank guarantees or sureties.

Much of the company's revenues are generated by letting its property assets to third parties. Therefore, the non-payment of rent, subjected to regular and rigorous monitoring, could affect its results. To minimise this risk and take the appropriate measures, the company conducts a regular assessment of the financial position of its tenants, with particular attention paid to the largest clients.

### 4.1.5 RISKS RELATED TO THE SECTORAL AND GEOGRAPHIC CONCENTRATION OF THE COMPANY'S PORTFOLIO

The company aims for a balanced distribution of its assets across several different sectors. However, its ability to maintain such a balanced distribution will depend on supply and demand for property, which could prevent it from acquiring or selling buildings at reasonable prices.

The company also ensures that its building asset portfolio is geographically diversified in order to spread risks. Market trends could influence the company's ability to maintain a harmonious geographical diversification of its portfolio.

**4.1.6 RISKS RELATED TO CURRENT OR FUTURE REGULATIONS**

In its business activities, the company is required to comply with numerous regulations, particularly concerning commercial leases, co-ownership, prevention of natural and technological hazards, safety and environmental protection.

In general, the impact of any new regulations and the potential retrofitting of buildings as a result are borne by tenants.

However, the non-compliance of an asset with current or future regulations could generate additional expenses for the company.

The buildings governed by "Adap" (disability access) and "Ddadue" (sustainable development) regulations undergo special audits to optimise their performance and improve the quality of comfort offered to tenants.

The new regulations pursuant to Order 2016-131 of 10 February 2016 reforming contracts law creates new obligations for both parties at the pre-contractual and contractual stages. Compliance with those obligations and being able to prove that they have been fulfilled are new risks that the Company has taken into consideration when introducing the new procedures.

Changes in tax regulations (increased registration fees, new taxes, higher charges within Greater Paris, etc.) may impact the company's projects. The increase in the tax burden may impact the volume of projected transactions and make them less attractive.

**4.1.7 RISKS RELATED TO ESTIMATED ASSET VALUES**

The bulk of the company's portfolio is valued twice a year during external appraisals. The value of buildings depends not only on the relationship between market supply and demand, but on numerous other factors such as changes in the economic and financial environment. In addition, buildings occupied by potentially vulnerable tenants are thoroughly analysed.

The value of the company's portfolio in the consolidated statements under international accounting standards correspond to the fair value as determined by the latest appraisals; this does not include properties for sale, under offer or for which a preliminary sale agreement has been drawn up for which the indicated price is adopted.

If a significant change in values should occur between two appraisals, the valuation of the company's assets might not reflect their market value in the event of disposal. In addition, if the values determined by appraisals were to fall, the result in the consolidated statements at the subsequent closing would be affected.

**4.1.8 ENVIRONMENTAL RISKS**

The company participates in the Haute Qualité Environnementale [high environmental quality] standard, by adopting preventive measures that make it possible to limit the impact on the environment when buildings are built or renovated.

This initiative also offers ways to make a building more comfortable for its users.

Affine R.E. periodically performs inspections of the buildings that it owns to verify that environmental regulations are observed by their users. These inspections are extremely detailed and rigorous for assets that are subject to the rules governing environmentally

sensitive facilities ("installations classées pour la protection de l'environnement"). For other types of assets, when the type of building or its date of construction requires, inspections have been put in place to check for and measure the presence of asbestos, PCBs, R22 gas, and other hazards. Measures have been taken to remove such hazards, paying particular attention to their careful transport to special treatment sites.

Additionally, when acquiring new real estate, external experts are commissioned to conduct a special, in-depth audit of their environmental situation. Furthermore, the company requires that assets that it acquires that are not yet built obtain environmental certification. Their design and construction must meet strict criteria, verified by independent experts, to ensure that the buildings have appropriate environmental characteristics.

**4.1.9 RISKS RELATED TO THE ACQUISITION OF PROPERTY ASSETS**

Acquisition of property assets is an integral part of the corporate activity of Affine R.E., a property company. Incorrect valuation of an asset may cause the company to pay more to acquire a building than its actual value. The subsequent discovery of a hidden fault or insecure tenancy may adversely impact the value of the building after its acquisition.

To limit such risks, the company carries out systematic audits of the buildings that it intends to acquire by commissioning external experts to verify their technical and environmental qualities as well as by in-depth analysis of their legal documentation and tenancy conditions.

The company acquires buildings on an off-plan basis and therefore new, that meet the latest technical and environmental criteria. In this type of transaction, one of the investment criteria is the quality of the vendor / builder so as to reduce construction risk. The company also requires financial guarantees of completion.

**4.1.10 RISKS RELATED TO PROPERTY DEVELOPMENT AND RENOVATION**

Since the sale of its former subsidiary Concerto Développement, the company has stopped undertaking property development on behalf of third parties. The residual stake that it has kept in Concerto constitutes a limited risk for the company. It also renovates and rebuilds property that it owns. Banimmco, however, continues to undertake property development on behalf of third parties. The success of these projects remains subject to various unknowns such as their construction and their discontinuation by sale to investors.

**4.1.11 INSURANCE RISKS**

The company has taken out several types of insurance policies covering the major risks to buildings (multi-risk, property damage, etc.) and to the company (liability). These policies are periodically renegotiated, when insurers compete both on the amount of premiums and the risk coverage. Policies are also renewed annually to adjust them, if necessary, to new types of risks as technologies develop or pre-existing risks become more prominent. Accordingly, the company has signed a contract to cover the risk of cyber-crime.

## 4.2 Risks related to the company

### 4.2.1 RISKS RELATED TO THE CONTROLLING SHAREHOLDER

On the date this registration document was filed, Holdaffine held nearly the majority of voting rights in the company. Accordingly, Holdaffine has a significant influence on the company and on the conduct of its activity. It carries substantial weight in decision-making, particularly concerning the appointment of members of the Board of Directors, approval of the separate financial statements and the distribution of dividends. Holdaffine, which has none of its own debt, has the objective of developing Affine and maintaining its share price, an objective shared by all Affine shareholders. In addition, the governance rules are strictly adhered to; in particular, the majority of directors on the Board are independent as required by the recommendations of the Middennext code.

### 4.2.2 LIQUIDITY RISK

The company carries out a special study of its liquidity risk and ensures that it can meet its existing and future obligations.

The company practices prudent and rigorous financial management to ensure permanent access to sufficient resources by:

- maintaining readily available cash;
- using confirmed credit lines (€19 m to date)
- making annual loan repayments (with a residual value at maturity, where applicable);
- scheduling repayments;
- diversifying its banking relations.

The company mainly uses two tools to monitor its liquidity risk:

- a daily cash statement prepared by the financial department and sent to General Management;
- a three-year monthly cash situation forecast provided by the management controller to General Management; actual monthly cash and forecast cash are reconciled and discrepancies analysed at this time. A cash flow forecast is submitted to the two Board of Directors' meetings called to approve the Group's financial statements.

The company is careful only to deposit cash with banks that, alone or through the group to which they belong, offer all the necessary guarantees. Its investments are made prudently and exclude any instruments with a risk of capital loss.

### 4.2.3 INTEREST RATE RISK

Affine favours the use of floating rate debt which, before hedges, represented 98% of its debt at 31 December 2016.

It is continuing its prudent debt management policy by hedging its interest rate risk through market transactions (swaps and caps) with leading banks. Accordingly, during the financial year, given historically low interest rates, and to maintain appropriate hedging, the company set up four caps to cover a notional €150 m at 1% for a period of 6 years. Variable-rate debt is fully hedged.

Market risk is assessed using the value-at-risk (VaR) approach, i.e. by estimating the net maximum loss that the portfolio of financial instruments could suffer under normal market conditions. Interest rates constitute the risk variable both for financial assets and for bank loans, which are the main financial liabilities.

### 4.2.4 RISKS RELATED TO FINANCIAL COVENANTS

Loans generally have clauses requiring the borrower to observe one or more financial ratios pertaining to the financed asset. To a marginal extent, covenants may apply to Affine itself.

In most cases, these covenants apply to ratios based on LTV (loan to appraised value), DSCR (debt service coverage ratio), or ICR (interest coverage rate); the thresholds to be observed and the consequences of failing to observe these thresholds vary depending on the transaction. In most cases, the difference must be offset by a partially accelerated repayment (LTV ratio) or by the establishment of a cash security (DSCR and ICR ratios), to re-establish the ratio.

These ratios are updated every six months or annually, according to the terms negotiated with the banks.

Information on compliance with covenants and their breakdowns can be found in Section 10.3 of this registration document.

#### 4.2.5 RISK RELATED TO THE GEARING RATIO

At the end of 2016, the LTV ratio calculated according to the methodology communicated to the banks stood at 46.4 %, including transfer duties on buildings, the value of securities in companies consolidated under the equity method and property financial assets.

#### 4.2.6 FOREIGN EXCHANGE RISK

Since it does not carry out foreign currency transactions, Affine is not exposed to foreign exchange risk.

#### 4.2.7 COUNTERPARTY RISK

Affine is committed to investing its cash and contracting derivatives only with reputable banking institutions. It also seeks to diversify its sources of bank credit: at 31 December 2016, the primary bank group represented 21% of total borrowings, 85% of which was with five banks.

#### 4.2.8 IT RISK

Affine's entire system is stored on the Cloud, simultaneously on three independent servers. Access to the network is protected by a firewall which analyses flow and controls content. An external provider monitors and maintains the system and provides user support. The security arrangements also include a rolling 30-day backup system. In the event of a disaster at Affine's offices, the company can still access its data and business recovery will only require connection to the internet with a specific configuration. Coded-access procedures, regular password renewals, and anti-virus systems supplement the measures taken to prevent IT risk.

#### 4.2.9 RISK RELATED TO THE UNITED KINGDOM POTENTIALLY LEAVING THE EUROPEAN UNION

The period of uncertainty introduced by the British referendum to leave the European Union is not expected to materially impact the Group.

# 5 INFORMATION ABOUT THE ISSUER

## 5.1 History and development of the company

### 5.1.1 COMPANY NAME

Until 27 April 2012, the company had the name "AFFINE". As a result of the abandonment of the status as a credit institution in December 2011, the General Shareholders' Meeting of 27 April 2012 decided to replace the "AFFINE" corporate name and adopt: "AFFINE R.E."

The commercial name "AFFINE" remains unchanged.

### 5.1.2 COMPANIES REGISTER

The company is registered with the Paris Companies Register under the number: 712,048,735.

The SIRET code is 712 048 735 00070.

The APE code is 6820B (Lease of plots of land and other real estate).

### 5.1.3 DATE OF INCORPORATION AND DURATION OF THE COMPANY

The company was incorporated in January 1971 (under the name of Immobail BTP) for a period of 99 years, under the articles of association of a SICOMI. In September 1999, it was acquired by Sovabail (also formerly a SICOMI) with which it merged in July 2000 under the name of Affine.

On 1 January 2003, the company adopted the status of an SIIC (real estate investment trust)

Each financial year extends for 12 months, from 1 January until 31 December.

### 5.1.4 HEAD OFFICE, LEGAL FORM AND LEGISLATION

The head office of the company is at 39 rue Washington, Paris (8<sup>th</sup> arrondissement).

Affine is a French public limited liability company with a Board of Directors.

### 5.1.5 IMPORTANT EVENTS

DATES	ÉVOLUTION DU GROUPE
1990	Affine formed with a pool of institutional investors
1992	Acquisition of Sovabail and Somica (renamed Imaffine).
1996	Delisting of Sovabail
1996 – 1998	Absorption of Affine by Sovabail and restructuring of the shareholding.
September 1999	Sovabail launches takeover bid for Immobail, formerly Sicomi, listed on the premier marché of the Paris stock exchange.
July 2000	Absorption of Sovabail by Immobail, which is renamed "Affine".
February 2001	Affine gains control of Concerto Développement.
September 2003	Adoption of French real estate investment trust (SIIC) status with effect from 1 January 2003
October 2003	Convertible bonds issue (ORA I) (€20 m)
September 2004	Imaffine sold to Altaréa and equity warrants granted to Affine for up to 4.2% of Altaréa's capital
April 2005	Affine gains control of BFI Business Centres
June 2005	Convertible bonds issue (ORA II) (€10 m)
January 2006	Creation of Abcd, the construction engineering subsidiary
February 2006	Acquisition of 75% of equity of the Banimmo group
September 2006	Acquisition of 25% of the equity of Sicafi Montea
February 2007	Acquisition of 64% of the equity of the property company Fideimur
March 2007	Listing on Compartment C of Euronext Paris of Fideimur, renamed AffiParis in July 2007 and adoption of SIIC status
June 2007	Listing of Banimmo on Compartment B of Euronext Brussels. Affine's stake is reduced to 50%.
July 2007	Three-way split of Affine shares
July 2007	Issue of €75 m in perpetual subordinated loan notes (PSL)
February 2008	Disposal of Affine's equity investment in Abcd
November 2009	Disposal of Affine's equity investment in Altarea.
December 2009	Disposal of Affine's equity investment in BFI.
November 2011	Subscription for the AffiParis capital increase; after the operation and after buying securities on the market, Affine owns 86.9% of AffiParis at 31 December 2011
December 2011	Affine lapses its credit institution licence (financial corporation)
December 2012	Merger by absorption of AffiParis into Affine
December 2013	Acquisition of 50% of the shares held by Banimmo France in Les Jardins des Quais – Affine now owns 100% of this company
September 2014	Urbismart formed, a logistics optimisation company
December 2014	Disposal by the Affine Group of 100% of shares held in Concerto Développement
June 2015	Disposal by Affine of 50% of its shares in Urbismart

## 5.2 Investment

### PRINCIPAL REALISED, UNDER PROGRESS AND COMMITTED INVESTMENTS

Information regarding principal realised, under progress and committed investments can be found in Section 6.1 of this registration document.

# 6 BUSINESS OVERVIEW

## 6.1 Principal activities

Affine is a real estate company specialising in commercial property. At the end of 2016, it directly owned 43 buildings with a total value of €519m, excluding taxes, for a total floor area of 358,200 sqm. The firm owns office properties (66%), retail properties (23%) and warehouses and business premises (11%). Its assets are distributed more or less equally between Ile-de France and other regions in France.

Affine is also the major shareholder (49.5%) of Banimmo, a Belgian property repositioning company with operations in Belgium and France. At the end of December 2016, Banimmo had total assets of 18 office and commercial buildings, with a value of €238 m (transfer taxes included).

Total Group assets are €791m (including transfer taxes).

In 2003, Affine opted for French real estate investment trust (SIIC) status. Affine's shares are listed on NYSE Euronext Paris (ticker: IML FP/BTTP.PA; ISIN code: FR0000036105) and eligible for the Deferred Settlement Service (long only). It is included in the CAC Mid&Small, SIIC IEIF and EPRA indexes. Banimmo is also listed on NYSE Euronext.

### PROPERTY STRATEGY

This has been developing over 4 years in 4 areas:

- sustained work aimed at upgrading the properties directly owned by Affine: improving their quality in terms of sustainable development, paying attention to the tenant comfort and thereby generating improved rent stability and occupancy levels, and optimising management through an efficient information system;
- investments focusing on new or recent, certified green buildings which are medium-sized compared to their market (for example, €10m to €20m for offices), or ensuring high rental income while also offering potential value creation due to their location or rental situation;
- balanced development between the Paris region, representing about half of the properties, and major regional target cities benefiting from good national and international transport services and a strong demographic and economic momentum: Bordeaux, Nantes, Lille, Lyon, Marseille and Toulouse;
- Incorporating technological developments into the property sector (rental services, new ways of using space, etc.).

Regarding Banimmo, the company must boost its business in Belgium by relying on its land reserves, and continue the development in France of shopping centres in the city centre.

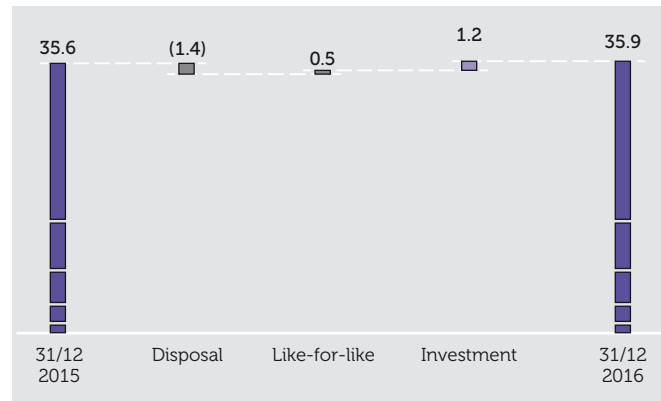
### PROPERTY COMPANY

#### Headline rents

Rents from leases in effect at 31 December 2016 accounted for €35.9m on an annual basis, an increase of 1.3% on a like-for-like basis compared with 31 December 2015, resulting mainly from the decrease in vacancy.

After taking into account acquisitions and disposals, headline rent went up 0.8%.

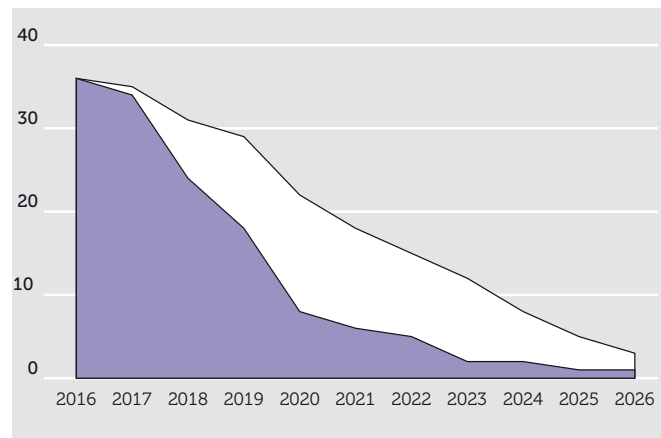
#### CHANGE IN HEADLINE RENTS (€M)



Over the year, Affine signed 30 new leases concerning a total surface area of 33,100 sqm and total annual rents of €2.3m. Furthermore, 26 tenants quit their premises, representing in all, a total surface area of 6,600 sqm and annual rents of €1.1m. Finally, 27 leases representing a total amount of €2.9m (after renegotiation – impact on an annual basis: -€0.1m) were renegotiated and for which priority has been given to extending the minimum period of the leases. Overall, the rental income should increase by €0.7m in 2017.

The average term of leases and their fixed term are 5.1 and 2.9 years respectively (compared to 5.5 and 3.0 years in 2015).

#### ÉCHÉANCE DES BAUX (M€)

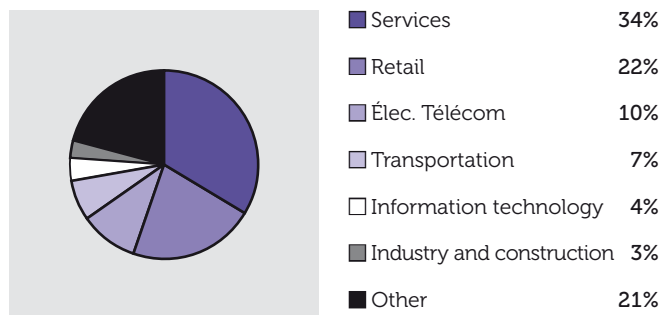


□ End of lease ■ Fixed term

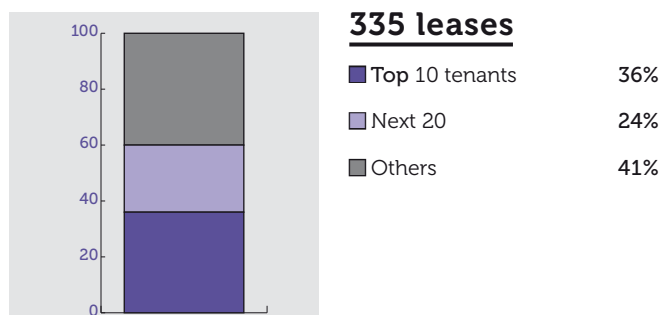
Lease cancellations represent a -€0.8m impact on 2017. Further to this, 2 major tenants might leave in 2017 with a potential impact of €0.5m over 2017.

Among the top thirty tenants, who account for 59% of total rents, none should exceed 10%; this dispersion reduces the risk on rental income. Owing to the sales carried out this year, the largest tenant, SNCF (French national railroad), exceeded this threshold and shall be diluted with forthcoming acquisitions. The other largest tenants are: TDF, the Corbeil-Essonnes municipal authority, and Carrefour.

PAR SECTEUR D'ACTIVITÉ (EN LOYER)



RÉPARTITION DES BAUX



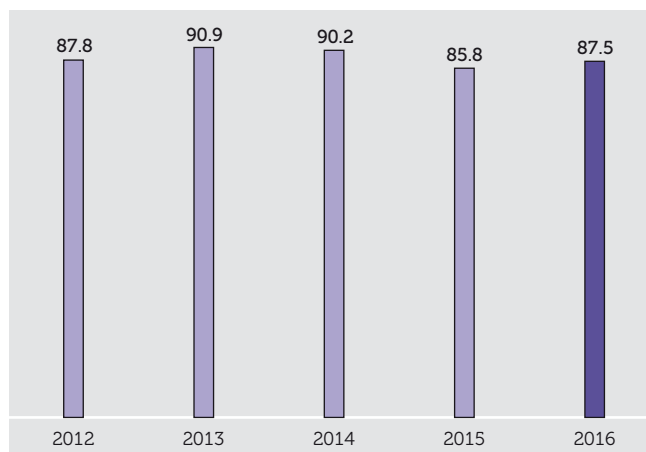
Occupancy rate

As many buildings are occupied by multiple tenants, the mid-term target occupancy rate ranges between 93% and 95%. Taking into account the capital recycling acceleration of those last few years, aiming at rejuvenating and streamlining the portfolio, this target rate is brought back close to 90% in the short run. This change is the result of the strategy to sell off mature buildings, often completely let and located outside the target areas, and invest in new buildings which are in the process of being marketed or offer potential for value creation due to their rental situation, i.e. an occupancy rate temporarily below the target rate.

At 31 December 2016, Affine's (EPRA/financial) occupancy rate (excluding a building currently under refurbishment in Gennevilliers) improved to 87.5%, compared with 85.8% at the end of 2015. The execution of the promise to sell the Tremblay-en-France site, signed at the end of 2016, represents a gain of 1.7 points on the occupancy rate.

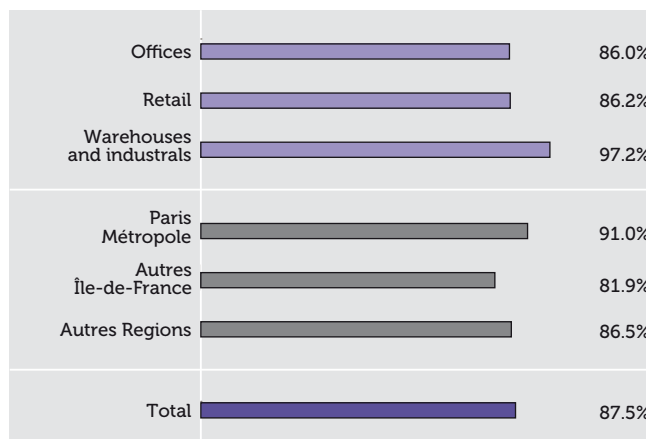
60% of the Company's EPRA vacancy (financial) is concentrated in four properties: offices in Trappes, Tremblay-en-France and Lyons, and a shopping centre in Nimes.

TAUX D'OCCUPATION EPRA\*



\* Financial occupancy rate excluding buildings being refurbished.

OCCUPANCY RATE BY TYPE AND REGIONS



Paris Métropole: Paris + Hauts-de-Seine + Seine-Saint-Denis + Val-de-Marne.

Investments & Disposals

Refurbishment

The renovation of the Tangram, a close to 6,000 sqm office building located at boulevard des Tchecoslovaques in Lyon in the Part-Dieu area, was completed in mid-January 2016. In this context, the company obtained the DEFFIBAT grant issued by the ADEME energy and environment agency. The purpose of this plan is to bring out the best initiatives in the Rhône-Alpes region both in terms of low energy consumption and in terms of environmental and health issues (quality of life and use, water, waste, etc.). The company is aiming for a BBC Renovation Effinergie endorsement. Half of the building has already been let to ISCOM, an educational institution, since the beginning of this year, with the rest under marketing.

## Acquisitions

### Nantes

In early 2016, Affine signed a turnkey project for a 3,844 sqm office building from the consortium Sogeprom-ADI close to the Euronantes Railway station district of Nantes for €9.8m (including transfer taxes). To seize this opportunity, Affine partnered in 2014 with the consortium to win the call for bids issued by the City of Nantes for this mixed-use development of 12,800 sqm on its Plot 1E site, which will include residential, office, and light industrial space.

This eight-storey building (-1 to +6), which will be the recipient of a BREEAM label, will include 3,544 sqm of office space, 300 sqm of light industrial space and 34 parking units underground. The architectural design is to be provided by Art & Build (Paris) with a completion date scheduled for the second half of 2018.

### Clichy-La-Garenne

Maison du Whisky is settling into the new building Les Horizons at Porte de Clichy. Since October, it has established its corporate headquarters over approximately 1,500 sqm, and will take all 7 levels (from the basement level to the 6<sup>th</sup> floor) in the building, under a 12-year lease, starting with a 6-year fixed term. This building was acquired by Affine on a turnkey basis in October 2015.

It benefits from the BREEAM label and has a distinctive facade with vegetation and flower planters on each level, in addition to a rooftop terrace.

It is located at the exit from the Paris ring road and is part of the Clichy-Batignolles Paris area, one of the new major hubs in the north-west of Paris around the future Judicial Precinct.

### Lille

Affine acquired four additional floors in the Lilleurope Tower, an office building in which the company already owns 15 of the 20 floors purchased in 2006, 2008 and 2012. In addition to an immediate increase in rental income, this investment gives Affine the control of this iconic building in order to launch an upgrade program over the next few years.

The four levels represent a surface area of 5,000 sqm and are fully let for a rent of €0.7m. The building is almost fully occupied by various blue-chip tenants such as EDF, Europorte, Macif, SNCF and Tereos.

Located at the heart of Euralille, the third largest business district in France after La Défense (Paris) and La Part-Dieu (Lyon), and overlooking the Lille Europe international TGV (high-speed train) station, the tower stands on one of the city's prime locations. It can be easily reached by rail, road or public transport. The location is set to become even more attractive with the ramp-up of traffic at the Lille Europe train station, the positioning of Euralille as the business district of Lille metropolitan area, the development of Euralille 2, and other urban development projects under study.

### Meudon

Affine has signed a purchase agreement with Bouygues Immobilier for the Green Office® en Seine project, a 5,400 sqm office and retail building located in Meudon (Hauts-de-Seine), in the inner suburbs of Paris. This real estate complex, which is currently being marketed to tenants, should be completed by the end of 2017 and is expected to generate around €2 m in annual rental income.

This complex, which will be HQE certified (green label), includes two office buildings with 3,800 sqm and 1,610 sqm across four levels (G+3), connected by a walkway, totalling 4,940 sqm of office space, 500 sqm of retail space on the ground floor and 113 underground parking lots.

The Green Office® en Seine project is located in a business district area that includes Boulogne, Issy-les-Moulineaux, Sèvres and Meudon bordering the Seine river across from the Ile Seguin.

Green Office® en Seine belongs to the latest generation of positive energy buildings developed by Bouygues Immobilier and is part of an ambitious environmental strategy by aiming to obtain the BEPOS Efficacité Label and the "exceptional HQE passport" environmental certification.

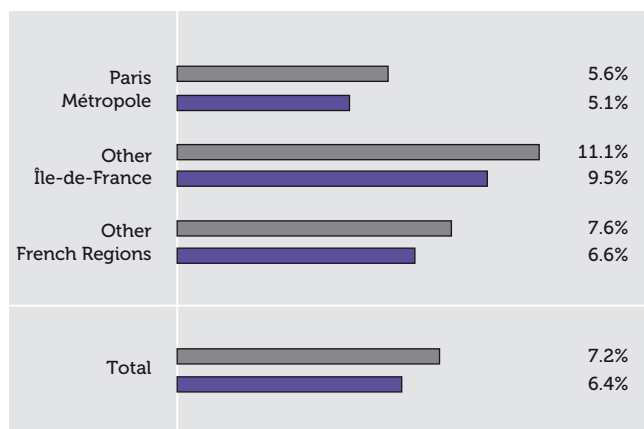
## Disposals

As part of its process to reinvigorate and improve its property portfolio, Affine sold, over the period, buildings regarded as mature, too low in value or located outside target development areas: offices in Aix-en-Provence (2,168 sqm); retail in Barberey Saint-Sulpice (5,793 sqm); warehouse in Miramas (12,500 sqm); industrial premises in Aulnay-sous-Bois (3,488 sqm) and in Aix-les-Milles (5,546 sqm). Overall, the properties were generally disposed of at prices very close to fair value at the end of 2015.

## Pipeline

The program for the acquisition and upgrade of assets in progress amounts to €54m in pipeline with €51m already committed: Meudon, Euronantes and Euratechnologies. Other projects are under study.

## RENTAL YIELD OF ASSETS BY REGION



■ Potentiel ■ Facial

Paris Métropole: Paris + Hauts-de-Seine + Seine-Saint-Denis + Val-de-Marne.

## RENDEMENT DU PATRIMOINE PAR NATURE D'ACTIFS



■ Potentiel ■ Headline

## Banimmo

At 31 December 2016, Banimmo owned 18 buildings, 4 of which through joint ventures, with total surface area of around 155,000 sqm, and 5 land parcels, one of which through a joint venture, along with large land reserves. At the end of December, the occupancy rate dropped to 70.4% due to the sale of two buildings during the year.

- the 4600 sqm Marché Saint-Germain in Paris for €130m;
- in September, a company holding a multi-tenant 16,000 sqm office building at Zaventem Alma Court in the suburbs of Brussels, on the basis of a value of €30m;
- at year-end, its 50% stake in an office building project in Namur (Cauchy Blvd).

In addition, a commitment was signed for the sale of Halle Secrétan in Paris in October. Finally, in February 2017, Banimmo sold a company that held a 14,000 sqm office building in Antwerp with a value of €13.2 m.

These sales were in line with the €190m disposal program proposed in the strategic plan in order to lower the LTV, which fell to 49.5% at year-end.

The vacancy was mostly concentrated in two Brussels office buildings, North Plaza (13,000 sqm) and Diamond (4,700 sqm on a total surface area of 14,300 sqm), and a site in the Paris region (20,000 sqm).

The company carried out the following development operations during the financial year:

- Athena Business Centre in Vilvorde: In June 2016, Banimmo initiated the procedure to change the use of this five-hectare site. The buildings, currently used for warehousing and office space, will be converted into new residential space, comprising 250 housing units (flats, single-family homes, etc.). The new development is named "Groenloot" and approval of the communal development plan (RUP) is expected in the second half of the year.
- Marché Saint-Germain in Paris (4,600 sqm): the rebirth and renovation of the market has attracted prestigious tenants. The shopping mall, open since December, has been fully let and will generate rental income of over €4.3m; it was sold in late 2016 generating a significant capital gain.

- Verpantin shopping centre in Pantin (4,700 sqm): Banimmo swapped certain retail spaces with joint owner Leclerc, to allow the upcoming launch of refurbishment work on the site. It will include work on the façade, equipment and common areas of the mall, while tenants continue to use the mall.

Lastly, Banimmo acquired a 5,100 sqm shopping complex in Anglet in southwestern France, for €17.4m.

Banimmo also holds investments in companies consolidated under the equity method:

- Grondbank The Loop (25%): ongoing remodelling and development of land around the Flanders Expo complex in Gand, in cooperation with the municipal authority. It contributes marginally to net income;
- Conferinvest (49%): operation of two Dolce conference centres in Bruxelles-La Hulpe and Chantilly.

The Urbanove joint venture, in which Banimmo held a 44% stake alongside the Walloon Region (S.R.I.W.), certain other public entities (NamurinVest, Meusinvest and Invest Services), Besix and Banque Degroof Petercam has seen major changes during the year:

- On 30 March 2016, Urbanove Shopping Development and its subsidiaries filed a motion before the Brussels Commercial Court to open a Judicial Reorganisation Procedure (JRP), which was accepted on 15 April 2016, and renewed on 17 June 2016 until 30 November 2016.
- This JRP was intended to recapitalise the two LRV and LCV development subsidiaries, mainly through external investors, completed by the restructuring of existing debt. The approval of the JRP by the court in December must lead to the disposal by Urbanove of the 2 commercial projects of Namur and Verviers to allow repayment of a portion of the bank loans; on the other hand, the mezzanine debt will not be repaid, which will result in a definitive loss of €27.7m for Banimmo.

Banimmo's recurring operating result and operating result were up sharply owing to the sale of Alma Court building and the Marché Saint-Germain. Taking into account the financial expenses, taxes, a provision of €14.7m on the value of buildings (primarily North Plaza) and the loss on the Urbanove mezzanine debt (-€27.7m), Banimmo reported a net loss of -€15.4m.

At the end of December 2016, Banimmo's Net Asset Value totalled €82.7m, i.e. €73 per share (versus €11.2 at the end of 2015), compared with a 2016 year-end market price of €4.09, and a carrying value of €5.1.

The strategy approved by the Board of Directors is organised around the concentration of its portfolio, continued reduction of general expenses, strengthening equity and the relaunch of the group's basic businesses: redevelopment of city centre commercial centres in France and the development of its land reserves in Belgium.

Banimmo, which is 49.5% owned by Affine, is consolidated under the equity method.

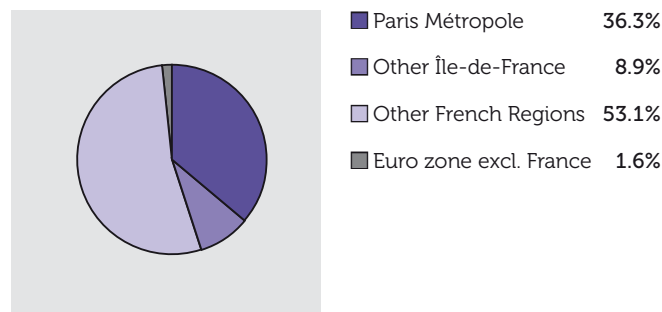
As Banimmo is listed for trading on NYSE Euronext Brussels, all details are available on the [www.banimmo.be](http://www.banimmo.be) website.

## 6.2 Main markets

### PORTFOLIO BREAKDOWN

Affine owns 43 properties with a total value of €554m including transfer taxes, with a total surface area of 358,200 sqm.

### BREAKDOWN OF VALUE BY REGION



Paris Métropole: Paris + Hauts-de-Seine + Seine-Saint-Denis + Val-de-Marne.

### BREAKDOWN OF VALUE BY TYPE



### OFFICES

The Office property portfolio represents 163,800 sqm and is valued at €367m including transfer taxes. In particular, it contains assets such as the 7,800 sqm Traversière tower in Paris, close to Gare de Lyon and occupied by SNCF (the French national railway company), the Lille Europe tower (19,000 sqm) over the Euralille train station, the Tangram building in Lyon Part-Dieu (5,900 sqm) and the Les Amarantes buildings in Toulouse (5,800 sqm).

### RETAIL

Le patrimoine de surfaces commerciales est composé d'ensembles commerciaux de centre-ville, comme les Jardins des Quais à Bordeaux (25 000 m<sup>2</sup>) ou les 7 collines à Nîmes (14 000 m<sup>2</sup>) pour un total de 59 300 m<sup>2</sup>. La valeur de ces actifs est de 125 M€ droits inclus.

### WAREHOUSES AND INDUSTRIALS

A large proportion of the Affine logistics properties was sold in 2015. At the end of 2016, these properties represent a total surface area of 135,100 sqm and are appraised at about €61m including transfer taxes.

### MARKETVIEW — INVESTMENT FRANCE<sup>1</sup>

#### Highlights

- A very active Q4 should lift investment in 2016 to the same level as 2015
- Return of portfolio sales
- Investors focus on Paris and the inner western suburbs
- In parallel, some investors adjust their appreciation of letting risk
- A return in force to industrial and logistics premises
- International investors make more of a mark at the end of the year
- Prime yields under pressure despite the volatility of long-term rates
- A market earmarked to develop differently in the future
- More segmentation expected

#### Investment volume stabilized at a peak

Following a significant slowdown in the first 9 months of the year, notably due to uncertainty arising from Brexit, the European investment market picked up speed in Q4. The year-on-year reduction in investment volume in Europe now stands at approximately 10%. Against this backdrop, France continued to fare well. Once again, the end of the year was particularly active, in all market segments; at the time of writing this report some 8 billion euros of investment in standard commercial real estate were identified in the fourth quarter. The total volume for 2016 therefore currently stands at 23.6 billion euros, which is 8% below the total for 2015. It is worth noting, however, that last year at the same date, we announced an estimate of 23.4 billion euros for the year and the definitive figure was actually closer to 25.9 billion euros.

Q4 was significantly boosted by the signature of the largest transaction of the year - Vendôme Saint Honoré for 1 billion euros - as well as a few other large deals. Investment activity was particularly high for portfolios, including some composed of very varied assets, including the Ferdinand (offices), Arc (mixed), and Sofilo (industrial) portfolios. However, for the past 2 years, the market has been balanced in structure; the market core composed of transactions in the 50 to 200 million euros segment have accounted for more than 40% of investment.

#### Paris and the inner western suburbs rank first; the core+ segment gains ground

Despite the success of diversified portfolios, which enable investors to spread risk, investors remained focused on well identified sectors, that is, areas offering deep letting markets and, in some instances, a potential improvement in rental values. Paris and the Inner western suburbs (the Western Crescent and La Défense) accounted for a record share of investments with 68% of the market. This pattern of market segmentation is very different to the one seen during the peak of the last property cycle when geographic diversification was more generalized. The good score for Paris is to some extent misleading because the volume in Paris-Centre West was bloated by a few big transactions on prime core properties at particularly high square metre values: Vendôme Saint Honoré, Two&Only, and 65 Champs Elysées. In the rest of Paris, investment tended to slowdown more following several prosperous years. La Défense saw an excellent year since investors took advantage of the attractive yield spread, especially compared to Paris, as well of consolidated rents, particularly for assets in the core+ bracket. In the Western Crescent, the sector of Peri-Défense continued to attract investment, with new transactions in Courbevoie and, above all, in Rueil-Malmaison.

<sup>1</sup> Source : CB Richard Ellis

Investors with a road map requiring a minimum level of income have to adapt by softening their appraisal of letting risk. Core properties still account for the majority of investment transactions but core+ choices made significant inroads. As for added value operations, these appear to have declined slightly, with one noteworthy change in profile compared to preceding years: there were fewer Parisian buildings to be redeveloped and more speculative off-plan sales, notably in the Inner Rim.

### Offices dominate but industrial and logistics premises are back in force

In the retail market, the end of 2016 saw a slight resumption in activity following the very quiet summer months, but the sector did not retrieve the high level seen in the first half of the year. In total almost 3.7 billion euros of investments were identified in retail, which is similar to the good levels seen in 2012 and 2013 but significantly below the past two years. The reduction was due to the shopping centre market, which virtually ground to a halt because no quality products were available for sale. By contrast, investment in high street retail, especially in the luxury sector, fared well. And the retail park segment reported an alltime high last year, attracting 800 million euros of investment, with another large transaction at the end of the year, Heron Park near Lille.

The office market performed well, attracting 17.2 billion euros of investment, a volume that will probably rise to last year's level when figures for the year are finalized. The off-plan segment, although comparatively low compared to 2015, was still at its 2nd highest level since 2009 (2.3 billion euros exchanged). But above all, the share of speculative investment with a degree of letting risk really took off to stand at 61% of the market, a clear sign that investors are anticipating a shortage of quality supply in the future letting market. Not only that, but in the second half there was much greater geographic diversification in these speculative off-plan investments, which benefited the Inner Rim and the Western Crescent. A year ago speculation of this kind was concentrated in the capital.

In the industrial market, investment rose to 2.7 billion euros, which is the highest level of investment activity since 2007. The segment accounted for more than 10% of total investments. For a long time industrial property has been considered riskier and was the preserve of specialized investors. It now benefits from the arrival of new players and still offers properties that retain some margin for a further compression of yields. While the surge in the logistics market has slowed down due to a shortage of good opportunities, investment in industrial space has benefited from some large portfolio transactions.

### A less domestic market at the end of the year

It is often difficult to identify the origin of funds when acquisitions are carried out by asset or fund managers, nevertheless some trends have emerged. Investment funds, which for a long time were net sellers, have returned to the stage. OPCI RFA have been particularly successful. Risk spreading approaches to investment such club deals or joint ventures have developed.

As for institutional investors, the decline of insurance companies has been compensated by more active SCPIs and the return of sovereign funds. By contrast, property companies focusing on their internal development potential rather than on new acquisitions, and especially private investors, have become less important.

When the nationality of investors is considered, it is clear that domestic players remain the most active. North American investors have been withdrawn, while the arrival of Asian investors has reassured the market of the attractiveness of France as an investment destination.

### The momentum in the market will persist but may start following different paths

With the lure of protectionism rising, tension in financial markets, and a change in US monetary policy suggesting prolonged divergence in the euro zone, the geopolitical and economic landscape is volatile and could be of concern to investors for some time come. The abundance of capital earmarked for international investment, however, is as high as it has ever been due to the over-saving habit that is underway globally, notably driven by Asian capital. In this context, real estate perfectly fulfils its role as a way of diversifying investment and as a safe investment for large money lenders. Above all, the yield/risk consideration is most favourable, in particular in Europe where the compression of yields on real estate has not completely followed that of bonds. The latest exchange rate trends may also amplify the appeal of investment in the euro zone.

In the worldwide real estate market, France, and especially Paris, are positioned by their depth and maturity as a serious alternative to London. For investors seeking a more secure solution, the Paris region is attractive due to the low volatility of its economy and its real estate market, as well as the lesser exchange risk. Paris will remain the preferred port of entry for international capital earmarked for real estate in the euro zone, by its real growth potential in rents in the short and medium-term. Above all the prospect of relocations from London to the Euro zone following Brexit, even if they are relatively limited in number, may reaffirm this trend.

Despite yields and capital values on real estate that are increasingly raising questions, particularly considering the expected volatility of long-term interest rates, many buyers will continue to develop defensive strategies due to a persistent lack of visibility in the future and, given the price paid, with the intention of holding on to properties for a long time. Prime yields will remain under pressure, which will lead to narrower spreads on real estate. But margins are comfortable at the moment. In parallel, investors who do not have the means to bid against competitors on prime assets will be forced to adapt. Diversification will therefore remain prevalent with, in each market, an increasingly segmented vision and much exploration of new paths (new products or new locations). The market will continue to develop, but differently, implying repositioning and readjustments of values with more clearly defined market segmentation.

## MARKET VIEW — OFFICES ILE-DE-FRANCE<sup>1</sup>

### Highlights

- Take-up of 2.4 million sq m, up 7% in a year 4% above the 10-year average
- Resumption in activity in the market above 5,000 sq m
- Good performance in the segment under 5,000 sq m in Paris and the west of the Paris region
- Reduction in the Paris region vacancy rate to 6.2%
- Share of new/redeveloped space in supply at its lowest
- 34 development above 5,000 sq m launched speculatively
- More than 2.2 million sq m of take-up forecast for 2017

### A good level of take-up

Q4 2016 confirmed the strength of the leasing market in Ile-de-France where take-up stood at 669,400 sq m. The result was 11% below take-up in Q4 2015, but was 9% above the Q4 average for the period 2006 to 2015. Total take-up volume for the year was 2.4 million sq m, a year-on-year rise of 7% and +4% above the 10-year average.

2016 was marked by the resumption of activity in the segment above 5,000 sq m, which increased by 23% in a year to stand at 65 transactions for 891,100 sq m. The level is almost a return to the long-term average, albeit with a very variable momentum from one market to the next.

Paris-Centre West again performed extremely well despite the steadily falling supply of space, especially in the most central areas, which may have caused some companies to shift their sights to districts around the Arc de Triomphe.

Southern Paris and La Défense posted record take-up figures thanks to the vitality of the market above 5,000 sq m. The sectors saw respectively 14 and 11 transactions including the relocation of Altice Média in Qu4drans (Paris 15), and 3 transactions above 20,000 sq m in La Défense (by Saint-Gobain, RTE and Deloitte).

The Western Crescent had a mixed year, with satisfactory levels of transactions in the 0 - 5,000-sq m bracket in which volumes were 5% above the 10-year average, but disappointing in the large unit segment above 5,000 sq m (2<sup>nd</sup> lowest volume in 10 years).

Activity in the inner rim perked up but take-up volume was still 25% below the long-term average. The inner southern rim was the only one to post a satisfying level of activity thanks to 4 transactions above 5,000 sq m on new properties.

### Vacancy rate at the lowest since 2009

The active leasing market and low levels of completions during the year led to a progressive decline in immediate supply, which posted a year-on-year drop of -10% to stand at approximately 3.5 million sq m at the end of the year. The vacancy rate in Ile-de-France fell to 6.2%. The share of new and redeveloped space now only accounts for 15% of supply.

The situation of under supply intensified within the city of Paris and has gradually spread to markets in the inner rim.

In the city of Paris, where the vacancy rate is 3.1%, the supply of good quality large offices is almost as low as it can get: just one building above 5,000 sq m is available.

In the west of the Paris region, the vacancy rate is 9.6% in La Défense, having risen in the last quarter due to a few companies

vacating large buildings. In the Western Crescent, vacancy 10.8%, the scarcity of new space affects very well established market such as Neuilly-Levallois and Boulogne-Issy-les-Moulineaux, but there is still a substantial supply of second-hand and renovated assets. A similar situation could be seen in the Northern Inner Rim, vacancy 9.4%, meanwhile in the Eastern inner rim the market is under pressure with a vacancy of 3.5%.

### More speculative development launched

As at 1 January 2017, pipeline was slightly higher than the same period last year with 1.8 million sq m expected (including 1.2 million sq m in units above 5,000 sq m). More speculative schemes were launched in 2016 than in 2015, with works starting on 34 developments above 5,000 sq m, compared to 27 in 2015 and 14 in 2014. Central locations were clearly preferred by developers: 19 developments were launched in the city of Paris, 3 in La Défense and 5 in the Western crescent. However, considering the current level of immediately available quality supply, the renewal of quality supply is relatively contained.

### Probable future supply increased

There is a considerable volume of probable future supply above 5,000 sq m (with sliding completion dates): more than 3.3 million sq m of potential development is identified, including 2.6 million to be built or redeveloped in 98 projects. As current market conditions seem to have improved, investors and developers are more inclined to launch speculative schemes.

### Rise in headline rental values in central locations

In 2016, the steady fall in the vacancy rate in central markets put an upward pressure on rental values after several years of decline. In Paris-CentreWest, pressure on supply and the vitality of the leasing market have enabled landlords to increase their headline rents. However, commercial incentives have not fallen simultaneously, and on average they accounted for 17% of the headline rent for space > 1 000 sqm in Q3 2016. In Ile-de-France as a whole, this gap has risen to a peak of 22.2%. A slight downturn has been observed in the city of Paris as well as in the west of the region. Outside the central locations, headline rents were stable.

### In 2017 will the limited renewal of quality space curb take-up?

As the economic environment will remain complicated net job creation will be limited. Nevertheless, whatever the economic context, businesses still need somewhere to work. If controlling cost management continues to dictate many relocations, modern facilities and good locations are also essential to recruit and keep talent. Landlords will have to remain vigilant as to the rental value expected as the vast majority of companies are not at all inclined to accept a rise in headline values while simultaneously accepting a drop in rent-free periods.

The shortage of quality supply and limited renewal in the short and medium-term will restrict the range of solutions for large business users. Moves to peripheral zones and/or to second-hand assets will not always be accepted; keeping the status quo and reorganizing internally will remain a serious option in the absence of other opportunities.

In this context, the volume of take up in the market > 5,000 sq m is not expected to rise in 2017. The 0 - 5,000 sq m segment should follow the buoyant pattern seen over the past 2 years, resulting in take-up of 2.3 to 2.4 million sq m in 2017.

<sup>1</sup> Source : CB Richard Ellis

**MARKET VIEW — OFFICES FRENCH REGIONS<sup>1</sup>****The users market****An aging portfolio**

As at 1 January 2017, 1.9 million sq. m. of office space was immediately available in the twelve metropolitan regions, stable over one year. New space is in short supply, with only 246,200 sq. m. available (13%), the lowest level since the peak of 2009. At the same time, older assets that no longer meet the needs of users are not absorbed and increase the obsolescence effect of the inventory. As a matter of fact, major users continue to favour new premises even as speculative developments remain at the same time generally limited, which does not allow sufficient qualitative replacement of the offer.

This tension in the market for a quality offer, particularly large assets, is more evident in certain markets, in Toulouse, Rennes, Strasbourg, Grenoble, Rouen or even Nice / Sophia-Antipolis.

The regional vacancy rate remains stable from the end of 2015 at 5.6%. However, this rate has declined over the last eight years (7.5% in 2009). Vacancy rates ranged from 4.5% (Bordeaux, Strasbourg) to 7.3% (Rouen). Despite an aging portfolio and tensions in the market for new properties, the regional market remains fluid, primarily because of the potential for future developments.

**Progressive replacement of the property offer**

With 721,700 sq. m., the definite future property offer remains at a limited level. It is, however, rising (40% increase over one year), demonstrating a return of confidence among developers / investors. The market will be supplied with 274,600 sq. m. in new surface area in 2017, followed by 435,600 sq. m. in 2018.

Nearly half of the definite future offer is located in Lyon (View One, Grand Hotel-Dieu), followed by Lille (Ekla, Arteparc) and Aix-en-Provence / Marseille (Hermione and Floreal, Les Docks). We should also note Riverside (Toulouse), Le Ferry (Bordeaux), Campus 1 & 2 (Nantes), Terracotta (Strasbourg), Corollys (Montpellier), and Les Arcanes (Sophia-Antipolis) that will be delivered this year.

Conversely, future deliveries remain limited in some markets, with less than 10,000 sq. m. expected. This is the case, for example, in Montpellier, Strasbourg, Rouen, Grenoble and Nice / Sophia-Antipolis, where the percentage of new deliveries remains less than 6% of the immediate inventory. Property replacement needs are real for users housed in old buildings, but opportunities remain limited.

**An activity boosted by pre-sales**

The momentum of 2015 continued in 2016, with a 7% increase in activity. Nearly 1.4 million sq. m. of offices were marketed throughout the year, the highest level since 2006. The demand placed largely exceeded the average over the last ten years (1.2 million sq. m.).

22 transactions > 5,000 sq. m. were recorded, representing nearly 16% of demand placed. These trends contributed to the growth in the volume of sales. Seven of the largest transactions were concluded in Lille and four in Lyon and Toulouse. Orange was particularly noteworthy as the source of four transactions, including two in Lyon and one each in Lille and Bordeaux.

The private sector led the regional market, while the public and semi-public sectors were again down. Thus, companies from the banking/insurance sector, pension funds and consultancy firms were present and are expected to continue to carry the market.

The percentage of pre-sales, turnkey projects, and owned projects has continued to grow in recent years, revealing a disconnect between the existing property offer and the needs of users who are positioned upstream from the operations. It totalled 381,300 sq. m., which is more than one-fourth of the demand placed. The proportion of new properties in demand placed was 44%. This proportion in the various metropolitan areas exceeded 30%, even reaching 53% in Rouen, 52% in Lille and 50% in Nantes.

**Higher nominal rental values**

In this context of tensions on the quality offer, higher rents were recorded for the best assets and/or the best locations.

The regional premium rent is now €280 in Lyon, followed by Marseille (€265), Nice / Sophia-Antipolis (€225) and Lille (€220).

Weighted average rents for new buildings or refurbished older properties were €193 and €165 net/sq. m./year. Commercial advantages are at the centre of negotiations as the level is set on the basis of users' commitment period and the condition of the assets. Although lower than in the Paris region, they are however quite frequent in the other regions, and generally between 1 and 1.5 months rent-free per firm year of commitment.

The range of selling prices is still wide in the regions, ranging from €1,600 in Rennes and €4,000 net/sq. m./year in Lyon for new or renovated premises in research tertiary districts.

**The regional markets are poised for growth**

Property fundamentals will remain generally positive with vacancy rates controlled, steady demand, and little volatility in rents. The major users will give priority to new premises that are more functional and adapted to their working methods while complying with environmental quality standards. Transformation of demand will remain limited by the available offer, particularly for users that must move within a year. Despite the launch of a few speculative developments that will give life to certain markets, the proportion of pre-sale, turnkey and own account projects is expected to remain high.

**The investment market**

Despite strong national momentum, investments in commercial real estate have fallen over the last two years. A total of €4 billion has been committed. Nevertheless, total volume remains above its ten-year average.

Forty percent of the deals have been for office assets. Since 2011, the office market in the regions has remained stable at a level that is still high. However, the turnover of secured quality assets is slow and the weakness of new developments registered continues to weigh on investment opportunities.

Investors have had to adapt to this phenomenon and to the resulting compression of premium rental return rates. They have turned more to the acquisition of speculative development properties in order to combine the technical quality of the assets with a level of rental remuneration.

Lyon remains the most sought-after market and benefits from real investor appetite, which was the focus of nearly one-third of commitments in 2016. This strong level was driven by the signature of major deals, including Le Triangle Part-Dieu by AEW (€53.9 million), Linux by Unofi (€52.4 million) and Universaone by Primonial (€51.4 million).

<sup>1</sup> Source : CB Richard Ellis

In the current context of very low financial rates, and because of sharp competition among investors for the best property assets, the decline in prime returns generally continued. The prime regional rate is in Lyon at 4.50% and is 6.00% in Montpellier and Strasbourg. Despite this compression of return combined with a slight hike in the long rates, the property risk premium remains attractive in the different regional markets.

Demand in these markets will remain high this year. The arrival of new landmark operations in certain sectors is expected to reinforce this trend. A slight compression of rates is projected in the first half of 2017.

## MARKETVIEW — RETAIL IN FRANCE<sup>1</sup>

### Highlights

- Retail activity struggling to pick up
- 619 shopping centres in France for a total of 14.9 million sq m
- 290,300 sq m to be completed in 2016
- 392,800 sq m to be completed in 2017 and 2018
- Extensions play a large role in new shopping centres space
- The investment market penalised by the shortage of core assets

### Economic climate

Since the start of the year, the consumer sentiment index has been stable but is still below its long-term average.

Although household consumption is expected to rise slightly, by 0.7%, this will not be sufficient to stimulate activity.

The publication of unemployment figures for Q2, which were again negative, is undermining consumer morale.

According to Procos, sales activity for specialist retailers was -0.1% down in 8 months and the Institut Français de la Mode (French fashion institute) reported a -1.8% drop in activity in textile and clothing sales. Shopping centres and town centre shops posted a downturn in their results, while retail parks outperformed, highlighting the shift to this type of retail format (Procos). Footfall in shopping centres did not improve and therefore dampened sales figures (performance index of the CNCC at 99).

### Supply rising

2016 will be a prolific year in terms of the completion of new space in shopping centres. At the end of 2016, no less than 290,300 sq m will be handed over, the second highest amount after 2013 when 324,400 sq m were completed. In total, a further 538,300 sq m are in the pipeline.

The growing trend in recent years has been the renovation and extension of shopping centres. The trend is all the more remarkable inasmuch as some of these extensions are substantial critical sizes. For example in 2017, inaugurations will include, in the Paris region, a 30,000-sq m extension in Carré Sénart, 27,000 sq m in Val d'Europe and 16,000 sq m in Parly 2, and, in the regional markets, 16,000 sq m in the Côte de Nacre centre in Caen plus 12,000 sq m in BAB 2 in Anglet. Extensions will thus account for 32% of new shopping centre space in 2016 and 44% in 2017. All these projects are aimed at creating higher quality space accompanied by innovative concepts that satisfy new consumer shopping habits, help the centre succeed in an increasingly competitive environment and consolidate the catchment area.

## A changing model

Even though consumer buying behaviour is evolving, shopping from physical stores is the predominant retail model in France, as revealed in CBRE's recent study *Millennials, Myths and Realities 2016*. Even the 22-29 year-old hyper-connected generation is drawn by physical stores, the most common reasons given are they enable the shopper to see and try on goods.

Shopping is the main reason given for visiting shopping centres. But visitors are also drawn by service and leisure facilities. More than half of those responding to the CBRE Food & Beverage 2015 survey said they go to shopping centres "to have a drink or something to eat", 19% visited to use personal services and 18% to meet friends.

The exponential growth of connected services is shaping consumer behaviour and forcing the retail industry to adapt. Little by little the separation between e-commerce and physical stores is blurring with cross-channel models of shopping evolving that use on-line and physical distribution together. E-commerce is no longer perceived as a competitor but as a way of boosting turnover.

Shopping centres are now connected and digital services (interactive screens, special promotions, news updates) are at the heart of the buying process. For example in Beaugrenelle, 3D screens are available throughout the centre, while in Quatre Temps and Quartz giant screens display special events taking place in the centre or in specific stores. Consumers can receive updates on their smartphones of offers that are tailored to their age, sex, and consumer habits. The omnichannel model offers a full range of services and provides a better response to consumers' expectations.

### Investment: a mixed year

€15.3 billion were invested in commercial real estate in the first 9 months of 2016. This is 3% more than during the same period in 2015.

Retail assets accounted for €2.5 billion of investment, or 16% of the total volume. Shopping centres and shopping galleries only accounted for 16% of retail investment. Most was aimed at high street retail (42%) and out-of-town retail parks (21%). The shortage of core assets led investors to shift their sights to secondary assets needing improvements. For example, Primonial and Immochan acquired a shopping gallery in Fontenay-sous-Bois for €51 million and Redevco and Hermes Investment acquired Espace du Palais in Rouen for €50 million. Given the shortage of prime assets and low interest rates, prime yield was at 3.50% for the best shopping centres in the Paris region.

<sup>1</sup> Source : CB Richard Ellis

**MARKETVIEW — INDUSTRIAL SPACE <sup>1</sup>****Highlights**

- Vibrant market in 2016 (+15% compared to 2016)
- Breakthrough of acquisition transactions, which represent 50% of volume
- Resumption of large transactions above 10,000 sq m
- Strong activity in the south of the Paris region
- Good momentum in the north
- Rise in average headline values and reduction in rent-free periods (over a year)
- Depletion of prime products

**Good market dynamics**

The vitality of the market in Q4 – some 260,800 sq m were let or sold in the quarter – resulted in take-up for 2016 progressing significantly to 947,900 sq m. This is 5% above the 10-year average.

The most remarkable market feature was the share of sales, which accounted for half of take-up volume in 2016, a level that has never been seen before. Boosted by transactions that were larger in size, 800 sq m on average for rentals and 2 to 3 times larger for sales, the share of sales reflects the ambition of firms to build up their assets, a structurally significant strategy in the industrial market and one that has been amplified by all-time low interest rates.

Another feature was the return of large transactions above 10,000 sq m (more than 10% of total take-up).

The sector with the most supply was the south, which attracted 38% of take-up, with volumes 20% above 10-year average take-up. The north of Essonne, Courtaboeuf, Sénart and Versailles-Vélizy all out-performed in terms of take-up compared to the average for the past 5 years. The north of the region also performed well, attracting 28% of transaction volume due to activity in its leading markets: primarily Plaine Commune where more than 10% of take-up in the Paris region was located.

The average headline value within the A86 (excluding Paris) rose to €103 net per sq m pa while rent-free periods fell.

**An imbalance in supply**

Immediate supply, at 2.5 million sq m, has been stable since the start of 2016. Supply is for the most part located in the south (41%). New and redeveloped availabilities decreased further to only account for 5% of vacant floor area. Within the A86, immediate supply diminished in the north and west. There was already very little speculative development, but this fell significantly. In the east several large sites are at the project stage, especially in Seine-et-Marne. More than a third of projects ready to launch are located in the outer rim. In the north, however, semi-speculative supply dropped drastically; although there are numerous projects going through planning permission, more pressure on quality supply is likely in prime sectors.

**6.3 Exceptional events influencing the activity of the company**

No exceptional events have influenced the activity of the company

**6.4 Dependency of the company on patents or commercial or financial contracts**

The company is not dependent on any patents, licences or manufacturing processes.

The company's commercial and financial contracts that could have an impact on its business or profitability are described in section 4, "Risk factors", of this registration document.

**6.5 External sources used for statements regarding the competitive position of the company**

The company has made no representations regarding its competitive position based on information from an external source.

<sup>1</sup> Source : CB Richard Ellis

# 7 ORGANISATIONAL CHART

## 7.1 Overview

Affine, a property company with French REIT (SIIC) status, listed on NYSE Euronext Paris, operates as an investor (offices, warehouses, retail) throughout France.

Its main holding is Banimmo, a Belgian real estate company listed on NYSE Euronext Brussels, which is specifically involved in the redevelopment and repositioning of buildings in Belgium, France and Luxembourg.

Affine holds 49.5% of Banimmo, which is consolidated under the equity method.

Banimmo is listed on NYSE Euronext Brussels, and all information is available on the website [www.banimmo.be](http://www.banimmo.be).

Affine's subsidiaries, in particular those that own buildings, are mentioned in the Notes to the consolidated statements in Section 20.1.5.3 "Scope of consolidation", of this registration document.

## 7.2 List of major subsidiaries

The scope of consolidation of the Group is described in detail in the notes to the consolidated financial statements in the Section 20.1.5.3 "Scope of consolidation".

# 8 PROPERTY, PLANTS AND EQUIPMENT

## 8.1 Property

At 31 December 2015, Affine directly owned 43 investment properties covering a total area of 358,200 sq m, acquired outright or financed under a property finance lease. The main characteristics of these buildings are described below.

### 8.1.1 LIST OF BUILDINGS

LOCATION	NAME OR STREET	REGION	FRENCH DÉPARTEMENT NUMBER	SURFACE AREA IN SQM	ACQUISITION DATE
<b>Offices</b>					
Paris 9 <sup>e</sup>	Rue Auber	Paris Métropole	75	2,283	2008
Paris 10 <sup>e</sup>	Rue d'Engluien	Paris Métropole	75	821	2008
Paris 12 <sup>e</sup>	"Tour Bercy" – Rue Traversière	Paris Métropole	75	7,783	2008
Issy-les-Moulineaux	Rue Carrefour Weiden	Paris Métropole	92	2,308	2003
Clichy	Rue Martre	Paris Métropole	92	1,555	2015
Chaville	Avenue Roger Salengro	Paris Métropole	92	10,850	2015
Meudon	Route de Vaugirard	Paris Métropole	92	5,400	2016
Tremblay-en-France	Rue Charles Cros	Paris Métropole	93	7,514	2006
Bagnolet	Rue Sadi Carnot	Paris Métropole	93	4,056	1995
Kremlin Bicêtre	Rue Pierre Brossolette	Paris Métropole	94	1,151	2007
Kremlin Bicêtre	Boulevard du Général de Gaulle	Paris Métropole	94	1,860	2007
Montigny-le Bretonneux	Rue Ampère	Ile-de-France	78	9,546	2003
Saint-Germain-en-Laye	Rue des Gaudines	Ile-de-France	78	2,249	2002
Saint-Germain-en-Laye	Rue Témara	Ile-de-France	78	1,450	2002
Élancourt	Parc Euclide – Rue Blaise Pascal	Ile-de-France	78	6,347	2004
Trappes	Parc de Pissaloup – Av. J. d'Alembert	Ile-de-France	78	10,183	2006
Les Ulis	Rue de la Terre de Feu	Ile-de-France	91	3,500	2003
Corbeil-Essonnes	Avenue Darblay	Ile-de-France	91	4,644	2003
Corbeil-Essonnes	Rue des Petites Bordes	Ile-de-France	91	2,268	2003
Toulouse	Les Amarantes – Rue Françoise d'Eaubonne	Regions	31	2,895	2014
Toulouse	Les Amarantes – Rue Françoise d'Eaubonne	Regions	31	2,862	2015
Nantes – Marie Galante	Rue Henri Picherit	Regions	44	3,084	2006
St-Julien-lès-Metz	Rue Jean Burger – Tannerie	Regions	57	5,345	2007
Lille	"Tour Europe" – Parvis de Rotterdam	Regions	59	5,000	2006
Lille	"Tour Europe" – Parvis de Rotterdam	Regions	59	7,361	2008
Lille	"Tour Europe" – Parvis de Rotterdam	Regions	59	6,262	2012
Lille	"Tour Europe" – Parvis de Rotterdam	Regions	59	5,053	2016
Villeneuve-d'Ascq	Rue des Fusillés	Regions	59	3,045	2004
Mulhouse	Rue Salomon Grumbach	Regions	68	5,020	2008
Lyon	Rue André Bollier	Regions	69	4,060	2006
Lyon	Rue du Dauphiné	Regions	69	5,481	2005
Lyon	Le Tangram – Bld Tchécoslovaques	Regions	69	5,915	2011
<b>Retail premises</b>					
Barbère-St-Sulpice	Quartier Les Valliers, RN19	Regions	10	1,200	2007
Nîmes	Les 7 Collines – Rue du Forez	Regions	30	17,559	2009
Bordeaux	Jardin Des Quais – Quai des Chartrons	Regions	33	25,530	2013
Arcachon	Rue Roger Expert et Avenue Lamartine	Regions	33	3,472	2009
St-Étienne	Dorian – Rue Louis Braille	Regions	42	5,003	2006
Nevers	Carré Colbert – Avenue Colbert	Regions	58	5,828	2008

LOCATION	NAME OR STREET	REGION	FRENCH DÉPARTEMENT NUMBER	SURFACE AREA IN SQM	ACQUISITION DATE
<b>Industrial premises</b>					
Gennevilliers	Rue du Fossé Blanc	Paris Métropole	92	15,217	2011
<b>Warehouses</b>					
Tremblay-en-France	Rue Charles Cros	Paris Métropole	93	12,483	2006
Bourg-les-Valence	Rue Irène Joliot Curie	Regions	26	19,521	2005
Mer	Za des Mardaux	Regions	41	34,127	2006
Leers	Rue de la Plaine	Regions	59	21,590	2005
Thouars	Rue Jean Devaux	Regions	79	32,000	2007
Sant Feliu de Buixalleu	Parc de Gaserans – Sant Feliu	Spain		3,680	2012
Sant Feliu de Buixalleu 2	Parc de Gaserans – Sant Feliu	Spain		10,811	2014
<b>Miscellaneous</b>					
Paris 12 (parkings)	Rue Traversière	Paris	75	0	2008
St-Étienne (terrain)	Rue de la Talaudière	Regions	42	65,112	2007

Paris Métropole: Paris + Hauts-de-Seine + Seine-Saint-Denis + Val-de-Marne.

## 8.1.2 PORTFOLIO VALUE

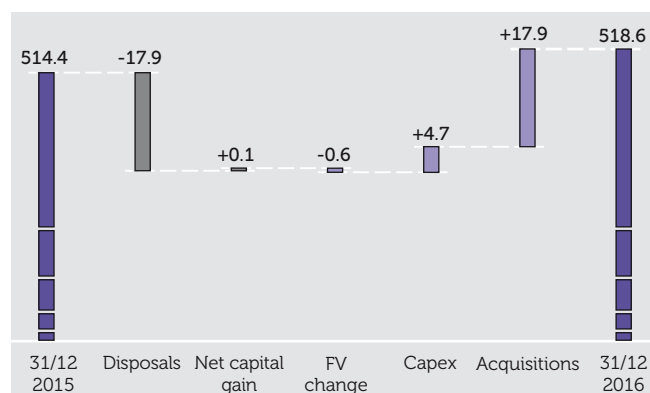
### Fair value of directly owned properties

The fair value (including transfer taxes) of the 43 properties stood on 31 December 2016 at €554m compared with €547m at the end of 2015.

Excluding transfer taxes, the value of the properties went from €514m at the end of 2015 to €519m at the end of 2016. This change resulted from:

- disposals totalling €17.9m, with a net capital gain of €0.1m;
- €17.9m of acquisitions;
- €4.7m of investments for improvement of existing properties, €1.2m of which for the Tangram in Lyons;
- a €0.6m decrease in fair value of buildings in the portfolio at the end of the period on a like-for-like basis;

### CHANGE IN THE VALUE OF BUILDINGS, EXCLUDING TRANSFER TAXES (€M)



The €0.6m decrease on a like-for-like basis in the portfolio's fair value (that is 1.0%) is the result of:

- a 1.0% decrease due to the fall in market rents (ERV).
- a 3.5% increase due to lower yield rates used by appraisers,
- a residual 3.4% decrease (works to be carried out, reversion, etc.).

The average yield resulting from appraisals is 6.4%. A downward or upward change of 25 basis points in this rate would lead to an increase or a decrease respectively of the portfolio's value of €20.8m.

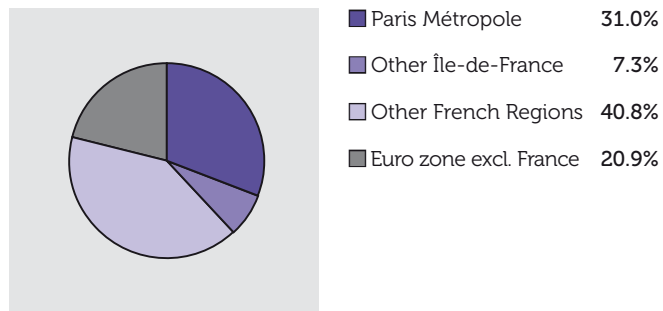
**Environmental issues that could affect the issuer’s use of property, plant and equipment**

**8.1.3 TOTAL PROPERTY**

**Fair value of total property**

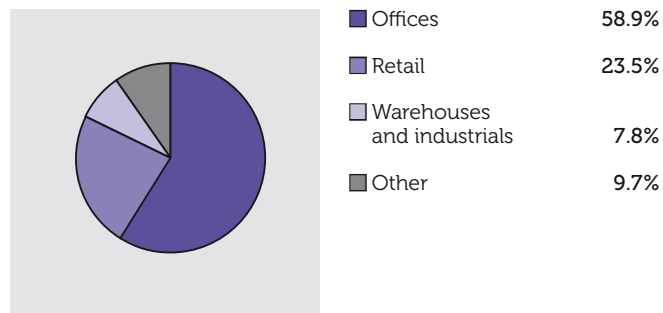
By including the buildings owned by Banimmco, the fair value (including transfer taxes) of total property stood at the end of 2016 at €791m compared with €897m at the end of 2015.

**BREAKDOWN OF VALUE BY REGION**



Paris Métropole: Paris + Hauts-de-Seine + Seine-Saint-Denis + Val-de-Marne.

**BREAKDOWN OF VALUE BY TYPE**



**8.2 Environmental issues that could affect the issuer’s use of property, plant and equipment**

These aspects are covered in the CSR report found in Chapter 26 of this report.

# 9 OPERATING AND FINANCIAL REVIEW

The selected financial information below, relating to the years ended 31 December 2014, 2015 and 2016, is taken from the consolidated financial statements in Appendix 20.1. The consolidated annual financial statements are presented in section 20.3.

## 9.1 Financial review

CONSOLIDATED BALANCE SHEET (€M)	2014	2015	2016
<b>ASSETS</b>	<b>706.3</b>	<b>623.6</b>	<b>610.2</b>
Properties (excluding transfer taxes)	575.1	514.4	518.6
of which investment properties	426.9	456.0	469.4
of which property held for sale	148.2	58.5	49.2
Equity holdings	0.3	0.0	0.0
Associates	54.7	38.8	31.6
Cash	4.3	6.7	4.9
Other assets	72.0	63.6	55.1
<b>LIABILITIES</b>	<b>706.3</b>	<b>623.6</b>	<b>610.2</b>
Shareholders' equity (before allocation)	303.5	291.7	285.0
of which BRS	20.4	4.2	4.2
of which PSL	73.2	73.2	73.1
Bank debt	346.7	286.5	284.2
Other liabilities	56.0	45.4	41.0

### NET ASSET VALUE

At 31 December 2016, total shareholders' equity amounted to €285.0m, a decline of €6.7m compared to late 2015, due to, on the one hand the distribution made in 2016 (dividends and payment of BRS and PSL coupons) and, on the other hand, the decrease in net book value of Banimmco, consolidated under the equity method, from €36.1m to €28.5m. After deducting quasi-equity (€73.1m in

perpetual subordinated loan notes), and adjustments to the fair value of derivatives and deferred taxes, the EPRA net asset value excluding transfer taxes was €215.6m (-2.8%). NAV per share was €21.02 (after BRS dilution and excluding treasury shares), down 2.7% compared with 31 December 2015. Including transfer taxes, NAV per share was €24.47.

NAV (€M)	2014	2015	2016
Shareholders' equity (before allocation), Group share	303.5	291.7	285.0
PSL adjustment	(73.2)	(73.2)	(73.1)
IFRS NAV (excl. TT)	230.3	218.6	211.9
EPRA adjustments	5.6	3.1	3.7
EPRA NAV (excl. TT)	236.0	221.7	215.6
EPRA NAV (incl. TT)	272.5	255.1	250.9
Diluted number of shares (excl. Tr. shares)	10,264,583	10,265,026	10,254,952
<b>Diluted EPRA NAV (excl. TT) per share (€)</b>	<b>22.99</b>	<b>21.60</b>	<b>21.02</b>

EPRA NNNNAV, including the fair value of hedging instruments, deferred tax, and the difference between the accounting and discounted value of the debt, amounted to €24.0 (excl. transfer tax).

## 9.2 Operating earnings

### 9.2.1 IMPORTANT FACTORS AFFECTING CONSOLIDATED EARNINGS

CONSOLIDATED EARNINGS (€M) <sup>(1)</sup>	2014	2015	2016
Gross rental income	43.7	39.0	34.7
<b>Net rental income</b>	<b>39.2</b>	<b>34.4</b>	<b>29.4</b>
Other income	1.3	1.2	(0.1)
Corporate expenses	(10.1)	(7.9)	(8.6)
<b>Current EBITDA <sup>(2)</sup></b>	<b>30.3</b>	<b>27.7</b>	<b>20.7</b>
<b>Current operating profit</b>	<b>30.2</b>	<b>27.1</b>	<b>19.6</b>
Other income and expenses	0.5	(0.4)	0.3
Net profit or loss on disposal	3.4	(7.2)	(0.0)
<b>Operating profit (before value adj.)</b>	<b>34.1</b>	<b>19.5</b>	<b>19.9</b>
Net balance of value adjustments	(25.3)	3.8	(0.6)
<b>Net operating profit</b>	<b>8.9</b>	<b>23.2</b>	<b>19.3</b>
Net financial cost	(10.9)	(9.1)	(7.0)
Fair value adjustments of financial instr.	(2.3)	2.1	1.1
Taxes	(1.1)	0.5	(1.3)
Miscellaneous <sup>(3)</sup>	(0.2)	(0.5)	(0.3)
Associates	(5.3)	(15.7)	(6.4)
<b>Net profit</b>	<b>(11.0)</b>	<b>0.4</b>	<b>5.5</b>
<b>Net profit – group share</b>	<b>(11.0)</b>	<b>0.4</b>	<b>5.5</b>
<b>Net profit – group share (excl. Banimmco)</b>	<b>(6.4)</b>	<b>16.9</b>	<b>13.1</b>
EPRA adjustments	27.4	12.8	1.6
EPRA earnings <sup>(4)</sup>	16.5	13.3	7.1
<b>EPRA earnings (excl. Banimmco)</b>	<b>18.3(5)</b>	<b>17.4</b>	<b>11.7</b>

NB: The Banimmco sub-group is consolidated under the equity method.

(1) Based on IFRS standards and EPRA recommendations.

(2) Current EBITDA represents the current operating profit excluding current depreciation and amortisation costs. In 2014, 2015 and 2016, this amount does not include the depreciation of buildings in inventory of the property development business of -€1.0m, -€0.1m and -€0.2m respectively, which is recognised under other income and expenses.

(3) Net profit from activities that have been discontinued or are being sold, other financial income and expenses.

(4) The European Public Real Estate Association (EPRA) updated its Best Practice Recommendations in November 2016 which give guidelines for performance measures. As detailed in the EPRA adjustments note, EPRA earnings essentially excludes the effects of fair value changes and gains or losses on sales.

While on a like-for-like basis rents were up by 1.0%, the impact in 2016 of the disposal of the logistics platforms realised in the second half 2015 explains most of the 11.2% and 14.7% decrease of the gross rental income and net rental income respectively.

Consequently, current operating profit decreased from €27.1m to €19.6m, also reflecting a decrease in income from lease-financing (-€1.2m).

The slight €0.6m decrease in fair value of the buildings (vs +€3.8m in 2015), led to a decrease in net operating profit of 16.7% to €19.3m.

Net financial costs decreased to €7.0m (vs €9.1m) owing to the loan reimbursements related to the disposals. The fair value of financial instruments benefited from the rise of long-term rates (+€1.1m vs +€2.1m in 2015).

Associates mainly reflected the situation of the stake in the Belgian company, Banimmco, which came from

-€33.2m to -€15.4m. The negative contribution to Affine results amounted to -€7.6m (vs -€16.5m).

Consequently, Affine posted a net profit excluding Banimmco of €13.1m and a net consolidated profit of €5.5m compared to €0.4m for the same period last year.

Adjusted for exceptional items such as changes in fair value and gains or losses on disposals, EPRA earnings excluding Banimmco amounted to €11.7m (versus €17.4m). After the integration of Banimmco, the EPRA earnings came out at €7.1m compared with €13.3m for 2015.

## 9.2.2 MATERIAL CHANGES IN NET REVENUES OR NET INCOME

No significant change in net revenues or net income has occurred during the year.

## 9.2.3 STRATEGY OR FACTOR OF A GOVERNMENTAL OR ECONOMIC NATURE THAT COULD MATERIALLY AFFECT, DIRECTLY OR INDIRECTLY, THE ISSUER

This information is contained in the section on risk factors in section 4 of this registration document.

# 9.3 **EPRA best practice recommendations**

The European Public Real Estate Association (EPRA) issued in November 2016 an update of the Best Practice Recommendations report(1) (BPR), which gives guidelines for performance measures.

Affine supports the financial communication standardisation approach designed to improve the quality and comparability of information and supplies its investors with the primary EPRA recom-

mendations. The company therefore publishes the EPRA Earnings, the EPRA earnings per share, the EPRA NAV, the EPRA NAV per share, the EPRA NNNAV, the EPRA NNNAV per share and the EPRA vacancy rate.

## EPRA PERFORMANCE MEASURES (EPM) DEFINITION

EPRA INDICATORS	EPRA DEFINITION <sup>(1)</sup>
EPRA Earnings	Recurring earnings from core operational activities.
EPRA NAV	Net Asset Value adjusted to include properties and other investment interests at fair value and to exclude certain items not expected to crystallise in a long-term investment property business model.
EPRA NNNAV	EPRA NAV adjusted to include the fair values of (i) financial instruments, (ii) debt and (iii) deferred taxes.
EPRA vacancy rate	Estimated Market Rental Value (ERV) of vacant space divided by the ERV of the whole portfolio.

(1) The report is available on the EPRA website: [www.epra.com](http://www.epra.com).

## EPRA PERFORMANCE MEASURES (EPM)

(€000)	2014	2015	2016
EPRA earnings	16,453	13,274	7,088
EPRA NAV (excl. TT)	235,982	221,706	215,575
EPRA NNNAV (excl. TT)	261,126	249,980	245,933
EPRA occupancy rate (%)	90.2	85.8	87.5

FIGURES PER SHARE (€)	2014	2015	2016
EPRA earnings <sup>(1)</sup>	1.38	1.08	0.50
EPRA NAV (excl. TT)	22.99	21.60	21.02
EPRA NNNAV (excl. TT)	25.44	24.35	23.98

(1) The average number of diluted shares in 2015 was adjusted by the average number of new shares issued from BRS redemption.

## EPRA EARNINGS (INDIRECT METHOD)

(€000)	2014	2015	2016
<b>Net profit – Group share</b>	<b>(10,976)</b>	<b>440</b>	<b>5,456</b>
Value adjustments for investment and development properties	24,276	(3,818)	(147)
Net profit or loss on disposal	(3,156)	7,241	589
Goodwill adjustment	-	-	-
Fair value adjustments of financial instr.	2,295	(2,062)	(1,099)
Non-current tax, deferred and exit tax	614	79	576
Adjustments for associates	3,400	11,394	1,713
Minority interests in respect of the above	-	-	-
<b>EPRA earnings</b>	<b>16,453</b>	<b>13,274</b>	<b>7,088</b>
<b>EPRA earnings (hors Banimmo)</b>	<b>18,319</b>	<b>17,352</b>	<b>11,661</b>

**EPRA EARNINGS (RECURRING / NON-RECURRING PRESENTATION — DIRECT METHOD) <sup>(1)</sup>**

(€000')	2014	2015	2016
Gross rental income	43,687	39,029	34,662
<b>Net rental income</b>	<b>39,197</b>	<b>34,435</b>	<b>29,443</b>
Other income	1,283	1,199	(137)
Corporate expenses	(10,148)	(7,943)	(8,571)
<b>Current EBITDA<sup>(2)</sup></b>	<b>30,332</b>	<b>27,690</b>	<b>20,735</b>
<b>Current operating profit</b>	<b>30,200</b>	<b>27,081</b>	<b>19,618</b>
Other income and expenses <sup>(3)</sup>	(474)	(426)	(397)
Net financial cost	(10,915)	(9,105)	(6,965)
Taxes (current)	(466)	536	(709)
Miscellaneous (current) <sup>(3)</sup>	61	(524)	236
Associates (current)	(1,947)	(4,288)	(4,695)
<b>Net current profit</b>	<b>16,460</b>	<b>13,274</b>	<b>7,088</b>
<b>EPRA Earnings (Net current profit – Gs<sup>(4)</sup>)</b>	<b>16,453</b>	<b>13,274</b>	<b>7,088</b>
<b>EPRA Earnings (excl. Banimmo)</b>	<b>18,319</b>	<b>17,352</b>	<b>11,661</b>
Other income and expenses <sup>(3)</sup>	1,000	64	720
Net profit or loss on disposals	3,401	(7,241)	(22)
Net balance of value adjustments	(25,276)	3,753	(573)
Fair value adjustments of financial instr.	(2,295)	2,062	1,099
Taxes (non-current)	(614)	(79)	(576)
Miscellaneous (non-current) <sup>(3)</sup>	(244)	(0)	(567)
Associates (non-current)	(3,400)	(11,394)	(1,713)
<b>Net non-current profit</b>	<b>(27,429)</b>	<b>(12,834)</b>	<b>(1,631)</b>
<b>Net non-current profit – gs<sup>(4)</sup></b>	<b>(27,429)</b>	<b>(12,834)</b>	<b>(1,631)</b>
<b>Net non-current profit – gs<sup>(4)</sup> (excl. Banimmo)</b>	<b>(24,674)</b>	<b>(460)</b>	<b>1,423</b>
<b>Net profit</b>	<b>(10,969)</b>	<b>440</b>	<b>5,456</b>
<b>Net profit – Group share</b>	<b>(10,976)</b>	<b>440</b>	<b>5,456</b>

NB: The Banimmo sub-group is consolidated under the equity method.

(1) Based on IFRS standards and EPRA recommendations.

(2) Current EBITDA represents the current operating profit excluding current depreciation and amortisation costs. In 2014, 2015 and 2016, this amount does not include the depreciation of buildings in inventory of the property development business of -€1.0m, -€0.1m and -€0.2m respectively, which is recognised under other income and expenses.

(3) To align the definition of current items with the EPRA definition of that term, "Other income and expenses" appears in the current part of this presentation and includes other operational income and expenses. "Miscellaneous (non-current)" includes other financial income and expenses. The non-current part of "Other income and expenses" includes the fair value change of the development properties.

(4) Gs stands for Group share.

## EARNINGS PER SHARE

(€000')	2014	2015	2016
<b>Net profit – Group share</b>	<b>(10,976)</b>	<b>440</b>	<b>5,456</b>
PSL charges	(2,302)	(2,135)	(1,953)
BRS charges	(1,178)	(590)	(226)
Net profit – Group share adjusted for the earnings per share	(14,456)	(2,285)	3,278
BRS 1 and 2 adjustments	1,178	590	226
Net profit – Group share adjusted for the diluted earnings per share (after conversion of BRS)	(13,278)	(1,696)	3,504
EPRA adjustments	27,429	12,834	1,631
<b>EPRA earnings adjusted for the PSL charges for calculation of EPRA earnings per share</b>	<b>14,151</b>	<b>11,139</b>	<b>5,135</b>
Earnings per share (€)	(1,60)	(0,24)	0,33
Diluted earnings per share (€) <sup>(1)</sup>	(1,29)	(0,18)	0,34
<b>EPRA earnings per share (€) (diluted) <sup>(1)</sup></b>	<b>1,38</b>	<b>1,08</b>	<b>0,50</b>
<b>EPRA earnings per share (€) (diluted) (excl. Banimmo) <sup>(1)</sup></b>	<b>1,56</b>	<b>1,48</b>	<b>0,95</b>
Outstanding number of shares	9,051,431	10,056,071	10,056,071
Average number of treasury shares	(28,405)	(593,279)	(20,178)
Average number of shares (excl. Tr. shares)	9,023,026	9,462,792	10,035,893
Number of new shares from BRS redemption <sup>(1)</sup>	1,230,528	806,652	225,888
<b>Average number of diluted shares (excl. Tr. shares) <sup>(1)</sup></b>	<b>10,253,554</b>	<b>10,269,445</b>	<b>10,261,781</b>

(1) The average number of diluted shares in 2015 was adjusted by the average number of new shares issued from BRS redemption.

## ANR IFRS

(€000')	2014	2015	2016
<b>Shareholders' equity (before allocation)</b>	<b>303,527</b>	<b>291,728</b>	<b>285,036</b>
of which BRS	20,424	4,211	4,220
of which PSL	73,181	73,160	73,118
of which treasury shares	(244)	(268)	(395)
of which other	210,166	214,624	208,094
PSL adjustments	(73,181)	(73,160)	(73,118)
Diluted IFRS NAV excluding transfer tax	230,346	218,568	211,918
Transfer tax (Gs <sup>(1)</sup> )	36,473	33,375	35,346
Diluted IFRS NAV incl. transfer tax	266,818	251,943	247,264
<b>Diluted IFRS NAV exc. transfer tax per share</b>	<b>22,44</b>	<b>21,29</b>	<b>20,66</b>
Diluted IFRS NAV incl. transfer tax per share	25,99	24,54	24,11
Outstanding number of shares	9,051,431	10,056,071	10,056,071
Treasury shares	(17,376)	(16,933)	(27,007)
Converted BRS	1,230,528	225,888	225,888
<b>Number of diluted shares (excl. treasury shares)</b>	<b>10,264,583</b>	<b>10,265,026</b>	<b>10,254,952</b>

(1) Gs stands for Group share.

## EPRA NAV

(€000')	2014	2015	2016
Diluted IFRS NAV excl. transfer tax	230,346	218,568	211,918
EPRA adjustments	5,637	3,138	3,656
of which fair value of financial instruments	9,925	7,256	4,677
Derivatives at fair value (gs <sup>(1)</sup> ) – Assets	313	214	1,439
Derivatives at fair value (gs <sup>(1)</sup> ) – Liabilities	10,238	7,471	6,117
of which net deferred tax	(4,288)	(4,118)	(1,021)
Assets – deferred tax (gs <sup>(1)</sup> )	4,288	4,118	1,086
Liabilities – deferred tax (gs <sup>(1)</sup> )	0	0	65
EPRA NAV excl. transfer tax	235,982	221,706	215,575
EPRA NAV incl. transfer tax	272,455	255,081	250,921
<b>EPRA NAV excluding transfer tax per share (diluted)</b>	<b>22.99</b>	<b>21.60</b>	<b>21.02</b>
EPRA NAV incl. transfer tax per share (diluted)	26.54	24.85	24.47

(1) Gs stands for Group share.

## 9

## EPRA NNNAV

(€000')	2014	2015	2016
EPRA adjustments	(5,637)	(3,138)	(3,656)
Change of debt fair value <sup>(1)</sup>	30,780	31,413	34,015
EPRA NNNAV excl. transfer tax	261,126	249,980	245,933
EPRA NNNAV incl. transfer tax	297,598	283,355	281,279
<b>EPRA NNNAV excl. transfer tax per share (diluted)</b>	<b>25.44</b>	<b>24.35</b>	<b>23.98</b>
EPRA NNNAV incl. transfer tax per share (diluted)	28.99	27.60	27.43

(1) Excluding Banimmo and its subsidiaries.

## EPRA VACANCY RATE

TYPE OF ASSET (€000')	HEADLINE RENTS	LET. SP. (SQM)	ERV <sup>(1)</sup> ON VACANT	ERV <sup>(1)</sup>	VACANCY RATE
Offices	21.8	163,848	3.4	23.9	14.0%
Retail	8.3	59,257	1.3	9.4	13.8%
Warehouses and Industrials	5.4	135,086	0.1	4.9	2.8%
<b>Total</b>	<b>35.5</b>	<b>358,191</b>	<b>4.8</b>	<b>38.2</b>	<b>12.5%</b>

(1) ERV corresponds to Estimated Rental Value, i.e. the market rental value estimated by the appraisers.

# 10 CASH AND CAPITAL RESOURCES

The selected financial information below, relating to the years ended 31 December 2014, 2015 and 2016, is taken from the consolidated financial statements in Appendix 20.1. The consolidated annual financial statements are presented in section 20.3.

## 10.1 Company equity

The statement of changes in consolidated equity is shown in Note 20.1.

## 10.2 Cash flow

### CONSOLIDATED CASH FLOW

Funds from operation (FFO) decreased to €14.3m in connection with changes in rental income; excluding financial costs and taxes, FFO settled at €22.2m.

The WCR is stable with a change of €0.2m (vs. -€3.2m). Operating cash flow was thus €22.4m versus €26.3m for the same period in 2015.

CASH FLOW (€000')	2014	2015	2016
Funds from operation	22.8	21.9	14.3
Funds from operation excluding cost of debt and taxes	34.3	30.1	22.2
Change in WCR	(13.2)	(3.2)	0.2
Taxes paid	(1.2)	(0.6)	(0.0)
<b>Operating cash flow</b>	<b>19.9</b>	<b>26.3</b>	<b>22.4</b>
Investments	(22.1)	(43.2)	(22.6)
Disposals	25.2	94.0	18.3
Other	0.1	0.0	2.2
<b>Investment cash flow</b>	<b>3.2</b>	<b>50.8</b>	<b>(2.2)</b>
New loans	44.7	43.4	50.2
Loan repayments	(60.4)	(101.8)	(56.8)
Interest	(11.2)	(9.3)	(7.1)
Other (including dividend)	(13.9)	(9.1)	(4.8)
<b>Financing cash flow</b>	<b>(40.8)</b>	<b>(76.8)</b>	<b>(18.5)</b>
<b>Change in cash position</b>	<b>(17.7)</b>	<b>0.4</b>	<b>1.7</b>
<b>Net cash position</b>	<b>1.8</b>	<b>2.1</b>	<b>3.9</b>

The disbursements related to investments went down with an amount of €22.6m compared with €43.2m in 2015. Affine is committed to turnkey projects, the disbursements of which are spread over the construction period. The contribution of the sale of buildings amounted to €18.3m. The capital gain related to the disposal by Concerto European Developer of the logistics platform completed for Petit Bateau (of which Affine owned 40%) represented €2.2m. Total cash flow from investments came to -€2.2m (vs. €50.8m).

The net balance of financing operations, including dividends distributed and financial costs, generated negative cash flow of €18.5m, with new borrowings covering 88% of repayments over the period.

The available cash position thus increased over the year to reach €3.9m.

## 10.3 Loan requirements – financing structure

### FINANCING

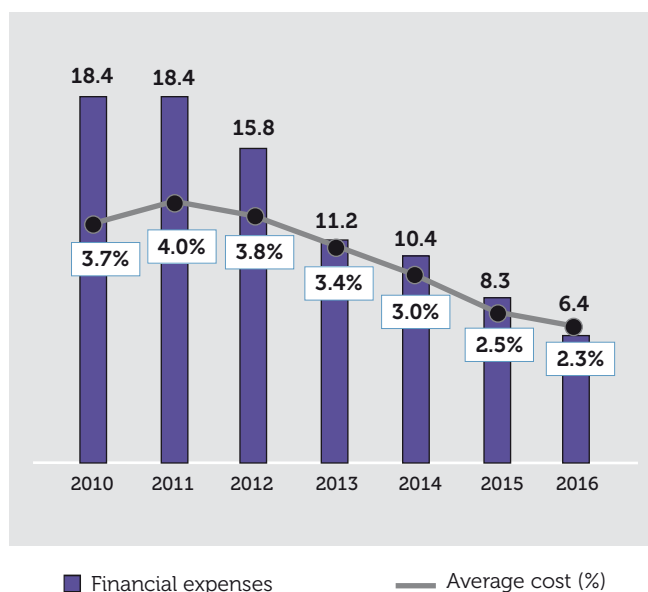
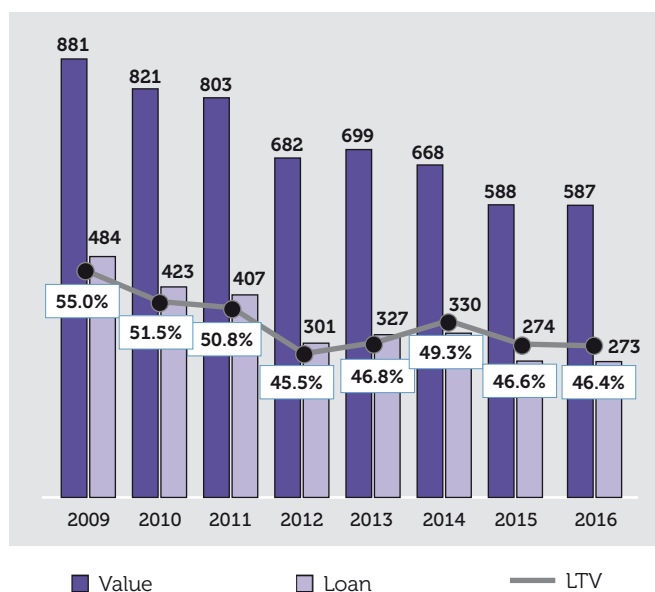
The financing policy based on long-term relationships with its banks and dedicated per-transaction medium-term financings, secured with mortgages and with medium-term repayment periods, enables Affine to benefit from access to bank financing on competitive terms.

Affine has a resilient risk profile thanks to the large proportion of non-Paris assets in its portfolio, which are more stable and more profitable than its Paris assets, and the diversification of its portfolio.

Affine therefore has good visibility to manage its liabilities by keeping a smooth debt profile, while avoiding in general any financial covenant on the company itself. This allows Affine to optimise the use of its equity by maintaining an LTV ratio close to 50%.

New bank loans taken out in 2016 amounted to €50.2m compared to the €56.8m related to bank debt amortisations and reimbursements over the period.

In addition, the company secured short-term lines of credit totalling €19m.



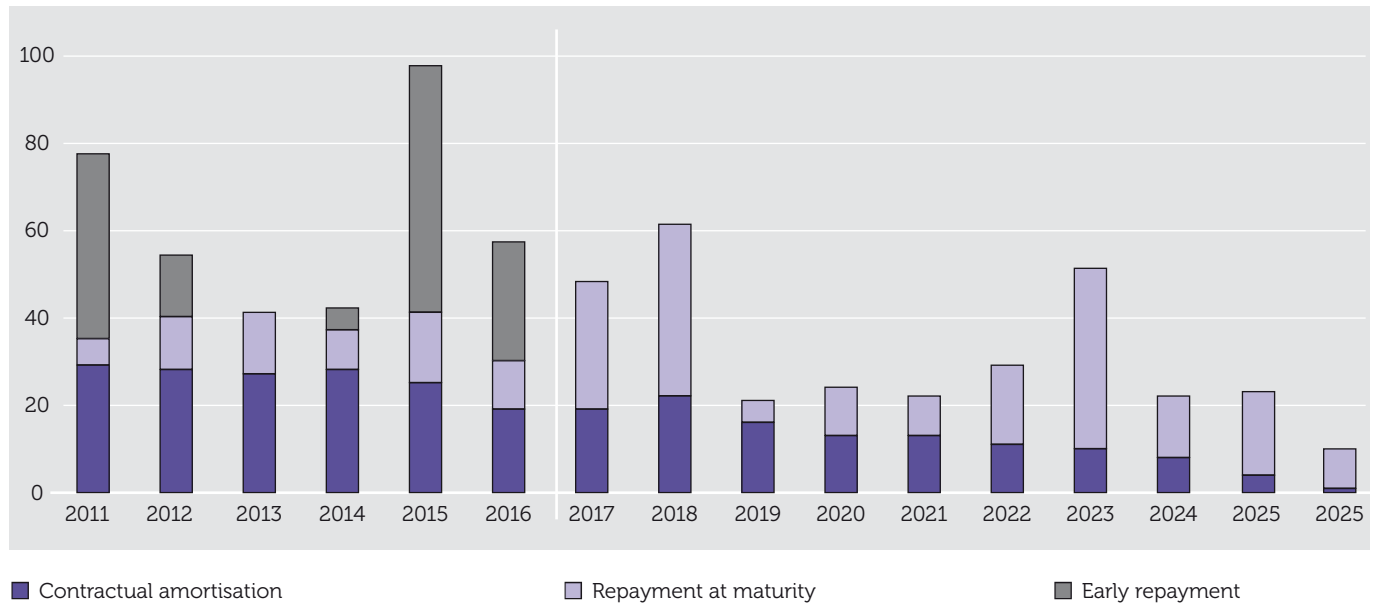
At 31 December 2016, the company's net financial debt (net of cash and cash equivalents) was €280m compared with €284m at year-end 2015. This corresponds to 1.0 times total shareholders' equity.

After deducting the debt allocated to residual finance lease activities (€8m), net financial debt for investment properties, inventories and the Affine stake in the net value of associates (€30m), totalled €273m, resulting in an LTV ratio of 46.4%, compared with 46.6% at year-end 2015.

The ratio of financial costs to average net financial debt resulted for the year in an average cost of debt of 2.3%, down compared to 2015 (2.5%).

At 31 December 2016, the average maturity of debt was 5.3 years. Debts are amortised at a pace corresponding to the life of the underlying asset, with the balance of the loan repaid at final maturity or refinanced. The graph below shows that the company has no major maturities occurring over the next few years.

**DEBT AMORTISATION (€M)**

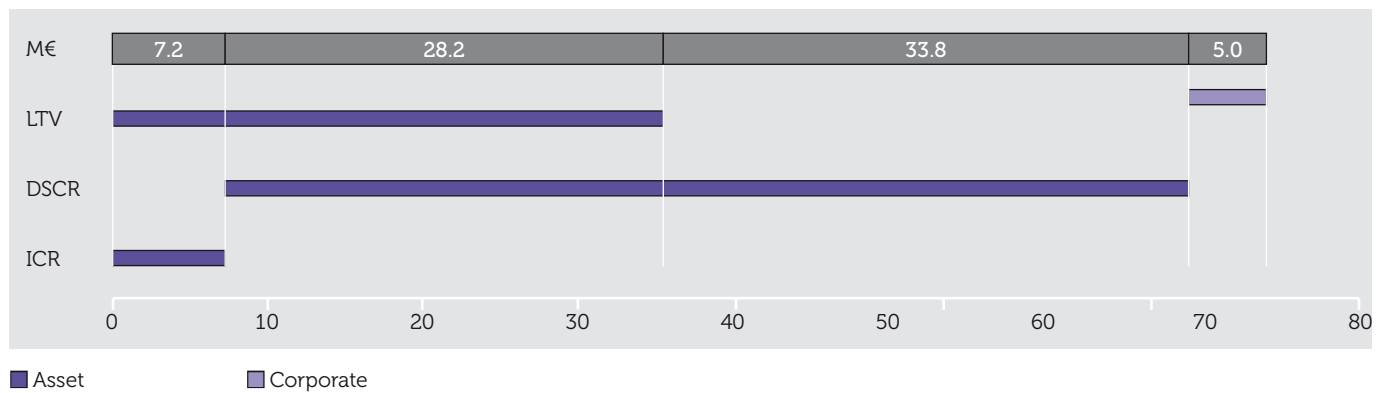


10

The chart below shows the amounts of debt for Affine which are subject to covenants on the financed asset. The corporate covenant is related to the Micado bond of €5.0m.

At 31 December, no compulsory early repayment was required in part or in whole on any credit due to a failure to comply with financial ratios reported on that date.

**BREAKDOWN OF COVENANTS (€M)**



**LTV (NET DEBT / PROPERTY VALUE)**

(€000)	2014	2015	2016
Net financial debt	344 981	284,399	280,291
Debt allocated to lease financing	(15 376)	(9,989)	(7,544)
<b>Net debt for investment properties</b>	<b>329 605</b>	<b>274,410</b>	<b>272,747</b>
Value of properties (incl. TT)	610 106	546,978	553,515
Associates	52 710	35,653	30,073
VEFA & Fixed assets adjustments	5 544	5,844	3,702
Adjusted portfolio value incl. taxes	668 361	588,475	587,290
<b>LTV</b>	<b>49,3%</b>	<b>46.6%</b>	<b>46.4%</b>

## 10.4 Restriction on the use of capital

Information regarding any restrictions on the use of capital that could materially affect, directly or indirectly, the operations of the issuer is listed in section 4.2 of this registration document.

## 10.5 Expected sources of funding

Information on expected sources of financing can be found in Section 10.3 of this registration document.

# 11 RESEARCH AND DEVELOPMENT, PATENTS AND LICENCES

The company has no research and development policy or patents.

# 12 TREND INFORMATION

## 12.1 Main trends

There is no material information to report since the publication of results at 31 December 2016 (press release of 3 March 2017).

## 12.2 Perspectives

Over the last 18 months, the volume of investments deployed or committed is already over €100m. Said investments should ultimately generate an annual rent of €8.5m, €2.4m of which is already recorded in the 2016 accounts (corresponding to an annual potential rent of €4.4m).

Affine is continuing its strategy to renew and streamline the portfolio (essentially office buildings) through a balanced development between Paris Métropole and the six main regional urban areas (Bordeaux, Lille, Lyon, Marseilles, Nantes and Toulouse), in a highly-competitive context.

As for Banimmo, it must revitalise its activities in Belgium by relying on land bank, thereby enabling the development of 290,000 sqm and pursuing the development of city centre shopping centres in France.

Finally, Affine will endeavour to integrate technological developments into the property sector in services for its clients/tenants (renting, new methods for utilising workplaces, etc.).

# 13 PROFIT FORECASTS OR ESTIMATES

The company does not publish profit forecasts or estimates.

# 14 ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES AND GENERAL MANAGEMENT

## 14.1 Board of directors and general management

### MEMBERS OF THE BOARD OF DIRECTORS AT 28 FEBRUARY 2017

- Maryse Aulagnon, Chairperson of the Board of Directors
- MAB-Finances, Vice Chairperson, represented by Alain Chaussard, Chief Executive Officer
- Delphine Benchetrit
- Arnaud de Bresson
- Stéphane Bureau
- Holdaffine, represented by Jean-Louis Charon
- Joëlle Chauvin
- Bertrand de Feydeau
- Atit, represented by Catherine Wallerand

The General Shareholders' Meeting of 27 April 2012 resolved to amend the Articles of Association to allow the staggered renewal of directorships (renewal of one third of directors each year).

The re-appointment for a three-year term of Bertrand de Feydeau, Delphine Benchetrit and Bertrand de Feydeau as directors of ATIT, will be submitted to the General Shareholders' Meeting on 27 April 2017.

In accordance with the Middenext Code, the criteria used to determine whether or not a director is independent are as follows:

- *has not been an employee or corporate officer of the company or any company within the same Group in the previous three years;*
- *is not a customer or supplier or the primary bank of the company or its Group, or for whom the company or Group represents a significant percentage of the activity;*

- *is not a majority shareholder of the company;*
- *has no close family ties with a corporate officer or majority shareholder;*
- *has not been an auditor of the company during the past three years."*

In accordance with these principles, the following are considered to be independent directors: Delphine Benchetrit, Arnaud de Bresson, Stéphane Bureau, Joëlle Chauvin and Bertrand de Feydeau, representing five directors out of nine.

The following are not considered independent directors: Maryse Aulagnon and the company MAB Finances, represented by Alain Chaussard (corporate officers), the company Atit (represented by Catherine Wallerand, head of the Affine Group Legal Department) and the company Holdaffine (major shareholder).

None of the corporate officers has been convicted of fraud in the last five years. To the knowledge of the company, none of the officers has been associated with bankruptcy, receivership, liquidation, incrimination and/or official public sanction by statutory or regulatory authorities and has not been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer for the previous five years.

**MEMBERS OF THE BOARD OF DIRECTORS IN 2016**
**Management**

<b>Maryse Aulagnon</b> 39 rue Washington — 75008 PARIS	
Date of birth	19/04/1949
Nationality	French
Date of first appointment	21/09/1999
Date of end of term (general shareholders' meeting approving the financial statements)	2017
Principal duties performed within the company	Chairperson and Chief Executive Officer, up to 31 December 2016 Chairperson of the Board of Directors, as of 1 January 2017
Number of company shares held directly	48 shares
Independence	Corporate officer
Member of committees	Investment Committee
Principal duties performed outside the company	-
List of appointments and duties performed within any company in fiscal year 2016	<p><b>Affine group appointments</b></p> <p>AFFINE R.E. (French corporation, listed company), chairman and chief executive officer; (the number of Affine R.E. shares held directly by Ms. Aulagnon – via Holdaffine – is mentioned in Item 18.3 of this registration document),</p> <p>BANIMMO (French limited-liability corporation, listed company), Belgian, representing Affine R.E., Director,</p> <p>ATIT (SC), representing Affine R.E., manager,</p> <p>2/4 HAUSSMANN (SAS), representing Atit, receiver,</p> <p>MAB-FINANCES (SA), Chairperson and Chief Executive Officer,</p> <p>CAPUCINE INVESTISSEMENTS (SAS), representing MAB-Finances, member of the management committee,</p> <p>LES 7 COLLINES (SAS), representing MAB-Finances, member of the management committee,</p> <p>PROMAFFINE (SAS), representing Affine R.E., Chairperson and member of the management committee,</p> <p>SCI NANTERRE TERRASSES 12 (SCI), representing Promaffine, manager,</p> <p>SCI PARIS 29 COPERNIC (SCI), representing Promaffine, manager,</p> <p>AFFINE SUD (SCI), representing Affine R.E., manager,</p> <p>PARVIS LILLE (SCI), representing Atit, manager,</p> <p>HOLDAFFINE (BV), Pays-Bas, Director,</p> <p>BERCY PARKINGS (SCI), representing Affine R.E., manager,</p> <p>TOULOUSE LES AMARANTES (SCI), representing Affine R.E., manager,</p> <p>GESFIMMO (SA), Chairperson of the Board of Directors,</p> <p>URBISMART (SAS), representing Affine R.E., Chairperson,</p> <p>TARGET REAL ESTATE (SAS), representing Mab-Finances, member of the management committee,</p> <p>ST-ETIENNE MOLINA (SAS), representing Mab-Finances, member of the management committee.</p> <p><b>Appointments outside the Affine group</b></p> <p>AIR FRANCE KLM (French limited-liability corporation, listed company), Director, Chairperson of the Audit Committee,</p> <p>BPCE (SA), member of the Supervisory Board and Chairperson of the Appointments and Compensation Committee,</p> <p>VEOLIA ENVIRONNEMENT (French limited-liability corporation, listed company), Director, member of the Appointments Committee.</p>
List of appointments and duties performed within an administrative or management entity over the past five years	<p>AFFINVESTOR GmbH, Germany, manager (up to 31 August 2011),</p> <p>CAPUCINES III (SCI), representing Affine, manager (up to 30 June 2011),</p> <p>CAPUCINES IV (SCI), representing Affine, manager (up to 30 June 2011),</p> <p>CAPUCINES V (SCI), representing Affine, manager (up to 30 June 2011),</p> <p>CAPUCINES VI (SCI), representing Affine, manager (up to 30 June 2011),</p> <p>LUMIERE (SAS), representing Affine, receiver (up to 29 June 2011),</p> <p>SCI BOURGTHEROULDE L'EGLISE (SCI), representing Promaffine, manager (up to 30 June 2011),</p> <p>TRANSAFFINE (SNC), manager (up to 30 June 2011),</p> <p>AFFIPARIS (French limited-liability corporation, listed company), Director, Vice Chairperson (up to 7 December 2012),</p> <p>COUR DES CAPUCINES (SA), representing Mab-Finances, Director (up to 4 May 2012),</p> <p>SIPEC (SAS), representing Affine, Chairperson (up to 3 July 2012),</p> <p>CONCERTO DEVELOPPEMENT (SAS), representing Mab-Finances, member of the management committee (up to 19 December 2014).</p>
Attendance rate	Board of Directors: 100% – Investment Committee: 100%

**Board of directors and general management**

Alain Chaussard — Permanent representative of MAB-Finances 39 rue Washington — 75008 PARIS	
Date of birth	22/06/1948
Nationality	French
Start date of appointment	18/06/2004
Date of end of term (general shareholders' meeting approving the financial statements)	2018
Principal duties performed within the company	Deputy Chief Executive Officer, up to 31 December 2016 Chief Executive Officer, starting 01 January 2017
Number of company shares held directly	MAB-Finances: 90 shares Mr. Chaussard: 29,853 shares
Independence	Corporate officer
Member of committees	Investment Committee
Principal duties performed outside the company	-
List of appointments and duties performed within any company in fiscal year 2016	<p><b>Affine group appointments</b></p> <p>AFFINE R.E. (French limited-liability corporation, listed company), Deputy Chief Executive Officer, permanent representative of Mab-Finances, Vice Chairperson, BANIMMO (French limited-liability corporation, listed company), Belgian, representative of Holdaffine BV, Director, ARCA VILLE D'ETE (SCI), representing Affine R.E., manager, CONCERTO DEVELOPPEMENT IBERICA (SL), Spain, representing Promaffine, manager, MAB-FINANCES (SA), Vice Chairperson – member of the supervisory board, ST ETIENNE MOLINA (SAS), representing Affine R.E., Chairperson, DORIANVEST (SARL), manager (since 27 January 2015), CARDEV (SA), Belgian, representing Affine R. E., Chairperson of the Board of Directors, up to 31 March 2016, GESFIMMO (SA), chief executive officer and Director, SCI AULNES DEVELOPPEMENT, representing Promaffine, co-manager, TARGET REAL ESTATE (SAS), representing Affine R. E., Chairperson, URBISMART (SAS), member of the management committee (since 3 July 2015), NEVERS COLBERT (SCI), representing Affine R.E., manager, CAPUCINE INVESTISSEMENTS (SAS), representing Affine R.E., Chairperson, LES 7 COLLINES (SAS), representing Affine R.E., Chairperson, SCI LUCE PARC-LECLERC (SCI), representing Promaffine, manager, LES JARDINS DES QUAIS (SNC), representing Affine R.E., manager, PROMAFFINE (SAS), representing MAB-Finances, member of the management committee, BR Sun S.à.r.l (Luxembourg limited-liability corporation), manager (up to 30 June 2016), CHAVILLE SALENGRO (SAS), representing Affine R.E., Chairperson (since 7 December 2015), CLICHY HORIZON (SCI), representing Affine R.E, manager (since 10 September 2015), MEUDON HORIZON (SCI), representing Affine R.E, manager (since 27 June 2016), LILLE HORIZON (SCI), representing Affine R.E, manager (since 13 October 2016), NANTES HORIZON (SCI), representing Affine R.E, manager (since 28 June 2016).</p> <p><b>Appointments outside the Affine group</b></p> <p>Institut de l'Épargne Immobilière et Foncière [Real Estate and Land Savings Institute] (IEIF), Director, Fédération des Sociétés Immobilières et Foncières [Federation of Real Estate and Land Companies], Director.</p>
List of appointments and duties performed within an administrative or management entity over the past five years	<p>AFFINVESTOR GmbH, Germany, manager (up to 31 August 2011) AFFINE DEVELOPPEMENT II (SAS), representing Affine, Chairperson (up to 30 June 2011), CAPUCINE INVESTISSEMENTS (SAS), representing Mab-Finances, member of the Management Committee (up to 27 May 2011), SCI DU 28 A 32 PLACE CHARLES DE GAULLE, representing AffiParis, itself representing Holdimmo, manager (up to 30 June 2011), PM MURS (SCI), manager (up to 30 June 2011), CONCERTO LOGISTIC PARK MER (SCI), representing Concerto Développement, manager (up to 31 October 2012), SCI COSMO TOULOUSE, representing AffiParis, itself representing Holdimmo, manager (up to 30 June 2012), SCI COSMO MARSEILLE, representing AffiParis, itself representing Holdimmo, manager (up to 30 October 2012), SCI COSMO LILLE, representing AffiParis, itself representing Holdimmo, manager (up to 30 June 2012), SCI DU BEFFROI, representing AffiParis, itself representing Holdimmo, manager (up to 30 June 2012), GOUSSINVEST (SCI), representing AffiParis, itself representing Holdimmo, manager (up to 30 June 2012), SCI NUMERO 2, representing AffiParis, manager (up to 30 June 2012), SARL COSMO, representing AffiParis, itself representing Holdimmo, receiver (up to 18 June 2012), AFFIPARIS (French limited-liability corporation, listed company), Chairperson chief executive officer (up to 7 December 2012); SCI COSMO MONTPELLIER representing Affine R.E, itself representing HOLDIMMO, manager (up to 29 November 2014), CONCERTO DEVELOPPEMENT (SAS), representing Affine R.E, Chairperson (up to 19 December 2014), CONCERTO WISSOUS (SCI), representing Affine R.E, manager (up to 24 December 2014), LOUVOIS (SAS), representing Affine R.E, Chairperson (up to 30 December 2014), SC HOLDIMMO, representing Affine R.E., manager (up to 29 June 2015), SCI NUMERO 1, representing Affine R.E., manager (up to 29 June 2015), SCI 36, representing Affine R.E., manager (up to 29 June 2015), COUR DES CAPUCINES (SAS), representing Affine R.E., Chairperson (up to 30 December 2015),</p>
Attendance rate	Board of Directors: 100% – Investment Committee: 100%

<b>Delphine Benchetrit</b> <b>76 avenue d'Iéna — 75116 PARIS</b>	
Date of birth	01/09/1968
Nationality	French
Start date of appointment	30/04/2014
Date of end of term (general shareholders' meeting approving the financial statements)	2016
Principal duties performed within the company	Board member
Number of company shares held directly	1 share
Independence	Independent Director
Member of committees	Appointments and Remuneration Committee
Principal duties performed outside the company	Associate Director Finae Advisors
List of appointments and duties performed within any company in fiscal year 2016	<b>Affine group appointments</b> AFFINE R.E. (SA), Director.  <b>Appointments outside the Affine group</b> FINAE ADVISORS, associate Director, FONCIERE DES REGIONS, Director (since 17 April 2015).
List of appointments and duties performed within an administrative or management entity over the past five years	ZÜBLIN IMMOBILILIÈRE FRANCE, Director (up to 5 January 2015)
Attendance rate	Board of Directors: 100% – Appointments and Remuneration Committee: 100%

<b>Arnaud de Bresson</b> <b>28 place de la Bourse — 75002 PARIS</b>	
Date of birth	24/08/1955
Nationality	French
Start date of appointment	05/02/2008
Date of end of term (general shareholders' meeting approving the financial statements)	2018
Principal duties performed within the company	Board member
Number of company shares held directly	1 share
Independence	Independent Director
Member of committees	Audit Committee
Principal duties performed outside the company	Managing Director of Paris Europlace
List of appointments and duties performed within any company in fiscal year 2016	<b>Affine group appointments</b> AFFINE R.E. (SA), Director.  <b>Appointments outside the Affine group</b> PARISEUROPLACE, Managing Director  <b>Other duties</b> INSTITUT EUROPLACE DE FINANCE (IEF), chief executive officer, FINANCE INNOVATION, Vice-Chairperson of the Competitiveness Division, COMITE FRANCE-CHINE [France-China Committee], Director, INTERNATIONAL CORPORATE GOVERNANCE NETWORK (ICGN), member, REVUE D'ECONOMIE FINANCIERE [Financial Economics Review] (REF), member of the publishing committee.
List of appointments and duties performed within an administrative or management entity over the past five years	No appointment within an administrative or management entity over the past five years other than those listed above.
Attendance rate	Board of Directors: 85.71 % – Audit Committee: 66.67 %

**Board of directors and general management**

Stéphane Bureau 5 rue de la Boétie — 75008 Paris	
Date of birth	13/06/1964
Nationality	French
Start date of appointment	05/03/2010
Date of end of term (general shareholders' meeting approving the financial statements)	2017
Principal duties performed within the company	Board member
Number of company shares held directly	1 share
Independence	Independent Director
Member of committees	Audit Committee
Principal duties performed outside the company	Chairperson of HumaKey
List of appointments and duties performed within any company in fiscal year 2016	<p><b>Affine group appointments</b> AFFINE R.E. (SA), Director</p> <p><b>Appointments outside the Affine group</b> HUMAKEY – Paris (Board – Real Assets Management and Valuation), Chairperson</p>
List of appointments and duties performed within an administrative or management entity over the past five years	CUSHMAN & WAKEFIELD – Paris (Board – Property & Asset Management), Partner – Chief Executive Officer, Asset Management (up to 15 September 2015).
Attendance rate	Board of Directors: 71.43% – Audit Committee: 100%

Jean-Louis Charon — Permanent representative of Holdaffine BV 11 rue des Pyramides — 75001 Paris	
Date of birth	13/10/1957
Nationality	French
Start date of appointment	29/04/2009
Date of end of term (general shareholders' meeting approving the financial statements)	2017
Principal duties performed within the company	Board member
Number of company shares held directly	24,513 shares
Independence	Major shareholders
Member of committees	Audit Committee (Chairperson) – Investment Committee
Principal duties performed outside the company	Chairperson of City Star
List of appointments and duties performed within any company in fiscal year 2016	<p><b>Affine group appointments</b> AFFINE R.E. (French corporation), permanent representative of Holdaffine BV, Director, (the number of shares held by Holdaffine BV is mentioned in Item 18.1/18.3 of this registration document).</p> <p><b>Appointments outside the Affine group</b> SOBK SAS, Chairperson, HORUS GESTION (SARL), manager, SELECTIRENTE SA, Vice Chairperson of the Supervisory Board, CITY STAR PROPERTY INVESTMENT SAS, Chairperson, SCI LAVANDIERES, manager, EUROSIC, Director, FONCIERE ATLAND SA, Director, VALERY SAS, Chairperson, INVESCOBO SAS, representative of Sobk, Chairperson, INVESCO SO SAS, representative of Sobk, Chairperson, NEW CONFIM SAS, representative of Sobk, Chairperson, VIVAPIERRE SA, Chairperson, CITY STAR INDUSTRY INVESTMENT SAS, CITY STAR OPPORTUNITIES SAS, CITY STAR ARI SAS, ART TRADING INVESTMENT SAS: representative of Sobk, Chairperson, CITY STAR PROMOTION 1 SARL, manager, CITY STAR PRIVATE EQUITY ASIA Pte Ltd, Director, CITY STAR PHNOM PENH PROPERTY MANAGEMENT Pte Ltd, Director, CITY STAR REAM TOPCO Pte Ltd, Director, CITY STAR REAM HOLDCO Pte Ltd, Director, CITY STAR PHNOM PENH LAND HOLDING Pte Ltd, Director, CITY STAR CAMBODIA Pte Ltd, Director, CITY STAR KR D Pte Ltd: Director, CITY STAR KR H Pte Ltd: Director, EUROSIC Investment Spain SOCIMI S.A.U., Director.</p>
List of appointments and duties performed within an administrative or management entity over the past five years	<p>POLYPIERRE SA: Director GEC -Thomson Airbone Radars, Director, PAREF(SA), Vice Chairperson of the Supervisory Board, NEXITY (SA), member of the board, Director, CITY STAR AMENAGEMENT SAS, Chairperson. CITY STAR CAPITAL SAS, Chairperson, SCI 10 Four Charon, manager, MEDAVY Art et Antiquités SAS, Chairperson, SEKMET EURL, manager.</p>
Attendance rate	Board of Directors: 85.71% – Audit Committee: 100% – Investment Committee: 100%

**Board of directors and general management**

<b>Joëlle Chauvin 4 square Moncey — 75009 PARIS</b>	
Date of birth	18/12/1946
Nationality	French
Start date of appointment	27/04/2012
Date of end of term (general shareholders' meeting approving the financial statements)	2018
Principal duties performed within the company	Board member
Number of company shares held directly	1 share
Independence	Independent Director
Member of committees	Investment Committee (Chairperson) – Appointments and Remuneration Committee
Principal duties performed outside the company	-
List of appointments and duties performed within any company in fiscal year 2016	<p><b>Affine group appointments</b> AFFINE R.E. (SA), Director.</p> <p><b>Appointments outside the Affine group</b> SWISS LIFE REIM, Director, SPIRIT, Director, ADVENIS, Director.</p> <p><b>Other duties</b> Chairperson, founder of the Cercle des Femmes de l'Immobilier [Circle of Women in Real Estate], Vice-Chairperson of the Institut de l'Épargne Immobilière et Foncière (IEIF), Member of the Institut Français de l'Expertise Immobilières [French Institute of Real Estate Experts] (IFEI), Charter Surveyor, FRICS.</p>
List of appointments and duties performed within an administrative or management entity over the past five years	AVIVA INVESTORS REAL ESTATE France SA, Chairperson and chief executive officer, AVIVA France, Director of real estate, AVIVA VIE, Director, UNION FINANCIERE DE FRANCE, Director.
Attendance rate	Board of Directors: 85.71% – Compensation and Appointments Committee: 100% Investment Committee: 100%

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<b>Bertrand de Feydeau 59 avenue Kléber — 75016 PARIS</b>	
Date of birth	05/08/1948
Nationality	French
Start date of appointment	22/05/2001
Date of end of term (general shareholders' meeting approving the financial statements)	2016
Principal duties performed within the company	Board member
Number of company shares held directly	100 shares
Independence	Independent Director
Member of committees	Compensation and Appointments Committee (Chairperson) – Investment Committee
Principal duties performed outside the company	Chairperson of Foncière Développement Logements
List of appointments and duties performed within any company in fiscal year 2016	<p><b>Affine group appointments</b> AFFINE R.E. (SA), Director.</p> <p><b>Appointments outside the Affine group</b> KLEPIERRE (SA), Director, FONCIERE DES REGIONS (SA), Director, FONCIERE DEVELOPPEMENT LOGEMENTS (SA), Chairperson of the Board of Directors, SMAF (Société des Manuscrits des Assureurs Français), Chairperson and chief executive officer, SOCIETE BEAUJON (SAS), Director, SEFRI CIME (SA), Director.</p> <p><b>Other duties</b> Fondation des Bernardins, Chairperson, Fondation Palladio, Chairperson, Fédération des Sociétés Immobilières and Foncières (FSIF), Director, Club de l'Immobilier [Real Estate Club], Director, Fondation du Patrimoine [Property Foundation], Vice Chairperson, Vieilles Maisons Françaises [Old French Houses], Vice Chairperson.</p>
List of appointments and duties performed within an administrative or management entity over the past five years	KLEMURS (SA), Director (up to 2012).
Attendance rate	Board of Directors: 71.43% – Compensation and Appointments Committee: 100% Investment Committee: 100%

<b>Catherine Wallerand — Representative of Atit 39 rue Washington — 75008 PARIS</b>	
Date of birth	18/12/1968
Nationality	French
Start date of appointment	30/04/2014
Date of end of term (general shareholders' meeting approving the financial statements)	2016
Principal duties performed within the company	Group Legal Director
Number of company shares held directly	Atit: 1 share Ms. Wallerand: 1 share
Independence	Salaried employee
Member of committees	-
Principal duties performed outside the company	-
List of appointments and duties performed within any company in fiscal year 2016	<b>Affine group appointments</b> AFFINE R.E. (SA), representing Atit, Director, BR Sun S.à.r.l (Luxembourg limited-liability corporation), manager, (since 23 February 2015).
List of appointments and duties performed within an administrative or management entity over the past five years	No appointment within an administrative or management entity over the past five years other than those listed above.
Attendance rate	Board of Directors: 100%

## 14.2 **Conflicts of interest within the administrative, managerial and supervisory bodies**

Reference is made to potential conflicts of interest between members of the Board of Directors and the Executive Management in the Chairman's report on corporate governance and on internal

control and risk management procedures appearing as an appendix to this Registration Document

# 15 COMPENSATION AND BENEFITS

## 15.1 Compensation and benefits paid in 2016 to members of the administrative, managerial and executive management bodies

This information is published in the form of tables in accordance with the recommendations issued by the AMF.

TABLE 1

### Summary of compensation, options and shares granted to each executive corporate officer

This table only concerns executive corporate officers as defined by Article L 225-185 of the French Commercial Code, i.e. Chairman of the Board of Directors, Chief Executive Officer, Co-Chief Executive Officer.

	2015	2016
<b>Maryse Aulagnon – Chief Executive Officer</b>		
Compensation payable in respect of the financial year (breakdown in table 2)	€271,258	€271,897
Valuation of multi-year variable compensation granted during the financial year	None	None
Valuation of options granted during the financial year (breakdown in table 4)	None	None
Valuation of bonus shares awarded (breakdown in table 6)	None	None
<b>TOTAL</b>	<b>€271,258</b>	<b>€271,897</b>
<b>Alain Chaussard – Co-Chief Executive Officer</b>		
Compensation payable in respect of the financial year (breakdown in table 2)	€404,260	€404,983
Valuation of multi-year variable compensation granted during the financial year	None	None
Valuation of options granted during the financial year (breakdown in table 4)	None	None
Valuation of performance shares granted during the financial year (breakdown in table 6)	None	None
<b>TOTAL</b>	<b>€404,260</b>	<b>€404,983</b>

TABLE 2

### Summary of compensation of each executive corporate officer

	2015		2016	
	AMOUNTS PAYABLE	AMOUNTS PAYABLE	AMOUNTS PAYABLE	AMOUNTS PAID
<b>Maryse Aulagnon – Chief Executive Officer</b>				
Fixed compensation (paid by Mab-Finances and Affine)	€257,979	€257,979	€257,314	€257,314
Annual variable compensation (paid by Mab-Finances)	None	None	€30,000	€30,000
Multi-year variable compensation	None	None	None	None
Exceptional compensation	None	None	None	None
Attendance fees	€13,279	€13,279	€14,000	€14,000
Benefits in kind	None	None	€583	€583
<b>TOTAL</b>	<b>€271,258</b>	<b>€271,258</b>	<b>€271,897</b>	<b>€271,897</b>
<b>Alain Chaussard* – Co-Chief Executive Officer</b>				
Fixed compensation	€335,400	€335,400	€335,400	€335,400
Annual variable compensation**	€50,000	€50,000	€50,000	€50,000
Multi-year variable compensation	None	None	None	None
Exceptional compensation	None	None	None	None
Attendance fees	€13,279	€13,279	€14,000	€14,000
Benefits in kind***	€5,581	€5,581	€5,583	€5,583
<b>TOTAL</b>	<b>€404,260</b>	<b>€404,260</b>	<b>€404,983</b>	<b>€404,983</b>

\* Mr. Chaussard is awarded an allowance for termination of duties.

\*\* variable and exceptional compensation takes into account the beneficiary's contribution to the results of the Affine Group. The determination of variable and exceptional compensation is reviewed annually by Affine's Compensation Committee. This review is based on an assessment of qualitative and quantitative criteria and is subsequently presented to the company's Board of Directors.

\*\*\* including a company car and meal vouchers.

Attendance fees are granted as compensation for participation in meetings of the Board of Directors and Specialised Committees (gross amount before social security contributions).

TABLE 3

### Attendance fees and other compensation received by non-executive corporate officers

The individual amount of attendance fees is determined based on actual presence at meetings of the Board of Directors and Specialised Committees. The amount of attendance fees paid during financial year 2016 is calculated according to the meetings of the Board of Directors and Specialised Committees held in 2015. The amounts are indicated before deduction of social contributions and before the withholding tax of 30% for non-residents.

	2015		2016	
	AMOUNTS PAYABLE	AMOUNTS PAYABLE	AMOUNTS PAYABLE	AMOUNTS PAID
<b>Atit represented by Catherine Wallerand <sup>(1)</sup></b>				
Attendance fees	None	None	None	None
Other compensation	None	None	None	None
<b>TOTAL</b>	<b>None</b>	<b>None</b>	<b>None</b>	<b>None</b>
<b>Delphine Benchetrit</b>				
Attendance fees	€9,186.05	€9,186.05	€10,444.44	€10,444.44
Other compensation	None	None	None	None
<b>TOTAL</b>	<b>€9,186.05</b>	<b>€9,186.05</b>	<b>€10,444.44</b>	<b>€10,444.44</b>
<b>Arnaud de Bresson</b>				
Attendance fees	€8,139.53	€8,139.53	€8,777.78	€8,777.78
Other compensation	None	None	None	None
<b>TOTAL</b>	<b>€8,139.53</b>	<b>€8,139.53</b>	<b>€8,777.78</b>	<b>€8,777.78</b>
<b>Stéphane Bureau</b>				
Attendance fees	€12,232.56	€12,232.56	€11,444.44	€11,444.44
Other compensation	None	None	None	None
<b>TOTAL</b>	<b>€12,232.56</b>	<b>€12,232.56</b>	<b>€11,444.44</b>	<b>€11,444.44</b>
<b>Jean-Louis Charon</b>				
Attendance fees	€15,279.07	€15,279.07	€16,000.00	€16,000.00
Other compensation	None	None	None	None
<b>TOTAL</b>	<b>€15,279.07</b>	<b>€15,279.07</b>	<b>€16,000.00</b>	<b>€16,000.00</b>
<b>Joëlle Chauvin</b>				
Attendance fees	€11,186.05	€11,186.05	€13,888.89	€13,888.89
Other compensation	None	None	None	None
<b>TOTAL</b>	<b>€11,186.05</b>	<b>€11,186.05</b>	<b>€13,888.89</b>	<b>€13,888.89</b>
<b>Bertrand de Feydeau</b>				
Attendance fees	€15,279.07	€15,279.07	€13,888.89	€13,888.89
Other compensation	None	None	None	None
<b>TOTAL</b>	<b>€15,279.07</b>	<b>€15,279.07</b>	<b>€13,888.89</b>	<b>€13,888.89</b>
<b>Michel Garbolino <sup>(2)</sup></b>				
Attendance fees	€5,093.02	€5,093.02	-	-
Other compensation	None	None	-	-
<b>TOTAL</b>	<b>€5,093.02</b>	<b>€5,093.02</b>	<b>-</b>	<b>-</b>
<b>Forum Partners represented by Andrew Walker <sup>(2)</sup></b>				
Attendance fees	€2,046.51	€2,046.51	-	-
Other compensation	None	None	-	-
<b>TOTAL</b>	<b>€2,046.51</b>	<b>€2,046.51</b>	<b>-</b>	<b>-</b>

(1) Director since 30 April 2014 - Ms. Wallerand is an employee of the company Affine. Attendance fees are received by Atit, without transfer to the representative (the physical person who attends the meetings).

(2) Director until 30 April 2014.

COMPENSATION AND BENEFITS

Compensation and benefits paid in 2016 to members of the administrative, managerial and executive management bodies

TABLE 4

Share subscription or purchase options granted during the financial year to each corporate officer by the issuer and by all companies of the group

NAME OF CORPORATE OFFICER	NO. AND DATE OF PLAN	TYPE OF OPTIONS	VALUATION OF OPTIONS	NUMBER OF OPTIONS GRANTED DURING THE FINANCIAL YEAR	EXERCISE PRICE	EXERCISE PERIOD
Maryse Aulagnon – Chief Executive Officer	None					
Alain Chaussard – Co-Chief Executive Officer	None					

TABLE 5

Subscription or purchase options exercised during the financial year by each corporate officer

NAME OF EXECUTIVE CORPORATE OFFICER	N° ET DATE DU PLAN	NOMBRE D'OPTIONS LEVÉES PENDANT L'EXERCICE	PRIX D'EXERCICE
Maryse Aulagnon – Chief Executive Officer	None		
Alain Chaussard – Co-Chief Executive Officer	None		

TABLE 6

Bonus shares awarded to corporate officers during the financial year

BONUS SHARES	DATE OF PLAN	NUMBER OF SHARES AWARDED DURING THE FINANCIAL YEAR	VALUATION OF SHARES	ACQUISITION DATE	AVAILABILITY DATE
Maryse Aulagnon – Chief Executive Officer	None				
Alain Chaussard – Co-Chief Executive Officer	None				

TABLE 7

Granted bonus shares vested for each corporate officer during the financial year

BONUS SHARES VESTED FOR EACH CORPORATE OFFICER	NO. AND DATE OF PLAN	NUMBER OF SHARES VESTED DURING THE FINANCIAL YEAR	ACQUISITION CONDITIONS
Maryse Aulagnon – Chief Executive Officer	None		
Alain Chaussard – Co-Chief Executive Officer	None		

TABLE 8

History of share subscription or purchase options granted

INFORMATION ON SUBSCRIPTION OR PURCHASE OPTIONS
None

TABLEAU 9

SHARE SUBSCRIPTION OR PURCHASE OPTIONS GRANTED TO THE FIRST TEN NON-CORPORATE OFFICER BENEFICIARIES AND OPTIONS EXERCISED BY THEM	TOTAL NUMBER OF OPTIONS GRANTED/SHARES SUBSCRIBED OR PURCHASED
	None

TABLE 10

## History of bonus shares granted

INFORMATION ON BONUS SHARES GRANTED			
	Plan 1	Plan 2	Plan 3
Meeting date	09 November 2005	09 November 2005	09 November 2005
Date of Board of Directors meeting	19 December 2005	18 December 2006	10 December 2007
Total number of bonus shares granted	25,200	26,100	25,350
Including the number allocated to:			
<i>Maryse Aulagnon</i>	None	None	None
<i>Alain Chaussard</i>	9,900	9,900	10,050
Acquisition date of the shares	19 December 2008	18 December 2009	10 December 2010
Retention period end date	19 December 2010	18 December 2011	10 December 2012
Total number of shares purchased	23,100	23,100	16,950
Aggregated number of cancelled or void shares	2,100	3,000	8,400
Bonus shares granted remaining at financial year-end	0	0	0

The table presented below differs from the model recommended by the AMF, insofar as the granting of shares to corporate officers has not been made subject to performance conditions.

Shares have been granted to certain employees and executives of the company and its subsidiaries, and are therefore not exclusively reserved for executives.

Moreover, the authorisation to grant shares dates back to 2006; they should have been granted over three years but due to the fact that several beneficiaries stepped down, a final allocation was made in 2008. However, in 2008, the beneficiaries were not executives or corporate officers of the company.

Given the launch date of the allocation plan and the dates for granting shares to the executives and corporate officers named above, the addition of a performance conditions after the date of allocation is not applicable.

TABLE 11

This table only concerns the Chief Executive Officer and Co-Chief Executive Officer.

EXECUTIVE CORPORATE OFFICERS	EMPLOYMENT CONTRACTS	SUPPLEMENTARY PENSION PLAN	ALLOWANCE OR BENEFIT PAYABLE OR LIKELY TO BE PAYABLE DUE TO TERMINATION OR CHANGE OF DUTIES	ALLOWANCES RELATED TO A NON-COMPETITION CLAUSE
<b>Maryse Aulagnon</b> Chief Executive Officer	None	Contrat Generali dit "article 83" <sup>(1)</sup>	None	None
<b>Alain Chaussard</b> Directeur général délégué	None	Contrat Generali dit "article 83"	One year of total gross compensation if the net income in the individual financial statements of Affine is at least equal to 3% of equity; if this condition is not met, performance may be assessed on the basis of consolidated financial statements, excluding the effects of fair value measurements.	None

(1) Supplementary pension: 3% of gross annual salary in portions A, B and C.

## 15.2 Amounts provisioned for pensions, retirement plans and other benefits

Since 1 January 2013, Affine has been subject to the Convention collective nationale de l'Immobilier (French collective agreement for property) A termination allowance upon retirement is paid according to the terms and conditions provided in Article 34 of this agreement.

As a precautionary measure, pension commitments are provided for in the accounts of Affine based on the assumption of retirement at the age of 65 and amounted to €487,402.38 at 31 December 2016.

Actuarial assumptions used to calculate the provision are:

- discount rate: 0.80%,
- turnover rate: 9.37% before the age of 50 and 3% thereafter,
- salary revaluation factor: 0.50%,
- mortality table INSEE TD-TV 12-14.

# 16 FUNCTIONING OF THE ADMINISTRATIVE AND MANAGERIAL BODIES

## 16.1 Term of office expiry date

This information is provided in section 14.1 of this Registration Document.

## 16.2 Contract between the management holding company and the issuer

On 30 April 2015, Affine signed a management agreement for the definition of the Group's general policy, of its strategy and that of its subsidiaries, with the holding company MAB-Finances SAS. The signature of this agreement was approved by the Board of Directors and ratified by the Annual Shareholders' Meetings of the company.

The company financial statements at 31 December 2016 record a total expense in this regard of 331 187 euros hors taxes.

## 16.3 The specialised committees

The Board of Directors has created three committees tasked with preparing its work.

The committees are composed of 3 to 5 members from the Board of Directors. The members of the committee must have the technical capacity to sit on the committee concerned.

The committees report on their activities at the next session of the Board of Directors held after their meetings.

### 1) COMPENSATION AND APPOINTMENTS COMMITTEE

The composition of this committee is as follows:

Mr. Bertrand de Feydeau, Chairman (\*)

Ms. Delphine Benchetrit (\*)

Ms. Joëlle Chauvin (\*)

(\*) independent director

The main areas of responsibility of this committee include the compensation of corporate officers, the granting of bonus shares and the company's general compensation policy.

It is also tasked with assessing applications from new directors and executive corporate officers with a view to issuing a recommendation to the Board of Directors; it also assesses the role of independent director.

The Executive Management may participate in the Compensation Committee to present the company's general compensation policy, with the exception of compensation and other benefits concerning it directly.

When the committee meets as the Appointments Committee, the corporate officers participate at meetings called to select new directors and to assess the role of independent director.

The Compensation Committee meets prior to the Board meeting called to approve the annual financial statements or when decisions within its remit must be submitted to the Board.

It met twice during the 2016 financial year (100% attendance rate).

### 2) INVESTMENTS COMMITTEE

The composition of this committee is as follows:

Ms. Joëlle Chauvin, Chairman (\*)

Mr. Bertrand de Feydeau (\*)

Mr. Jean-Louis Charon, Holdaffine representative

Ms. Maryse Aulagnon

Mr. Alain Chaussard, Mab-Finances representative

(\*) independent director

At its meeting on 28 April 2016, the Board of Directors changed the name of the Commitments Committee to the Investments Committee and appointed Ms. Joëlle Chauvin as Chairman of this committee.

The rapporteur for a project may be invited to present an operation to the Investments Committee.

A meeting of the Investments Committee may be convened without delay in the case of necessity and by any means. The members of the committee may be consulted in writing, giving their opinions by post, email or fax.

The Investments Committee is authorised for sale and purchase transactions from €5 m to €10 m per transaction, notifying the Board of any transactions accepted by the committee. It also issues a recommendation to the Board on transactions involving larger sums.

The committee met once during the 2016 financial year (100% attendance rate).

### 3) AUDIT COMMITTEE

The members of this committee are:

Mr. Jean-Louis Charon (Chairman), Holdaffine representative

Mr. Arnaud de Bresson (\*)

Mr. Stéphane Bureau (\*)

(\*) independent director

The committee may also be attended by:

Ms. Maryse Aulagnon

Mr. Alain Chaussard

in their capacity as Executive Managers of the company as well as the Director of Accounting and Management Control.

The company's statutory auditors attend the meetings to assess the annual and half-yearly financial statements and may be invited to other meetings.

The committee is convened at least twice a year, prior to Board of Directors meetings held to approve the annual and half-yearly financial statements.

The committee may meet in the case of an event or specific regulation with a significant impact on its area of expertise.

The committee's main role is to prepare for the assessment by the Board of:

- accounting methods used and in particular amendments to methods compared to those used for previous financial statements,
- the process for closing the financial statements,
- draft financial statements,
- forecast cash flow.

## 16.4 Corporate governance

In terms of corporate governance, the company has opted to adopt the Middelnext Code of December 2009. The organisation of the company, its Board of Directors and its work fully comply with the recommendations of this Code. Following the redrafting of the Code in 2016, the company is in the process of adapting its internal regulations to bring them into line with the amendments made.

The company, anxious to supplement the rules on the organisation and operation of its Board of Directors and the associated Specialised Committees, and to specify the limitations to the power granted to the Executive Management, has put in place internal regulations updated at the Board of Directors meeting of 5 June 2014.

The Board of Directors remains solely responsible for decisions regarding the financial statements.

The committee also issues its opinion on the choice of the company's statutory auditors for their appointment by the Annual Shareholders' Meeting and on their responsibilities and fees.

The new tasks of the committee, as a result of the audit reform, are presented in the reports provided in the appendices to this document.

The committee met three times during the 2016 financial year (88.89% attendance rate).

The company is familiar with the issue of equal representation of men and women within the Board, and the Board's attention has been drawn in particular to the timetable to be respected in this regard in terms of its composition. The Annual Shareholders' Meeting of 30 April 2014 appointed Ms. Delphine Benchetrit and Atit represented by Ms. Catherine Wallerand, as directors; since this meeting the proportion of women on the Board of Directors has been 44%.

Significant extracts from the internal regulations appear in the Chairman's report on internal control and in section 16.3 above regarding the committees.

# 17 EMPLOYEES

## 17.1 Staff and employment policy

Information regarding staff and the employment policy appear in section 26 CSR Report of this Registration Document.

## 17.2 Bonus shares

The bonus share award scheme set up in 2005 came to an end in 2011. A new bonus share award scheme has been authorised by the Annual Shareholder's Meeting of 28 April 2016 and should be launched during the 2017 financial year.

## 17.3 Agreement providing for employee shareholding in the capital of the issuer

There is no agreement providing for employee shareholding in the capital of the issuer

At 31 December 2016, no employees of the Affine group had holdings in the company's share capital through a mutual fund or

company savings plan (Article L225-102 of the French Commercial Code).

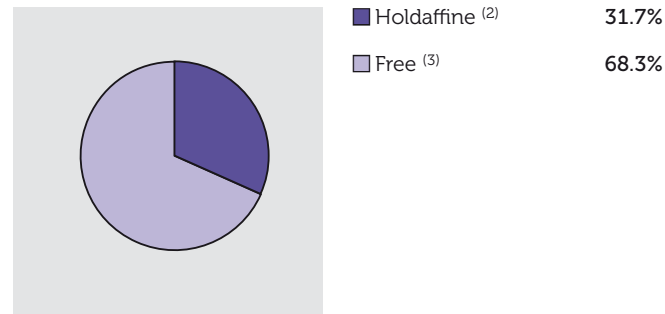
# 18 MAJOR SHAREHOLDERS

## 18.1 Major shareholders

The shareholding history is presented in section 21.1.7 of this Registration Document.

The breakdown of shareholders of the company at 31 December 2016 was as follows:

### BREAKDOWN OF SHAREHOLDERS <sup>(1)</sup>



(1) Breakdown of actual and theoretical voting rights:  
Holdaffine: 45.4% (gross voting rights\*: 45.3%),  
Free float: 54.6% (gross voting rights\*: 54.7%).

\* according to the AMF's calculation for determining voting rights.

(2) Holdaffine is an unlisted holding company mainly composed of management and controlled by MAB Finances, Affine group's management holding company.

(3) Including Forum European Realty Income, Orexim (concert) and La Tricogne: 9.7%, 8.5% and 6.0% respectively of the share capital (6.9%, 6.1% and 8.5% of voting rights).

During the 2016 financial year, the company has not received any declarations concerning the crossing of thresholds for capital or voting rights, either above or below, in accordance with Article L233-7 I of the French Commercial Code or statutory provisions (threshold of 2% of capital and voting rights) at 31 December 2016.

The theoretical voting rights calculated based on all shares to which voting rights are attached amounted to 14,071,779.

The net voting rights, exercisable in Annual Shareholders' Meetings, calculated based on all shares to which voting rights are attached amounted to 14,044,772 at 31 December 2016.

### DESCRIPTION DE LA STRUCTURE DU CAPITAL

SHAREHOLDING	SHARES	% OF CAPITAL	THEORETICAL VOTING RIGHTS	% OF THEORETICAL VOTING RIGHTS	VOTING RIGHTS EXERCISABLE AT ANNUAL SHAREHOLDERS' MEETING	% OF VOTING RIGHTS EXERCISABLE AT ANNUAL SHAREHOLDERS' MEETING
Holdaffine	3,189,945	31.7%	6,379,890	45.3%	6,379,890	45.4%
Forum European Realty Income	970,640	9.7%	970,640	6.9%	970,640	6.9%
Orexim (and other companies)	857,436	8.5%	857,436	6.1%	857,436	6.1%
La Tricogne	600,000	6.0%	1,200,000	8.5%	1,200,000	8.5%
Treasury shares	27,007	0.3%	27,007	0.2%	0	0.0%
Other shareholders	4,411,043	43.9%	4,636,806	33.0%	4,636,806	33.0%
<b>Total</b>	<b>10,056,071</b>	<b>100.0%</b>	<b>14,071,779</b>	<b>100.0%</b>	<b>14,044,772</b>	<b>100.0%</b>

## 18.2 Breakdown of voting rights

Shares are registered or bearer shares, according to the shareholder's choice, except in cases where registered form is stipulated by current legislation. A double voting right has been granted since 2000 by article 29 of the articles of association to any fully paid-up shares for which a nominative registration has been justified for at

least two years in the name of the same shareholder and to any registered bonus shares awarded to a shareholder in the case of a capital increase through capitalisation of reserves, profits or issue premiums, due to old shares with this right attached.

## 18.3 Control of the group

At 31 December 2016, Holdaffine held 31.7% of the share capital and controlled 45.4% of the voting rights of Affine; in turn, it is controlled by MAB-Finances with 82.4% of the capital and voting rights. The shareholder with ultimate control is Maryse Aulagnon with 51.0% of the capital of MAB-Finances and 81.0% of the voting rights.

The fact that Affine's Board of Directors is 56% composed of independent directors guarantees good governance of the company.

## **18.4 Agreements likely to bring about a change in control**

There are no agreements likely to bring about a change in control.

## **18.5 Information regarding transactions performed on company shares by executives, similar individuals and their relatives (article L. 621-18-2 of the French Monetary and Financial Code)**

During the financial year ended 31 December 2016, the company did not receive any declarations regarding transactions performed on Affine shares by executives, similar individuals and their relatives, in accordance with Article L. 621-18-2 of the French Monetary and Financial Code.

## **18.6 Eckert law (law no. 2014-617 of 13 June 2014)**

The law of 13 June 2014, known as the "Eckert" law, regarding inactive bank accounts and unclaimed life insurance contracts, came into force on 1 January 2016.

This law is intended to improve the effectiveness of searches for beneficiaries of inactive bank accounts and to increase protection for savers.

To this end, it requires account holders, including issuers for registered securities, to identify inactive accounts, due to death or mere inactivity of the holder.

The obligations of issuers subject to the Eckert law are as follows:

- 1) Obligations to search for holders who have passed away,
- 2) Obligation to inform inactive holders,
- 3) Obligations to transfer funds to the Caisse des Dépôts et Consignations (French Deposits and Consignments Fund) or the French state,
- 4) Obligations to store information for the thirty-year limitation period,
- 5) Reporting obligations.

As manager of Affine's trading account, Société Générale supports the company in meeting its obligations under the Eckert law.

At the end of 2016, there were three inactive accounts open in the books for a total amount of €2,990.

As it stands, there are no accounts for which the assets have been placed in the Caisse de Dépôts et Consignations.

# 19 OPERATIONS WITH RELATED PARTIES

The company Affine R.E. is the parent company of the group which is made up of subsidiaries, the list of which appears in section 20.1 and engages in its own economic activity, separate from that of its subsidiaries.

Reference is made to operations with related parties and more specifically information regarding transactions with associated parties in section 20.1.7.9. of this Registration Document.

# 20 FINANCIAL INFORMATION CONCERNING THE ASSETS, FINANCIAL SITUATION AND RESULTS OF THE ISSUER

The off-balance-sheet commitments of the company appear in the notes to the financial statements in section 20.1.5.7.

## **Statutory Auditors' report on the consolidated financial statements**

**Year ended 31 December 2016**

Year ended 31 December 2016

Dear Shareholders,

In the performance of the mission entrusted to us by your General Shareholders' Meetings, we hereby submit to you our report on the financial year ended 31 December 2016:

- the audit of the consolidated financial statements of Affine R.E., as attached to this report;
- the justification of our assessments;
- the specific verification required by law.

The consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements on the basis of our audit.

### **1 OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS**

We conducted our audit in accordance with the professional standards applicable in France. These standards require that we perform such tests and procedures so as to obtain reasonable assurance that the consolidated financial statements are free from material misstatement. An audit involves examining, on a test basis and other selection methods, the evidence supporting the amounts and information provided in the consolidated financial statements. An audit also involves an assessment of the accounting policies followed, the accounting estimates made, as well as the overall presentation of the financial statements. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We hereby certify that the consolidated financial statements for the financial year are, in accordance with IFRS standards as adopted by the European Union, accurate and present fairly the assets, financial position, and results of the entity formed by the persons and entities included in the consolidation.

### **2 JUSTIFICATION OF OUR ASSESSMENTS**

Pursuant to Article L.823-9 of the French Commercial Code pertaining to the justification of our assessments, we bring the following items to your attention:

Note 5.1.6 to the financial statements on "Measurement methods for major items" specifically describes the material estimates and accounting methods used to value investment properties. Investment properties are valued at their market value, which is determined for most of the portfolio by independent appraisers who value the company's holdings as at 31 December every year.

Our work consisted of reading the reports of the independent appraisers, assessing the data and assumptions used as the basis for these estimates, and verifying that:

- The valuation methods described in Note 5.1.6 to the financial statements were applied correctly.
- Note 5.4.1 "Notes to the statement of financial position" provides appropriate information.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the formation of our opinion expressed in the first part of this report.

### **3 SPECIFIC VERIFICATION**

In accordance with the professional standards applicable in France, we have also conducted the specific verification of the information provided in the Group management report, as required by French law.

We have no comment to make on its fair presentation or consistency with the consolidated financial statements.

The Statutory Auditors

Paris La Défense, 30 March 2017

**KPMG Audit FS I**

Isabelle Goalec

*Partner*

Paris, 30 March 2017

**Cailliau Dedouit et Associés**

Rémi Savournin

*Partner*

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## 20.1.1 Statement of consolidated financial position (balance sheet)

### 20.1.1.1 Assets

(€000')	NOTES	31/12/2016	31/12/2015	31/12/2014
<b>Non-current assets</b>				
Property, plant and equipment		393	400	224
Investment properties	1	469,810	456,396	427,277
Intangible assets		463	1,408	774
Other intangible assets		463	1,408	774
Financial assets	3	11,520	11,889	16,739
Finance leases and related receivables		7,563	9,016	13,053
Assets available for sale	4	15	21	278
Derivatives stated at fair value		1,442	214	313
Deposits and sureties paid		2,499	2,638	3,087
Loans		-	-	7
Deferred tax assets	10	960	1,393	1,393
Shares and investments in associates (equity method)	9	31,551	38,831	54,674
<b>Total non-current assets</b>		<b>514,697</b>	<b>510,318</b>	<b>501,083</b>
<b>Current assets</b>				
Assets held for sale	1 & 4	49,228	58,457	148,189
Finance lease loans and receivables		2,004	3,002	8,354
Inventory	8	3,702	5,844	5,544
Trade and other accounts receivable	7	12,077	12,527	10,683
Receivables for investment properties		12,000	12,467	10,636
Receivables related to property development		78	60	47
Current tax assets		66	596	1
Other receivables	5	23,510	26,168	28,119
Tax and social security receivables		888	3,118	3,061
Other receivables and adjustment accounts		22,622	23,050	25,058
Cash and cash equivalents	3 & 11	4,875	6,698	4,340
Cash equivalents		360	796	778
Cash on hand		4,515	5,902	3,562
<b>Total current assets</b>		<b>95,463</b>	<b>113,291</b>	<b>205,229</b>
<b>TOTAL ASSETS</b>		<b>610,160</b>	<b>623,609</b>	<b>706,312</b>

## 20.1.1.2 Liabilities

(€000')	NOTES	31/12/2016	31/12/2015	31/12/2014
<b>Equity</b>				
Equity (Group share)	285,036	291,728	303,527	303,527
Capital and related amounts		110,733	110,861	94,723
Share capital		59,500	59,500	53,500
Premiums		51,629	51,629	41,467
Treasury shares		(395)	(268)	(244)
Consolidated reserves		168,846	180,428	219,780
Unrealised gains or losses on assets available for sale		-	-	-
Net profit		5,456	440	(10,976)
Non-controlling interests	-	-	-	-
Consolidated reserves		-	-	(7)
Net profit		-	-	7
<b>Total shareholders' equity</b>		<b>285,036</b>	<b>291,728</b>	<b>303,527</b>
<b>Non-current liabilities</b>				
Long-term borrowings	2	218,167	216,153	225,186
Financial liabilities	3	3,130	4,381	6,614
Derivatives instruments at fair value		3,107	4,295	6,576
Other financial liabilities		23	86	39
Provisions	13	2,081	4,476	4,063
Deposits and security payments received		4,863	5,267	5,613
Deferred tax liabilities	10	65	-	-
Non-current tax liabilities		-	-	-
<b>Total non-current liabilities</b>		<b>228,306</b>	<b>230,277</b>	<b>241,476</b>
<b>Current liabilities</b>				
Debts linked to assets held for sale	4 & 2	33,526	30,562	83,146
Amounts owed to shareholders		3,190	-	-
Trade accounts payable and other liabilities	6	21,719	22,340	24,817
Trade accounts payable and related accounts		4,298	3,892	3,463
Other debts		11,409	13,214	13,156
Adjustment accounts		4,969	4,580	8,030
Deferred income		1,043	655	168
Borrowings and financial debt	3 & 2	35,533	45,823	48,962
Current tax liabilities		184	-	521
Tax and social charges		2,666	2,880	3,863
<b>Total current liabilities</b>		<b>96,817</b>	<b>101,605</b>	<b>161,309</b>
<b>TOTAL LIABILITIES</b>		<b>610,160</b>	<b>623,609</b>	<b>706,312</b>

## 20.1.2 STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME

### 20.1.2.1 Consolidated profit and loss statement

(€000')	NOTES	31/12/2016	31/12/2015	31/12/2014
Net rental income		34,662	39,029	43,687
Rental income (expenses)		(5,434)	(4,033)	(3,865)
Other property income /(expenses)		215	(561)	(625)
<b>Net property revenues</b>	<b>14</b>	<b>29,443</b>	<b>34,435</b>	<b>39,197</b>
Income on finance leases		31	1,284	863
Expenses on finance leases		21	30	21
<b>Revenues from finance leases</b>	<b>15</b>	<b>10</b>	<b>1,255</b>	<b>842</b>
Revenues from property transactions		(354)	119	4,064
Expenses on property transactions		(585)	76	2,623
<b>Revenues from real estate development transactions</b>	<b>15</b>	<b>231</b>	<b>43</b>	<b>1,441</b>
Income on other activities		90	28	-
Expenses on other activities		219	62	-
<b>Profit (loss) on other activities</b>		<b>(128)</b>	<b>(34)</b>	<b>-</b>
Other purchases and external expenses		(3,470)	(3,464)	(3,986)
Taxes and related expenses		(305)	(316)	(532)
Personnel costs		(4,797)	(4,163)	(5,631)
<b>Corporate expenses</b>		<b>(8,571)</b>	<b>(7,943)</b>	<b>(10,148)</b>
<b>Current EBITDA</b>		<b>20,984</b>	<b>27,755</b>	<b>31,332</b>
Amortisation and depreciation		(1,117)	(609)	(132)
<b>Current operating profit</b>		<b>19,867</b>	<b>27,146</b>	<b>31,200</b>
<b>Charges net of provisions</b>		<b>(109)</b>	<b>(300)</b>	<b>(633)</b>
<b>Net other income and expenses</b>		<b>183</b>	<b>(126)</b>	<b>159</b>
Profit / loss on disposal of properties		73	(7,507)	3,389
Option exercised on finance lease properties		-	278	-
Gains or losses on disposals of operating assets		(95)	(12)	12
<b>Net profit or loss on asset disposals</b>		<b>(22)</b>	<b>(7,241)</b>	<b>3,401</b>
<b>Operating income before fair value adjustment</b>		<b>19,919</b>	<b>19,479</b>	<b>34,127</b>
Upward adjustment of value of investment properties		18,929	28,946	12,673
Downward adjustment of value of investment properties		(19,502)	(25,193)	(37,949)
<b>Adjustment of value of investment properties</b>		<b>(573)</b>	<b>3,753</b>	<b>(25,276)</b>
<b>Balance net of value adjustments</b>		<b>(573)</b>	<b>3,753</b>	<b>(25,276)</b>
<b>Net operating profit</b>		<b>19,346</b>	<b>23,232</b>	<b>8,851</b>
Income from cash and cash equivalents		435	527	664
Gross cost of financial debt		(7,400)	(9,632)	(11,578)
<b>Net cost of financial debt</b>	<b>16</b>	<b>(6,965)</b>	<b>(9,105)</b>	<b>(10,915)</b>
<b>Other financial income and expenses</b>		<b>(331)</b>	<b>(524)</b>	<b>(183)</b>
<b>Fair value adjustments of financial instr.</b>		<b>1,099</b>	<b>2,062</b>	<b>(2,295)</b>
<b>Income before tax</b>		<b>13,149</b>	<b>15,665</b>	<b>(4,542)</b>
<b>Tax on current profit</b>	<b>17</b>	<b>(712)</b>	<b>550</b>	<b>(459)</b>
<b>Deferred taxes</b>	<b>17</b>	<b>(573)</b>	<b>(93)</b>	<b>(207)</b>
<b>Exit tax</b>	<b>17</b>	<b>-</b>	<b>-</b>	<b>(413)</b>
<b>Share of net income of companies consolidated by the equity method</b>		<b>(6,408)</b>	<b>(15,682)</b>	<b>(5,347)</b>
<b>Net profit</b>		<b>5,456</b>	<b>440</b>	<b>(10,969)</b>
<b>Non-controlling interests</b>		<b>-</b>	<b>-</b>	<b>7</b>
<b>NET INCOME (LOSS) – GROUP SHARE</b>		<b>5,456</b>	<b>440</b>	<b>(10,976)</b>
Earnings per share (€)	18	0.54	0.05	(1.22)
Diluted earnings per share (€)	18	0.53	0.04	(1.07)
Diluted earnings per share restated to reflect subordinated notes (TSDI)	18	0.33	(0.24)	(1.60)
Diluted earnings per share restated to reflect subordinated loan notes (TSDI) (€)	18	0.34	(0.17)	(1.29)

\* Current EBITDA is calculated with the items appearing above this group. It should be noted that it includes:

- allocations and reversals of doubtful receivables (net charge of €151 K);
- allocations and reversals in inventories (net reversal of €720 K).

### 20.1.2.2 2.2.Statement of comprehensive income

(€000)	31/12/2016	31/12/2015	31/12/2014
<b>Net profit</b>	<b>5,456</b>	<b>440</b>	<b>(10,969)</b>
Currency gains and losses	-	-	-
Change in fair value of financial assets available for sale	23	(183)	174
Share of the change in fair value of financial assets available for sale transferred to income statement	-	-	-
Effective portion of the change in fair value of cash flow hedges	-	-	-
Share of the change in fair value of cash flow hedges transferred to income statement	-	-	-
Revaluation difference on non-current assets	-	-	-
Actuarial gains and losses on defined-benefit plans	-	-	-
Share of gains and losses recognised directly in equity on equity associates	-	-	-
Tax	-	62	(59)
<b>Total of other items of comprehensive income</b>	<b>23</b>	<b>(121)</b>	<b>115</b>
<b>COMPREHENSIVE INCOME (LOSS) – TOTAL FOR PERIOD</b>	<b>5,480</b>	<b>319</b>	<b>(10,854)</b>
Group share	5,480	319	(10,861)
Non-controlling interests	-	-	7

### 20.1.3 STATEMENT OF CHANGES IN EQUITY

(€000')	CAPITAL AND RELATED RESERVES				CONSOLIDATED RESERVES	TOTAL GAINS AND LOSSES RECOGNISED DIRECTLY IN EQUITY	NET PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE GROUP	GROUP EQUITY	EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	TOTAL CONSOLIDATED EQUITY
	SHARE CAPITAL	EQUITY-RELATED PREMIUMS	TREASURY SHARES							
<b>Equity at 31/12/2014</b>	<b>53,500</b>	<b>135,072</b>	<b>(244)</b>	<b>126,176</b>	-	<b>(10,976)</b>	<b>303,527</b>	-	<b>303,527</b>	
Capital increase	6,000	(5,938)	-	(62)	-	-	0	-	0	
Cancellation of treasury shares	-	-	-	-	-	-	-	-	-	
Elimination of treasury shares	-	-	(24)	27	-	-	3	-	3	
Preference share issue	-	-	-	-	-	-	-	-	-	
Equity component of hybrid instruments	-	(133)	-	(2,632)	-	-	(2,765)	-	(2,765)	
Share-based payment transactions	-	-	-	-	-	-	-	-	-	
Appropriation of 2014 earnings	-	-	-	(10,976)	-	10,976	-	-	-	
Bonus shares	-	-	-	-	-	-	-	-	-	
Distribution of dividends	-	-	-	(9,051)	-	-	(9,051)	-	(9,051)	
Dividends on treasury shares	-	-	-	7	-	-	7	-	7	
Preference dividends	-	-	-	-	-	-	-	-	-	
Subtotal of shareholder-related movements	6,000	(6,071)	(24)	(22,687)	-	10,976	(11,806)	-	(11,806)	
<b>Changes in gains and losses recognised directly in equity</b>	-	-	-	<b>(121)</b>	-	-	<b>(121)</b>	-	<b>(121)</b>	
2015 income	-	-	-	-	-	440	440	0	440	
<b>Subtotal</b>	-	-	-	<b>(121)</b>	-	<b>440</b>	<b>319</b>	<b>0</b>	<b>319</b>	
Effect of acquisitions and disposals on non-controlling interests	-	-	-	(312)	-	-	(312)	(0)	(312)	
Changes in accounting methods	-	-	-	-	-	-	-	-	-	
Share of changes in equity of companies accounted for using the equity method	-	-	-	-	-	-	-	-	-	
Other changes	-	-	-	0	-	-	0	-	0	
<b>Equity at 31/12/2015</b>	<b>59,500</b>	<b>129,001</b>	<b>(268)</b>	<b>103,056</b>	-	<b>440</b>	<b>291,728</b>	<b>(0)</b>	<b>291,728</b>	
Capital increase	-	-	-	-	-	-	-	-	-	
Cancellation of treasury shares	-	-	-	-	-	-	-	-	-	
Elimination of treasury shares	-	-	(127)	(6)	-	-	(133)	-	(133)	
Preference share issue	-	-	-	-	-	-	-	-	-	
Equity component of hybrid instruments	-	(34)	-	(2,104)	-	-	(2,138)	-	(2,138)	
Share-based payment transactions	-	-	-	9	-	-	9	-	9	
Appropriation of 2015 earnings	-	-	-	440	-	(440)	-	-	-	
Hybrid instruments	-	(77,338)	-	77,338	-	-	-	-	-	
Distribution of dividends	-	-	-	(10,056)	-	-	(10,056)	-	(10,056)	
Dividends on treasury shares	-	-	-	17	-	-	17	-	17	
Preference dividends	-	-	-	-	-	-	-	-	-	
<b>Subtotal of shareholder-related movements</b>	-	<b>(77,371)</b>	<b>(127)</b>	<b>65,637</b>	-	<b>(440)</b>	<b>(12,302)</b>	-	<b>(12,302)</b>	
Changes in gains and losses recognised directly in equity	-	-	-	23	-	-	23	-	23	
2016 income	-	-	-	-	-	5,456	5,456	-	5,456	
<b>Subtotal</b>	-	-	-	<b>23</b>	-	<b>5,456</b>	<b>5,480</b>	-	<b>5,480</b>	
Effect of acquisitions and disposals on non-controlling interests	-	-	-	(137)	-	-	(137)	-	(137)	
Changes in accounting methods	-	-	-	-	-	-	-	-	-	
Share of changes in equity of equity associates	-	-	-	-	-	-	-	-	-	
Other changes	-	-	0	267	-	-	267	0	267	
<b>Equity at 31/12/2016</b>	<b>59,500</b>	<b>51,630</b>	<b>(395)</b>	<b>168,846</b>	-	<b>5,456</b>	<b>285,036</b>	<b>(0)</b>	<b>285,036</b>	

## 20.1.4 CONSOLIDATED STATEMENT OF CASH FLOWS

(€000)	NOTES	31/12/2015	31/12/2014	31/12/2014
<b>I – TRANSACTIONS RELATED TO OPERATING ACTIVITIES</b>				
<b>Consolidated net income (loss) (including non-controlling interests)</b>		<b>5,456</b>	<b>440</b>	<b>(10,969)</b>
Amortisation, depreciation and provisions, net		2,138	2,405	4,266
Unrealised gains and losses from changes in fair value	Note 1	573	(3,753)	25,276
Other calculated income and expenses (including discounting)		(1,690)	(1,308)	1,917
Capital gains or losses on disposals of assets		1,464	8,460	(3,002)
- net carrying value of non-current assets sold		19,980	110,051	32,255
- income from disposals of non-current assets		(18,516)	(101,591)	(35,257)
Dilution profits and losses		-	-	-
Share in profits of companies accounted for under the equity method	Note 9	6,408	15,682	5,347
Dividends and returns of income from non-consolidated companies	Note 16	(2)	(15)	(1)
<b>Cash flow from operations after net borrowing costs and tax</b>		<b>14,348</b>	<b>21,911</b>	<b>22,833</b>
Net cost of financial debt		6,559	8,626	10,403
Tax expense (including deferred taxes)		1,334	(457)	1,080
<b>Cash flow from operations before net cost of debt and tax</b>		<b>22,241</b>	<b>30,081</b>	<b>34,317</b>
Taxes paid		(7)	(580)	(1,180)
Change in WCR linked to property development (Inventories, trade receivables and related trade payable)		328	1,067	(7,413)
Change in trade receivables and other accounts		1,053	754	4,007
Change in trade and other payables		(2,798)	(3,263)	(3,977)
Other changes in working capital requirement related to operating activities		1,584	(1,730)	(5,860)
Impact of discontinued activities		-	-	-
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>22,400</b>	<b>26,330</b>	<b>19,893</b>
<b>II – INVESTMENT TRANSACTIONS</b>				
Finance leases		-	1,345	-
- Cash paid for acquisitions		-	-	-
- Cash received on disposals		-	1,345	-
Investment properties		(3,860)	49,807	(113)
- Cash paid for acquisitions	(1)	(22,106)	(42,888)	(21,818)
- Cash received on disposals	(2)	18,246	92,694	21,704
Cash paid for acquisitions of intangible assets and property, plant and equipment		(330)	(264)	(395)
Cash received on disposals of intangible assets and property, plant and equipment		27	3	12
Investment subsidies received		-	-	-
Cash paid for acquisitions of financial assets		-	(2)	-
Cash received on disposals of financial assets		-	-	-
Consolidated securities	(3)	(202)	23	3,181
- Cash paid for acquisitions		(205)	-	(5)
- Cash received on disposals		4	2	3,487
- Impact of changes in consolidation		(1)	22	(301)
Dividends received (companies consolidated under the equity method, non-consolidated shares)		2,199	-	398
Change in loans and advances made		-	(71)	121
Other cash flows related to investing activities		-	-	-
Cash flow from discontinued activities		-	-	-
<b>NET CASH FLOW FROM INVESTMENT TRANSACTIONS</b>		<b>(2,166)</b>	<b>50,842</b>	<b>3,204</b>
<b>III – FINANCING TRANSACTIONS</b>				
Amounts received from shareholders in capital increases		-	-	-
- paid by shareholders of the parent company		-	-	-
- paid by minority interests of consolidated subsidiaries		-	-	-
Purchases and sales of treasury shares		(136)	17	201
Dividends paid out during the financial year		(6,850)	(9,044)	(8,114)
- dividends paid to shareholders of the parent company	(4)	(6,850)	(9,044)	(8,114)
- paid to minority interests of consolidated subsidiaries		-	-	-
Change in non-controlling interests without loss of control		-	-	(5,400)
Increase/Decrease in subordinated debt		-	-	-
Income/loss on hybrid instruments		(2,179)	(2,725)	(3,479)
Change in guarantee deposits paid and received		3,832	2,029	2,126
Issues or subscriptions of loans and borrowings	(5)	50,204	43,372	44,660
Repayments of loans and borrowings	(6)	(1,893)	(101,836)	(60,433)
Cost of net financial debt: interest paid		(7,085)	(9,263)	(11,172)
Other cash flows related to financing activities		526	636	769
Cash flow from discontinued activities		-	-	-
<b>NET CASH FLOW FROM FINANCING TRANSACTIONS</b>		<b>(18,501)</b>	<b>(76,814)</b>	<b>(40,843)</b>
<b>NET CHANGE IN CASH (I+II+III)</b>		<b>1,733</b>	<b>358</b>	<b>(17,746)</b>
<b>Cash and cash equivalents at beginning of period</b>	Note 11	<b>2,126</b>	<b>1,768</b>	<b>19,515</b>
<b>Cash and cash equivalents at end of period</b>	Note 11	<b>3,859</b>	<b>2,126</b>	<b>1,768</b>
<b>NET CHANGE IN CASH</b>		<b>1,733</b>	<b>358</b>	<b>(17,746)</b>

(1) Acquisitions of properties represent the €22,616 K given in Note 1 minus a change of €510 K in assets suppliers.

(2) Disbursements related to property sales are net of selling fees and costs.

(3) The change in consolidated securities primarily reflects the capital increase completed for the benefit of our subsidiary Urbismart.

(4) In 2016, the Shareholders' Meeting approved a dividend pay-out of €10,056 K (Note 3), €3,190 K of which was maintained in a current account.

(5) and (6) the figures used are those relating to the bank borrowings and finance lease debt in Note 2.

## 20.1.5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

On 28 February 2017, the Board of Directors of Affine RE approved the financial statements for the year ended 31 December 2016 and authorised their publication. Affine is a limited company listed for trading on Compartment B of Euronext Paris; it is included in the SBF 250, CAC Small90 and EPRA indices.

It has also, together with some of its subsidiaries, adopted the tax status of a listed real-estate investment trust (French acronym "SIIC") for its rental property business.

Its registered office is at 39 rue Saint Georges, Paris 8<sup>th</sup>.

SIICs must comply with a ceiling on their capital ownership of 60% (equity or voting rights) by a single shareholder or several shareholders acting in concert within the meaning of Article L.223-10 of the French Commercial Code. Affine complies with this stipulation.

The Group's main business activities are set out in the "Segment reporting" note. For the key events of the year, please refer to the annual report.

The financial statements of the Affine Group are fully consolidated by MAB Finances SA

### 20.1.5.1 Accounting principles and policies

#### 20.1.5.1.1 Accounting basis and presentation of the financial statements

Pursuant to EC regulation 1606/2002 of 19 July 2002, Affine's financial statements are prepared in accordance with IAS (International Accounting Standards) /IFRS (International Reporting Standards) as adopted by the European Union.

International accounting standards are published by the IASB (International Accounting Standards Board) and adopted by the European Union. They include the IFRS (International Financial Reporting Standards), the IAS (International Accounting Standards), as well as their mandatory application interpretations effective on the closing date.

The IFRS system is available on the website :  
[http://ec.europa.eu/internal\\_market/accounting/ias/index\\_fr.htm](http://ec.europa.eu/internal_market/accounting/ias/index_fr.htm).

The accounting principles applied are identical to those used in preparing the consolidated annual financial statements for the financial year ending on 31 December 2015, except for the adoption of the new standards and interpretations whose application is mandatory for financial years starting on or after 1 January 2016 (see list below). These new standards, amendments and interpretations have no significant impact on Affine's financial statements.

#### Standards, interpretation and amendments to existing standards that must be applied at 1 January 2016

- Amendments IAS 1 – Reporting initiative.
- Amendments to IAS 16 and IAS 38 – Clarification on acceptable amortisation and depreciation methods.
- Amendments to IFRS 11 – Recognition of acquisitions of interests in joint companies.
- Annual improvements for 2012-2014.
- Amendments to IAS 27 – Use of the equity method in individual financial statements.
- Amendments to IAS 13 – Employee benefits – defined-benefit plans: employee contributions.
- Amendments to IFRS 10, IFRS 12 and IAS 28: Investment entities – Application of the consolidation exemption: applicable as from 1 January 2016.

#### Standards, interpretations and amendments already published but not yet in force in the European Union at 31 December 2016

- Amendments to IAS 7: Initiatives concerning information to be reported: applicable at 1 January 2017.
- Amendment to IAS 12: Recognition of deferred tax assets for unrealised losses: applicable at 1 January 2017.
- IFRS 9 – Financial instruments: classifications and measurement of financial assets and liabilities – Amendments to IFRS 9, IFRS 7 and IAS 39 – General hedge accounting: applicable at 1 January 2018.
- IFRS 14: Regulatory deferral accounts: applicable at 1 January 2016.
- IFRS 15: Revenue from ordinary operations from contracts with customers: applicable at 1 January 2018.
- IFRS 16 – Leases: applicable at 1 January 2019.
- Amendments to IFRS 10 and IAS 28 – Sale or contribution of assets between an investor and an associate or joint venture: deferred application.
- Amendments to IFRS 15 – Clarifications: applicable at 1 January 2018.
- Amendments to IFRS 2 – Classification and valuation of share-based payments: applicable at 1 January 2018.

Ces nouveaux textes n'ont pas eu d'incidence significative sur les résultats et la situation financière d'Affine.

L'activité des sociétés du périmètre de consolidation n'est pas saisonnière.

Les comptes sont présentés en milliers d'euros.

#### 20.1.5.1.2 Consolidation scope and policy

##### 20.1.5.1.2.1 Companies included in the consolidation

The consolidation includes the Group's parent company as well as all other companies over which it directly and indirectly exercises:

- exclusive control,
- joint control,
- significant influence.

**Exclusive control** of a subsidiary is considered as the power to influence its financial and operational policies in order to profit from its activities. It results from:

- the direct or indirect holding of a majority of voting rights in the subsidiary,
- or the power to appoint or dismiss the majority of the members of the administrative, management or supervisory bodies of the subsidiary or bring together the majority of the voting rights to the meetings of these bodies,
- or the power to exercise dominant influence on a subsidiary, through a contract or under the articles of association.

**Joint control** exists when strategic, financial and operational decisions related to the business require unanimous agreement of the parties sharing control. Joint control must be defined under a contractual agreement.

**Significant influence** is presumed once at least 20% of the voting rights are held; below that threshold, significant influence may be demonstrated by representation on the management bodies or participation in strategic decisions.

#### 20.1.5.1.2.2 Consolidation method

##### • *Companies under exclusive control*

Affine has control when it:

- hold power over the issuing entity;
- is exposed or has the right to variable returns because of its ties with the issuing entity;
- has the ability to exert its power in order to influence the amount of the returns it obtains.

The company must reassess its control of the issuing entity when facts and circumstances indicate that one or more of the three elements of control indicated above have change.

The company holds power over an entity when it has effective rights that give it the ability to direct activities that have a significant impact on the returns of the entity that is the object of the investment. The power results from rights; in some cases, it is easy to demonstrate because it results directly and exclusively from voting rights attached to equity stakes. In other cases, the party holding the power is the party that has the ability to direct activities that have the largest impact on the entity's returns.

##### • *Partnerships*

Joint control means the contractual sharing of the control exerted over a company in which the decisions on the pertinent activities require the unanimous consent of the parties sharing control.

##### • **Joint ventures**

A joint venture is a partnership in which the parties that exercise joint control over the business have rights to the net assets of that business.

The results and the assets and liabilities of joint ventures are recognised in the consolidated financial statements using the equity method.

##### • **Joint arrangements**

A joint arrangement is a partnership in which the parties that exercise joint control have rights to the assets and obligations for the liabilities relating to the operation. These parties are called co-participants.

A co-participant must recognise the following elements relating to its interests in the joint activity:

- Its assets, including its share of the assets held jointly, if any.
- Its liabilities, including its share of the liabilities assumed jointly, if applicable.
- The income and expenses it has incurred, including its share of the income and expenses incurred jointly, as applicable.

##### • *Associated companies*

Associated companies are entities in which Affine exercises significant influence. Significant influence is the power to participate in the decisions on financial and operational policy without, however, exercising control or joint control over these policies. The results and the assets and liabilities of associated companies are recognised in these consolidated financial statements using the equity method.

#### 20.1.5.1.2.3 Closing date

All consolidated companies end their financial year on 31 December.

#### 20.1.5.1.3 Business combinations and acquisition of individual assets

The difference between acquisitions of individual assets (IAS 40) and business combinations (IFRS 3) is as follows:

- An entity must determine whether a transaction or another event constitutes a business combination as defined by IFRS 3, which stipulates that an enterprise is an integrated set of activities and assets that can be operated and managed for the purpose of providing a return (dividends, lower costs or other economic advantages) directly to investors.
- For acquisitions of securities not considered as business combinations, the identifiable assets and liabilities are recognised at cost without recognition of goodwill. These operations usually correspond to transactions on individual assets, groups of assets which do not constitute a business and on the securities of companies holding such assets.

##### 20.1.5.1.3.1 Business combinations

Business combinations are recognised using the acquisition method, in principle, at fair value.

The acquisition method consists of:

- identifying the acquiring party,
- determining the acquisition date,
- measuring the acquisition cost,
- allocating the cost of the business combination through the recognition of certain and contingent assets and liabilities identifiable later at their fair value.

Goodwill represents a payment made in expectation of future economic benefits generated by assets that cannot be identified individually and carried separately. Goodwill is initially recognised as an asset at cost; it cannot be amortised but may be tested annually for impairment. Goodwill is calculated by the partial goodwill method.

An excess in the purchaser's interest over the cost of the business combination (negative goodwill) is taken to income.

##### 20.1.5.1.3.2 Acquisitions of individual assets

These are recognised at their purchase cost, which generally corresponds to their fair value.

#### 20.1.5.1.4 Use of estimates and assumptions

Preparing the consolidated financial statements requires the use of estimates and assumptions that may affect the amounts set out in the financial statements and the accompanying notes. These particularly relate to property valuations and the fair value of derivatives. Amounts confirmed during the disposal of these assets may differ from these estimates.

Factors likely to lead to significant adjustments during the 2016 period specifically include:

**Fair value of investment properties:** the nature of the assumptions used by the independent appraisers may have significant impacts on both the change in fair value which is directly reported in the income statement, and on the value in assets of the property portfolio.

These assumptions include in particular:

- the market rental value (MRV),
- the market rate of return,
- works to be carried out.

The impact of simulations of sensitivity to the change in rates of return on fair value is found in Note 1 – Property portfolio – paragraph titled "Sensitivity to changes in the assumptions used to measure fair value".

**Fair value of financial instruments:** the nature of the assumptions used by independent appraisers may have significant impacts on the change in fair value taken directly to the income statement.

An increase or decrease of 50 or 100 basis points in interest rates would have the following effects on the valuation of financial instruments (valuation made based on the yield curve of the 3-month Euribor as at 31/12/2016 over ten years):

(€000')	-100BP	-50BP	+50BP	+100BP
Change in FV of hedging financial instruments	(3,465)	(1,959)	2,598	5,981

**Risks related to equity associates:** for a number of years, Banimmio has partnered with other property or financial groups to carry out certain operations. In addition to the equity contribution, Banimmio finances these associates through advances that are subordinated to the loans made by the financial institutions to these companies. In this context, the recoverability of these advances made to these associates by Banimmio depends on the profitability of the real estate project. An assessment of the recoverability of these advances requires that the Banimmio management makes estimates of future value for these projects and, therefore, implies the formulation of assumptions concerning construction costs, the nature and scope of the marketable areas (in projects for which permits have not yet been obtained), projections of rental values and sale conditions. In 2016, Banimmio made additional loans of €1.7 million as part of the court-ordered restructuring of the companies of the Urbanove group. In accordance with the agreements approved by the Commercial Court as part of the court-ordered restructuring, Banimmio recorded a total reduction in value on the balance of the receivables granted to Urbanove in the amount of €277 million. Thus, Banimmio no longer has any exposure and is no longer subject to any risk with regard to the Urbanove group.

Moreover, the activities of the Banimmio group require substantial investments. Its financing is based on:

- bonds of a nominal amount of €78.1 million at 31 December;
- bilateral lines of credit for a total nominal amount of €42.7 million;
- a syndicated line of credit with a current outstanding balance of €46.9 million and final maturity on 31 October 2017.

This syndicated loan stipulates progressive amortisation of this outstanding amount essentially through the execution of the sale of the Halle Secretan in Paris.

As at 31 December 2016, Banimmio's shares were valued on the basis of the Net Book Value. An estimate on the basis of:

- the stock price would have reduced the value by €5,647 K;
- revalued net assets would have increased the value by €12,343 K.

## 20.1.5.1.5 Leases

### 20.1.5.1.5.1 Finance leases

IAS 17 requires a lease to be classified as a finance lease where it transfers to the lessee almost all the risks and benefits of ownership of an asset. All other leases are classified as investment property leases.

All property finance lease agreements for the Affine portfolio are finance lease agreements as defined by IAS 17. The lessor records a receivable on its balance sheet for the amount corresponding to the present value of the conditional rents to be received.

When a finance lease is renegotiated, the difference between the new financial base and the previously recorded carrying value is directly posted to the income statement.

IAS 17 specifies that initial direct costs incurred in negotiating and setting up leases must be included in the initial investment amount and deducted from the finance revenue over the term of the lease.

The lessor's net income on the transaction corresponds to the amount of interest on the loan. This interest is calculated using the effective interest rate ("EIR") method. The effective interest rate is the rate that balances the cumulative discounted value of minimum lease payments and the residual value not covered by a guarantee. The periodic interest rate used to calculate financial income is constant pursuant to IAS 17.

Guarantee deposits paid by lessees are treated by Affine as part of the rights and obligations arising from finance leases and are thus subject to IAS 17.

### 20.1.5.1.5.2 Investment property leases

Investment property contracts consist of operating leases for assets that Affine owns or is the lessee in the context of a finance lease.

Leases whereby the lessor retains almost all the risks and benefits inherent in the ownership of the asset are classified as investment property leases.

IAS 17 provides for the financial consequences of all the provisions of the finance lease to be amortised over the fixed term of the lease. This straight-line amortisation of rents results in the recognition of accrued income over an exemption period, or the early years of the lease in the case of progressive or step rents.

All the benefits agreed upon when negotiating or renewing an investment property lease are recognised as part of the consideration accepted for the use of the leased asset, regardless of the nature, form and payment date of these benefits (SIC 15). The total amount of these benefits is recognised as a reduction in rental income over the term of the lease on a straight-line basis, unless another systematic method is representative of the way in which the benefit pertaining to the leased asset is consumed over time.

Guarantee deposits paid by lessees are treated as part of the rights and obligations arising from contracts and are thus subject to IAS 39.

Compensation for eviction is expensed during the year, even in the case of the renovation or reconstruction of a building (IAS 17).

The treatment of admission fees depends on a substantive analysis of the payment made (IAS 17):

- where the payment is in consideration for the enjoyment of the property (in addition to the rent) it is recognised with rental income over the term of the lease;
- where the payment is in return for a service rendered other than the right to use the asset, it is recognised on a basis that reflects the nature of the services rendered and the timeframe over which they are provided.

### 20.1.5.1.6 Measurement policy for major items

#### 20.1.5.1.6.1 Investment properties

##### 20.1.5.1.6.1.1 Définition

IFRS draws a distinction between investment properties (governed by IAS 40) and other property, plant and equipment (governed by IAS 16).

Investment properties are real estate (land or buildings) held by the owner, or by the lessee under a finance lease, to earn rental income or appreciate the capital value or both, rather than to use them for production, the provision of goods and services, or for administrative purposes, or to sell them in the ordinary course of business.

If repairs are carried out on investment properties, they remain in this category as investment properties under construction.

Since Affine has opted for the fair value method stipulated in IAS 40, the change in value of the investment properties has an impact on income.

Initial direct costs for negotiation and implementation of contracts (such as legal fees and commissions) are recognised in the amount of the leased asset and amortised over the lease contract's fixed life (IAS 17).

Properties financed by finance leases must be capitalised and are subject to IAS 40 for the lessee. The following methods were used for restatement:

- recording the asset as an investment property in the assets on the balance sheet for the residual amount;
- parallel entry in liabilities of a loan equal to the property's entry price;
- cancellation in the consolidated statements of the fee recorded in operating expenses in the company statements, with offsetting entries of a financial expense and progressive loan repayments.

Minimum lease rental payments are broken down between interest costs and repayment of the liability.

#### Income from investment properties

Income from investment properties consists of rents and related income (e.g. occupancy fee, lease premiums, parking receipts) invoiced during the period.

The grace periods for rent, step-ups and signing fees are apportioned over the fixed term of the lease. The rental income also includes expenses re-billed to tenants.

#### Expenses on investment properties

The expenses on investment properties include rental charges re-billable to tenants, unrecovered rental charges (due to leases and vacancy of premises), costs payable by the owner, those relating to work, costs of disputes, doubtful receivables and costs linked to property management.

##### 20.1.5.1.6.1.2 Valuation

Investment properties are initially valued at cost, including transaction costs. After the properties are initially recorded, they are valued at fair value. The change in fair value from one year to another is posted to the income statement.

Fair value is calculated on the basis of the value excluding registration fees. The following are deducted from the "fees included" value:

- registration fees in the case of assets subject to these rules. The amounts deducted are calculated on a flat-rate basis of the "excluding fees" value, which consists of all expenses, both taxes and others, paid at the time of a sale; they are 6.9% for buildings outside Paris and 7.5% for Paris properties;
- or notary fees in the case of an asset sold that is subject to the property VAT rules, which applies to buildings that have been delivered or substantially renovated in the last five years.

In this case, the amounts deducted are calculated on a flat-rate basis of 1.8% of the value before tax established by an outside real estate expert, or by an internal appraisal, the amount that appears on an offer, a commitment or a sale mandate.

The estimates are made using the multiples method, the capitalisation of rents method, and the discounted cash flow method.

The assets are recognised in the accounts at their value excluding taxes.

The appraisal firms applied the revenue capitalisation method together with the discounted cash flow (DCF) method and the multiples method.

The first method consists of capitalising an annual revenue, which generally corresponds to the rent recorded for occupied buildings, possibly with the impact of a reversion potential, and at the market rent for vacant buildings, taking into account the time required to re-let, possible renovation work and other costs.

In the DCF method, the property appraisers independently prepare their estimates of current and future cash flows and apply risk factors, either to the cash flows (for example future rent levels, growth rates, required investments, vacant periods, and rent arrangements) or to the rate of return or discount rate.

Following the adoption of IFRS 13 "Fair value measurement", the asset valuation methods used by the Group's appraisers have remained unchanged. Additional disclosures on these methods are now published, as required by this new standard.

The primary assumptions used to estimate fair value are those related to the following elements: current rents, future rents expected based on fixed lease commitments; vacant periods; the building's current occupancy rate and its maintenance requirements; and the appropriate capitalisation rates equivalent to the return on investment. These valuations are regularly compared with market data on return on investment, actual Group transactions, and transactions announced in the market.

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IFRS 13 establishes a fair value hierarchy with three levels for the data used in valuations:

- level 1: the valuation refers to prices (not adjusted) in an active market for identical assets/liabilities available on the valuation date;
- level 2: the valuation refers to valuation models that use inputs that are directly or indirectly observable in an active market;

- level 3: the valuation refers to valuation models using inputs that cannot be observed in an active market.

Given the little public data available, the complexity of the property asset valuations, and the fact that property experts used confidential rental statements for their valuations, Affine believes that the level 3 classification of its assets is the most appropriate.

The following table shows a number of quantitative elements used to measure the fair value of the assets:

	RENTAL FLOOR AREA M2	FAIR VALUE EXCLUDING TRANSFER TAXES		RENT INDICATED ON THE LEASE		EFFECTIVE RATE	ERV		MARKET YIELD	
		€K	€/M2.	€K	€/M2.		MIN	MAX	MIN	MAX
<b>Total</b>	<b>358,191</b>	<b>518,625</b>	<b>1,448</b>	<b>35,550</b>	<b>99</b>	<b>6.4%</b>				
Offices	163,848	344,189	2,101	21,814	133	5.8%	76.2	605.9	4.0%	9.0%
Shopping centres	59,257	116,650	1,969	8,340	141	6.6%	60.0	246.8	5.1%	13.1%
Warehouses & Industrial	135,086	57,786	428	5,396	40	9.0%	19.1	112.3	7.3%	11.5%
Paris metropolitan area	70,385	188,244	2,674	10,288	146	5.1%	112.3	605.9	4.0%	8.4%
Other Île-de-France	39,678	46,321	1,167	5,232	132	9.5%	107.8	166.9	7.5%	9.0%
French Regions	233,637	275,512	1,179	19,421	83	6.6%	19.1	246.8	5.1%	13.1%
Eurozone outside France	14,491	8,548	590	609	42	7.0%	41.7	42.9	7.3%	7.3%

Future expenses are charged to the carrying value of the asset only if it is probable that the future economic benefits associated with the asset will remain owned by the Group and that the cost of this asset can be reliably estimated. All other expenses for repair and maintenance are recognised in the income statement for the period during which they are incurred.

Most buildings in the portfolio are appraised twice a year by independent appraisal firms. For the reporting at 31 December 2016, the appraisers used were as follows:

- CBRE,
- Foncier Expertise,
- BNP Real Estate.

Except in duly supported cases, the Affine Group uses the values provided by the independent appraisers.

The measurements are made by in-house experts, individually regardless of the value of the properties. General Management may decide not to use the appraisal value when new events occur after the appraisal date.

**20.1.5.1.6.2 Property, plant and equipment and buildings under construction**

Property, plant and equipment includes operational buildings that do not meet the requirements of IAS 40.

Tangible assets mainly comprise moveable equipment and computer software, depreciated over a period of three to ten years.

When a building under construction for future use as an investment property is completed, it is recorded as an investment property (IAS 40) at its fair value; the difference between the fair value at this date and the prior book value is recorded in the income statement in value adjustments.

**20.1.5.1.6.3 Intangible assets**

Intangible assets are governed by IAS 38.

An intangible asset is recognised in the balance sheet if, and only if, it is probable that the future economic benefits attributable to the asset will flow to the company, if it has control over it, and if the cost of the asset can be reliably measured. Assets that do not satisfy these criteria are expensed or included in goodwill in the case of business combinations.

The amount of an intangible asset eligible for amortisation is amortised using a straight-line model, over the best estimate of its useful life, which cannot normally exceed twenty years.

Generally speaking, the residual value, the amortisation period and the amortisation method are reviewed on a regular basis. Any change is recognised prospectively as an adjustment to future amortisation.

**20.1.5.1.6.4 Assets held for sale**

Where the carrying amount of an asset is to be recovered through a probable sale (mandate, accepted offer and/or commitment to sell) within one year, rather than through its continued use, IFRS 5 requires the asset to be posted to a specific balance sheet account: "Assets held for sale"

As at 31 December 2016, nine assets appear on this line;

- The value of two of them represents internal appraisals.
- The values of two of them correspond to signed mandates, four to offers accepted by both parties and one to a commitment to sell.

Consequently, the liabilities directly related to these assets have been reclassified in "Debts linked to assets held for sale".

The gain or loss on sale of an investment property is calculated in relation to the most recent fair value recorded in the balance sheet of the preceding financial year.

(€000)	31/12/2016	31/12/2015	31/12/2014
Proceeds from sales of fixed assets	18,483	95,077	29,651
Net carrying value of properties sold	(18,410)	(102,584)	(26,262)
<b>Gain or loss on sale</b>	<b>73</b>	<b>(7,507)</b>	<b>3,389</b>

#### 20.1.5.1.6.5 Inventories and construction contracts

##### • Inventory

Buildings purchased, regardless of their initial rental situation, solely for the purpose of resale after redevelopment or physical and/or commercial repositioning in the normal course of business are carried as inventory, in accordance with IAS2.

Inventories and work in progress are recognised at their purchase price or production cost. At each balance sheet date, they are valued at the lower of cost of construction and net realisable value. Net realisable value is the estimated selling price during the normal course of business, less any estimated costs for completion or execution of the sale. In practice, the value is written off when the realisable value is found to be lower than the historic cost.

Inventories largely consist of land, property reserves and costs incurred on property development.

##### • Construction contracts and off-plan sales (VEFA)

For real estate development activities, the margin and revenue from real estate activities are recognised in Affine's statements using the percentage of completion method.

Costs of construction and off-plan sales agreements are cost prices directly attributable to the contract; marketing expenses are not taken to inventory but borrowing costs are. Marketing and management fees are recognised as expenses.

When it is probable that the total cost of a contract will exceed total income, Affine records a loss at termination as expenses for the period.

The profit or loss upon termination is taken from the projected margin set out in the project budget. The percentage of completion is determined using the method that most reliably measures the work or services carried out and accepted, depending on their nature. The method used is either the proportion of the cost of work and services carried out at the balance sheet date in relation to the anticipated total contract costs, or a certificate of progress issued by a professional.

#### 20.1.5.1.6.6 Trade accounts receivable

Trade accounts receivable mainly comprise operating lease and finance lease receivables. These items are valued at amortised cost. Once a receivable has been overdue for over six months at the end of the financial year, or when the customer's situation leads to the conclusion that there is a risk of non-recovery (receivership, major financial difficulties, etc.), the receivable is transferred to the "doubtful receivables".

#### 20.1.5.1.6.7 Impairment of assets

##### • Impairment of property, plant and equipment and intangible assets

###### Operating buildings

When recognising impairment of an asset eligible for amortisation, the charge must be adjusted for future years, so that the revised carrying value of the asset, less its residual value, can be depreciated over the remainder of its useful life. The carrying value of an asset that has increased as a result of an impairment reversal must not exceed the carrying amount that would have been determined (after depreciation) had no impairment been recognised for this asset over previous financial years.

###### Other property, plant and equipment and intangible assets

At each balance sheet date, the company must assess the possible existence of indicators demonstrating that an asset may have been impaired. If such an indicator exists, the recoverable value of the asset should be estimated through an impairment test. Impairment is the amount by which the carrying amount of an asset exceeds its recoverable value. This is equal to the higher of the fair value of the selling price, net of disposal costs, and its value in use.

All impairments are recognised in income, as are all reversals.

##### • Impairment of finance leases

Impairment of finance lease receivables is posted to "Trade loans and receivables" (see Note 7 to the financial position statement).

Finance leases are stated based on their recovery value. When a lessee is deemed to be at risk (e.g. very bleak financial position, mounting unpaid debts, receivership), impairment is recognised if the difference between the carrying value of the receivable and the present value of future estimated cash flows discounted at the original effective interest rate is negative. No lease is currently affected.

##### • Impairment of inventories

At each balance sheet date, the forecast cost is compared to the expected selling price, net of marketing costs. If the sale price is lower than the cost, impairment is recognised for the portion relating to work in progress (the impairment corresponding to work to be completed is recognised as a provision for liabilities).

##### • Impairment of goodwill

Goodwill is recognised in the balance sheet at cost. Once a year, this item is reviewed and impairment tests are performed. At the date of acquisition, each element of goodwill is allocated to one or more cash-generating units that are forecast to derive economic benefits from the acquisition; consequently, the legal entity is the equivalent of a cash-generating unit. Any impairment of this goodwill is based on the recoverable value of the relevant cash-generating units. The recoverable value of a cash-generating unit is calculated based on the most appropriate method.

If the recoverable value is less than its carrying value, an impairment charge is recognised in the income statement for the year.

• *Impairment of doubtful receivables*

Invoices classified as doubtful receivables are systematically written off for their full amount excluding tax, less any deposits or guarantees received.

**20.1.5.1.6.8 Financial instruments**

The valuation and recognition of financial instruments and the required disclosures are set out under IAS 39 and 32 and IFRS 7.

The financial assets held by AFFINE are accounted for as follows:

- investment securities are recorded as trading assets,
- unconsolidated investments are recorded as "assets available for sale".

Affine only uses derivatives as part of its debt interest rate hedging policy. Under IFRS, these instruments are considered as financial assets and liabilities and must be stated at their fair value on the balance sheet.

Changes in value are recognised directly in profit or loss, except in two situations where they are recognised in equity as follows:

- when the derivative is classified as a cash flow hedge,
- when the derivative is classified as a net investment hedge

Classification as a hedge is strictly defined and must be documented from the outset, which requires prospective and retrospective effectiveness tests to be carried out.

Affine has developed a macro-hedging strategy for its debt based on swaps and caps. However, given the problem of demonstrating the effectiveness of this hedging and its maintenance over time, Affine has not sought to implement the option provided under IAS 39, which would make it possible to recognise changes in the fair value of derivatives via equity, except for the non-effective portion of the hedge, which would still be recognised in profit or loss. Consequently, Affine classifies derivatives as trading assets.

All financial liabilities are recognised in the balance sheet at depreciated cost except for derivatives that are recognised at fair value.

Issuing costs for loans, including bonds redeemable for shares (ORA) and perpetual subordinated notes (TSDI), are recorded as a deduction from the nominal value of the loan and recognised by being incorporated into the calculation of the effective interest rate.

These payables or receivables are discounted and interest expense or income is taken to the income statement over the loan repayment period. The exit tax due under SIIC status is discounted in the financial statements.

• *Financial assets at fair value through the income statement*

The main methods and assumptions applied to calculate the fair value of financial assets are as follows:

- Equity investment securities are valued on the basis of either their market price (for listed instruments) or on the basis of their net asset value or their discounted future cash flows if the amount of the line is sufficiently material;
- Equity interests are valued on the basis of either their market price (listed instruments) or on the basis of their net asset value or their discounted future cash flows;
- Derivative instruments are valued by discounting estimated future cash flows on the yield curve of the three-month Euribor as at 31/12/2016 to the ten-year segment. The company uses the discounting provided by the firm Finance Active; the comparison of these figures with those issued by the various banks with which the hedging is contracted is satisfactory.

The information to be provided pursuant to IFRS 13 is classified according to a hierarchy that reflects the level of importance of the data used to make valuations. This hierarchy of fair value is as follows:

- level 1: listed prices (not adjusted) from active markets for identical assets and liabilities;
- level 2: data other than level 1 listed prices, which are observable for the asset or liability, either directly (prices, for example), or indirectly (elements deriving from prices);
- level 3: data on the asset or liability that is not based on observable market data.

The determination method used by Affine corresponds to level 2 of the IFRS 13 nomenclature.

• *Financial liabilities at fair value through profit or loss*

These liabilities concern debt related to derivatives. The debt is valued by the discounting of future cash flows (for which the company is committed to the banks offering these hedges), as calculated by Finance Active.

**Additional valuation input – IFRS 13**

Derivatives were measured at 31 December 2016 by taking account of the credit valuation adjustment (CVA) and debit valuation adjustment (DVA) as required by IFRS 13.

The CVA, calculated for a given counterparty, results from the product of:

- a. the total market value that Affine has with this counterparty if it is positive,
- b. the probability of the counterparty's default over the medium term, weighted by the nominal value of the derivatives recognised with the latter. This default probability comes from the Bloomberg model based on market values and comes from default coverages of the banks,
- c. and the loss in case of default established at 60% according to the market standard.

The bilateral DVA or CVA, based on Affine's credit risk, corresponds to the loss which the counterparty could face in the event of default. It results from the product of:

- a. the total market value with this counterparty if it is negative,
- b. the probability of default over the medium term, weighted for the nominal value of the total portfolio of derivatives. The probability of default comes from the Bloomberg model resulting from coverage of Affine's default,
- c. and the loss in case of default established at 60% according to the market standard.

The impact is a change in positive fair value of €6.6 K on the result for the period.

#### 20.1.5.1.6.9 Recognition of bonds redeemable for shares (ORA) and perpetual subordinated notes (TSDI)

For more details, refer to the explanatory notes to the individual company statements.

##### • *Convertible bonds (ORA)*

Two thousand convertible bonds with a par value of €10,000 issued on 15 October 2003, for a period of 20 years, redeemable on maturity at the original issue price of €50 per share (200 shares per convertible bond), adjusted for the possible dilutive effects of financial transactions on the share capital.

After a bonus issue of 4% of shares to shareholders on 23 November 2005, this ratio rose to 208 shares per convertible bond.

Affine's General Shareholders' Meeting of Shareholders held on 26 April 2007 decided to execute a three-for-one stock split on Affine shares by allocating three new shares for every old share effective on 2 July 2007. Accordingly, the exchange ratio has been raised to 624 shares per ORA.

The Board of Directors approved on June 5, 2015, the conversion of 28 ORA into 17,472 new shares.

In July 2015, the company converted 1,610 ORA issued in 2003 for 1,004,640 new shares. There were 362 ORA at 31 December 2016.

##### **Early redemption at the Company's discretion**

From 15 October 2008, the Company may convert all or some of the convertible bonds to shares if the average share closing price over 40 consecutive trading sessions exceeds the adjusted issue price.

Since 15 October 2013, the Company may redeem all or some of the convertible bonds in cash by giving prior notice of 30 calendar days, at a price guaranteeing the initial subscriber, on the actual redemption date, after taking into account coupons paid in previous years and the interest payable for the period between the last interest payment date before the early redemption date and the actual redemption date, a gross actuarial return of 11%. Under no circumstances may this price be lower than the nominal value of the ORA.

##### **Early redemption at the holder's discretion**

As from 15 October 2013, ORA holders are entitled to request, at any time, excluding the period from 15 November to 31 December inclusive in any year, the redemption of all or some of their convertible bonds at a rate of, currently, 624 shares (after adjustment) per bond.

Considering the characteristics of the ORA, they have been classified as equity instruments in accordance with IAS 32.

##### • *Perpetual subordinated notes (TSDI)*

On 13 July 2007, Affine issued €75 million of perpetual subordinated loan notes (TSDI) represented by 1,500 TSDI, each with a €50,000 nominal value. The issue was placed with foreign investors, and the notes are listed on the Marché Réglementé (regulated market) of the Luxembourg stock exchange.

As Affine can suspend the payment of the coupons if no dividend or profit is paid out, the application of IAS 32 leads to classifying all TSDI as equity instruments.

Distributions in respect of these instruments, net of any tax, will be treated as dividend distributions.

##### 20.1.5.1.6.10 Provisions

Provisions are recognised when there is a current obligation (whether legal or implicit) resulting from a past event, and it is likely that an outflow of resources representing financial benefits will be required to extinguish the obligation, and the amount of the obligation can be reliably estimated.

When the reimbursement of a portion of the risk amount covered by a provision is expected, under an insurance policy for example, the reimbursement is recorded as a separate asset provided reimbursement is virtually certain.

If there is a significant time-value impact, provisions are determined by discounting expected future cash flows at a pre-tax discount rate that reflects the current market assessment of the time-value of money and, if applicable, the risks specific to the liability. Where the provision is discounted, the increase in provision relating to the passage of time is recognised as an interest expense.

##### 20.1.5.1.6.11 Treasury shares

These shares are posted to equity in the same way as capital gains or losses from disposals.

##### 20.1.5.1.6.12 Tax

Consolidated tax expense includes deferred taxes.

##### • *Current tax*

Affine has a mixed tax treatment, described below:

- an SIIC segment allowing a tax exemption of tax on ordinary profits from rental activities, capital gains on building disposals and shareholdings and dividends from subsidiaries that have opted for SIIC status;
- an ex-SICOMI segment exempt from tax on current earnings, which is applicable to finance lease agreements prior to 1993;
- a taxed segment that applies to free finance leases ("CBL") signed on or after 1 January 1993 and to general finance leases ("CBG") signed prior to 1 January 1996;
- a taxable segment for other operations.

##### • *Deferred taxes*

Pursuant to IAS 12, deferred tax arises on timing differences between the carrying amounts of assets and liabilities and their tax values.

According to the variable carry-forward method, deferred taxes are calculated on the basis of the tax rate adopted or provisional over the year in which the asset will be realised or the liability paid, taking into account a possibility of reversal over time.

Deferred tax relating to assets and liabilities posted directly to equity is also posted to equity.

In accordance with the standard:

- deferred taxes cannot be discounted,
- deferred tax assets and liabilities are offset by entities subject to the same tax authority.

All the companies of the Group that have a taxable activity have tax deficits against which we can charge their deferred taxes. On the other hand, we limit the activation of deficits to deferred tax liabilities, i.e. we do not create deferred tax assets for prudential reasons because we are not certain they will be able to be used in the short term. Therefore, only the deferred taxes that cannot be erased by tax deficits under the regime remain.

##### 20.1.5.1.6.13 Employee benefit obligations

All employee benefits are recognised on the balance sheet and primarily represent retirement pensions and other post-employment benefits. The cost of employee benefits is accounted for in the year in which rights are vested.

Affine employees have been subject to the Property Collective Bargaining Agreement since 1 January 2013. This agreement provides for no complementary retirement benefit, only the general retirement scheme. The pension plan used is a defined benefits scheme.

The allowances follow the same tax and social treatment as the redundancy allowance:

	VOLUNTARY RETIREMENT	FORCED RETIREMENT
Over 10 years' employment	1/2 month	1/5 <sup>th</sup> of monthly salary per year
More than 15 years' employment	1 month	
More than 20 years' employment	1.5 months	1/5 <sup>th</sup> of monthly salary for the first 10 years and 2/15 <sup>ths</sup> beyond the 10 <sup>th</sup> year
More than 30 years' employment	2 months	

The applicable base is one twelfth of the gross pay over the final twelve months or, if more beneficial, one third of the final three months.

With regard to employee share ownership schemes, IFRS 2 provides for systematic expensing, either for future or existing shares, and regardless of the hedging strategy.

Actuarial gains or losses are not isolated. They are recorded in income and not in equity.

### 20.1.5.2 Segment reporting

Segment reporting reflects general management's view and is prepared on the basis of the data provided by management control, used by the Principal Operational Decision-Maker (General Management) to implement the allocation of resources and evaluate performance.

The data is prepared in accordance with the accounting principles used by Affine.

The costs are allocated to the building for which they are used; for costs not identified by asset, we have adopted the following rule:

	PRORATED FAIR VALUE	PRORATED RENTS
Cost of the debt that cannot be allocated	X	
Corporate expenses		X
- Amortisation, depreciation and provisions		X

#### • At 31 December 2016

(€000')	OFFICES	WAREHOUSES AND BUSINESS ACTIVITIES	RETAIL	OTHER	TOTAL
Net rental income	20 972	5,564	8,108	18	34,662
<b>Net property revenues</b>	<b>18 470</b>	<b>4,534</b>	<b>6,425</b>	<b>14</b>	<b>29,443</b>
Other income	130	47	(130)	65	112
Corporate expenses	(6 876)	(297)	(1,210)	(188)	(8,571)
<b>Current EBITDA</b>	<b>11 724</b>	<b>4,284</b>	<b>5,085</b>	<b>(109)</b>	<b>20,984</b>
Amortisation and depreciation	(728)	(79)	(309)	(1)	(1,117)
<b>Current operating profit</b>	<b>10 997</b>	<b>4,205</b>	<b>4,776</b>	<b>(111)</b>	<b>19,867</b>
Charges net of provisions	6	(115)	-	-	(109)
Other income and expenses	238	65	(50)	(70)	183
Net profit or loss on asset disposals	(78)	81	(24)	(1)	(22)
<b>Operating profit</b>	<b>11 163</b>	<b>4,235</b>	<b>4,702</b>	<b>(181)</b>	<b>19,919</b>
Balance net of value adjustments	6 768	(1,137)	(6,174)	(30)	(573)
<b>Net operating profit</b>	<b>17 931</b>	<b>3,098</b>	<b>(1,472)</b>	<b>(211)</b>	<b>19,346</b>
Cost of financial debt	(4 297)	(962)	(1,687)	(19)	(6,965)
Other financial income and expenses	(136)	(122)	(76)	3	(331)
Fair value adjustments of financial instr.	800	225	64	11	1,099
<b>Income before tax</b>	<b>14 298</b>	<b>2,239</b>	<b>(3,172)</b>	<b>(216)</b>	<b>13,149</b>
Taxes	(797)	(493)	(2)	6	(1,285)
Share of securities consolidated using the equity method	(3 074)	1,071	(2,776)	(1,629)	(6,408)
<b>Net profit</b>	<b>10 427</b>	<b>2,817</b>	<b>(5,950)</b>	<b>(1,838)</b>	<b>5,456</b>
<b>PROFIT (LOSS) EXC. DISPOSALS AND CHANGES IN JV</b>	<b>2 937</b>	<b>3,649</b>	<b>185</b>	<b>(1,819)</b>	<b>4,952</b>

(€000')	OFFICES	WAREHOUSES AND BUSINESS ACTIVITIES	RETAIL	OTHER	TOTAL
Segment assets	371,185	80,507	125,307	1,609	578,609
Interests in equity associates	12,035	1,043	9,054	9,419	31,551
<b>Total consolidated assets</b>	<b>383,220</b>	<b>81,550</b>	<b>134,361</b>	<b>11,028</b>	<b>610,160</b>
Segment liabilities	499,101	50,629	71,532	(11,103)	610,160
<b>Total consolidated liabilities</b>	<b>499,101</b>	<b>50,629</b>	<b>71,532</b>	<b>(11,103)</b>	<b>610,160</b>
Investment expenses	20,985	315	1,316	-	22,616

• At 31 December 2015

(€000')	OFFICES	WAREHOUSES AND BUSINESS ACTIVITIES	RETAIL	OTHER	TOTAL
Net rental income	19,564	10,851	8,594	20	39,029
<b>Net property revenues</b>	<b>18,322</b>	<b>9,508</b>	<b>6,577</b>	<b>27</b>	<b>34,435</b>
Other income	181	453	176	452	1,263
Corporate expenses	(3,204)	(3,344)	(1,292)	(103)	(7,943)
<b>Current EBITDA</b>	<b>15,300</b>	<b>6,618</b>	<b>5,461</b>	<b>376</b>	<b>27,755</b>
Amortisation and depreciation	(379)	(212)	(12)	(5)	(609)
<b>Current operating profit</b>	<b>14,921</b>	<b>6,406</b>	<b>5,449</b>	<b>371</b>	<b>27,146</b>
Charges net of provisions	72	(395)	1	22	(300)
Other income and expenses	(116)	(136)	32	95	(126)
Net profit or loss on asset disposals	(623)	(7,131)	513	-	(7,241)
<b>Operating profit</b>	<b>14,253</b>	<b>(1,256)</b>	<b>5,995</b>	<b>488</b>	<b>19,479</b>
Balance net of value adjustments	782	3,009	2	(40)	3,753
<b>Net operating profit</b>	<b>15,035</b>	<b>1,753</b>	<b>5,996</b>	<b>448</b>	<b>23,232</b>
Cost of financial debt	(4,882)	(2,219)	(1,963)	(41)	(9,105)
Other financial income and expenses	(382)	(109)	(31)	(2)	(524)
Fair value adjustments of financial instr.	1,305	625	102	30	2,062
<b>Income before tax</b>	<b>11,077</b>	<b>50</b>	<b>4,104</b>	<b>434</b>	<b>15,665</b>
Taxes	347	73	17	20	457
Share of investments in associates	(6,953)	834	(5,231)	(4,332)	(15,682)
<b>Net profit</b>	<b>4,470</b>	<b>957</b>	<b>(1,110)</b>	<b>(3,878)</b>	<b>440</b>
<b>PROFIT (LOSS) EXCL. DISPOSALS AND CHANGES IN JV</b>	<b>3,006</b>	<b>4,453</b>	<b>(1,727)</b>	<b>(3,868)</b>	<b>1,865</b>

(€000')	OFFICES	WAREHOUSES AND BUSINESS ACTIVITIES	RETAIL	OTHER	TOTAL
Segment assets	350,686	100,108	131,664	2,320	584,778
investments in associates	15,246	836	11,470	11,280	38,831
<b>Total consolidated assets</b>	<b>365,932</b>	<b>100,944</b>	<b>143,134</b>	<b>13,600</b>	<b>623,609</b>
Segment liabilities	477,520	74,555	79,057	(7,523)	623,609
<b>Total consolidated liabilities</b>	<b>477,520</b>	<b>74,555</b>	<b>79,057</b>	<b>(7,523)</b>	<b>623,609</b>
Investment expenses	36,629	1,421	932	-	38,982

### 20.1.5.3 Scope of consolidation

#### Scope of consolidation at balance sheet date

	31/12/2016			31/12/2015			31/12/2014		
	CONSOLIDATION METHOD	% CONTROL	% INTEREST	CONSOLIDATION METHOD	% CONTROL	% INTEREST	CONSOLIDATION METHOD	% CONTROL	% INTEREST
<b>AFFINE</b>	<b>Parent company</b>			<b>Parent company</b>			<b>Parent company</b>		
GESFIMMO (formerly AFFINE DEVELOPPEMENT 1 SAS)	FC	100.00%	100.00%	FC	100.00%	100.00%	FC	100.00%	100.00%
ARCA VILLE D'ETE SCI (formerly CAPUCINES 2 SCI)	FC	100.00%	100.00%	FC	100.00%	100.00%	FC	100.00%	100.00%
ATIT SC (formerly ANJOU SC)	FC	100.00%	100.00%	FC	100.00%	100.00%	FC	100.00%	100.00%
AFFINE SUD SCI (formerly BRETAGNE SCI)	FC	100.00%	100.00%	FC	100.00%	100.00%	FC	100.00%	100.00%
CARDEV	-	-	-	FC	100.00%	100.00%	FC	100.00%	100.00%
COUR CAPUCINES SA	-	-	-	-	-	-	FC	100.00%	99.99%
DORIANVEST SARL	FC	100.00%	100.00%	FC	100.00%	100.00%	FC	100.00%	100.00%
LES 7 COLLINES SAS	FC	100.00%	100.00%	FC	100.00%	100.00%	FC	100.00%	100.00%
CAPUCINE INVESTISSEMENTS SA	FC	100.00%	100.00%	FC	100.00%	100.00%	FC	100.00%	100.00%
CHAVILLE SALENGRO SAS	FC	100.00%	100.00%	FC	100.00%	100.00%	-	-	-
CLICHY HORIZON SCI	FC	100.00%	100.00%	FC	100.00%	100.00%	-	-	-
CONCERTO BUCHERES SCI	-	-	-	-	-	-	FC	100.00%	100.00%
CONCERTO BUCHERES 2 SCI	-	-	-	-	-	-	FC	100.00%	100.00%
CONCERTO BUCHERES 3 SCI	EM	40.00%	40.00%	EM	40.00%	40.00%	EM	40.00%	40.00%
CONCERTO WISSOUS SCI	FC	100.00%	100.00%	-	-	-	-	-	-
CONCERTO WISSOUS PROMOTION SAS	-	-	-	EM	40.00%	40.00%	EM	40.00%	40.00%
2/4 HAUSSMANN SAS	FC	100.00%	100.00%	FC	100.00%	100.00%	-	-	-
LES JARDINS DES QUAIS SNC	FC	100.00%	100.00%	FC	100.00%	100.00%	FC	100.00%	100.00%
KUTUM SAS	FC	100.00%	100.00%	FC	100.00%	100.00%	-	-	-
LILLE HORIZON SCI	FC	100.00%	100.00%	-	-	-	-	-	-
LOUVOIS SAS	FC	100.00%	100.00%	FC	100.00%	100.00%	FC	100.00%	100.00%
NEVERS COLBERT SCI (formerly CAPUCINES 1 SCI)	FC	100.00%	100.00%	FC	100.00%	100.00%	FC	100.00%	100.00%
MEUDON HORIZON SCI	FC	100.00%	100.00%	-	-	-	-	-	-
NANTES HORIZON SCI	FC	100.00%	100.00%	-	-	-	-	-	-
PARVIS LILLE SCI	FC	100.00%	100.00%	FC	100.00%	100.00%	FC	100.00%	100.00%
ST-ÉTIENNE – MOLINA SAS	FC	100.00%	100.00%	FC	100.00%	100.00%	FC	100.00%	100.00%
TARGET REAL ESTATE SAS	FC	100.00%	100.00%	FC	100.00%	100.00%	FC	100.00%	100.00%
BERCY PARKINGS SCI	FC	100.00%	100.00%	FC	100.00%	100.00%	FC	100.00%	100.00%
HOLDIMMO SC	-	-	-	-	-	-	FC	100.00%	100.00%
SCI NUMERO 1	-	-	-	-	-	-	FC	100.00%	100.00%
SCI 36	-	-	-	-	-	-	FC	100.00%	100.00%
SEADA SAS	FC	100.00%	100.00%	FC	100.00%	100.00%	-	-	-
TOULOUSE LES AMARANTES SCI	FC	100.00%	100.00%	FC	100.00%	100.00%	FC	100.00%	100.00%
URBISMART SAS	EM	24.52%	24.52%	EM	17.00%	17.00%	EM	34.00%	34.00%
<b>PROMAFFINE SAS</b>	<b>FC</b>	<b>100.00%</b>	<b>100.00%</b>	<b>FC</b>	<b>100.00%</b>	<b>100.00%</b>	<b>FC</b>	<b>100.00%</b>	<b>100.00%</b>
CAP 88	EM	40.00%	40.00%	EM	40.00%	40.00%	EM	40.00%	40.00%
LUCE CARRE D'OR SCI	FC	100.00%	100.00%	FC	100.00%	100.00%	FC	100.00%	100.00%
MARSEILLE 88 CAPELETTE	EM	40.00%	40.00%	EM	40.00%	40.00%	EM	40.00%	40.00%
NANTERRE TERRASSES 12 SCI	EM	50.00%	50.00%	EM	50.00%	50.00%	EM	50.00%	50.00%
29 COPERNIC SCI	EM	50.00%	50.00%	EM	50.00%	50.00%	EM	50.00%	50.00%
CONCERTO Développement Ibérica SL	FC	100.00%	100.00%	FC	100.00%	100.00%	FC	100.00%	100.00%
<b>BANIMMO SA</b>	<b>EM</b>	<b>49.99%</b>	<b>49.51%</b>	<b>EM</b>	<b>49.99%</b>	<b>49.51%</b>	<b>EM</b>	<b>49.99%</b>	<b>49.51%</b>

During the financial year, three companies were formed: MEUDON Horizon, NANTES Horizon, LILLE Horizon.

## 20.1.5.4 Notes and comments

### 20.1.5.4.1 Notes to the statement of financial position

#### Note 1 – Property portfolio buildings

Buildings in the property portfolio include:

- 34 assets recorded as investment properties, and
- 9 assets classified as assets held for sale.

27 of the 43 Affine-owned assets, representing 77.98% of the fair value of the rental portfolio, were valued by independent appraisers (BNP Real Estate, Cushman & Wakefield, Foncier Expertise). Three assets, accounting for 5.44% of the fair value of the rental portfolio, were appraised internally. The fair values of five assets appraised by independent experts, representing 9.73%, were revised downward by management. Seven assets representing 6.15% of the fair value of the rental portfolio, were appraised in accordance with a signed

purchase offer, commitment or sale mandates, and one asset was recognised at the historical cost, representing 0.7% of the value of the rental portfolio.

Properties purchased during the year and those subject to an accepted purchase offer or sale commitment are stated at market the transaction value. Properties for which a sale procedure has begun are shown on a separate line in the balance sheet. The gain or loss on sale of an investment property is calculated in relation to the most recent fair value recorded in the balance sheet at the close of the previous financial year.

Market values are determined excluding transfer duties and acquisition costs. Each appraiser states its independence and confirms the values of the property assets appraised by its services, without taking responsibility for those made by other firms.

#### Summary table of changes in fair value

At 31 December 2016

#### Investment properties

(€000')	01/01/2016	ACQUISITIONS	WORK	TRANSFERS	DISPOSALS	CHANGES IN FAIR VALUE	31/12/2016
By asset type							
Industrial premises, warehouses	37,564	-	265	7,000	-	(841)	43,988
Offices	302,276	17,891	2,734	(16,760)	-	13,078	319,219
Commercial	115,840	-	1,280	(9,710)	-	(1,460)	105,950
Other	290	-	-	-	-	(30)	260
<b>TOTAL</b>	<b>455,970</b>	<b>17,891</b>	<b>4,278</b>	<b>(19,470)</b>	<b>-</b>	<b>10,747</b>	<b>469,417</b>
By area							
Paris – central business district	29,600	-	207	-	-	1,193	31,000
Paris – outside central business district	65,790	-	(26)	-	-	5,496	71,260
Paris region – outside Paris limits	116,765	6,845	930	(12,500)	-	(184)	111,856
Other french cities	235,572	11,046	3,114	(6,970)	-	3,991	246,753
Other	8,244	-	52	-	-	252	8,548
<b>TOTAL</b>	<b>455,970</b>	<b>17,891</b>	<b>4,278</b>	<b>(19,470)</b>	<b>-</b>	<b>10,747</b>	<b>469,417</b>
						Initial direct costs	393
							<b>469,810</b>

#### Assets held for sale

(€000')	01/01/2016	ACQUISITIONS	WORK	TRANSFERS *	DISPOSALS	CHANGES IN FAIR VALUE	31/12/2016
By asset type							
Industrial premises, warehouses	33,628	-	50	(7,000)	(12,584)	(296)	13,798
Offices	17,700	-	360	16,760	(3,800)	(6,310)	24,710
Commercial	7,129	-	36	9,710	(1,461)	(4,714)	10,700
Other	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>58,457</b>	<b>-</b>	<b>446</b>	<b>19,470</b>	<b>(17,845)</b>	<b>(11,321)</b>	<b>49,208</b>
By area							
Paris – central business district	-	-	-	-	-	-	-
Paris – outside central business district	-	-	-	-	-	-	-
Paris region – outside Paris limits	59,500	-	360	12,500	(3,420)	(6,310)	20,450
Other french cities	41,137	-	87	6,970	(14,425)	(5,011)	28,758
Other	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>58,457</b>	<b>-</b>	<b>446</b>	<b>19,470</b>	<b>(17,845)</b>	<b>(11,321)</b>	<b>49,208</b>
						Initial direct costs	20
							<b>49,228</b>

\* 4 assets were reclassified as IP in 2016.

\* Three assets were already held for sale at 01/01/2016 because the sales are spread over 2017 due to additional studies conducted by the buyers.

At 31 December 2015

**Immeubles de placement**

(€000')	01/01/2015	ACQUISITIONS	WORK	TRANSFERS	DISPOSALS	CHANGES IN FAIR VALUE	31/12/2015
Industrial premises, warehouses	45,861	-	700	(7,120)	(5,124)	3,247	37,564
Par type d'actifs							
Offices	257,263	27,181	7,800	7,910	-	2,123	302,276
Commercial	123,410	-	867	(6,000)	(2,824)	387	115,840
Other	330	-	-	-	-	(40)	290
<b>TOTAL</b>	<b>426,864</b>	<b>27,181</b>	<b>9,366</b>	<b>(5,210)</b>	<b>(7,948)</b>	<b>5,718</b>	<b>455,970</b>
Par zone							
Paris – central business district	22,600	-	227	-	-	6,773	29,600
Paris – outside central business district	62,550	-	19	-	-	3,221	65,790
Paris region – outside Paris limits	104,090	19,645	1,589	8,020	(7,948)	(8,631)	116,765
Other french cities	229,933	7,536	7,362	(13,230)	-	3,971	235,572
Other	7,691	-	169	-	-	384	8,244
<b>TOTAL</b>	<b>426,864</b>	<b>27,181</b>	<b>9,366</b>	<b>(5,210)</b>	<b>(7,948)</b>	<b>5,718</b>	<b>455,970</b>
						Initial direct costs	425
							<b>456,396</b>

**Assets held for sale**

(€000')	01/01/2015	ACQUISITIONS	WORK	TRANSFERS	DISPOSALS	CHANGES IN FAIR VALUE	31/12/2015
Industrial premises, warehouses	101,513	-	722	7,120	(75,489)	(238)	33,628
Par type d'actifs							
Offices	45,026	-	1,649	(7,910)	(19,723)	(1,341)	17,700
Commercial	1,450	-	65	6,000	-	(386)	7,129
Other	200	-	-	-	(200)	-	-
<b>TOTAL</b>	<b>148,189</b>	<b>-</b>	<b>2,435</b>	<b>5,210</b>	<b>(95,412)</b>	<b>(1,965)</b>	<b>58,457</b>
Par zone							
Paris – central business district	-	-	-	-	-	-	-
Paris – outside central business district	5,859	-	1,598	-	(7,457)	()	()
Paris region – outside Paris limits	40,133	-	375	(8,020)	(13,522)	(1,647)	17,320
Other french cities	102,197	-	462	13,230	(74,434)	(318)	41,137
Other	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>148,189</b>	<b>-</b>	<b>2,435</b>	<b>5,210</b>	<b>(95,412)</b>	<b>(1,965)</b>	<b>58,457</b>

At 31 December 2014

**Investment properties**

(€000')	01/01/2014	ACQUISITIONS	WORK	TRANSFERS	DISPOSALS	CHANGES IN FAIR VALUE	31/12/2014
Industrial premises, warehouses	123,661	-	7,536	(79,820)	-	(5,516)	45,861
By asset type							
Offices	301,399	7,893	4,509	(38,760)	(10,759)	(7,020)	257,263
Commercial	124,900	-	272	(805)	(455)	(502)	123,410
Other	430	-	-	-	-	(100)	330
<b>TOTAL</b>	<b>550,391</b>	<b>7,893</b>	<b>12,317</b>	<b>(119,385)</b>	<b>(11,214)</b>	<b>(13,138)</b>	<b>426,864</b>
By area							
Paris – central business district	22,300	-	49	-	-	251	22,600
Paris – outside central business district	61,630	-	-	-	-	920	62,550
Paris region – outside Paris limits	160,639	-	1,913	(41,385)	(10,694)	(6,383)	104,090
Other french cities	303,470	7,893	3,808	(78,000)	(520)	(6,719)	229,933
Other	2,351	-	59,500	-	-	(1,207)	7,691
<b>TOTAL</b>	<b>550,391</b>	<b>7,893</b>	<b>12,317</b>	<b>(119,385)</b>	<b>(11,214)</b>	<b>(13,138)</b>	<b>426,864</b>
						Initial direct costs	413
							<b>427,277</b>

**Assets held for sale**

(€000')	01/01/2014	ACQUISITIONS	WORK	TRANSFERS	DISPOSALS	CHANGES IN FAIR VALUE	31/12/2014
Industrial premises, warehouses	23,427	8,477	996	79,820	(3,919)	(7,288)	101,513
By asset type							
Offices	17,524	-	1,360	38,760	(8,108)	(4,510)	45,026
Commercial	1,185	-	-	805	-	(540)	1,450
Other	1,245	-	-	-	(1,245)	200	200
<b>TOTAL</b>	<b>43,381</b>	<b>8,477</b>	<b>2,356</b>	<b>119,385</b>	<b>(13,272)</b>	<b>(12,138)</b>	<b>148,189</b>
By area							
Paris – central business district	-	-	-	-	-	-	-
Paris – outside central business district	8,900	-	1,315	-	(5,456)	1,099	5,859
Paris region – outside Paris limits	8,508	-	250	41,385	(1,245)	(8,765)	40,133
Other french cities	25,973	8,477	790	78,000	(6,571)	(4,472)	102,197
Other	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>43,381</b>	<b>8,477</b>	<b>2,356</b>	<b>119,385</b>	<b>(13,272)</b>	<b>(12,138)</b>	<b>148,189</b>

*Reconciliation between values in the statement of financial position and appraisals from independent experts*

The valuation of eight assets was revised by Management, and five of which outside appraisals had been conducted.

**Investment property**

(€000')	VALUES USED	APPRAISALS	VARIANCE	COMMENTS
CBRE	104,714	104,714	-	
Crédit Foncier Expertise, BNP Real Estate	200,100	200,140	(40)	
	99,618	99,618	-	
Acquisitions	3,645	-	3,645	For a building acquired on 29/07/16 for which there was no expert appraisal at 31/12/16
Internal appraisals	61,340	65,389	(4,049)	
Marketing fees	393	-	393	
<b>INVESTMENT PROPERTIES AT 31/12/2016</b>	<b>469,810</b>	<b>469,861</b>	<b>(51)</b>	

(€000')	VALUES USED	APPRAISALS	VARIANCE	COMMENTS
CBRE	110,060	115,274	(5,214)	
Crédit Foncier Expertise (formerly Ad Valorem)	185,102	185,440	(338)	
BNP Real Estate	141,164	144,000	(2,836)	
Acquisitions	19,645	-	19,645	For two buildings acquired in late 2015 for which there was no appraisal at 31/12/15
Marketing fees	425	-	425	
<b>INVESTMENT PROPERTIES AT 31/12/2015</b>	<b>456,396</b>	<b>444,714</b>	<b>11,682</b>	

(€000')	VALUES USED	APPRAISALS	VARIANCE	COMMENTS
Cushman & Wakefield	258,640	258,640	-	
Crédit Foncier Expertise (formerly Ad Valorem)	49,090	49,090	-	
BNP Real Estate	111,241	111,241	-	
Internal appraisals	7,893	-	7,893	For a building acquired on 13/11/14 for which there was no appraisal at 31/12/14
Marketing fees	413	-	413	
<b>INVESTMENT PROPERTIES AT 31/12/2014</b>	<b>427,277</b>	<b>418,971</b>	<b>8,306</b>	

**Assets held for sale**

(€000')	VALUES USED	EXTERNAL APPRAISALS	VARIANCE	COMMENTS
External appraisals	-	-	-	
Internal appraisals	17,300	-	17,300	
Mandates, offers for sale and commitments to sell	31,908		31,908	
Marketing fees	20	-	20	
<b>NON-CURRENT ASSETS HELD FOR SALE AS AT 31/12/2016</b>	<b>49,228</b>	<b>-</b>	<b>49,228</b>	

(€000')	VALUES USED	EXTERNAL APPRAISALS	VARIANCE	COMMENTS
External appraisals	46,760	47,456	(696)	
Internal appraisals	-	-	-	
Mandates, offers for sale and commitments to sell	11,697	-	11,697	
<b>NON-CURRENT ASSETS HELD FOR SALE AS AT 31/12/2015</b>	<b>58,457</b>	<b>47,456</b>	<b>11,001</b>	

(€000')	VALUES USED	EXTERNAL APPRAISALS	VARIANCE	COMMENTS
External appraisals	15,200	15,200	-	
Internal appraisals	119,072	-	119,072	
Mandates, offers for sale and commitments to sell	13,917	-	13,917	
<b>NON-CURRENT ASSETS HELD FOR SALE AS AT 31/12/2014</b>	<b>148,189</b>	<b>15,200</b>	<b>132,989</b>	

*Sensitivity to changes in the assumptions used to measure fair value*

On the basis of the portfolio value excluding registration fees and estimated disposal costs, the average rate of return was 6.4% at 31 December 2016.

On the basis of the average rate of return at 31 December 2016, an additional change of 25 basis points would impact the value of the portfolio by €20.8 million.

*Changes in the value of properties*

(€000')	RENTAL	IN PROCESS	ASSETS HELD FOR SALE	TOTAL
<b>At 31/12/2013</b>	<b>548,171</b>	<b>2,710</b>	<b>43,381</b>	<b>594,261</b>
Increases	14,611	5,905	10,528	31,044
<i>Acquisitions</i>	14,611	5,905	10,528	31,044
Decreases	(10,673)	(86)	(13,727)	(24,486)
<i>Disposals</i>	(10,673)	(86)	(13,727)	(24,486)
Change in scope of consolidation	-	-	-	-
Change in fair value	(15,465)	-	(9,811)	(25,276)
Transfers between line items	(114,662)	(3,156)	117,818	-
Change in initial direct costs	(77)	-	-	(77)
<b>At 31/12/2014</b>	<b>421,905</b>	<b>5,373</b>	<b>148,189</b>	<b>575,465</b>
Increases	20,968	15,635	2,379	38,982
<i>Acquisitions</i>	20,968	15,635	2,379	38,982
Decreases	(5,961)	(1,997)	(95,403)	(103,360)
<i>Disposals</i>	(5,961)	(1,997)	(95,403)	(103,360)
Change in scope of consolidation	-	-	-	-
Change in fair value	5,718	-	(1,965)	3,753
Transfers between line items	(3,188)	(2,069)	5,257	-
Change in initial direct costs	12	-	-	12
<b>As at 31/12/2015</b>	<b>439,455</b>	<b>16,941</b>	<b>58,457</b>	<b>514,852</b>
Increases	11,879	10,290	446	22,616
<i>Acquisitions</i>	11,879	10,290	446	22,616
Decreases	32	(32)	(17,845)	(17,845)
<i>Disposals</i>	32	(32)	(17,845)	(17,845)
Change in scope of consolidation	-	-	-	-
Change in fair value	11,253	(506)	(11,321)	(573)
Transfers between line items	1,016	(20,486)	19,470	-
Change in initial direct costs	(33)	-	20	(13)
<b>At 31/12/2016</b>	<b>463,602</b>	<b>6,208</b>	<b>49,228</b>	<b>519,038</b>

**Note 2 – Borrowings**

(€000')	31/12/2015	SUBSCRIPTION	REDEMPTION	OTHER CHANGES	TRANSFER	31/12/2016
Bank loans	155,564	47,802	(14,501)	-	(34,938)	153,927
Bonds	5,000	-	-	-	-	5,000
Lessee loans	56,015	-	-	-	4,408	60,338
Deferred borrowing costs	(1,080)	(1,195)	-	623	11	(1,641)
Commitment hedge accounts	655	-	(187)	-	(10)	458
<b>Long-term loans</b>	<b>216,153</b>	<b>46,607</b>	<b>(14,688)</b>	<b>623</b>	<b>(30,529)</b>	<b>218,167</b>
Loans attached to assets held for sale	29,112	-	(8,703)	-	11,601	32,010
- Bank loans attached to assets held for sale	22,710	-	(7,817)	-	17,118	32,010
- CBI loans attached to assets held for sale	6,403	-	(885)	-	(5,517)	
Deferred borrowing costs	(163)	-	-	-	8	(155)
DG on properties held for sale	1,612	-	-	58	-	1,671
<b>Debts linked to assets held for sale</b>	<b>30,562</b>	<b>-</b>	<b>(8,703)</b>	<b>58</b>	<b>11,608</b>	<b>33,526</b>
Bank loans	37,569	2,402	(30,329)	-	17,820	27,462
Lessee loans	3,282	-	(3,281)	4,335	1,110	5,446
Deferred borrowing costs	(313)	-	-	-	(19)	(332)
Other financial liabilities	387	(77)	-	-	-	310
Commitment hedge accounts	187	-	-	-	10	197
Credit current accounts	139	1,295	-	-	-	1,434
Bank overdrafts	4,572	-	(3,556)	-	-	1,016
<b>Short-term borrowings and debt</b>	<b>45,823</b>	<b>3,619</b>	<b>(37,166)</b>	<b>4,335</b>	<b>18,921</b>	<b>35,533</b>
<b>Totals</b>	<b>292,538</b>	<b>50,226</b>	<b>(60,556)</b>	<b>5,017</b>	<b>-</b>	<b>287,225</b>

In millions of euros	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Annual amortisation	18.8	18.9	21.8	16.2	13.5	12.6	11.4	9.8	7.6	4.5	1.1
Amortisation at maturity	11.3	29.5	38.9	4.8	10.6	9.4	16.5	41.3	14.1	19.0	8.9
Early amortisation	26.6	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>56.8</b>	<b>48.4</b>	<b>60.7</b>	<b>21.0</b>	<b>24.1</b>	<b>22.0</b>	<b>29.7</b>	<b>51.1</b>	<b>21.7</b>	<b>23.5</b>	<b>10.0</b>

In addition to the outstanding debt as at 31 December 2016, this schedule takes into account the €278 million loan subscribed in the context of the Meudon transaction, which will be released only in 2017.

**Consolidated statements**

(€000')	BALANCE SHEET ITEMS	1 TO 2 YEARS	2 TO 5 YEARS	OVER 5 YEARS
Bank loans	219,349	51,650	61,798	105,901
- Fixed rate	6,345	6,247	99	-
- Variable rate	213,004	45,403	61,699	105,901
Finance lease commitment hedge accounts	458	171	287	-
Deferred borrowing costs at EIR	(1,641)	(373)	(658)	(610)
<b>Total at 31/12/2016</b>	<b>218,167</b>	<b>51,449</b>	<b>61,427</b>	<b>105,291</b>

(€000')	BALANCE SHEET ITEMS	1 TO 2 YEARS	2 TO 5 YEARS	OVER 5 YEARS
Bank loans	216,578	22,494	101,825	92,259
- Fixed rate	5,993	404	5,589	-
- Variable rate	210,585	22,090	96,236	92,259
Finance lease commitment hedge accounts	655	655	-	-
Deferred borrowing costs at EIR	(1,080)	(266)	(560)	(254)
<b>Total at 31/12/2015</b>	<b>216,153</b>	<b>22,883</b>	<b>101,265</b>	<b>92,004</b>

(€000')	BALANCE SHEET ITEMS	1 TO 2 YEARS	2 TO 5 YEARS	OVER 5 YEARS
Bank loans	225,299	36,993	90,954	97,352
- Fixed rate	8,806	1,049	7,757	-
- Variable rate	216,493	35,944	83,197	97,352
Finance lease commitment hedge accounts	841	187	655	-
Deferred borrowing costs at EIR	(954)	(264)	(486)	(205)
<b>Total at 31/12/2014</b>	<b>225,186</b>	<b>36,916</b>	<b>91,123</b>	<b>97,148</b>

The average term of debts as at 31 December 2016 was 5.3 years.

**Note 3 – Other financial assets and liabilities**

At 31 December 2016

(€000)	BALANCE SHEET	FROM 0 TO 1 YEAR	1 YEAR TO 5 YEARS	OVER 5 YEARS
<b>FINANCIAL ASSETS</b>				
<b>Non-current</b>				
Finance lease transactions and related receivables	7,563	-	7,563	-
Assets available for sale	15	-	15	-
Derivatives stated at fair value	1,442	4	79	1,360
Deposits and sureties paid	2,499	-	1,787	712
Loans	-	-	-	-
<b>Total non-current financial assets</b>	<b>11,520</b>	<b>4</b>	<b>9,445</b>	<b>2,071</b>
<b>Current</b>				
Cash and cash equivalents	4,875	4,875	-	-
Cash equivalents: SICAVs	-	-	-	-
Restatement of SICAVs at fair value	-	-	-	-
Settlement accounts for securities	360	360	-	-
Bank account overdrafts	4,515	4,515	-	-
<b>TOTAL CURRENT FINANCIAL ASSETS</b>	<b>4,875</b>	<b>4,875</b>	<b>-</b>	<b>-</b>
<b>FINANCIAL LIABILITIES</b>				
<b>Non-current</b>				
Financial instruments	3,107	18	3,089	-
Discounted premiums payable	23	-	23	-
<b>Total non-current financial liabilities</b>	<b>3,130</b>	<b>18</b>	<b>3,112</b>	<b>-</b>
<b>Current</b>				
Loans and borrowings	35,533	35,533	-	-
Less than one year	32,908	32,908	-	-
Finance lease commitment hedge accounts	197	197	-	-
Deferred borrowing costs at EIR	(332)	(332)	-	-
Accrued interest on loans	295	295	-	-
Derivative instruments – Discounted premiums payable	14	14	-	-
Bank overdrafts	1,016	1,016	-	-
Current accounts and related liabilities	1,434	1,434	-	-
<b>TOTAL CURRENT FINANCIAL LIABILITIES</b>	<b>35,533</b>	<b>35,533</b>	<b>-</b>	<b>-</b>

At 31 December 2015

(€000')	BALANCE SHEET	FROM 0 TO 1 YEAR	1 YEAR TO 5 YEARS	OVER 5 YEARS
<b>FINANCIAL ASSETS</b>				
<b>Non-current</b>				
Finance lease transactions and related receivables	9,016	-	9,016	-
Assets available for sale	21	-	21	-
Derivatives stated at fair value	214	36	178	-
Deposits and sureties paid	2,638	-	-	2,638
Loans	-	-	-	-
<b>Total non-current financial assets</b>	<b>11,889</b>	<b>36</b>	<b>9,214</b>	<b>2,638</b>
<b>Current</b>				
Cash and cash equivalents	6,698	6,698	-	-
Cash equivalents: SICAVs	-	-	-	-
Restatement of SICAVs at fair value	-	-	-	-
Settlement accounts for securities	796	796	-	-
Bank account overdrafts	5,902	5,902	-	-
<b>TOTAL CURRENT FINANCIAL ASSETS</b>	<b>6,698</b>	<b>6,698</b>	<b>-</b>	<b>-</b>
<b>FINANCIAL LIABILITIES</b>				
<b>Non-current</b>				
Financial instruments	4,295	589	3,706	-
Discounted premiums payable	86	-	86	-
<b>Total non-current financial liabilities</b>	<b>4,381</b>	<b>589</b>	<b>3,792</b>	<b>-</b>
<b>Current</b>				
Loans and borrowings	45,823	45,823	-	-
Less than one year	40,851	40,851	-	-
Finance lease commitment hedge accounts	187	187	-	-
Deferred borrowing costs at EIR	(313)	(313)	-	-
Accrued interest on loans	327	327	-	-
Derivative instruments – Discounted premiums payable	60	60	-	-
Bank overdrafts	4,572	4,572	-	-
Current accounts and related liabilities	139	139	-	-
<b>TOTAL CURRENT FINANCIAL LIABILITIES</b>	<b>45,823</b>	<b>45,823</b>	<b>-</b>	<b>-</b>

At 31 December 2014

(€000)	BALANCE SHEET	FROM 0 TO 1 YEAR	1 YEAR TO 5 YEARS	OVER 5 YEARS
<b>FINANCIAL ASSETS</b>				
<b>Non-current</b>				
Finance lease transactions and related receivables	13,053	-	13,053	-
Assets available for sale	278	-	278	-
Derivatives stated at fair value	313	8	305	-
Deposits and sureties paid	3,087	-	-	3,087
Loans	7	-	-	7
<b>Total non-current financial assets</b>	<b>16,739</b>	<b>8</b>	<b>13,637</b>	<b>3,094</b>
<b>Current</b>				
Cash and cash equivalents	4,340	4,340	-	-
Cash equivalents: SICAVs	-	-	-	-
Restatement of SICAVs at fair value	-	-	-	-
Settlement accounts for securities	778	778	-	-
Bank account overdrafts	3,562	3,562	-	-
<b>TOTAL CURRENT FINANCIAL ASSETS</b>	<b>4,340</b>	<b>4,340</b>	<b>-</b>	<b>-</b>
<b>FINANCIAL LIABILITIES</b>				
<b>Non-current</b>				
Long-term financial instruments	6,576	449	3,735	2,392
Discounted premiums payable	39	-	39	-
<b>Total non-current financial liabilities</b>	<b>6,614</b>	<b>449</b>	<b>3,773</b>	<b>2,392</b>
<b>Current</b>				
Loans and borrowings	48,962	48,962	-	-
Less than one year	39,743	39,743	-	-
Finance lease commitment hedge accounts	4,995	4,995	-	-
Deferred borrowing costs at EIR	(286)	(286)	-	-
Accrued interest on loans	477	477	-	-
Derivative instruments – Discounted premiums payable	57	57	-	-
Bank overdrafts	2,572	2,572	-	-
Current accounts and related liabilities	1,405	1,405	-	-
<b>TOTAL CURRENT FINANCIAL LIABILITIES</b>	<b>48,962</b>	<b>48,962</b>	<b>-</b>	<b>-</b>

**Note 4 – Assets held for sale**

(€000')		31/12/2016		31/12/2015		31/12/2014	
		ASSETS	LIABILITIES	ASSETS	LIABILITIES	ASSETS	LIABILITIES
Investment property	Buildings held for sale	49,228	-	58,457	-	148,189	-
	Loans	-	31,855	-	28,950	-	81,612
	Guarantee deposits	-	1,671	-	1,612	-	1,534
<b>SUB-TOTAL</b>		<b>49,228</b>	<b>33,526</b>	<b>58,457</b>	<b>30,562</b>	<b>148,189</b>	<b>83,146</b>
Financial assets	Securities	15	-	21	-	(1)	-
	Related receivables	-	-	-	-	279	-
<b>Sub-total</b>		<b>15</b>	<b>-</b>	<b>21</b>	<b>-</b>	<b>278</b>	<b>-</b>
<b>TOTAL</b>		<b>49,243</b>	<b>33,526</b>	<b>58,478</b>	<b>30,562</b>	<b>148,467</b>	<b>83,146</b>

**Note 5 – Other assets**

(€000')		31/12/2016	31/12/2015	31/12/2014
Government – tax and social security receivables		888	3,118	3,061
<b>Sub-total (1)</b>		<b>888</b>	<b>3,118</b>	<b>3,061</b>
Suppliers		574	355	381
Customer accounts		2,299	2,142	3,122
Subscribed share capital not paid up		-	-	1
Other miscellaneous receivables		5,233	4,437	5,618
Provision for impairment, other debtors		-	-	(165)
Other		-	(45)	(45)
Income receivable		14,366	15,894	15,680
Prepaid expenses		151	266	464
<b>Sub-total (2)</b>		<b>22,622</b>	<b>23,050</b>	<b>25,058</b>
<b>TOTAL (1) + (2)</b>		<b>23,510</b>	<b>26,168</b>	<b>28,119</b>

(€000')		31/12/2016	31/12/2015	31/12/2014
Settlement of charges balance		11,683	13,295	13,223
Linear deduction of rents		2,083	1,725	2,125
Other income receivable on investment properties		434	517	255
Invoiced to subsidiaries		93	259	20
Income receivable on Property Development		58	58	58
Income receivable on other activities		14	40	-
<b>TOTAL INCOME RECEIVABLE</b>		<b>14,366</b>	<b>15,894</b>	<b>15,680</b>

**Note 6 – Other liabilities**

(€000)	31/12/2016	31/12/2015	31/12/2014
Trade and related payables	3,706	3,786	3,350
Suppliers of non-current assets and related accounts	593	106	112
<b>Trade accounts payable and related accounts</b>	<b>4,298</b>	<b>3,892</b>	<b>3,463</b>
Other customer payables	749	683	1,001
Other payables	10,659	12,531	12,155
<b>Other debts</b>	<b>11,409</b>	<b>13,214</b>	<b>13,156</b>
Expenses payable	4,969	4,580	8,030
Deferred income	1,043	655	168
<b>TOTAL</b>	<b>21,719</b>	<b>22,340</b>	<b>24,817</b>

(€000)	31/12/2016	31/12/2015	31/12/2014
Provisions for rental charges	10,617	12,471	12,049
Working capital received	42	42	42
Other payables	-	18	63
<b>TOTAL OTHER PAYABLES</b>	<b>10,659</b>	<b>12,531</b>	<b>12,155</b>

**Note 7 – Trade loans and receivables**

(€000)	31/12/2016	31/12/2015	31/12/2014
Receivables from sales of fixed assets	7,826	8,154	6,170
Ordinary receivables	2,795	2,867	2,678
Doubtful receivables	4,916	5,336	5,461
Impairment of doubtful receivables	(3,104)	(3,830)	(3,627)
<b>TOTAL</b>	<b>12,077</b>	<b>12,527</b>	<b>10,683</b>

FINANCIAL INFORMATION CONCERNING THE ASSETS,  
FINANCIAL SITUATION AND RESULTS OF THE ISSUER  
**Consolidated statements**

At 31 December 2016

(€000')		NOT DUE	30 DAYS AT MOST	MORE THAN 30 DAYS AND LESS THAN 180 DAYS	MORE THAN 180 DAYS AND LESS THAN 1 YEAR	MORE THAN ONE YEAR
<b>INVESTMENT PROPERTIES</b>						
Gross	15,358	8,422	591	1,214	760	4,372
Impairment	(3,359)	-	(6)	(250)	(239)	(2,863)
<b>NET</b>	<b>12,000</b>	<b>8,422</b>	<b>584</b>	<b>964</b>	<b>521</b>	<b>1,508</b>
<b>SERVICES</b>						
Gross	178	57	-	-	-	121
Impairment	(100)	-	-	-	-	(100)
<b>NET</b>	<b>78</b>	<b>57</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>21</b>
<b>TOTAL</b>						
<b>Gross</b>	<b>15,536</b>	<b>8,479</b>	<b>591</b>	<b>1,214</b>	<b>760</b>	<b>4,493</b>
<b>Impairment</b>	<b>(3,459)</b>	<b>-</b>	<b>(6)</b>	<b>(250)</b>	<b>(239)</b>	<b>(2,964)</b>
<b>NET</b>	<b>12,077</b>	<b>8,479</b>	<b>584</b>	<b>964</b>	<b>521</b>	<b>1,529</b>

At 31 December 2015

(€000')		NOT DUE	30 DAYS AT MOST	MORE THAN 30 DAYS AND LESS THAN 180 DAYS	MORE THAN 180 DAYS AND LESS THAN 1 YEAR	MORE THAN ONE YEAR
<b>INVESTMENT PROPERTIES</b>						
Gross	16,187	1,110	152	1,912	1,445	11,569
Impairment	(3,720)	(2)	(1)	(280)	(738)	(2,699)
<b>NET</b>	<b>12,467</b>	<b>1,108</b>	<b>151</b>	<b>1,632</b>	<b>706</b>	<b>8,870</b>
<b>SERVICES</b>						
Gross	170	31	6	-	-	132
Impairment	(110)	-	-	-	-	(110)
<b>NET</b>	<b>60</b>	<b>31</b>	<b>6</b>	<b>-</b>	<b>-</b>	<b>22</b>
<b>TOTAL</b>						
<b>Gross</b>	<b>16,357</b>	<b>1,141</b>	<b>158</b>	<b>1,912</b>	<b>1,445</b>	<b>11,701</b>
<b>Impairment</b>	<b>(3,830)</b>	<b>(2)</b>	<b>(1)</b>	<b>(280)</b>	<b>(738)</b>	<b>(2,809)</b>
<b>NET</b>	<b>12,527</b>	<b>1,139</b>	<b>157</b>	<b>1,632</b>	<b>706</b>	<b>8,893</b>

At 31 December 2014

(€000')	NOT DUE	30 DAYS AT MOST	MORE THAN 30 DAYS AND LESS THAN 180 DAYS	MORE THAN 180 DAYS AND LESS THAN 1 YEAR	MORE THAN ONE YEAR
<b>INVESTMENT PROPERTIES</b>					
Gross	14,153	4,288	3,422	1,638	3,911
Impairment	(3,517)	-	-	(176)	(2,637)
<b>NET</b>	<b>10,636</b>	<b>4,288</b>	<b>3,422</b>	<b>1,462</b>	<b>1,274</b>
<b>SERVICES</b>					
Gross	156	13	11	-	132
Impairment	(110)	-	-	-	(110)
<b>NET</b>	<b>47</b>	<b>13</b>	<b>11</b>	<b>-</b>	<b>22</b>
<b>TOTAL</b>					
<b>Gross</b>	<b>14,309</b>	<b>4,301</b>	<b>3,433</b>	<b>1,638</b>	<b>4,043</b>
<b>Impairment</b>	<b>(1,893)</b>	<b>-</b>	<b>-</b>	<b>(176)</b>	<b>(2,747)</b>
<b>NET</b>	<b>10,683</b>	<b>4,301</b>	<b>3,433</b>	<b>1,462</b>	<b>1,296</b>

**Note 8 – Inventories**

(€000')	31/12/2016	31/12/2015	31/12/2014
Property development inventory	15,839	16,543	16,917
Finance expense inventories (property development)	1	-	91
Impairment of property development inventory	(12,137)	(10,699)	(11,465)
<b>TOTAL</b>	<b>3,702</b>	<b>5,844</b>	<b>5,544</b>

**Note 9 – Contribution of equity associates**

*Contribution*

(€000')		VALUE			CONSOLIDATION EFFECT AND OTHER CHANGES	SHARE OF PROFIT (LOSS)	DISTRIBUTIONS
		31/12/2015	31/12/2016	CHANGE			
Paris 29 Copernic	50.00%	(46)	(21)	25	-	(22)	47
Cap 88	40.00%	(92)	(50)	42	-	42	-
Concerto Buchères 3.	40.00%	979	1,357	379	-	1,357	(978)
Marseille 88 Capelette:	40.00%	1,973	1,970	(3)	-	(3)	-
Nanterre	50.00%	40	111	70	-	110	(40)
Concerto Wissous Pro	40.00%	(1)	-	1	2	(1)	-
Urbismart	24.52%	(96)	(293)	(197)	65	(262)	-
Banimmo	49.51%	36,074	28,476	(7,598)	31	(7,629)	-
<b>Total</b>		<b>38,831</b>	<b>31,551</b>	<b>(7,281)</b>	<b>98</b>	<b>(6,407)</b>	<b>(972)</b>

*Key data*

(€000')	31/12/2016					31/12/2015					31/12/2014
	NET ASSET	% TOTAL ASSETS	REVENUES EXC. TAX	PROFIT/LOSS	NET ASSET	% TOTAL ASSETS	REVENUES EXC. TAX	PROFIT/LOSS	VALUE		
Paris 29 Copernic	(21)	50.00%	300	-	(44)	(46)	50.00%	248	-	(93)	67
Cap 88	(50)	40.00%	1,131	-	105	(92)	40.00%	1,057	-	(239)	34
Concerto Buchères 3.	1,357	40.00%	3,766	6,609	3,392	979	40.00%	31,984	18,730	2,445	(4)
Marseille 88 Capelette:	1,970	40.00%	2,848	-	58	1,973	40.00%	2,784	-	(204)	1,946
Nanterre	111	50.00%	1,178	-	221	40	50.00%	1,281	-	80	(164)
Concerto Wissous Pro	-	-	-	-	-	(1)	40.00%	1	-	(3)	-
Urbismart	(293)	24.52%	356	82	(1,070)	(96)	17.00%	880	23	(574)	-
Banimmo	28,476	49.51%	272,617	12,188	(15,410)	36,074	49.51%	350,589	12,494	(33,234)	52,793
<b>Total</b>	<b>31,551</b>					<b>38,831</b>					<b>54,673</b>

**Note 10 – Deferred taxes**

(€000')	31/12/2016	31/12/2015	31/12/2014
<b>ASSETS</b>			
Internal gains	960	1,393	1,393
<b>TOTAL</b>	<b>960</b>	<b>1,393</b>	<b>1,393</b>
<b>LIABILITIES</b>			
Investment properties at FV of non-SIIC subsidiaries	71	-	-
Deferred borrowing costs	(6)	-	-
<b>TOTAL</b>	<b>65</b>	<b>-</b>	<b>-</b>

**Note 11 – Cash and cash equivalents**

(€000)	31/12/2016	31/12/2015	31/12/2014
Cash	1	1	1
Liquid bank assets	4,515	5,901	3,561
Cash equivalents:	360	796	778
Marketable securities	-	-	-
<b>Sub-total (1)</b>	<b>4,875</b>	<b>6,698</b>	<b>4,340</b>
Bank overdrafts	(1,016)	(4,572)	(2,572)
<b>Sub-total (2)</b>	<b>(1,016)</b>	<b>(4,572)</b>	<b>(2,572)</b>
<b>TOTAL (1) + (2)</b>	<b>3,859</b>	<b>2,126</b>	<b>1,768</b>

**Note 12 – Change in number of shares composing capital**

*Shares authorised, issued and paid up*

	AT BEGINNING OF PERIOD	CAPITAL INCREASE THROUGH CONVERSION OF ORA	DECREASE IN CAPITAL THROUGH CANCELLATION OF TREASURY SHARES	INCREASE IN CAPITAL THROUGH CAPITALISATION OF FREE RESERVES TO ROUND OFF THE AMOUNT OF CAPITAL	AT END OF PERIOD
Number of shares	10,056,071	-	-	-	10,056,071
Share capital in euros	59,500,000	-	-	-	59,500,000

*Treasury shares*

	Au 31/12/2015	ACQUISITIONS	SALES	CANCELLATION	Au 31/12/2016
In thousands of euros	268	762	(635)	-	395
In number	16,933	50,791	(40,717)	-	27,007

**Note 13 – Provisions**

(€000)	BALANCE 31/12/2014	INCREASE FOR THE YEAR	REVERSAL FOR THE YEAR	TRANSFER BETWEEN ITEM TO ITEM	BALANCE 31/12/2015	INCREASE FOR THE YEAR	REVERSAL FOR THE YEAR	TRANSFER BETWEEN ITEM TO ITEM	BALANCE 31/12/2016
Provision for other risks (customer disputes)	892	526	(327)	-	1,091	354	(242)	-	1,203
Provision for tax risk	100	-	-	-	100	-	-	-	100
Provision for pension costs	579	-	(78)	-	501	-	(13)	-	488
Provision for other expenses	2,492	335	(21)	(22)	2,784	-	(2,252)	(242)	291
<b>Total</b>	<b>4,063</b>	<b>861</b>	<b>(426)</b>	<b>(22)</b>	<b>4,476</b>	<b>354</b>	<b>(2,507)</b>	<b>(242)</b>	<b>2,081</b>

## 20.1.5.4.2 Notes to the income statement

### Note 14 – Net property revenue

(€000)	2016	2015	2014	2016/2015 CHANGE	2015/2014 CHANGE
<b>Net rental income</b>	<b>34,662</b>	<b>39,029</b>	<b>43,687</b>	<b>(4,367)</b>	<b>(4,658)</b>
<b>Rental income/(expenses)</b>	<b>(5,434)</b>	<b>(4,033)</b>	<b>(3,865)</b>	<b>(1,401)</b>	<b>(168)</b>
Re-billed expenses	11,441	11,767	13,303	(326)	(1,536)
Rebillable expenses	(11,134)	(10,612)	(11,395)	(521)	783
Non-rebillable expenses	(5,541)	(4,774)	(5,569)	(767)	794
Other expenses	(3)	-	(31)	(3)	31
Rental fees	(198)	(413)	(173)	216	(241)
<b>Other property income /(expenses)</b>	<b>215</b>	<b>(561)</b>	<b>(625)</b>	<b>776</b>	<b>64</b>
Other income	430	531	708	(101)	(177)
Net losses on doubtful receivables	(214)	(1,092)	(1,333)	878	241
<b>Net property revenues</b>	<b>29,443</b>	<b>34,435</b>	<b>39,197</b>	<b>(4,992)</b>	<b>(4,762)</b>

### Note 15 – Income (loss) from other activities

(€000)	2016	2015	2014	2016/2015 CHANGE	2015/2014 CHANGE
<b>Income (loss) from finance lease transactions (1)</b>	<b>10</b>	<b>1,255</b>	<b>842</b>	<b>(1,245)</b>	<b>412</b>
Rent and similar	3,555	3,928	4,208	(373)	(280)
Depreciation and provisions subject to Articles 64 and 57	(2,948)	(3,084)	(3,404)	136	320
Change in underlying reserve	(65)	(10)	(2)	(55)	(8)
Net losses on doubtful receivables	(512)	451	62	(962)	388
Expenses on finance leases	(21)	(30)	(21)	9	(9)
<b>Profit (loss) from property development activities (2)</b>	<b>231</b>	<b>43</b>	<b>1,441</b>	<b>188</b>	<b>(1,398)</b>
Revenues	450	10	154	440	(144)
Changes in inventories	(799)	109	3,924	(908)	(3,816)
Net losses on doubtful receivables	(5)	-	(14)	(5)	14
Expenses on property transactions	585	(76)	(2,623)	661	2,547
<b>Income (loss) from other activities (1) + (2)</b>	<b>241</b>	<b>1,297</b>	<b>2,283</b>	<b>(1,057)</b>	<b>(986)</b>

### Note 16 – Net cost of financial debt

(€000)	2016	2015	2014	2016/2015 CHANGE	2015/2014 CHANGE
<b>Income from cash and cash equivalents</b>	<b>435</b>	<b>527</b>	<b>664</b>	<b>(92)</b>	<b>(137)</b>
Dividends	2	15	-	(13)	15
Loans to customers	-	-	-	-	-
Regular receivables accounts	433	512	663	(79)	(151)
Trading securities	-	-	-	-	-
Investment securities	-	-	1	-	(1)
<b>Gross cost of financial debt</b>	<b>(7,400)</b>	<b>(9,632)</b>	<b>(11,578)</b>	<b>2,232</b>	<b>1,946</b>
Term loans to customers	-	-	-	-	-
Financial term loans	(5,438)	(6,717)	(7,885)	1,278	1,168
Bonds	-	-	-	-	-
Income and expenses on derivatives	(1,995)	(2,955)	(3,709)	961	753
Subordinated debt expenses	(9)	(8)	(8)	-	-
Income and expenses on current accounts	42	48	24	(7)	25
<b>Total</b>	<b>(6,965)</b>	<b>(9,105)</b>	<b>(10,915)</b>	<b>2,140</b>	<b>1,809</b>

**Note 17 – Income tax**

(€000')	2016	2015	2014	2016/2015 CHANGE	2015/2014 CHANGE
Tax due	(712)	550	(459)	(1,262)	1,009
Change in deferred tax	(573)	(93)	(207)	(480)	114
Exit tax	-	-	(413)	-	413
<b>Total</b>	<b>(1,285)</b>	<b>457</b>	<b>(1,080)</b>	<b>(1,741)</b>	<b>1,537</b>

*Preuve d'impôt 2016*

(€000')	31/12/2016
<b>Consolidated profit (loss) before tax</b>	<b>6,741</b>
Share of income of equity associates	6,408
<b>Net profit (loss) before tax and before results of equity associates</b>	<b>13,149</b>
- SIIC / Sicomi	12,432
- Companies subject to tax	718
<b>Theoretical tax at 33.33% (1)</b>	<b>(239)</b>
Effect of deductions and integrations	529
Impact of permanent differences	357
Charging of tax deficits	(263)
Non-activated tax deficits for the year	(1,144)
Impact of tax credits and flat tax rates	(525)
<b>Total of tax impacts for the year (2)</b>	<b>(1,046)</b>
<b>Tax expenses (1) + (2)</b>	<b>(1,285)</b>
Current taxes	(712)
Deferred taxes	(573)
<b>Tax liabilities recognised</b>	<b>(1,285)</b>

**Note 18 – Earnings per share**

The convertible bonds redeemable in shares (ORA) issued by Affine on 15 October 2003 and 29 June 2005, and the perpetual subordinated loan notes (TSDI) it issued on 13 July 2007 are accounted for as equity. The revenue on these securities is reco-

gnised as dividends, with the Group share of net earnings adjusted for the calculation of the net income (loss) and diluted earnings per share.

(€000')	31/12/2016	31/12/2015	31/12/2014
Net profit – Group share	5,456	440	(10,976)
Cost of TSDI	(1,953)	(2,135)	(2,302)
Cost of ORA 1 & 2 convertible bonds	(226)	(590)	(1,178)
<b>Net profit – Group share adjusted for earnings per share</b>	<b>3,278</b>	<b>(2,285)</b>	<b>(14,456)</b>
Reintegration of the cost of ORA 1 & 2	226	590	1,178
<b>Net profit – Group share adjusted for the diluted earnings per share (after conversion of ORA)</b>	<b>3,504</b>	<b>(1,696)</b>	<b>(13,278)</b>

(€000')	31/12/2016	31/12/2015	31/12/2014
Number of shares outstanding at balance sheet date	10,056,071	10,056,071	9,051,431
Average number of treasury shares*	(20,178)	(593,279)	(28,405)
<b>Average number of shares (excl. Tr. shares)</b>	<b>10,035,893</b>	<b>9,462,792</b>	<b>9,023,026</b>
Average number of new shares for redemption of ORA 1 & 2 **	225,888	806,652	1,230,528
<b>Average number of diluted shares (excl. Tr. shares)</b>	<b>10,261,781</b>	<b>10,269,445</b>	<b>10,253,554</b>
Earnings per share (€)	0.54	0.05	(1.22)
Diluted earnings per share (€)	0.53	0.04	(1.07)
Diluted earnings per share restated for subordinated notes (TSDI)	0.33	(0.24)	(1.60)
Diluted earnings per share restated for subordinated notes (in euros) **	0.34	(0.17)	(1.29)

\* The average number of treasury shares in 2015 includes the capital increase on 31/07/2015.

\*\* The average number of 2015 diluted shares has been corrected for the average number of new shares issued for redemption of ORA.

### 20.1.5.4.3 Disclosure of interests in other entities

The only significant interests held in other entities are those relating to the BANIMMO company.

#### Assets

(€000)	NOTE	31/12/2016	31/12/2015	31/12/2014
<b>Non-current assets</b>				
Investment properties		37,879	65,948	82,283
Property, plant and equipment		335	493	1,892
Intangible assets		58	75	96
Equity interests		6,403	7,520	10,179
Deferred tax assets		255	5,504	5,847
Long-term financial assets		24,422	45,862	67,901
Trade and other receivables		1,628	4,981	2,454
<b>TOTAL NON-CURRENT ASSETS</b>		<b>70,981</b>	<b>130,385</b>	<b>170,653</b>
<b>Current assets</b>				
Inventory		138,613	192,387	148,009
Property - Order in progress		2,569	2,281	964
Short-term financial assets		819	818	820
Trade and other receivables		22,424	20,516	13,635
Current tax receivables		54	652	1,033
Cash and cash equivalents		37,157	3,551	4,631
<b>TOTAL CURRENT ASSETS</b>		<b>201,636</b>	<b>220,205</b>	<b>169,092</b>
<b>TOTAL ASSETS</b>		<b>272,617</b>	<b>350,589</b>	<b>339,744</b>

#### Liabilities

(€000)	NOTE	31/12/2016	31/12/2015	31/12/2014
<b>Equity</b>				
Capital		79,539	106,539	106,539
Consolidated reserves		(21,796)	(33,449)	22
Third-party share		-	-	301
<b>TOTAL EQUITY</b>		<b>57,743</b>	<b>73,090</b>	<b>106,862</b>
<b>Non-current liabilities</b>				
Long-term financial debt		108,213	159,570	179,014
Long-term financial derivatives		6,053	-	-
Trade accounts payable and other liabilities		2,591	4,256	4,328
Long-term provisions		2,751	2,085	1,230
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>119,608</b>	<b>165,911</b>	<b>184,572</b>
<b>Current liabilities</b>				
Short-term financial debt		63,950	86,976	19,786
Short-term provisions		74	76	73
Current tax liabilities		17,437	161	2,453
Short-term derivative financial instruments		33	6,416	7,398
Trade accounts payable and other liabilities		13,772	17,959	18,602
<b>TOTAL CURRENT LIABILITIES</b>		<b>95,266</b>	<b>111,589</b>	<b>48,311</b>
<b>TOTAL LIABILITIES</b>		<b>272,617</b>	<b>350,589</b>	<b>339,744</b>

**Consolidated profit and loss statement**

(€000')	NOTE	31/12/2016	31/12/2015	31/12/2014
Net rental income (revenue)		11,640	11,401	12,954
Income from sale of properties in inventory		132,716	18,731	47,140
Income from orders in progress		-	23,094	-
<b>Income from ordinary activities</b>		<b>144,356</b>	<b>53,226</b>	<b>60,093</b>
Rental charges		(3,444)	(3,283)	(3,955)
Costs and expenses on sales of inventory properties		(72,092)	(17,988)	(38,186)
Costs and expenses on orders in progress		-	(17,502)	98
<b>Expenses on ordinary activities</b>		<b>(75,536)</b>	<b>(38,773)</b>	<b>(42,043)</b>
<b>Operating income from properties</b>		<b>68,820</b>	<b>14,453</b>	<b>18,050</b>
Management fees and commissions		548	1,092	978
Net income (loss) on sales from investment properties		(1,269)	(3,925)	-
Gains (losses) in fair value on investment properties		(386)	(575)	(3,930)
(Increases) and reversals of impairment on inventory properties		(14,713)	(4,000)	(400)
Other operating (expenses)/income		(424)	(16)	(58)
<b>Profit (loss) on properties</b>		<b>52,576</b>	<b>7,029</b>	<b>14,641</b>
<b>Administrative expenses</b>		<b>(9,683)</b>	<b>(9,077)</b>	<b>(8,352)</b>
<b>Operating profit (loss)</b>		<b>42,893</b>	<b>(2,048)</b>	<b>6,289</b>
Financial expenses		(38,729)	(32,486)	(11,570)
Financial income		1,925	1,953	5,668
Share of profit (loss) of associates		(1,122)	(2,035)	(3,869)
Profit (loss) on reclas. of equity interests		-	-	-
Impairment (add/rev) on equity interests		449	-	(4,001)
Net profit (loss) on sales of equity interests		(1)	1,038	-
Provisions for risks and charges on financial assets		109	(109)	-
Gains and losses on realised financial assets		(19)	-	(29)
<b>Profit before tax</b>		<b>5,505</b>	<b>(33,687)</b>	<b>(7,512)</b>
Tax on current profit		(15,665)	922	(2,535)
Deferred taxes		(5,249)	(469)	725
<b>PROFIT (LOSS) FOR THE YEAR</b>		<b>(15,410)</b>	<b>(33,234)</b>	<b>(9,322)</b>

**Tableau des flux de trésorerie consolidés**

(€000)	31/12/2016	31/12/2015	31/12/2014
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Net profit</b>	<b>(15,410)</b>	<b>(33,235)</b>	<b>(9,322)</b>
- Taxes	20,914	(453)	1,810
- (Profits) / losses on sale of investment properties	1,269	3,925	-
- (Profits) / losses on sale of property, plant and equipment	-	398	-
- (Profits) / losses on sales of equity interests	1	(1,038)	-
- (Profits) / losses on sale of financial assets	19	-	29
- (Profits) / losses on sale of inventory properties	(60,624)	(743)	(8,954)
- (Gains) / losses on realisation of order in progress	-	(5,591)	(98)
- (Gains) / losses in fair value on investment properties	386	575	3,930
- (Reversals of) impairment on inventory properties	14,713	4,000	400
- (Reversals of) impairment on receivables	(22)	(113)	(25)
- (Reversals of) impairment on financial assets	(109)	109	-
- Depreciation of property, plant and equipment	162	172	175
- Amortisation of intangible assets	46	54	112
- Straight line recognition of rental income and charges on properties	(133)	(355)	177
- Share of loss (profit) of equity associates	673	2,035	7,869
- (Reversals of) impairment on related-party receivables	26,234	22,382	325
- Interest expenses	8,621	8,294	7,622
- Income from interest and dividends received	(1,925)	(1,953)	(5,668)
- (Gains) / losses in fair value on derivative instruments	2,338	1,766	3,429
<b>NET INCOME (LOSS) BEFORE CHANGES IN WORKING CAPITAL</b>	<b>(2,847)</b>	<b>229</b>	<b>1,811</b>
<b>Changes in working capital:</b>			
Acquisitions of properties in inventory	(13,880)	(31,859)	(20,174)
Investment expenses on inventory properties	(15,763)	(43,531)	(19,878)
Receipts from sales on inventory properties	126,191	16,407	36,642
Investment expenses on orders in progress	(1,122)	(15,414)	(833)
Receipts on orders in progress	-	20,573	375
Trade and other receivables	3,775	(3,908)	(1,967)
Trade accounts payable and other liabilities	(2,219)	(25)	5,425
Provisions	(817)	(692)	(651)
<b>NET CASH FLOWS GENERATED BY (USED IN) OPERATING ACTIVITIES</b>	<b>96,165</b>	<b>(58,449)</b>	<b>(1,061)</b>
Acquisition/sale of derivative financial instruments	-	-	-
Taxes paid	(322)	(1,426)	(6,502)
Taxes received	2,531	438	353
<b>NET CASH FLOWS GENERATED BY (USED IN) OPERATING ACTIVITIES</b>	<b>95,527</b>	<b>(59,208)</b>	<b>(5,399)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment expenses on investment properties	(1,214)	(1,179)	(2,976)
Receipts from sales on investment properties	13,761	14,700	-
Acquisitions of property, plant and equipment	(4)	(91)	(242)
Receipts from sales on property, plant and equipment	-	323	-
Acquisitions of intangible assets	(29)	(34)	(79)
Acquisition of equity interests	-	-	(3,390)
Sale of equity interests	444	2,196	-
Dividends received from financial assets	-	67	2,533
Sales of financial assets	(19)	216	26,961
Loans made to related parties	(4,663)	(1,127)	(11,720)
Repayments of loans made to related parties	25	1,905	-
Interest received on loans made to related parties	186	266	339
Other	-	-	(1)
<b>NET CASH FLOW GENERATED BY (USED IN) INVESTING ACTIVITIES</b>	<b>8,487</b>	<b>17,242</b>	<b>11,425</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net increase (decrease) in the line of credit	(26,218)	8,815	5,245
New borrowings	16,458	43,920	2,035
Loan repayments	(50,190)	(4,571)	(2,463)
Bond issue (net of costs)	-	43,498	5
Bond redemption	-	(40,928)	-
Interest paid	(8,363)	(7,095)	(7,184)
Interest received (paid) on derivative instruments	(2,667)	(2,748)	(2,668)
Other interest received	41	9	9
Dividends paid to shareholders	-	(25)	-
<b>NET CASH GENERATED BY (USED IN) FINANCING ACTIVITIES</b>	<b>(70,939)</b>	<b>40,875</b>	<b>(5,021)</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>33,075</b>	<b>(1,091)</b>	<b>1,005</b>
<b>NET CASH POSITION AT BEGINNING OF PERIOD</b>	<b>1,847</b>	<b>2,938</b>	<b>1,933</b>
<b>NET CASH POSITION AT END OF PERIOD</b>	<b>34,922</b>	<b>1,847</b>	<b>2,938</b>

## 20.1.5.5 Management of financial risk

### 20.1.5.5.1 Fair value of financial assets and liabilities

The fair value of the financial assets and liabilities corresponds to the carrying value.

### 20.1.5.5.2 Nature and scope of risks related to financial instruments

In 2016, the Affine Group maintained a selective policy in terms of the financial strength of its customers, the business sectors in which they operate, their geographic locations, and the quality of the buildings.

Overdue financial assets are always less than 180 days old. Beyond that period, the loan due is written off in full after deduction of any guarantees.

#### 20.1.5.5.2.1 Liquidity risk

Affine monitors its risk primarily with two tools:

- a daily cash statement prepared by the financial department and sent to management;
- a 3-year monthly cash position forecast provided by Management Control to Management; at this time, actual monthly cash and projected cash are reconciled and discrepancies analysed. A cash forecast is submitted to the two Board Meetings convened to approve the financial statements.

The Group's loan agreements contain covenants relating to:

- LTV (Loan To Value);
- ICR (Interest Coverage Ratio);
- DSCR (Debt Service Coverage Ratio)

The vast majority of these covenants apply to buildings. Failure to comply with these ratios constitutes a default event calling for partial or accelerated repayment to restore the ratio to its contractual level.

As at 31 December 2016, there was no compulsory prepayment, in part or in full, of any loan resulting from a failure to comply with the financial ratios to be reported on that date.

#### 20.1.5.5.2.2 Interest rate risk

Affine favours the use of variable-rate debt which represented, before hedges, nearly 98% of its bank debt as at 31 December 2016 (excluding debts related to equity investments and bank overdrafts).

The Group hedges its interest rate risk through market transactions (caps, swaps and tunnels) contracted with leading banking institutions. Thus, during the financial year, Affine subscribed to six swaps with a notional amount of €178,920 K guaranteeing a maximum rate of 1.00%. 54% of the debt is covered by a "corporate" hedge.

Market risk is assessed using the value-at-risk approach, i.e. by estimating the net maximum loss that the portfolio of financial instruments could suffer under normal market conditions.

Interest rates constitute the risk variable both for financial assets and for bank loans, the principal financial liabilities. Debt (excluding finance leases) is entirely hedged.

### Analysis of sensitivity of cash flows for variable-rate instruments

(This analysis does not include the loans taken to finance assets held for sale).

#### At 31/12/2016

SENSITIVITY TO CHANGE IN INTEREST RATE IN THOUSANDS OF EUROS	2017 EXPENSES	2018 EXPENSES	2019 EXPENSES	2020 EXPENSES
Increase of 50 basis points, 2016 projected rate	4,860	4,593	3,860	3,789
Increase of 100 basis points, 2016 projected rate	5,702	5,699	4,761	4,605

#### At 31/12/2015

SENSITIVITY TO CHANGE IN INTEREST RATE IN THOUSANDS OF EUROS	2016 EXPENSES	2017 EXPENSES	2018 EXPENSES	2019 EXPENSES
Increase of 50 basis points, 2015 projected rate	3,602	3,027	2,794	2,616
Increase of 100 basis points, 2015 projected rate	4,416	3,641	3,615	3,270

#### At 31/12/2014

SENSITIVITY TO CHANGE IN INTEREST RATE IN THOUSANDS OF EUROS	2015 EXPENSES	2016 EXPENSES	2017 EXPENSES	2018 EXPENSES
Increase of 50 basis points, 2014 projected rate	4,248	4,089	3,637	3,241
Increase of 100 basis points, 2014 projected rate	5,321	5,358	4,710	4,171

#### 20.1.5.5.2.3 Foreign exchange risk

Because it does not carry out foreign currency transactions, Affine is not exposed to a foreign exchange risk.

#### 20.1.5.5.2.4 Counterparty risk

Affine works to place its cash and subscribe to derivatives only with first-tier banking institutions. As at 31 December 2016, no bank represented more than 22% of the total refinancing debt (excluding equity associates).

## 20.1.5.6 Management of capital risk

Affine's objectives in capital management consist of maintaining the capacity to ensure the growth of its operations in order to provide a return to shareholders while preserving an efficient capital structure to limit the cost of capital.

The objectives for equity are to ensure internal and external growth.

## 20.1.5.7 Commitments and guarantees

### 20.1.5.7.1 Financial commitments and guarantees given

#### 20.1.5.7.1.1 Loans and bank overdrafts

##### • Guarantees

(€000')	BALANCE SHEET	LESS THAN 1 MONTH	FROM 1 TO 3 MONTHS	3 MONTHS TO 1 YEAR	1 YEAR TO 2 YEARS	2 YEARS TO 5 YEARS	OVER 5 YEARS
<b>Non-current debts</b>							
covered by guarantees	140,143	-	-	-	41,878	42,570	55,695
covered by pledges	74,206	-	-	-	4,772	19,228	50,206
neither pledges nor guarantees	-	-	-	-	-	-	-
<b>Sub-totals</b>	<b>214,349</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>46,650</b>	<b>61,798</b>	<b>105,901</b>
<b>Current debt</b>							
secured by guarantees	58,961	39,247	558	1,691	3,978	2,079	11,408
covered by pledges	4,554	-	1,145	3,409	-	-	-
neither pledges nor guarantees	1,403	22	182	1,198	-	-	-
<b>Sub-totals</b>	<b>64,918</b>	<b>39,269</b>	<b>1,886</b>	<b>6,298</b>	<b>3,978</b>	<b>2,079</b>	<b>11,408</b>

These amounts do not include the €5 million bond maturing on 02/10/2018.

The debts are secured by:

- either senior mortgages or by Lender Liens (Privilèges de Prêteur de Denier-PPD) with the banks. The amount indicated represents the outstanding amount still owed on the debts at 31/12/2016;

- or by pledges of shares held by the Associated in the equity of the Borrower (Affine subsidiary) and/or claims given to the banks.

When the loan is simultaneously guaranteed by means of both a guarantee and collateral, the surety is classified as a "guarantee".

##### • Financing commitments

(€000')	31/12/2016	31/12/2015	31/12/2014
Commitments to customers	-	4,400	4,580
<b>Total</b>	<b>-</b>	<b>4,400</b>	<b>4,580</b>

#### 20.1.5.7.1.2 Mandatory minimum payments required under finance leases in which the Group is the lessee

(Note: finance leases are restated to show the net carrying amount of the properties in assets and a loan in liabilities).

(€000')	DEPRECIATION	FEES
Less than 1 year	5,445	6,795
1 to 5 years	18,270	22,650
Over 5 years	59,500	44,369
Total minimum capital payments	65,868	
Amounts representing interest expense	7,945	
Discounted value of minimum lease payments	73,813	73,813

Finance lease contracts, where Affine is lessee, relate to contracts without specific provisions.

### 20.1.5.7.1.3 Mandatory minimum payments under operating leases in which the Group is lessee

(€000)	RENTAL INCOME RENTS	RENTAL INCOME RENTS
Less than 1 year	378	378
1 to 5 years	661	661
Over 5 years	-	-
Total minimum lease payments	1,039	
Indexing	-	
Value of minimum lease payments	1,039	1,039

The operating lease (lessee position) concerns the rents for Affine headquarters.

### 20.1.5.7.2 Commitments and guarantees received

#### 20.1.5.7.2.1 Loans and bank overdrafts

##### • Guarantees

(€000)	31/12/2016	31/12/2015	31/12/2014
Commitments to lending institutions	1,313	1,313	1,313
Commitments to customers	-	-	5,150
<b>Total</b>	<b>1,313</b>	<b>1,313</b>	<b>6,464</b>

##### • Financing commitments

(€000)	31/12/2016	31/12/2015	31/12/2014
Total of lines:	19,000	15,000	15,000
Balance of commitments from lending institutions	19,000	11,131	7,020
Commitments received from customers	-	-	-
<b>Total</b>	<b>19,000</b>	<b>11,131</b>	<b>7,020</b>

#### 20.1.5.7.2.2 Guaranteed minimum revenue under finance lease agreements for which Affine is the lessor

(N.B. finance leases are restated to show a receivable equal to the outstanding amount due on the lease).

(€000)	MINIMUM PAYMENTS	PRESENT VALUE OF MINIMUM PAYMENTS
Less than 1 year	4,084	4,079
1 to 5 years	7,304	7,294
Over 5 years	-	-
Minimum lease payments	11,388	
Amounts representing interest expense	(14)	
Discounted value of minimum lease payments	11,373	11,373
Residual values of minimum lease payments	-	-

Finance lease contracts in which Affine is the lessor relate to contracts without specific provisions; these are general contracts (CBG) signed on or after 1996 that have a residual term of two to three years.

Future minimum receivable subleasing payments for non-cancelable subleasing contracts are included in operating lease commitments as lessor, in the same way as other operating lease contracts.

### 20.1.5.7.2.3 Guaranteed minimum revenues under operating lease agreements for which Affine is the lessor

(€000)	PAYMENTS MINIMUM	CURRENT PAYMENTS MINIMUM PAYMENTS
Less than 1 year	33,024	28,939
1 to 5 years	98,975	92,990
Over 5 years	42,291	39,290
Total minimum lease payments	174,290	
Amounts representing interest expense	(13,072)	
Discounted value of minimum lease payments	161,218	161,218

All holdings are located in France, with the exception of one asset in Spain. Operating lease contracts in France, where Affine is lessor, generally relate to 3/6/9-year commercial leases; only the lessee can terminate the lease at the end of each three-year period by giving six months' notice (as local practise dictates) by registered letter with return receipt. The parties can, however, contractually waive this three-year termination provision by providing for a firm leasing period longer than three years.

Rent is normally paid on a quarterly basis in advance and is indexed annually in its entirety to the INSEE construction cost index (ICC), rents for tertiary activities (ILAT) or commercial rents (ILC). Rent may be stepped or constant and may include exemptions or ceilings; these must, however be determined when the lease is signed and remain applicable for its entire term. The lessee generally bears all charges, property taxes, and office taxes.

In certain cases, the rents include a variable portion, but it remains marginal.

## 20.1.5.8 Employee benefits and compensation

### 20.1.5.8.1 Employees

At 31 December 2016, there were 41 employees, distributed as follows:

- Corporate officers: 2
- Managers: 25
- Employees: 5

### 20.1.5.8.2 Droit Individuel à la Formation

The Individual Training Right (Droit individuel à la formation-DIF) no longer existed in 2016.

It was replaced by a Personnel Training Account on 1 January 2015 pursuant to Law 2014-288 of 5 March 2014 governing professional training, employment and social democracy.

### 20.1.5.8.3 Pensions and other post-employment benefits

Pensions payable through various mandatory pension schemes are managed by external specialist organisations. Contributions due for the financial year were recognised in the income statement in the amount of €355,000 as at 31 December 2016 versus €367,000 as at 31 December 2015.

Pension commitments are provisioned on the basis of the assumption of retirement at age 65 and totalled €487 K at 31 December 2016. The actuarial assumptions used to calculate the provision are as follows:

(€000)	2016	2015	2014
Discount rate:	0.80%	0.96%	2.28%
Turnover rates	9.37% until age 50, 3% after that	8.93% until age 50, 3% after that	9.17% until age 50, 3% after that
Wage rise adjustment coefficient	0.50%	0.86%	1.06%
INSEE TD-TV mortality table	12-14	11-13	10-12

The discount rate corresponds to the most recent average rate of return on bonds issued by private companies.

The calculation of the provision for retirement allowances was performed by ADP, an independent firm.

This provision takes social security charges into consideration.

## 20.1.5.9 Related party disclosures

### 20.1.5.9.1 Executive compensation

(€000)	31/12/2016	31/12/2015	31/12/2014
Short-term benefits	748	748	1,070
Post-employment benefits	71	67	101
Other long-term benefits	6	6	14
Share-based payments	-	-	-
<b>Recognised benefits</b>	<b>825</b>	<b>821</b>	<b>1,186</b>
Severance pay	385	385	385
<b>Benefits not recognised</b>	<b>385</b>	<b>385</b>	<b>385</b>

In 2014: excluding Banimmo.

Executives officers are the persons holding the positions of Chairman & CEO or CEO of the Group's companies.

#### 20.1.5.9.1.1 Compensation of management and administrative bodies

Gross compensation paid to the members of the management and administrative bodies of the companies amounted to €748 K for 2016 and €748 K for 2015.

The other defined benefits of any kind for the members of the management and administrative bodies are:

- Company car: one with a rental cost of €5.52 K in 2016;

- Severance package: a clause providing for the payment of an amount equal to one year's total compensation paid by all Group companies;

- Contributions to pension funds paid during the year: €71 K.

The amount of the directors' fees paid in 2016 to members of the Board was €106 K, versus €105 K in 2015.

### 20.1.5.9.2 Affine transactions with affiliated companies

#### 20.1.5.9.2.1 Loans and advances made to affiliated companies

Loans and advances made to related parties are those made with companies consolidated under the equity method.

(€000)	31/12/2016	31/12/2015	31/12/2014
CAP 88	1,219	1,217	1,048
CONCERTO BUCHERES 3	(1,220)	(1)	3
COPERNIC	(82)	(23)	(237)
MARSEILLE CAPELETTE	1,228	1,226	1,221
NANTERRE	(65)	(104)	60
URBISMART	679	557	-
<b>Total loans made to related parties</b>	<b>1,759</b>	<b>2,872</b>	<b>2,095</b>
CAP 88	2	4	5
CONCERTO BUCHERES 3	16	-	-
COPERNIC	(1)	(3)	(7)
MARSEILLE CAPELETTE	2	5	11
NANTERRE	-	-	-
URBISMART	10	5	-
<b>Total interest income on loans granted</b>	<b>30</b>	<b>11</b>	<b>8</b>

No guarantee was received or given.

#### 20.1.5.9.2.2 Other transactions with affiliated companies

MAB-Finances, in its capacity as Affine's management holding company, signed an agreement with Affine for the provision of administrative, financial and operational development services, for

which an expense of €195 K (a partial amount excluding the fraction included in the compensation for executives) impacts the 2016 accounts, compared with €206 K in 2015.

### 20.1.5.10 Fees of statutory auditors and members of their networks

At 31 December 2016

(€000')	CAILLIAU DEDOUIT ET ASSOCIÉS				KPMG			
	AMOUNT: EXCL. VAT		%		AMOUNT: EXCL. VAT		%	
	2016	2015	2016	2015	2016	2015	2016	2015
<b>Auditing, certification, review of individual and consolidated financial statements</b>								
Issuer	148	140	59%	54%	148	140	94%	93%
Fully consolidated subsidiaries	102	112	41%	43%	-	-	-	-
<b>Other tasks and services directly linked to the audit mission</b>								
Issuer	2	-	0	-	10	10	6%	7%
Fully consolidated subsidiaries	-	9	0%	4%	-	-	-	-
<b>Sub-total</b>	<b>251</b>	<b>261</b>	<b>100%</b>	<b>100%</b>	<b>158</b>	<b>150</b>	<b>100%</b>	<b>100%</b>
<b>Other services rendered by the networks to fully-consolidated subsidiaries</b>								
Legal, tax, social	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
<b>Sub-total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL</b>	<b>251</b>	<b>261</b>	<b>100%</b>	<b>100%</b>	<b>158</b>	<b>150</b>	<b>100%</b>	<b>100%</b>

At 31 December 2015

(€000')	CAILLIAU DEDOUIT ET ASSOCIÉS				KPMG			
	AMOUNT: EXCL. VAT		%		AMOUNT: EXCL. VAT		%	
	2015	2014	2015	2014	2015	2014	2015	2014
<b>Auditing, certification, review of individual and consolidated financial statements</b>								
Issuer	140	153	54%	49%	140	153	93%	94%
Fully consolidated subsidiaries	112	136	43%	44%	-	-	-	-
<b>Other tasks and services directly linked to the audit mission</b>								
Issuer	-	-	-	-	10	10	7%	6%
Fully consolidated subsidiaries	9	22	4%	7%	-	-	-	-
<b>Sub-total</b>	<b>261</b>	<b>311</b>	<b>100%</b>	<b>100%</b>	<b>150</b>	<b>163</b>	<b>100%</b>	<b>100%</b>
<b>Other services rendered by the networks to fully-consolidated subsidiaries</b>								
Legal, tax, social	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
<b>Sub-total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL</b>	<b>(261)</b>	<b>311</b>	<b>100%</b>	<b>100%</b>	<b>150</b>	<b>163</b>	<b>100%</b>	<b>100%</b>

### 20.1.5.11 Post-reporting period events

None.

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## 20.2 Pro-forma consolidated statements

There is no pro-forma consolidated financial statements.

# Statutory Auditors' report on the annual financial statements

Year ended 31 December 2016

Dear Shareholders,

In the performance of the mission entrusted to us by your General Shareholders' Meetings, we hereby submit to you our report on the financial year ended 31 December 2016:

- the audit of the annual financial statements of Affine R.E., as they are attached to this report;
- the justification of our assessments;
- the specific verifications and information required by law.

The annual financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements on the basis of our audit.

## 1 OPINION ON THE ANNUAL FINANCIAL STATEMENTS

We conducted our audit in accordance with the professional standards applicable in France. Those standards require that we plan and perform the audit so as to obtain reasonable assurance that the annual financial statements are free of material misstatement. An audit involves examining, on a test basis and with other selection methods, the evidence supporting the amounts and disclosures shown in the annual financial statements. An audit also involves an assessment of the accounting policies followed, the significant estimates used and the overall presentation of the financial statements. We believe that the evidence we have collected is sufficient and appropriate to provide a basis for our opinion.

We hereby certify that, in accordance with French accounting rules and standards, the annual financial statements give a true and fair view of the results of the transactions performed in the last financial year, and of the company's financial position and assets at the end of that financial year.

## 2 JUSTIFICATION OF OUR ASSESSMENTS

Pursuant to Article L.823-9 of the French Commercial Code governing the justification of our assessments, we bring the following items to your attention:

Note 6.3 to the financial statements, "Measurement policy for major items" describes the accounting policies and methods used for the valuation of equity investments (section 6.3.3) and of the property portfolio (section 6.3.2), as well as the impairment conditions (sections 6.3.3 and 6.3.5).

Our work consisted of verifying the appropriate nature of the aforementioned accounting policies and in ensuring that they were applied correctly, analysing the inventory values used taking into account, in particular, the recoverable value of the buildings owned directly or via subsidiaries, on the basis of reports from independent appraisers, and in verifying that the notes to the financial statements provide the appropriate information.

These assessments were performed as part of our audit of the annual financial statements, taken as a whole, and therefore contributed to our opinion as expressed in the first part of this report.

## 3 SPECIFIC VERIFICATIONS AND INFORMATION

We also performed the specific verifications required by French law, in accordance with the professional standards applicable in France.

We have no observation to make on the accuracy of the information and consistency with the annual statements of the information provided in the Board of Directors' Management Report and in the documents sent to shareholders on the financial position and the annual financial statements.

As regards the information provided pursuant to Article L.225-102-1 of the French Commercial Code relating to the remuneration and benefits paid to corporate officers and the commitments made to them, we verified their consistency with the financial statements or with the data used to prepare these financial statements and, where appropriate, with the information gathered by your company from companies that control it or are controlled by your company. On the basis of this work, we certify the accuracy and fair presentation of this information.

In accordance with French law, we have verified that the other information concerning the acquisition of controlling and other interests, and the identity of the equity holders has been properly disclosed in the Management Report.

Paris La Défense, 30 March 2017

**KPMG Audit FS I**

Isabelle Goalec  
*Partner*

Paris, 30 March 2017

**Cailliau Dedouit et Associés**

Rémi Savourmin  
*Partner*

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### 20.3.1 BALANCE SHEET ASSETS

(€000')	NOTES	31/12/2016		31/12/2015	
		GROSS	DEPREC., AMORT. AND IMPAIRMENT	NET	NET
Subscribed share capital not called					
<b>CAPITALISED ASSETS</b>					
<b>Intangible assets</b>	<b>1</b>	<b>4,945</b>	<b>(1,724)</b>	<b>3,221</b>	<b>12,657</b>
Concessions, patents, licences, software		624	(394)	230	414
Goodwill		3,082	(316)	2,766	3,082
Other intangible assets		1,240	(1,014)	226	9,161
<b>Property, plant and equipment</b>		<b>311,805</b>	<b>(107,250)</b>	<b>204,554</b>	<b>225,103</b>
Land	<b>1</b>	53,763		53,763	57,967
Buildings		256,139	(107,237)	148,902	156,164
Other property, plant and equipment		187	(14)	174	135
Property, plant & equipment under construction		1,716		1,716	10,836
<b>Non-current financial assets</b>		<b>138,765</b>	<b>(72,216)</b>	<b>66,549</b>	<b>103,196</b>
Equity investments	<b>2</b>	136,576	(72,216)	64,360	100,801
Other non-current securities		1		1	1
Other non-current financial assets	<b>3</b>	2,189		2,189	2,394
		<b>455,516</b>	<b>(181,191)</b>	<b>274,325</b>	<b>340,955</b>
<b>CURRENT ASSETS</b>					
Inventories and work-in-progress					
Advances and deposits on orders					
<b>Receivables</b>		<b>83,875</b>	<b>(6,311)</b>	<b>77,565</b>	<b>75,591</b>
Trade and other accounts receivable	<b>4</b>	4,382	(1,293)	3,089	2,867
Other receivables		79,493	(5,018)	74,475	72,724
<b>Marketable securities</b>		<b>395</b>	<b>(6)</b>	<b>389</b>	<b>268</b>
Treasury shares	<b>5</b>	395	(6)	389	268
<b>Cash on hand</b>		<b>1,826</b>	<b>-</b>	<b>1,826</b>	<b>5,123</b>
<b>Prepaid expenses</b>	<b>6</b>	<b>1,994</b>	<b>-</b>	<b>1,994</b>	<b>1,007</b>
		<b>88,090</b>	<b>(6,317)</b>	<b>81,773</b>	<b>81,989</b>
<b>Expenses deferred over several years</b>	<b>7</b>	<b>2,271</b>	<b>-</b>	<b>2,271</b>	<b>2,200</b>
<b>GRAND TOTAL</b>		<b>545,877</b>	<b>(187,508)</b>	<b>358,369</b>	<b>425,144</b>

## 20.3.2 BALANCE SHEET LIABILITIES

(€000')	NOTES	NET	31/12/2015 NET
<b>EQUITY</b>			
Share capital (including 59,500 paid)		59,500	59,500
Issue, merger and share premiums		51,629	51,629
Revaluation differences		1,095	2,759
Legal reserve		4,806	4,806
Other reserves		24,616	33,008
Retained earnings		(43,703)	(47,952)
Profit or loss for the year		(42,916)	4,232
Regulated provisions		4,813	5,462
	<b>8</b>	<b>59,841</b>	<b>113,444</b>
<b>OTHER EQUITY</b>			
Other equity		79,058	79,101
	<b>8</b>	<b>79,058</b>	<b>79,101</b>
<b>PROVISIONS</b>			
Provisions for risks			
Provisions for charges		1,573	3,566
	<b>8</b>	<b>1,573</b>	<b>3,566</b>
<b>DEBTS</b>			
Other bonds		5,071	5,000
Borrowings and debt from lending institutions		161,888	176,629
Borrowings and financial debt		28,605	27,175
Advances and amounts received on orders in progress		491	479
Trade and related payables		2,187	2,077
Tax and social charges		4,856	1,914
Liabilities on non-current assets and related accounts		262	48
Other debts		13,287	14,687
Deferred income	<b>10</b>	1,250	1,023
	<b>9</b>	<b>217,897</b>	<b>229,032</b>
Translation adjustment liabilities			
<b>GRAND TOTAL</b>		<b>358,369</b>	<b>425,144</b>

### 20.3.3 INCOME STATEMENT

(€000')	NOTES	FRANCE	31/12/2016 EXPORTS	TOTAL	31/12/2015 TOTAL
<b>Operating income</b>					
Production sold (services)		35,362		35,362	40,352
<b>Net revenues</b>	<b>11</b>	<b>35,362</b>		<b>35,362</b>	<b>40,352</b>
Prior period adjustments and transfers of expenditures				3,889	3,053
Other income				562	125
				<b>39,813</b>	<b>43,530</b>
<b>Operating expenses</b>					
Other purchases and external expenses				(12,709)	(12,374)
Taxes and related expenses				(4,947)	(5,755)
Salaries				(3,115)	(2,601)
Social security charges				(1,529)	(1,400)
Amortisation, impairment and provisions					
- Amortisation on non-current assets				(12,495)	(13,613)
- Impairment of non-current assets				(3,485)	(3,920)
- Impairment of current assets				(709)	(664)
- Provisions for risks and charges				(183)	(243)
Other expenses				(842)	(1,109)
	<b>12</b>			<b>(40,016)</b>	<b>(41,679)</b>
<b>OPERATING INCOME (LOSS)</b>				<b>(203)</b>	<b>1,851</b>
<b>Share in profit or loss on joint operations</b>	<b>13</b>			<b>795</b>	<b>874</b>
Profit allocated or loss transferred				3,830	4,134
Loss accrued or profit transferred				(3,034)	(3,259)
<b>Financial income</b>					
Equity investments				1,043	1,062
Other investment securities and receivables from capitalised assets				27	33
Other interest and similar income				587	3,961
Reversals on impairment, provisions and transfer of charges				858	1,297
Net income from disposals of marketable securities				14	41
				<b>2,529</b>	<b>6,393</b>
<b>Financial expenses</b>					
Amortisation, impairment and provisions				(37,736)	(9,088)
Interest and similar expenses				(7,077)	(9,263)
Net charges on disposals of marketable securities				(23)	-
				<b>(44,836)</b>	<b>(18,351)</b>
<b>FINANCIAL INCOME</b>	<b>14</b>			<b>(42,307)</b>	<b>(11,959)</b>
<b>PRE-TAX CURRENT PROFIT</b>				<b>(41,715)</b>	<b>(9,233)</b>
<b>Extraordinary income</b>					
On management transactions				(222)	552
On capital transactions				17,350	64,365
Reversals on impairment, provisions and transfers of charges				2,461	4,312
				<b>19,589</b>	<b>69,229</b>
<b>Extraordinary expenses</b>					
On management transactions				(48)	(24)
On capital transactions				(19,609)	(55,405)
Amortisation, impairment and provisions				(608)	(870)
				<b>(20,266)</b>	<b>(56,299)</b>
<b>EXTRAORDINARY INCOME</b>	<b>15</b>			<b>(677)</b>	<b>12,930</b>
Income tax	<b>16</b>			(524)	536
<b>Total income</b>				<b>65,760</b>	<b>123,285</b>
<b>Total expenses</b>				<b>(108,676)</b>	<b>(119,053)</b>
<b>PROFIT OR LOSS</b>				<b>(42,916)</b>	<b>4,232</b>

## 20.3.4 STATEMENT OF CASH FLOWS

(€000)	31/12/2016	31/12/2015	31/12/2014
<b>I – TRANSACTIONS RELATED TO OPERATING ACTIVITIES</b>			
<b>Company net income (loss)</b>	<b>(42,916)</b>	<b>4,232</b>	<b>4,706</b>
Depreciation, amortisation and provisions, net	45,521	7,614	15,985
Unrealised gains and losses from changes in fair value			
Other calculated income and expenses (including discounting)	(828)	9,315	73
Capital gains or losses on disposals of assets	3,063	(8,960)	(6,730)
- net carrying value of non-current assets sold	20,080	55,201	19,038
- income from disposals of non-current assets	(17,018)	(64,161)	(25,767)
Dividends and returns from income of non-consolidated companies	(795)	(876)	(986)
<b>Cash flow after cost of net debt and tax</b>	<b>4,045</b>	<b>11,326</b>	<b>13,048</b>
Net cost of financial debt	5,449	4,222	9,170
Income tax	524	(536)	556
<b>Cash flow before cost of net debt and tax</b>	<b>10,018</b>	<b>15,012</b>	<b>22,774</b>
Taxes paid	(114)	(100)	(1,180)
Change in trade receivables and other accounts	1,897	842	(1,066)
Change in trade and other payables	(2,463)	(2,055)	961
Other changes in working capital requirement related to operating activities	(936)	(3,149)	19,208
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>8,402</b>	<b>10,550</b>	<b>40,698</b>
<b>II – INVESTMENT TRANSACTIONS</b>			
Finance leases	0	6,504	0
- Cash paid for acquisitions			
- Cash received on disposals	0	6,504	0
Investment properties	14,145	41,329	9,941
- Cash paid for acquisitions	(2,671)	(13,994)	(11,068)
- Cash received on disposals	16,816	55,323	21,010
Cash paid for acquisitions of intangible assets and property, plant and equipment	(312)	(5)	(44)
Cash received on disposals of intangible assets and property, plant and equipment	0	3	12
Cash paid for acquisitions of financial assets		(2)	
Cash received on disposals of financial assets			
Consolidated securities	(204)	(934)	(6,090)
- Cash paid for acquisitions	(208)	(1,065)	(6,090)
- Cash received on disposals	4	7	0
- Impact of changes in consolidation		124	
Dividends received	2,197		
Change in loans and advances made	(172)	(192)	(210)
Other cash flows related to investing activities			
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>15,655</b>	<b>46,703</b>	<b>3,609</b>
<b>III – FINANCING TRANSACTIONS</b>			
Amounts received from shareholders in capital increases			
Purchases and sales of treasury shares	(136)	17	201
Dividends paid during the year	(6,850)	(9,044)	(8,114)
Change in minority interests without loss of control			
Income/loss on hybrid instruments	(2,179)	(2,725)	(3,479)
Change in guarantee deposits paid and received	(296)	(5,126)	376
Issues or subscriptions of loans and borrowings	39,724	25,580	23,627
Repayments of loans and borrowings	(50,605)	(63,798)	(41,442)
Cost of net financial debt: interest paid	(4,890)	(6,550)	(7,735)
Other cash flows related to financing activities	1,619	5,053	2,044
<b>NET CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>(23,612)</b>	<b>(56,593)</b>	<b>(34,523)</b>
<b>NET CHANGE IN CASH (I+II+III)</b>	<b>445</b>	<b>661</b>	<b>9,784</b>
<b>Impact of foreign currency transactions</b>			
<b>Cash and cash equivalents at beginning of period</b>	<b>598</b>	<b>(63)</b>	<b>(9,847)</b>
<b>Cash and cash equivalents at end of period</b>	<b>1,043</b>	<b>598</b>	<b>(63)</b>
<b>NET CHANGE IN CASH</b>	<b>445</b>	<b>661</b>	<b>9,784</b>

## Cash and cash equivalents

(€000)	31/12/2016	31/12/2015	31/12/2014
Savings banks, central bank, postal bank	1	1	1
Liquid bank assets	1,466	4,327	1,447
Liquid bank assets in other assets	360	796	778
Marketable securities			
<b>Sub-total (1)</b>	<b>1,826</b>	<b>5,123</b>	<b>2,226</b>
Bank overdrafts	(784)	(4,525)	(2,289)
Bank overdrafts in other liabilities			
- Credit line			
<b>Sub-total (2)</b>	<b>(784)</b>	<b>(4,525)</b>	<b>(2,289)</b>
<b>TOTAL (1) + (2)</b>	<b>1,043</b>	<b>598</b>	<b>(63)</b>

### 20.3.5 CORPORATE INFORMATION

On 28 February 2017, the Board of Directors of Affine RE approved the financial statements for the year ended 31 December 2016 and authorised publication.

Affine adopted the tax treatment for French traded real estate investment companies (Sociétés d'Investissements Immobiliers Cotées – "SIIC") in 2003. On 15 September 2016, the Board of Directors decided to move the corporate offices to 39, rue Washington, Paris 8<sup>th</sup>.

### 20.3.6 NOTES TO THE ANNUAL FINANCIAL STATEMENTS

#### 20.3.6.1 Accounting principles and policies

Affine RE is the parent company of the consolidated Affine Group. The financial statements are prepared in compliance with the provisions of French law and in accordance with generally accepted French accounting principles (PCG [General Accounting Plan], Art. 531-1§ 1).

The general accounting conventions have been applied, in compliance with the principle of prudence, according to the following basic principles:

- Going concern principle.
- Consistency of accounting standards and practices from one financial year to the next.
- Separation of accounting periods.

And pursuant to the rules governing the preparation and presentation of annual financial statements set out in the Law of 30 April 1983 and the implementing decree of 29 November 1983.

The basic method applied for measuring items recorded in the accounts is the historical cost method, except for the accounting consequences of opting for SIIC status (free revaluation). Non-current assets have been recognised on a component basis since 1 January 2005.

The financial statements are presented in thousands of euros.

#### 20.3.6.2 Comparability of the financial statements

The accounting principles and methods of calculation adopted in the financial statements for the financial year are identical to those used in the financial statements for the previous year.

#### 20.3.6.3 Measurement policy for major items

##### 20.3.6.3.1 Intangible assets

The intangible assets item mostly comprises:

- Goodwill.
- The value of the leases under which Affine is the lessee.
- The beneficial ownership on an asset sold in 2015.
- And computer software programs.

### 20.3.6.3.1.1 Business: description of the finance lease agreements

Since 1 January 2016, pursuant to Regulation 2015-06, the lease right is amortised under the same rules and conditions as the assets to which it is assigned.

ITEMS	LAND	BUILDINGS	PLANT & EQUIPMENT OTHERS MACHINERY TOOLS	TOTAL	TOTAL
Initial value		29,265			29,265
Depreciation:					
- Prior years (aggregates)		6,236			6,236
- Allowances for the period		1,031			1,031
<b>TOTAL</b>		<b>21,998</b>			<b>21,998</b>
<b>FEES PAID:</b>					
- prior years (aggregates)		12,529			12,529
- Additions for the year		2,136			2,136
<b>OUTSTANDING FEES PAYABLE:</b>					
- within one year		1,811			1,811
- between one and five years		5,882			5,882
- more than five years		2,778			2,778
<b>TOTAL</b>		<b>10,471</b>			<b>10,471</b>
<b>RESIDUAL VALUE</b>					
- within one year		1,000			1,000
- between one and five years		-			-
- more than five years		5,000			5,000
<b>TOTAL</b>		<b>6,000</b>			<b>6,000</b>

### 20.3.6.3.1.2 Beneficial ownership and intended use

#### Beneficial ownership

In 2015, Affine sold an asset for which the terms of payment of the sale price are deferred over two years: €5,000 K on 15/07/2015 and €4,900 K in May 2017. Affine receives rent payments until May 2017; this represents an intangible asset for a gross amount of €1,176 K corresponding to the total of outstanding rent to be received on that date. This sum is amortised every quarter for the amount of rent received.

At 31/12/2016, the net amount was €162 K.

#### Intended use

On 11/03/2016, an agreement for change of intended use was signed by Paris Habitat (Assignor) and Affine RE (Assignee). Affine wants to convert these residential premises into commercial premises with a total surface area of 144.80 m<sup>2</sup>.

The property undergoing a change in use desired by AFFINE is located on the ground floor (34 m<sup>2</sup>) and on the 2<sup>nd</sup> floor (110.80 m<sup>2</sup>), and Affine is simultaneously planning to offset this change by converting commercial premises (2<sup>nd</sup> and 5<sup>th</sup> floor with 151.20 m<sup>2</sup>) into residential use. When the transformation has been completely finished, the intangible asset will be transferred to property, plant and equipment.

As at 31/12/2016, this sum amounted to €64 K.

### 20.3.6.3.2 Property, plant and equipment

#### 20.3.6.3.2.1 Buildings rented under a finance lease

##### 20.3.6.3.2.1.1 Gross value

The gross value of properties includes the cost of the land and buildings as well as acquisition costs.

#### 20.3.6.3.2.1.2 Depreciation

Finance-leased buildings acquired prior to 1 January 2000 are depreciated on a straight-line basis over a maximum period of 40 years. Acquisition costs are depreciated on a straight-line basis over a maximum period of five years, and prorated if necessary.

Finance-leased buildings acquired since 1 January 2000 are depreciated according to the financial method corresponding to the financial depreciation of the finance lease agreement, with the acquisition costs depreciated first.

##### 20.3.6.3.2.1.3 Article 64 provision

An Article 64 provision is recognised for finance-leased buildings in the Sicomi segment pre-dating 1 January 1996, provided that the financial amortisation of the lease exceeds the accounting amortisation. This provision totalled €542 K at 31 December 2016.

##### 20.3.6.3.2.1.4 Article 57 provision (new Finance Lease rules)

Leases signed on or after 1 January 1996, are subject to the new finance lease legislation.

Article 57 provisions are recognised for buildings once the financial amortisation exceeds the accounting amortisation.

Furthermore, this provision is also recognised for buildings replaced under a finance lease agreement governed by these rules, once the net carrying value of the building on the renegotiation date exceeds the financial value of the lease. No provision was recognised at 31 December 2016.

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**20.3.6.3.2.2 Buildings under finance lease categorised as temporarily not leased**

Buildings whose finance lease agreements have been legally terminated are transferred into the "buildings temporarily not leased" category if the finance lessees are billed in the form of occupancy allowances; otherwise, they are transferred to the "investment property" category.

The Article 64 or 57 provisions pertaining to these buildings are then reversed, the existing provisions for impairment are transferred and new provisions can be accrued if necessary. A new depreciation plan is calculated by depreciating the net carrying amount on the transfer date on a straight-line basis over the outstanding period. As

at 31 December 2016, the company had no buildings categorised temporarily as not leased.

**20.3.6.3.2.3 Investment properties**

**20.3.6.3.2.3.1 Gross value**

The gross value of properties includes the cost of land and buildings as well as acquisition costs and technical losses.

**• Depreciation and impairment conditions**

Since 1 January 2016, pursuant to Regulation 2015-06, the merger technical loss has been amortised under the same rules and conditions as the assets to which it is assigned.

(€000)	AT 31/12/2016
Nantes Picherit	51
Bercy	89
Auber	18
Enghien	1
<b>TOTAL TECHNICAL LOSS AMORTISATION</b>	<b>159</b>

**20.3.6.3.2.3.2 Depreciation**

Since 1 January 2005, Affine has depreciated buildings on a component basis. The gross value of new properties is analysed in four components according to the type of construction as follows:

	OFFICES		INDUSTRIAL PREMISES		OTHERS	
	COMPONENT-BASED ALLOCATION	DEPRECIATION PERIOD	COMPONENT-BASED ALLOCATION	DEPRECIATION PERIOD	COMPONENT-BASED ALLOCATION	DEPRECIATION PERIOD
Structural works	50.00%	60 years	60.00%	30 years	40.00%	50 years
Roofing, façades and waterproofing	17.50%	30 years	10.00%	30 years	20.00%	25 years
General technical facilities	22.50%	20 years	25.00%	20 years	25.00%	20 years
Fixtures and fittings	10.00%	15 years	5.00%	10 years	15.00%	15 years

Acquisition costs are integrated in the components on a prorated basis.

The depreciation percentages and periods used are derived from reviews by professional representative bodies, whose findings have been adapted to Affine's portfolio.

**20.3.6.3.2.4 Other property, plant and equipment**

Tangible assets mainly comprise moveable equipment and computer software, depreciated over a period of three to ten years.

These fixed assets are depreciated on a straight-line basis.

**20.3.6.3.3 Non-current financial assets**

**20.3.6.3.3.1 Equity investments**

The gross value of securities corresponds to their net carrying amount as at 1 January 2003, which served as the basis for the revaluation that followed the move to the SIIC regime.

The net asset value of equity investments is calculated on the basis of the share of the net position corrected for unrealised gains on intangible and tangible items, profitability and future outlook and, for listed companies, the NAV or the share price.

For financial year 2016, the shares in the Banimmo company were valued on the basis of the book net asset value of the company at 31 December 2016 in order to ensure consistency with the "equity associates" asset value in the consolidated financial statements. The Net Asset Value used in the financial statements for previous years, would provide a higher valuation, but depends on the fair value mea-

surement of most of the buildings held in inventory (IAS2). Finally, given the narrow market for the security, the market price is not a relevant valuation for the Banimmo company.

In the case of subsidiaries with a low-capital service activity, or in the absence of the most recent financial statements, net asset value is measured according to the earnings outlook and/or the returns obtained.

The equity investments category includes securities held for the long term because of their utility to the company's business, specifically because they allow it to exert influence over or retain control of the company issuing those securities.

Pursuant to the Emergency Committee of the CNC (French national accounting committee) no. 2005-J of 6 December 2005, the fees linked to the acquisition of investment securities are incorporated into the cost price of these securities. Acquisition costs include transfer costs, professional fees, commissions and legal fees linked to the acquisition. These costs are amortised over five years from the securities' acquisition date.

**20.3.6.3.3.2 Autres immobilisations financières**

Il s'agit d'une part de tous les comptes de garanties accordées aux banques pour les refinancements et d'autre part des prêts pour l'activité d'immobiliers de placement (fonds de roulement, dépôt de garantie...).

#### 20.3.6.3.4 Other long-term financial assets

Receivables are valued at their face value. For both the finance lease business and the investment property business, once a receivable has been overdue for over six months at the end of the financial year, it is transferred to the "doubtful receivables" account. The same applies when a counterparty's situation leads to the conclusion that there is a risk (receivership, major financial difficulties, etc.).

The analysis of outstanding receivables according to these criteria is explained in the details of doubtful receivables in Note 6.3.5.3. No discount effect has an impact on the amount of impairment for doubtful finance lease receivables.

#### 20.3.6.3.5.2 Impairment of investment properties

At 31 December 2016, Affine held 28 investment buildings:

- 17 of them were appraised by three expert firms: BNP Real Estate, Crédit Foncier Expertise and CBRE Evaluation;

(€000')	VALUES USED BY MANAGEMENT	EXTERNAL APPRAISALS	VARIANCE
Crédit Foncier Expertise,	143,759	143,940	(181)
CBRE	70,430	70,430	-
BNP Real Estate	28,170	28,170	-
<b>Investment properties at 31/12/2016</b>	<b>242,359</b>	<b>242,540</b>	<b>(181)</b>

- Five were valued on the basis of commitments, offers or mandates:

(€000')	VALUES USED BY MANAGEMENT	EXTERNAL APPRAISALS	VARIANCE
Offer	10,200	13,340	(3,140)
Commitment	5,000	5,000	-
Mandate	14,510	14,510	-
<b>Investment properties at 31/12/2016</b>	<b>29,710</b>	<b>32,850</b>	<b>(3,140)</b>

- Six were valued internally:

(€000')	VALUES USED BY MANAGEMENT	EXTERNAL APPRAISALS	VARIANCE
Internal	39,640	42,241	(2,601)
<b>Investment properties at 31/12/2016</b>	<b>39,640</b>	<b>42,241</b>	<b>(2,601)</b>

Affine compares the fair values to the net carrying amounts and recognises the asset as impaired if the fair value is lower than the net carrying amount at the end of the financial year.

Total impairment amounted to €14,346 K at 31 December 2016 compared with €11,828 K at 31 December 2015 and concerned six assets.

#### 20.3.6.3.5.3 Impairment for doubtful receivables

Impairment of these receivables is determined on a contract by contract basis, taking the existing guarantees into account.

For free finance lease transactions, the non-matured portion of the receivable thus written down – which is included under "other trade credit" – is also written down, determined under the same conditions.

#### 20.3.6.3.5 Capitalised assets written down for impairment

##### 20.3.6.3.5.1 Impairment of finance-leased buildings

The difference, if lower, between the net carrying amount of a re-leased building and its financial value is written down for asset impairment. At 31 December 2016, no impairment was recognised.

Buildings for which the finance lessees are facing problems may also be impaired. At 31 December 2016, no impairment was recognised.

Termination charges are booked, in case of a breach of finance lease agreement, under "doubtful receivables in finance lease transactions". Impairment is normally recognised for 100% of their amount excluding taxes, subject to the deduction of guarantees received. No amount had been booked as at 31 December 2016.

##### 20.3.6.3.5.4 Impairment of other receivables

As the net positions of certain companies held by Affine show losses, Affine recognises its shareholder current accounts as partially impaired (after fully writing down all the shares it holds).

### 20.3.6.3.6 Marketable securities

Investment securities include treasury shares and securities that do not represent a corporate equity share held for the purpose of achieving short-term profits.

The gross value comprises the purchase cost excluding related expenses. If the net asset value, comprising the average share price recorded in the last month of the reporting period, is less than the gross value, the value is written down to reflect the difference.

	31/12/2015	ACQUISITIONS/ ADDITIONS	DISPOSALS/ REVERSALS	CANCELLATION OF SHARES	31/12/2016
Number of shares	16,933	50,791	40,717		27,007
Net impairment (in thousands of euros)	-	(6)	-		(6)

### 20.3.6.3.7 Equity and other equity

#### 20.3.6.3.7.1 Convertible bonds (ORA)

Affine issued 2,000 convertible bonds (ORA) with a nominal value of €10,000 on 15 October 2003, for a term of 20 years, redeemable at maturity at the original issue price of €50 per share (200 shares per ORA), adjusted for the potential diluting effects of financial transactions on the share capital.

After a bonus issue of 4% of shares to shareholders on 23 November 2005, this ratio was raised to 208 shares per bond.

The Affine General Shareholders' Meeting held on 26 April 2007 decided to divide the number of Affine shares by three by issuing three new shares for every old share with effect from 2 July 2, 2007. Accordingly, the exchange ratio has been raised to 624 shares per ORA.

On 28 July 2015, the Board of Directors approved the conversion of 1,610 ORA issued in 2003 into 1,004,640 new shares; this conversion was made on 31 July 2015. As at 31/12/2016, 362 ORA are still outstanding.

#### Annual interest

The coupon, based on the amount of the dividend distributed by the Company, is paid out as follows:

- an interim dividend on 15 November corresponding to a fixed interim payment of €0.518 per underlying share multiplied by the exchange ratio (that is, €323.23 per bond at this time);
- the remainder on the day that the dividend is paid.

#### Early redemption at the Company's discretion

From 15/10/2008, the Company may convert all or some of the BRS to shares if the average share closing price over 40 consecutive trading sessions exceeds the adjusted issue price.

Since 15 October 2013, the Company has been able to redeem all or some of the convertible bonds in cash by giving prior notice of 30 calendar days, at a price that guarantees the initial subscriber, on the effective redemption date, after taking into account coupons paid in previous years and the interest payable for the period between the last interest payment date prior to the early redemption date and the effective redemption date, a gross actuarial return of 11%.

#### Early redemption at the holder's discretion

As from 15 October 2013, the ORA holders have had the right to request, at any time, excluding the period from 15 November to 31 December inclusive in any year, the redemption of all or some of their convertible bonds at the redemption ratio, which is currently 624 shares (after adjustment) per bond.

**20.3.6.3.7.2 Perpetual subordinated notes (TSDI)** Le 13 juillet On 13 July 2007, Affine issued €75 million of perpetual subordinated notes (TSDI) represented by 1,500 TSDI, each with a nominal value of €50,000. The issue was placed with foreign investors, and the notes are listed on the Marché Réglementé (regulated market) of the Luxembourg stock exchange.

#### Term of the TSDI

The TSDI are issued for an unlimited term.

#### Redemption procedures

The TSDI may be called in their entirety (and not in part) at the discretion of the Issuer, for their nominal value plus unpaid accrued interest (including deferred interest), on any interest payment date with effect from 13 July 2017.

#### Form of the TSDI

No paper document providing proof of ownership of the TSDI has been issued. The TSDI are bearer securities and are recorded in the books of Euroclear France which will credit the accounts of the account holders.

#### Ranking of the TSDI

The TSDI and related interest represent ordinary subordinated bonds, which are direct, unconditional, unsecured and issued for an unlimited term by Affine. They have the same ranking, without priority between them or vis-à-vis other existing or future ordinary subordinated bonds. They rank above all equity securities issued by Affine, participating loans granted by Affine and lowest ranking subordinated bonds and they rank below existing or future unsecured subordinated bonds. In the event of Affine's liquidation, the PSL will be redeemed at a price equal to their nominal value and redemption will occur only after payment of all preferred or unsecured creditors, but before redemption of the lowest ranking subordinated bonds, equity securities and investment loans made to Affine.

#### Annual interest

Each TSDI will bear interest as from the date of issue on its nominal value on the basis of a variable quarterly interest rate equal to the 3-month Euribor plus a margin of 2.80% per annum, payable quarterly when due on

13 July, 13 October, 13 January and 13 April every year and for the first time on 13 October 2007. The margin is 2.80% per annum from 13 July 2007 inclusive until the first early redemption date (excluded) and then at 3.80% per annum.

If the Ordinary General Shareholders' Meeting:

- establishes, before an interest payment date, that there are no distributable earnings;
- or establishes that there are distributable earnings, but has not made or approved a dividend in any form, nor effected a payment in respect of any share class with the exception of a dividend required by the law applicable to the issuer owing to its status as a listed property investment trust ("SIIC") and former SICOMI.

Affine may defer the payment of interest, and the interest thus deferred will accrue interest to the next date on which interest is paid.

### 20.3.6.3.8 Borrowing costs deferral method

In 2002, Affine adopted the preferred method of deferring borrowing costs.

Borrowing costs (arrangement fees, professional fees and related costs) are therefore depreciated over the term of the underlying loan according to loan depreciation methods.

### 20.3.6.3.9 Forward financial instruments

All transactions carried out by the Group on forward financial instruments are over-the-counter transactions that are reported under off-balance sheet commitments. They are carried out as hedges for refinancing transactions since the Company does not carry out speculative transactions. These contracts, entered into in connection with comprehensive management of the Company's refinancing and its interest rate risk, are considered as macro-hedging instruments.

At each reporting date, all these instruments are valued by the credit institutions.

#### 20.3.6.3.9.1 Caps and Tunnels

Premiums paid are recorded in a suspense account when paid and expensed over the life of the forward instrument. The potential interest rate differential to be received is measured each quarter and booked in parallel to the surplus expenses on the hedged item.

As at 31 December 2016, the fair value of the caps, collars and tunnels held by the Company amounted to (€1,394 K) versus (€235 K) at 31 December 2015. In 2016, they represented a net expense of €444 K, compared with €1,261 K at 31 December 2015.

Six new caps were signed for an initial notional of €178,920 K for an average duration of 6 years.

In 2016, one tunnel expired for a notional value of €8,400 K.

### 20.3.6.3.9.2 Interest rate swaps

At 31 December 2016, the fair value of swaps held by the company amounted to (€2,235 K) versus (€3,094 K) at 31 December 2015. In 2016, they represented a net expense of €1,449 K versus €1,613 K at 31 December 2015. No swap was executed or expired in 2016.

### 20.3.6.3.10 Taxes

Immobilier, which became Affine after merging with Sovabail, had abandoned its Sicomi status on 1 April 1993. Consequently, all contracts entered into by this company since that date have been subject to corporate income tax under the standard tax treatment. This change of status does not affect the preferred tax treatment for the former finance lease agreements of the Sicomi segment of Immobilier and Sovabail.

The adoption with effect from 1 January 2003 of the status of a French listed property investment trust (SIIC) makes the benefit of exemption for corporate income tax on SIIC segment revenues subject to compliance with the three distribution conditions below, which were amended by the Finance Act of 2013.

This law raised the mandatory distribution thresholds and SIICs are now required to distribute:

- Up to 95% of the profits from the rental of buildings.
- Up to 60% of the gains from the sale of buildings, equity investments in companies with an identical purpose to SIICs, or shares in subsidiaries subject to corporate income tax which have opted for SIIC status, must be distributed.
- Dividends received from subsidiaries which have opted for SIIC status must be fully redistributed during the period in which they are received.

### 20.3.6.3.11 Employee benefits and compensation

#### 20.3.6.3.11.1 Pension commitments

Affine employees have been governed by the Property Collective Bargaining Agreement since 1 January 2013. This Agreement does not provide for any retirement benefit other than the one provided by the general system. The pension plan used is a defined benefits scheme.

The allowances follow the same tax and social security treatment as the redundancy allowance:

	FORCED RETIREMENT	VOLUNTARY RETIREMENT
Over 10 years' employment	½ month	1/5 <sup>th</sup> of monthly salary per year
More than 15 years' employment	1 month	
More than 20 years' employment	1.5 months	1/5 <sup>th</sup> of monthly salary for the first 10 years and 2 <sup>nd</sup> /15 <sup>th</sup> beyond the 10 <sup>th</sup> year
More than 30 years' employment	2 months	

The applicable base is one twelfth of gross pay (excluding annual or exceptional bonus or gratuity) over the final twelve months or, if more beneficial, one third of the final three months.

As a precaution, Affine provisions pension commitments in its accounts using an assumption of retirement at 65. Retirement provisions amounted to €487 K at 31 December 2016 versus €501 K at 31 December 2015.

The actuarial assumptions used to calculate the provision are as follows:

- Discount rate: 0.80%.
- Staff turnover: 9.37% before the age of 50 and 3% above.
- Salary increase ratio: 0.50%.
- INSEE TD-TV 12-14 mortality table.

### 20.3.6.3.11.2 Personal training account

Since 1 January 2015, the Personal Training Account has been established, pursuant to Law 2014-288 of 5 March 2014 governing professional training, jobs and social democracy.

### 20.3.6.3.11.3 Average weighted workforce during the financial year

The Group had an average workforce of 32, broken down by category as follows:

Corporate officers:	2
Managers:	25
Administrative:	5

### 20.3.6.3.12 Benefits and compensation granted to executives

#### 20.3.6.3.12.1 Executives' profit-sharing scheme

Not applicable.

#### 20.3.6.3.12.2 Remuneration of management and administrative bodies

Gross compensation paid to the company's officers amounted to €642.71 K.

Other benefits in kind provided to Affine's corporate officers include:

- company car: one with a rental cost of €5.52 K in 2016;
- severance payment: this benefit is subject to a performance condition tied to Affine's results. It represents one year of overall gross

#### Disposals during the 2016 financial year

	DATE OF DISPOSAL	NCV	DISPOSAL PRICE	ACCOUNTING GAINS/LOSSES
Aix en Provence Décisium	March-16	2,000	3,800	1,800
Miramas	Apr-16	5,213	4,800	(413)
Aulnay	Dec-16	2,942	3,900	958
Aix les Milles	Dec-16	1,441	4,500	3,059
<b>Total</b>		<b>11,595</b>	<b>17,000</b>	<b>5,405</b>

### 20.3.7.1.3 Equity investments and shares in affiliated companies

#### Acquisitions

COMPANIES	DATE	TRANSACTION	% CAPITAL ACQUIRED
Concerto Wissous	23/12/2016	Acquisition	99.93%
Nantes horizon	01/07/2016	Acquisition	99.90%
Meudon horizon	01/07/2016	Acquisition	99.90%
Lille horizon	18/10/2016	Acquisition	99.90%

#### Sale of securities

COMPANIES	DATE	% CAPITAL SOLD
Concerto Wissous Promotion	23/12/2016	40.00%

compensation if the net earnings in Affine's individual financial statements are equal to 3% of its equity or more; if this condition is not met, performance may be assessed on the basis of the consolidated financial statements.

- contributions to pension funds paid during the year: €71 K.

The amount of directors' fees paid to directors (including corporate officers) as well as the amount of the fees of the commitment committee and the audit committee totalled €111 K.

### 20.3.7 KEY EVENTS OF THE YEAR

#### 20.3.7.1 Key events affecting the portfolio

##### 20.3.7.1.1 Finance leases

One contract was sold in 2016 at auction, which ended the joint ownership held by 6 lessees, which exercised the option for a group outstanding amount of €2,675 K compared with €17,912 K in 2015. A null result on disposal was recognised at 31 December 2016.

##### 20.3.7.1.2 Investment properties

The Company also continued its policy of renovation work within its property portfolio for a total amount of €2,886 K. In financial year 2016, Affine recognised €11,410 K and, at the same time as these activations, the corresponding old assets were scrapped for a Net Carrying Value (NCV) of €6,487 K compared with NAV of €1,155 K in 2015.

No property was acquired during the year

## Universal transfers of assets, mergers and liquidations

COMPANIES	DATE	TRANSACTION	% CAPITAL
Cardev	07/06/2016	Liquidation	98.39%

**Recapitalised companies:** this company was recapitalised because its net position was negative.

COMPANIES	DATE	TRANSACTION	% CAPITAL
Urbismart	30/06/2016	Recapitalisation	24.52%

## 20.3.7.2 Key events affecting debts and equity

### 20.3.7.2.1 Financing and refinancing

During the year, Affine obtained 6 new refinancing agreements: the amounts due totalled €50,605 K, including €26,633 K in early repayments. Affine has an overdraft facility of €19,000 K that was not used at 31 December 2016.

### 20.3.7.2.2 Equity

- The Combined General Shareholders' Meeting of 28 April 2016 approved the financial statements for the financial year ended on 31 December 2015; earnings for 2015 were retained in the amount of €4,232 K.
- The dividend paid in 2015 for the year ended 31 December 2015 in the amount of €10,056 K was taken from other reserves.

	AT BEGINNING OF PERIOD	CANCELLATION OF TREASURY SHARES	DISTRIBUTION OF SCRIP DIVIDENDS	BRS CONVERSION	CAPITAL INCREASE THROUGH CAPITALISATION OF RESERVES	MERGER	AT END OF PERIOD
Number of shares	10,056,071						10,056,071
Capital (€ thousand)	59,500						59,500

### 20.3.7.3 Provisions for liabilities and charges

Pursuant to regulation 2000-06 of the French accounting regulation committee on liabilities, provisions are defined as liabilities for which the maturity date or amount are not precisely known.

A provision for risk linked to equity investments is accrued to hedge the net position of subsidiaries when that position is negative and in so far as all the assets related to said subsidiaries have been impaired.

No impairment was recognised at 31 December 2016 to meet the negative net positions of the subsidiaries.

As at 31 December 2016, this item amounted to €1,573 K compared to €3,566 K at 31 December 2015.

### 20.3.7.4 Post-reporting period events

Not applicable.

## 20.3.8 ADDITIONAL INFORMATION

### 20.3.8.1 Segment revenues

	TOTAL	FINANCE LEASES	RENTAL	SUBSIDIARIES/ LOANS
Revenues	35,362	4,922	29,122	1,318

Revenues mainly include income from the activities below:

- Rental receipts
- Finance lease receipts
- Services rendered.

To better reflect the economic reality, the benefits given to tenants (e.g. rent deduction, steps, etc.) are spread over the firm term of the lease without taking indexing into consideration.

### 20.3.8.2 Distribution obligations

#### 20.3.8.2.1 For the Sicomi segment

Profits from transactions that are fully or partially exempt from corporate income tax, in application of the Sicomi preference treatment, must be distributed on the basis of 85% of the tax-exempt

portion. Pursuant to Article 36 of the Company's bylaws, amended by the Extraordinary General Shareholders' Meeting of 28 July 2000, the distribution of capital gains from early disposal of a Sicomi segment asset can be deferred over three years.

#### 20.3.8.2.2 For the SIIC segment

The distribution conditions described in the chapter on "taxes" allow the deferral over two years of distribution from the capital gains on property disposals.

#### 20.3.8.3 Consolidating company

The financial statements of the Affine Group are fully consolidated by MAB Finances SA in its financial statements.

## 20.3.9 INFORMATION ON BALANCE SHEET AND INCOME STATEMENT ITEMS

### 20.3.9.1 Notes to the individual balance sheet

#### Note 1 – Intangible assets and property, plant and equipment, depreciation and impairment

(€000')	31/12/2015	ACQUISITIONS, ALLOCATIONS	MERGERS OR COMPLETE TRANSFERS OF ASSETS AND LIABILITIES	TRANSFERS*	DISPOSALS, BANK TRANSFERS, WRITE-BACKS, WRITE-OFFS	31/12/2016	
Finance lease	Gross	43,495	-		(2,675)	40,820	
	Depreciation and provisions Arts. 64 and 57	(29,141)	(3,487)		2,675	(29,952)	
	Impairment	-				-	
	<b>Net</b>	<b>14,355</b>	<b>(3,487)</b>	<b>-</b>	<b>-</b>	<b>(0)</b>	<b>10,868</b>
Rental properties	Gross	284,206	2,886		7,917	270,798	
	Depreciation	(61,765)	(7,816)	-	6,642	(62,939)	
	Impairment	(11,830)	(2,947)	-	430	(14,346)	
	<b>Net</b>	<b>210,612</b>	<b>(7,877)</b>	<b>-</b>	<b>7,917</b>	<b>(17,140)</b>	<b>193,513</b>
Intangible assets	Gross	13,327	125		(8,481)	4,945	
	Depreciation	(670)	(1,079)		25	(1,724)	
	Impairment	-	-		-	-	
	<b>Net</b>	<b>12,657</b>	<b>(955)</b>	<b>-</b>	<b>(8,481)</b>	<b>(0)</b>	<b>3,221</b>
Property, plant and equipment	Gross	331	187		(331)	187	
	Depreciation	(196)	(45)	-	228	(14)	
	Impairment	-				-	
	<b>Net</b>	<b>135</b>	<b>142</b>	<b>-</b>	<b>(103)</b>	<b>174</b>	
<b>Total</b>	<b>Gross</b>	<b>341,360</b>	<b>3,198</b>	<b>-</b>	<b>(564)</b>	<b>316,750</b>	
	Depreciation	(91,772)	(12,427)	-	9,571	(94,629)	
	Impairment	(11,830)	(2,947)	-	430	(14,347)	
	<b>Amortisation and impairment losses</b>	<b>(103,601)</b>	<b>(15,375)</b>	<b>-</b>	<b>-</b>	<b>10,000</b>	<b>(108,976)</b>
	<b>Net</b>	<b>237,759</b>	<b>(12,177)</b>	<b>-</b>	<b>(564)</b>	<b>(17,243)</b>	<b>207,774</b>

(\*) Pursuant to Regulation 2015-06, the technical merger has been reclassified for €8,481 K from intangible assets to property, plant and equipment.

Net write-offs amounted to €6,487 K at 31/12/2016 compared with €1,155 K at 31/12/2015.

#### Note 2 – Long-term financial assets

	%	NET 2016	NET 2015	SIREN NO.	REV. EXCL. TAX 2016	CAPITAL AND RESERVES 2016	2016 PROFIT/ LOSS
Equity investments: non-affiliated companies		15	15				
Habitat et Humanisme	NS	15	15	339 804 858	NC	NC	NC

**Equity investments: affiliated companies**

(€000')	CAPITAL AND RESERVES BEFORE APPROPRIATION	SHARE HELD	NET CARRYING AMOUNT OF SECURITIES HELD		LOANS AND ADVANCES	SURETIES, ENDORSEMENTS AND GUARANTEES	REVENUES EXC. TAX	PROFIT/LOSS	DIVIDENDS COLLECTED AND RETURNS FROM PRIOR YEAR'S INCOME	PROVISIONS ON RECEIVABLES AT AFFINE
			GROSS	NET						
Sci Arca ville d'été	285	100.00%	201	201	(569)	5,000	827	30	66	
SC Atit	(295)	100.00%	4	4	940			(298)	213	
Jardin des Quais	2,293	99.00%	22,447	22,447	(20,358)	30,000	5,658	1,927	2,310	
Banimmo	57,743	49.51%	66,577	28,586		-	11,640	(15,410)		
SCI Bretigny	171	99.90%	1	1	1,336		1,148	167	172	
SAS Capucine investissements	(1,169)	100.00%	5,697	-	1,697	-	76	(527)		(1,169)
SAS Etienne Molina	(3,472)	100.00%	5,746	-	5,181	-	2	(210)		(3,472)
Gesfimmo	259	99.99%	377	259	(260)			(13)		
Les 7 collines	(2,056)	100.00%	4,155	-	8,066	25,945	2,621	(688)		(84)
SCI Luce parc leclerc	47	0.10%	0	0	10			46	(0)	
Sci Nevers colbert	(2,238)	100.00%	101	101	6,905	-	696	(2,397)	(2,397)	
SAS Promaffine	423	100.00%	6,168	423	2,257	-		(1,301)		
SAS Promaffine (related receivable)			9,845	9,845						
SAS Target	2,005	100.00%	14,722	2,160	3,026			(1,152)		
SCI Parvis Lille	490	99.90%	1	1	7,701	14,199	1,898	367	394	
Bercy parkings SCI	(6)	100.00%	310	310	134		25	(7)	(9)	
SCI Buchères 3	3,393	40.00%	0	0	(1,236)		6,609	3,392	978	
SAS Urbismart	(1,195)	24.52%	202	-	679		82	(1,070)		(293)
SCI Toulouse les Amarantes	(38)	99.90%	1	1	4,378		1,041	(39)	(217)	
SCI Concerto Wissous	(3)	100.00%	2	2	198			(4)	(0)	
Clichy Horizon	(158)	99.90%	1	1	2,774	6,332	188	(226)	(108)	
Nantes horizon	(27)	99.90%	1	1	500			(28)		
Meudon horizon	(21)	99.90%	1	1	4,130	22,438		(22)		
lille horizon	(13)	99.90%	1	1	267			(14)		
Chaville Salengro	370	100.00%	1	1	4,506	10,000	2,029	369		-
			<b>TOTAL</b>	<b>136,562</b>	<b>Assets</b>	<b>54,685</b>	<b>113,913</b>		<b>874</b>	<b>(5,018)</b>
					<b>Liabilities</b>	<b>(22,423)</b>				
						<b>32,262</b>				

**Transactions with other companies**

	LOANS AND ADVANCES
Louvois	103
Kaufman	14
Concerto	354
Kutum	165
Seada	342
Holdaffine	25
<b>TOTAL</b>	<b>1,002</b>

	TOTAL LOANS AND ADVANCES
Assets	55,685
Liabilities	(22,423)
<b>TOTAL</b>	<b>33,262</b>

**Banimmo** : At 31 December 2016, the shares of Banimmo were impaired for the amount of €34,298 K on the basis of Banimmo's net book assets; the net carrying value was therefore reduced to €28,586 K.

An estimate on the basis of:

- the market price would have resulted in an additional impairment of €5,647 K;
- the Net Asset Value would have reduced impairment by €12,343 K.

In 2010 Banimmo acquired a 25% interest in the City Mall Development company and 30% in its subsidiary City Mall Invest, which gave it, at 31 December 2013, an interest of 41.62% (38.25% initially) in the three retail centre projects developed by the Group in Charleroi, Namour and Verviers. Banimmo had made an interest-bearing Mezzanine loan for €35.0 million. This loan was due 27 August 2015. At year-end 2013, the interest income item consists of €1,446 million for the interest on the mezzanine loan for which Banimmo granted deferred payment.

In 2014, following the financial restructuring of the group, Banimmo's stake in Urbanove SA (formerly City Mall Invest SA) was 49.38% (reduced to 44% as of this date). The accrued unpaid interest calculated up to

30 September 2014, which was €4.0 million, was converted into non-current financial assets following a capital increase via the capitalisation of debt in the company Urbanove SA. Moreover, under an agreement modifying and consolidating the mezzanine credit agreements, Banimmo made an addition loan in the amount of

€9.9 million. Therefore, the total loan amounted to €44.9 million at the end of 2014. The total interest calculated for the fourth quarter of this loan was reduced in value, which was an amount of €0.325 million. The equity investments were entirely impaired.

In 2015, Banimmo made an additional loan of €0.6 million. Following the in-depth review of the two projects in a new configuration, an impairment test was performed on the loans made totalling €46.9 million (including capitalised interest). At the end of this review, it appeared that Banimmo might not be able to recover a portion of the loans granted. As a result, Banimmo decided to recognise a reduction in value in the amount of

€22.4 million (€21 million nominal value and €1.4 million in capitalised interest) corresponding to the portion estimated to be non-recoverable at the end of the projects.

At 31 December, 2016, the entire balance of the subordinated advance in the amount of €24.97 million made by Banimmo to Urbanove was impaired.

### Note 3 – Loans and other long-term financial assets

(€000')	BALANCE SHEET ITEMS	1 YEAR MAXIMUM	BETWEEN 1 AND 5 YEARS
<b>Other long-term financial assets</b>	<b>2,189</b>	<b>583</b>	<b>1,605</b>
Loans	2,189	583	1,605
<b>Total at 31/12/2016</b>	<b>2,189</b>	<b>583</b>	<b>1,605</b>

The loans and other non-current financial assets related to assets held for sale were reclassified in the column 1 year maximum for €6 K.

### Note 4 – Receivables: statement of receivables

CURRENT ASSETS	AT 31/12/2016	1 YEAR MAXIMUM	BETWEEN 1 AND 5 YEARS
Finance lease doubtful receivables	812	812	
Investment property doubtful receivables	1,114	1,114	
Other finance lease trade receivables	651	651	
Other investment property trade receivables	1,804	1,166	638
<b>Trade and other accounts receivable</b>	<b>4,382</b>	<b>3,744</b>	<b>638</b>
Prepayments and instalments paid	268	268	
Employee and related payables	22	22	
State – Income tax	29	29	
State – Value added tax	213	213	
Amount receivable on property sales	7,826	5,237	2,588
Working capital and condominium fees paid	2,638	2,638	
Group and associates	55,687	55,687	
Income receivable	12,492	12,492	
Other payables	318	318	
<b>Other receivables</b>	<b>79,493</b>	<b>76,905</b>	<b>2,588</b>
<b>TOTAL</b>	<b>83,875</b>	<b>80,649</b>	<b>3,227</b>

### Impairment of current assets

(€000')	AMOUNT AT BEGINNING OF PERIOD	INCREASES, ALLOWANCES	TRANSFERS	DECREASES, REVERSALS	AMOUNT AT END OF PERIOD
Impairment on LF customer accounts	167	512		-	679
Impairment on IP customer accounts	874	197	-	458	613
Impairment on current accounts	8,080	912	-	3,974	5,018
<b>Total impairment</b>	<b>9,121</b>	<b>1,622</b>	<b>-</b>	<b>4,432</b>	<b>6,311</b>

### Income receivable

(€000)	AT 31/12/2016	AT 31/12/2015
<b>Receivables</b>	<b>12,492</b>	<b>14,212</b>
Income receivable from State	37	
Trade receivables and other accounts	8,533	9,819
Subsidiary earnings	3,829	4,134
Other income receivable	93	259
<b>TOTAL</b>	<b>12,492</b>	<b>14,212</b>

### Note 5 – Breakdown of investment securities and cash on hand

	31/12/2015	Acquisitions/ Additions	Disposals/ Reversals	Cancellation of shares	31/12/2016
Number of shares	16,933	50,791	40,717		27,007
Gross	268	762	635		395
Impairment (in K€)	-	(6)	-		(6)
<b>NET</b>	<b>268</b>				<b>389</b>

### Cash on hand

(€000)	AT 31/12/2016	AT 31/12/2015
Cash	1	1
Bank accounts	1,466	4,327
Brokerage accounts	360	796
<b>TOTAL</b>	<b>1,826</b>	<b>5,123</b>

### Note 6 – Prepaid expenses

(€000)	AT 31/12/2016	AT 31/12/2015
Operating lease expenses	323	484
Fees on hedging instruments	1,671	522
<b>TOTAL</b>	<b>1,994</b>	<b>1,007</b>

Affine signed 6 new caps in 2016 for premiums of €1377 K. The deferral of these premiums has an impact on prepaid expenses of

€1,308 K, which corresponds to the recognition of the premium for €1,377 K minus the charge for the year (€69 K).

### Note 7 – Expenses deferred over several financial years

(€000)	NET AMOUNT AT BEGINNING OF PERIOD	ADDITIONS	INCREASE IN NEW BORROWINGS	CHANGE IN SCOPE OF CONSOLIDATION	DECREASES	NET AMOUNT AT END OF PERIOD
Expenses deferred over several years	2,200	(606)	677			2,271

These deferred expenses concern the following borrowing costs:

(€000')	CHARGES	INITIAL DEPRECIATION PERIOD	PERIOD REMAINING
Crédit Agricole (€10,600 K)	96	10 years	2-1/2 years
Crédit Agricole Elancourt (€5,700 K)	73	10 years	8 years
BPI Lille Europe (€16,080 K)	223	10 years	8-1/4 years
Saarl B (€7,200 K)	4	10 years	3 months
CFF Tremblay (€3,500 K)	38	8 years	3 months
CFF Tremblay extension (€7,660 K)	58	2 years	3 months
Saarl B Mulhouse (€5,400 K)	16	10 years	1-1/4 year
SG (€15,400 K)	4	7 years	3 months
SG le Rhodanien (€5,250 K)	34	10 years	6 months
CIC Lyonnaise de Banque (€7,350 K)	42	10 years	4-1/4 years
Oséo Nantes (€4,800 K)	58	12 years	6-1/2 years
Caisse d'Epargne BFC (€1,750 K)	19	12 years	7-3/4 years
Caisse d'Epargne NFE (€1,750 K)	19	12 years	7-3/4 years
Allegemeine (€17,130 K)	46	16 years	2-1/4 years
CFF (€450 K)	0	12 years	6 months
CFF (€5,400 K)	6	12.5 years	1-3/4 years
CFF Panhard (€10,500 K)	13	12 years	2 years
CFF Limay (€6,845 K)	18	12 years	2-3/4 years
CBI Gennevilliers Plus (€18,796 K)	113	12 years	6-3/4 years
Société Générale Bercy (€33,600 K)	175	10 years	1-1/2 year
Société Générale Bercy Travaux (€2,320 K)	4	7 years	1-1/2 year
Saarl Enghien (€5,300 K)	65	10 years	1-1/2 year
Société Générale bond issue (€5,000 K)	118	6 years	2 years
La Banque Postale Lyon Dauphiné (€5,500 K)	76	7 years	4-1/4 years
Crédit Agricole Kremlin (€3,800 K)	54	10 years	8-1/2 years
Crédit Agricole Bagnolet	54	10 years	8 years
BPI Les Ulis (€3,304 K)	52	7 years	6-1/2 years
HSBC Corbeil (€8,140 K)	66	1 year	6 months
HSBC Corbeil (€8,140 K)	153	1 year	6 months
BNP Auber (€20,720 K)	321	7 years	6-1/2 years
CIC Le Tangram (€7,500 K)	130	9-3/4 years	9-3/4 years
CADIF Issy les Moulineaux (€8,200 K)	88	10 years	10 years
Credit foncier Leers (€7,000 K)	30	10 years	6 months
Credit foncier Leers (€4,200 K extension)	5	1 year	6 months
<b>Total</b>	<b>2,271</b>		

## Note 8 – Shareholders' equity and other equity

### • Statement of changes in equity

(€000')	SHARE CAPITAL	PREMIUMS	REGULATED PROVISIONS	RESERVES AND RETAINED EARNINGS	EARNINGS FOR THE PERIOD	REVALUATION RESERVES	TOTAL
<b>At 31.12.2015</b>	<b>59,500</b>	<b>51,629</b>	<b>5,462</b>	<b>(10,138)</b>	<b>4,232</b>	<b>2,759</b>	<b>113,444</b>
Excess tax depreciation			(648)				(648)
Free reserves on LS sales				1,664		(1,664)	-
Final dividend on treasury shares				17			17
Treasury shares							-
Conversion of ORA into shares							-
Share capital rounded off							-
Appropriation of earnings to RAN				4,232	(4,232)		-
Distribution in fiscal 2015				(10,056)			(10,056)
Share of earnings					(42,916)		(42,916)
<b>At 31.12.2016</b>	<b>59,500</b>	<b>51,629</b>	<b>4,813</b>	<b>(14,281)</b>	<b>(42,916)</b>	<b>1,095</b>	<b>59,841</b>

### • Other equity

#### ▷ Convertible bonds redeemable in shares

The bonds redeemable for shares (ORA) amounted to €3,620 K, plus accrued interest of €28 K (See §6.3.7.1 Bonds redeemable for shares).

#### ▷ Perpetual subordinated notes

(€000')	BAL. SHEET ITEMS	0 TO 3 MONTHS	3 MONTHS TO 1 YEAR	1 TO 5 YEARS	OVER 5 YEARS
<b>Fixed term</b>	-	-	-	-	-
<b>Unlimited term</b>	<b>75,410</b>	<b>410</b>	-	-	<b>75,000</b>
Accounts	75,000				75,000
Related debts	410	410			
<b>Total at 31/12/2016</b>	<b>75,410</b>	<b>410</b>	-	-	<b>75,000</b>

See §6.3.7.2 Perpetual subordinated notes.

### • Breakdown of reserves

(€000')	31/12/2016	31/12/2015
Legal reserve	4,806	4,806
Other reserves	24,616	33,008
<b>TOTAL</b>	<b>29,423</b>	<b>37,815</b>

### • Statement of changes in revaluation reserves

(€000')	REVALUATION RESERVE AS AT 31/12/2015	SHARE TRANSFERRED TO A DISTRIBUTABLE RESERVE ACCOUNT (SOLD FIXED ASSETS)	REVALUATION RESERVE AS AT 31/12/2016
Aix en Provence	501	(501)	(0)
Aix en Provence	1,163	(1,163)	0
Le Rhodanien	70		70
Bagnolet	1,025		1,025
<b>TOTAL</b>	<b>2,759</b>	<b>(1,664)</b>	<b>1,095</b>

• **Provisions for liabilities and charges**

(€000')	OPENING BALANCE	ALLOWANCE FOR THE YEAR	REVERSAL FOR THE YEAR USED	CHANGE IN CONSOLIDATION TRANSFERS	CLOSING BALANCE
Provision for miscellaneous risks (customer disputes)	635				635
Provision for subsidiary risk	2,159		2,159		-
Provision on property held for sale	242	183	152		273
Provision for pension costs	501		13		487
Provision for miscellaneous expenses	30	213	66		177
	<b>3,566</b>	<b>396</b>	<b>2,390</b>	-	<b>1,573</b>

**Note 9 – Statements of debt maturity dates**

(€000')	AT 31/12/2016	1 YEAR MAXIMUM	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS
Other bonds	5,071	71	5,000	
Borrowings from lending institutions <sup>(1)</sup>	161,888	47,689	66,001	48,198
Borrowings and financial debt <sup>(2)</sup>	6,182	2,231	3,340	612
Prepayments and instalments received	491	491		
Trade and related payables	2,187	2,187		
Tax and social charges	3,190	3,190		
Employee and related payables	932	932		
Social security and other agencies	163	163		
Value added tax	572	572		
Liabilities on non-current assets and related accounts	262	262		
Group and associates	22,423	22,423		
Other debts	13,287	13,287		
Deferred income	1,250	1,250		
<b>Total</b>	<b>217,897</b>	<b>94,747</b>	<b>74,341</b>	<b>48,809</b>

(1) The refinancing for assets held for sale was reclassified as short term in the amount of €7,524 K.  
(2) The deposits securing assets held for sale were classified to short-term in the amount of €1,149 K.

• **Expenses payable**

(€000')	AT 31/12/2016	AT 31/12/2015
Borrowings from lending institutions	210	396
Trade and related payables on buildings covered by operating leases	1,280	1,078
Trade payables and related accounts to general expenses	753	349
Tax and social liabilities	1,285	1,767
Debt on non-current assets	10	8
On buildings covered by operating leases	2,906	2,548
On overhead	3,229	3,884
<b>TOTAL</b>	<b>9,673</b>	<b>10,029</b>

**Note 10 – Deferred income**

(€000')	AT 31/12/2016	AT 31/12/2015
Rental income	440	430
On work re-invoiced	810	592
<b>TOTAL</b>	<b>1,250</b>	<b>1,023</b>

## 20.3.9.2 Notes to the individual income statement

### Note 11 – Operating income

#### • Production sold: revenues

(€000)	AT 31/12/2016	AT 31/12/2015
Rental income	4,132	4,528
Re-invoiced expenses	789	774
<b>Finance leases</b>	<b>4,922</b>	<b>5,302</b>
Rental income	21,775	25,247
Re-invoiced expenses	6,882	7,986
Other income	464	437
<b>Investment properties</b>	<b>29,122</b>	<b>33,670</b>
Income from related activities	1,318	1,380
<b>Operations</b>	<b>1,318</b>	<b>1,380</b>
<b>TOTAL</b>	<b>35,362</b>	<b>40,352</b>

#### Details of the change in rents on investment properties

	2016/2015 CHANGE
Sales	(3,598)
Property acquisitions	-
Exceptional events	(451)
Terminations received	(964)
New leases	1,315
Renegotiations	(153)
Indexing change	9
Change in rents	(396)
Change in rents on a straight-line basis	766
<b>Rental income</b>	<b>(3,472)</b>
	<b>(13.75)%</b>

At constant consolidation, the change in rents (excluding the impact of recognising rents on a straight-line basis) was (0.86)% between 2015 and 2016.

#### • Prior period adjustments and transfers of expenditures

(€000)	AT 31/12/2016	AT 31/12/2015
Reversals of finance lease provisions	0	84
Reversals of investment property provisions	888	1,572
Transfers of expenditures	677	528
Reversals of operating provisions	2,324	869
<b>TOTAL</b>	<b>3,889</b>	<b>3,053</b>

### Note 12 – Operating expenses

#### • General operating expenses

(€000)	AT 31/12/2016	AT 31/12/2015
<b>Other administrative costs</b>	<b>(17,656)</b>	<b>(18,130)</b>
Taxes payable	(4,947)	(5,755)
Other purchases and external expenses	(12,709)	(12,374)
<b>Personnel costs</b>	<b>(4,644)</b>	<b>(4,000)</b>
<b>TOTAL</b>	<b>(22,300)</b>	<b>(22,130)</b>

• **Depreciation, amortisation and impairment expense**

(€000)	AT 31/12/2016	AT 31/12/2015
<b>Depreciation expense on buildings</b>	<b>(12,495)</b>	<b>(13,613)</b>
Amortisation for intangible assets	(1,397)	(554)
Headquarters depreciation expense	(45)	(47)
Depreciation expense on finance-leased assets	(2,790)	(3,483)
Depreciation expense on investment property assets	(7,657)	(8,737)
Allowance for deferred expenses	(606)	(792)
<b>Impairment expense on fixed assets</b>	<b>(3,485)</b>	<b>(3,920)</b>
Impairment of finance-leased assets	(538)	(119)
Impairment of investment property assets	(2,947)	(3,801)
<b>Impairment expense on current assets</b>	<b>(709)</b>	<b>(664)</b>
Impairment of doubtful finance lease receivables	(512)	-
Impairment of doubtful investment property receivables	(197)	(664)
<b>Provisions for risks and charges</b>	<b>(183)</b>	<b>(243)</b>
Impairment of subsidiaries	(183)	(243)
Impairment of pension	-	-
<b>TOTAL</b>	<b>(16,873)</b>	<b>(18,440)</b>

• **Breakdown of depreciation and amortisation for the period**

(€000)	AT 31/12/2016	AT 31/12/2015
<b>Intangible assets</b>	<b>(1,079)</b>	<b>(554)</b>
Concessions, software	(245)	(58)
Goodwill	(316)	-
Beneficial ownership	(518)	(496)
<b>Property, plant and equipment</b>	<b>(11,416)</b>	<b>(13,059)</b>
Buildings	(10,606)	(12,220)
Technical loss	(159)	-
Other property, plant and equipment	(45)	(47)
Deferred expenses	(606)	(792)
<b>TOTAL</b>	<b>(12,495)</b>	<b>(13,613)</b>

• **Other expenses**

(€000)	AT 31/12/2016	AT 31/12/2015
Unrecoverable investment property receivables	(260)	(837)
Unrecoverable receivables on overhead	-	(126)
Expenses on assets disposals	(418)	(1)
Directors' fees and compensation for the commitment committee	(99)	(101)
Other management expenses	(65)	(44)
<b>TOTAL</b>	<b>(842)</b>	<b>(1,109)</b>

### Note 13 – Share of earnings from joint transactions

(€000)	AT 31/12/2016	AT 31/12/2015
<b>Profit allocated or loss transferred</b>	<b>795</b>	<b>874</b>
Brétigny	167	172
Parvis Lille	367	394
Atit	(298)	213
Jardin des Quais	1,908	2,310
SCI Nevers Colbert	(2,397)	(2,925)
Arca ville d'Été	30	66
Luce parc Leclerc	0	(0)
Bercy parking	(7)	(9)
Meudon horizon	(22)	-
Nantes horizon	(28)	-
Lille horizon	(14)	
SCI Toulouse Amarantes	(39)	(217)
SCI Concerto Buchères 3	1,357	978
Concerto Wissous	(4)	0
Clichy Horizon	(226)	(108)

### Note 14 – Financial income (expense)

(€000)	AT 31/12/2016	AT 31/12/2015
Interest on current account	1,043	1,060
Dividends	-	2
<b>Income from equity investments</b>	<b>1,043</b>	<b>1,062</b>
<b>Income from other investment securities and receivables from fixed assets</b>	<b>27</b>	<b>33</b>
Merger dividend	-	3,323
Other	587	637
<b>Other interest and similar income</b>	<b>587</b>	<b>3,961</b>
<b>Reversals of impairment on securities and current accounts</b>	<b>858</b>	<b>1,297</b>
<b>Reversals of treasury share impairment</b>	<b>-</b>	<b>-</b>
<b>Net income from disposals of investment securities</b>	<b>14</b>	<b>41</b>
<b>TOTAL FINANCIAL INCOME</b>	<b>2,529</b>	<b>6,393</b>
Interest on current account	(351)	(443)
Interest on credit balances	(30)	(8)
Interest on loans	(2,281)	(2,774)
Interest on overdrafts	(103)	(109)
Losses on receivables from equity interests	(13)	
Expenses on caps, swaps and tunnels	(1,893)	(2,874)
Expenses on convertible bonds redeemable in shares	(226)	(590)
Expenses on perpetual subordinated notes	(1,953)	(2,135)
Other	(228)	(330)
<b>Interest and related expenses</b>	<b>(7,077)</b>	<b>(9,263)</b>
<b>Impairment expense on securities and current accounts</b>	<b>(37,730)</b>	<b>(9,088)</b>
<b>Impairment expense on treasury shares</b>	<b>(6)</b>	<b>-</b>
<b>Net charges on disposal of investment securities</b>	<b>(23)</b>	<b>-</b>
<b>TOTAL FINANCIAL EXPENSES</b>	<b>(44,836)</b>	<b>(18,351)</b>
<b>TOTAL FINANCIAL INCOME/LOSS</b>	<b>(18,351)</b>	<b>(11,959)</b>

Most of the change reflects the impairment taken on the Banimmo securities for €34,298 K.

## Note 15 – Extraordinary income (loss)

(€000')	AT 31/12/2016	AT 31/12/2015
<b>On management transactions</b>	<b>(222)</b>	<b>552</b>
Recovery on depreciated investment property receivables	(222)	186
Recovery on depreciated receivables on finance lease buildings	-	367
<b>On capital transactions</b>	<b>17,350</b>	<b>64,365</b>
Sale price of long-term financial assets sold	4	7
Sale price of finance lease assets sold	0	6,504
Sale price of investment property assets sold	17,000	57,606
Sale price of property, plant and equipment	-	3
Other	346	245
<b>Reversals of impairments, provisions and transfers of expenditures</b>	<b>2,461</b>	<b>4,312</b>
Reversals of impairment on fixed assets sold	1,341	1,707
Reversal on exceptional amortisation and depreciation	1,043	2,545
Other	77	61
<b>TOTAL EXTRAORDINARY INCOME</b>	<b>19,589</b>	<b>69,229</b>
<b>On management transactions</b>	<b>(48)</b>	<b>(24)</b>
Other extraordinary expenses	(48)	(24)
<b>On capital transactions</b>	<b>(19,609)</b>	<b>(55,405)</b>
Carrying amounts of non-current financial assets sold	(64)	(7)
Carrying amounts of finance lease assets sold	(1,341)	(7,446)
Carrying amounts of investment property assets sold	(11,595)	(46,590)
Carrying amount of property, plant and equipment assets sold	-	(3)
LS write-offs	(6,487)	(1,155)
FG write-offs	(103)	
Sale expenses on investment properties	(18)	(40)
Other	(1)	(165)
<b>Amortisation, depreciation, and provisions</b>	<b>(608)</b>	<b>(870)</b>
Excess tax depreciation	(395)	(770)
Provisions for liabilities and charges	(213)	(100)
<b>TOTAL EXTRAORDINARY EXPENSES</b>	<b>(20,266)</b>	<b>(56,299)</b>
<b>TOTAL EXTRAORDINARY INCOME (LOSS)</b>	<b>(677)</b>	<b>12,930</b>

## Note 16 – Income tax

(€000')	INCOME BEFORE TAX	TAX	NET PROFIT
Current profit	(41,715)	(524)	(42,239)
Extraordinary loss	(677)		(677)
<b>Total</b>	<b>(42,392)</b>	<b>(524)</b>	<b>(42,916)</b>

• **Items from several balance sheet & income statement items**

ITEMS (GROSS VALUE) (€000')	AMOUNT CONCERNING		
	AFFILIATED COMPANIES	WITH WHICH THE COMPANY HAS AN EQUITY TIE	AMOUNT OF DEBTS OR RECEIVABLES REPRESENTED BY COMMERCIAL PAPER
Equity investments	59,937	66,779	
Receivables related to equity investments	9,845		
Other receivables	54,616	704	
Other financial borrowings and debts	(21,187)	(1,236)	
Revenues (Services rendered)	1,248	70	
Income from equity investments	-		
Other income from equity investments	1,025	10	
Interest and related expenses	(335)	(16)	
Joint property development deals – expenses	(3,030)		
Joint property development deals – income	2,472	1,357	

**20.3.9.3 Notes to the off-balance sheet statement**

(€000')	31/12/2016	31/12/2015
<b>COMMITMENTS GIVEN</b>		
<b>GUARANTEE COMMITMENTS</b>	<b>113,913</b>	<b>78,726</b>
Commitments to lending institutions	-	-
Commitments to customers and subsidiaries	113,913	78,726
<b>COMMITMENTS RECEIVED</b>		
<b>FINANCING COMMITMENTS</b>	<b>19,000</b>	<b>11,131</b>
Commitments received from lending institutions	19,000	11,131
Commitments received from customers		
<b>GUARANTEE COMMITMENTS</b>	<b>1,313</b>	<b>1,313</b>
Commitments received from lending institutions	1,313	1,313
Commitments received from customers		-

**Note 17 – Other commitments not included in the publishable off-balance sheet statement**

(€000')	BAL. SHEET ITEMS	LESS THAN 1 MONTH	1 TO 3 MONTHS	3 MONTHS TO 1 YEAR	1 TO 2 YEARS	2 TO 5 YEARS	OVER 5 YEARS
<b>Non-current debts</b>							
covered by guarantees	134,182				44,701	30,779	58,702
covered by securities pledges	0				0	0	0
without guarantee or pledge	0	0	0	0	0	0	0
	<b>134,182</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>44,701</b>	<b>30,779</b>	<b>58,702</b>
<b>Current debts</b>							
covered by guarantees	40,371	39,247	277	848			
covered by securities pledges	0	0					
without guarantees or collateral	1,403	22	182	1,198			
	<b>41,774</b>	<b>39,269</b>	<b>459</b>	<b>2,046</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Guarantees:** these sureties include registered mortgages.

**Securities pledges:** these represent the pledges of the securities of the borrowing companies to the banks.

When the loan is simultaneously guaranteed by means of both a guarantee and collateral, the surety is classified as a "guarantee".

(€000')	31/12/2016	31/12/2015
Securities pledges	70,942	60,243

• **Maturity dates of interest rate instruments**

(€000)	OUTSTANDING AT 31/12/2016	0 MONTHS TO 1 YEAR	1 TO 5 YEARS	OVER
<b>Macro hedging transactions</b>				
<b>Over-the-counter market</b>				
<b>Firm transactions</b>				
Rate swap contracts (Swaps + collars)	75,727	4,955	70,772	-
<b>Conditional transactions</b>				
Rate guarantee contracts (caps + tunnels)	282,055	-	111,639	170,416
<b>Total</b>	<b>357,782</b>	<b>4,955</b>	<b>182,411</b>	<b>170,416</b>

• **Interest rate risks**

Affine is exposed to the risk linked to interest rate fluctuations on variable rate debts, which it mostly hedges through market transactions (swaps, caps, collars and tunnels) contracted with leading banking institutions.

At 31 December 2016, the variable rate financial debt amounted to €158,756 K versus €168,790 K at 31 December 2015.

• **Financial covenants**

The Group's loans are subject to agreements with certain types of covenants:

- Loan To Value (LTV);
- ICR (Interest Coverage Ratio);
- DSCR (Debt Service Coverage Ratio).

According to the terms of these credit agreements, failure to comply with these ratios constitutes a default event requiring partial or accelerated repayment to restore the ratio to its contractual level. As at 31 December 2016, there was no compulsory prepayment, in part or in full, of any loan resulting from a failure to comply with the financial ratios to be reported on that date.

**20.3.10 STATUTORY AUDITORS' FEES REPORTED IN THE INCOME STATEMENT**

(€000)	CAILLIAU DEDOUIT ET ASSOCIÉS		KPMG AUDIT	
	AMOUNT		AMOUNT	
	2016	2015	2016	2015
Statutory audits, certification, review of financial statements	148	140	148	140
Other tasks directly related to the auditing engagement	12	12	10	10
Other services	-	-	-	-
<b>Total</b>	<b>159</b>	<b>152</b>	<b>158</b>	<b>150</b>

## 20.4 Auditing of annual historical financial information

### 20.4.1 HISTORICAL FINANCIAL INFORMATION AUDITED BY THE STATUTORY AUDITORS

The consolidated financial statements and annual financial statements of Affine, and the reports of the statutory auditors on the consolidated financial statements and annual financial statements for the 2016 financial year appear in sections 20.1 and 20.3 respectively of this document.

In accordance with Article 28 of regulation (EC) no. 809/2004 of the Commission, the following information is incorporated by reference in this registration document:

- the consolidated financial statements and annual financial statements of Affine, and the reports of the statutory auditors on the consolidated financial statements and annual financial statements

for the 2015 financial year appear in sections 20.1 and 20.3 respectively of the Registration Document registered by the Autorité des Marchés Financiers on 06 April 2016, under number D.16-0289.

- the consolidated financial statements and annual financial statements of Affine, and the reports of the statutory auditors on the consolidated financial statements and annual financial statements for the 2014 financial year appear in sections 20.1 and 20.3 respectively of the Registration Document registered by the Autorité des Marchés Financiers on 31 March 2015, under number D.15-0265.

### 20.4.2 OTHER FINANCIAL INFORMATION AUDITED BY THE STATUTORY AUDITORS

All the historical financial information referred to in this document has been audited.

### 20.4.3 UNAUDITED HISTORICAL FINANCIAL INFORMATION

All the historical financial information referred to in this document has been audited.

## 20.5 Date of most recent financial information

The company's individual and consolidated financial statements for the 2016 financial year have been audited and verified by the company's statutory auditors. Their reports appear in sections 20.1 and 20.3 above.

## 20.6 Interim financial information

Affine has not reported any interim revenues or earnings since 03 March 2017.

## 20.7 Dividend distribution policy

The dividend distribution policy is linked to the company's dual status as a former SICOMI (business real estate leasing company) and a SIIC (listed property investment company):

- Profits from property leasing transactions exempt from corporation tax (former SICOMI) are required to be distributed at 95% during the following financial year; in accordance with Article 36 of the articles of association, the distribution of capital gains on disposal may be staggered over three years.
- Profits from investment property leasing transactions exempt from corporation tax (SIIC) are required to be distributed at 95% during the following financial year; the distribution of capital gains on disposal is limited to 60% of their amount and may be staggered over two years; dividends from subsidiaries which themselves have the status of SIIC must be distributed in their entirety during the following financial year.

This obligation is considered to apply up to the limit of distributable income. A deduction of 20% is made for the state on dividends from tax-exempted profits when they are paid to non-residents with a stake of least 10% in the company's share capital and with a tax haven as defined by law.

The company may propose to the Annual Shareholder's Meeting to offer shareholders the right to receive all of their dividend in shares.

The Board of Directors may decide to pay an interim dividend for that relating to the current financial year.

FINANCIAL YEAR	DIVIDENDS
2008	€1.00
2009	€1.78
2010	€2.43
2011	€1.20
2012	€1.20
2013	€0.90
2014	€1.00
2015	€1.00
2016	€1.00

The dividend of €1.00 per share for the 2016 financial year originates from:

- €0.00 from the exempt sector (SIIC) and,
- €1.00 of taxed portion, triggering entitlement to the deduction of 40% but involving the payment of the additional tax contribution of 3% on this amount.

In accordance with the Amending Finance Law for 2013, the obligatory part of the dividend from the portion exempted and paid in 2016 shall be exempt from the additional contribution of 3% on dividends created under the law of 16 August 2012.

## **20.8 Legal and arbitration proceedings**

There are no governmental, legal or arbitration proceedings (including pending or threatened proceedings), during a period covering the previous 12 months, which may have or have had a

material impact on the financial position or profitability of the company or Group in the recent past.

## **20.9 Significant change in financial or commercial situation**

There has been no significant change in the financial or commercial situation of the Group since the end of the last period for which

the verified financial statements or interim financial statements have been published.

# 21 ADDITIONAL INFORMATION

## 21.1 Share capital

### 21.1.1 CHANGES IN THE CAPITAL

On the date of this registration document, the share capital of Affine amounted to €59,500,000, divided into 10,056,071 ordinary shares, of the same category with no reference to the par value and fully paid.

### 21.1.2 SHARES NOT REPRESENTING THE CAPITAL

None.

### 21.1.3 SHARES HELD BY THE ISSUER

At 1 December 2016, Affine had 27,007 treasury shares, recorded at their historical cost and solely comprising shares held by Invest Securities for market making purposes.

### 21.1.4 CONVERTIBLE SECURITIES

#### **Bonds redeemable in shares (BRS)**

2,000 BRS with a par value of €10,000 were issued on 15 October 2003, for a term of 20 years, repayable at maturity at the initial issue price of €50 per share (200 shares per BRS), adjusted for the potential dilutive effects of financial transactions on the capital.

Following the free allocation of 4% of shares to shareholders on 23 November 2005, this parity was increased to 208 shares per BRS.

At the Annual Shareholders' Meeting of Affine held on 26 April 2007, it was decided to divide the Affine share by three through the allocation of three new shares for each old share from 2 July 2007, increasing the parity to 624 shares per BRS.

#### **Annual interest**

The coupon, based on the amount of the dividend distributed by the company, is paid according to the following conditions:

- an interim dividend, on 15 November, corresponding to a fixed amount with an underlying value of €0.518 per share multiplied by the redemption parity (i.e. currently €323.33 per bond);
- the balance on the dividend payment date.

#### **Early redemption at the company's request**

From 15 October 2008, the company may convert all or part of the BRS into shares if the average closing prices of the share over 40 trading sessions is higher than the adjusted issue price.

Since 15 October 2013, the company has been able to redeem all or part of the BRS in cash, with 30 calendar days' notice, at a price granting the initial subscriber, on the actual date of redemption, after taking into account coupons paid in previous years and interest due for the period from the last interest payment date prior to the date of early redemption through to the actual redemption date, a gross actuarial yield rate of 11%. This price may not be lower than the par value of the BRS.

#### **Early redemption at the bondholder's request**

Since 15 October 2013, BRS bondholders have had the right to request at any time, except from 15 November to 31 December inclusive each year, the redemption of all or part of their BRS due to redemption parity, which, on the date of this document, was 624 shares (after adjustment) per bond.

On 31 July 2015, 1,610 BRS were converted (creation of 1,004,640 shares).

In the event of redemption of the remaining 362 BRS, mostly held by Forum European Realty Income, in shares (currently 225,888) and based on the number of shares in existence on this date (10,056,071), the total dilution of the capital would be 2.2%.

### 21.1.5 INFORMATION ON THE CONDITIONS FOR ACQUISITION RIGHTS OR OBLIGATIONS ATTACHED TO SUBSCRIBED CAPITAL

There are no conditions for acquisition rights or obligations attached to subscribed capital.

### 21.1.6 EXISTENCE OF AN OPTION ON THE CAPITAL

There is no option on the capital.

### 21.1.7 HISTORIQUE DU CAPITAL SOCIAL

DATES	CAPITAL INCREASE OPERATIONS	SHARE CAPITAL BEFORE THE OPERATION	ISSUE OR CONTRIBUTION PREMIUMS	NUMBER OF SHARES CREATED	SHARE CAPITAL AFTER THE OPERATION	NUMBER OF SHARES
01/01/1999					31,170,183	2,044,630
28/07/2000	Merger with Sovabail	31,170,183		89,354	35,000,000	2,133,984
22/05/2001	Concerto Développement share transfer	35,000,000	3,979,168	138,507	37,271,653	2,272,491
22/05/2001	Capitalisation of "long-term capital gains" reserves for €2,728,346.70	37,271,653			40,000,000	2,272,491
10/09/2003	Transfer to Affine of Imaffine shares held by Prédica and BNP Immobilier	40,000,000	1,149,259	31,846	40,600,000	2,304,337
15/06/2004	Payment of a portion of the dividend in shares	40,600,000	945,804.94	23,422	41,012,671.06	2,327,759
26/05/2005	Payment of a portion of the dividend in shares	41,012,671.06	1,251,688.73	19,702	41,359,799.63	2,347,461
16/06/2005	Capital increase in cash	41,359,799.63	14,794,165.54	234,000	45,482,634.09	2,581,461
16/06/2005	Capital increase through capitalisation of reserves	45,482,634.09	-	-	45,485,000.00	2,581,461
23/11/2005	Allocation of bonus shares to shareholders	45,485,000.00	-	103,258	47,304,392.25	2,684,719
19/12/2005	Capital increase through capitalisation of reserves	47,304,392.25	-	-	47,305,000.00	2,684,719
06/06/2006	Payment of a portion of the dividend in shares	47,305,000.00	1,319,884.97	15,280	47,574,235.03	2,699,999
19/06/2006	Capital increase through capitalisation of reserves	47,574,235.03	-	-	47,600,000.00	2,699,999
01/06/2007	Payment of a portion of the dividend in shares	47,600,000.00	347,847.46	2,866	47,650,526.54	2,702,865
04/06/2007	Capital increase through capitalisation of reserves	47,650,526.54	-	-	47,700,000.00	2,702,865
02/07/2007	Division by three of the share par value	47,700,000.00	-	-	47,700,000.00	8,108,595
03/06/2008	Payment of a portion of the dividend in shares	47,700,000.00	159,655.36	4,971	47,729,242.64	8,113,566
04/06/2008	Capital increase through capitalisation of reserves	47,729,242.64	-	-	47,800,000.00	8,113,566
13/04/2011	Conversion of 2005 BRS into shares	47,800,000.00	7,803,472.00	374,400	50,005,728.04	8,487,966
08/06/2011	Payment of a portion of the dividend in shares	50,005,728.04	6,738,833.30	514,076	53,034,338.74	9,002,042
08/06/2011	Capital increase through capitalisation of reserves	53,034,338.74	-	-	53,100,000	9,002,042
26/10/2012	Capital reduction through cancellation of own shares	53,100,000.00	-2,667,579.76	-282,659	51,432,690.20	8,719,383
07/12/2012	Merger/absorption of AffiParis	51,432,690.20	5,468,307.45	314,576	53,288,267.59	9,033,959
13/12/2012	Capital increase through capitalisation of reserves	53,288,267.59	-	-	53,300,000.00	9,033,959
05/06/2014	Conversion of 28 2003 BRS into shares	53,300,000.00	176,915.89	17,472	53,403,084.11	9,051,431
05/06/2014	Capital increase through capitalisation of reserves	53,403,084.11	-	-	53,500,000.00	9,051,431
31/07/2015	Conversion of 1,610 2003 BRS into shares	53,500,000.00	10,161,906.90	1,004,640	59,438,093.10	10,056,071
31/07/2015	Capital increase through capitalisation of reserves	59,438,093.10			59,500,000.00	10,056,071

### Changes to capital allocation over the last five years

The main changes made to the allocation of capital and voting rights over the last five years are as follows (shareholders listed hold more than 2% of the capital):

(€000')	2012		2013		2014		2015		2016	
	CAPITAL	VOTING RIGHTS	CAPITAL	VOTING RIGHTS	CAPITAL	VOTING RIGHTS	CAPITAL	VOTING RIGHTS	CAPITAL	VOTING RIGHTS
Holdaffine BV	35.3%	50.3%	35.3%	51.2%	35.2%	51.2%	31.7%	47.4%	31.7%	45.4%
Forum European Realty Income							10.0%	7.5%	9.7%	6.9%
Orexim (agreement)					5.0%	3.6%	7.7%	5.8%	8.5%	6.1%
La Tricogne	6.6%	5.0%	6.6%	4.8%	6.6%	4.8%	6.0%	4.5%	6.0%	8.5%
Other free float	58.1%	44.7%	58.1%	44.0%	53.2%	40.4%	44.6%	34.8%	44.1%	33.1%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

## Significant identified portions of capital pledged

NAME OF SHAREHOLDER WITH REGISTERED ACCOUNT	BENEFICIARY	START DATE OF PLEDGE	MATURITY DATE OF PLEDGE	CONDITION FOR EXERCISING THE PLEDGE	NUMBER OF ISSUER'S SHARES PLEDGED	% OF ISSUER'S CAPITAL PLEDGED
None	None	None	None	None	None	None
<b>Total</b>	<b>None</b>	<b>None</b>	<b>None</b>	<b>None</b>	<b>None</b>	<b>None</b>

The company is aware of pledges on managed registered shares. This shareholder holds 0.9% of the capital of Affine R.E.

## 21.2 Instrument of constitution and articles of association

### 21.2.1 CORPORATE PURPOSE

The corporate purpose of the company is the purchase, sale and lease of buildings and businesses, in addition to investment in all types of financial, real estate, industrial or commercial companies.

The corporate purpose appears in article 2 of the articles of association.

### 21.2.2 PROVISIONS REGARDING THE BOARD OF DIRECTORS

Article 10 of the articles of association determines the conditions to be met for appointment as a director and the composition of the Board. Directors may be natural or legal persons, and in the latter case must appoint a permanent representative.

The Board must be composed of a minimum of 3 directors and a maximum of 15. The terms of office are for a renewable period of three years. To facilitate the establishment of staggered renewal of terms of office, at its meeting on 27 April 2012, the Annual Shareholder's Meeting amended Article 10 to set, as an exception, the term of office of director at 1, 2 or 3 years.

Article 11 of the articles of association sets forth the obligation for each director to hold at least one registered share, throughout the duration of their term of office.

In accordance with the provisions of article L 225-51-1 of the French Commercial Code, Article 14 grants the Board the option to choose to have the role of Executive Management assumed by either the Chairman of the Board of Directors, or by another natural person appointed by the Board of Directors and carrying the title of Chief Executive Officer. Regardless of the procedures for exercising the Executive Management (unitary or dual board structure) chosen by the Board, the Chief Executive Officer is invested with the most extensive powers, within the limits of the corporate purpose and subject to the powers granted by law to the shareholders. The Chief Executive Officer may take action at any time on behalf of the company.

The Board of Directors of the company opted to combine the roles of Chairman of the Board and Chief Executive Officer and appointed a Co-Chief Executive Officer, whose duties are identical to those of the Chief Executive Officer<sup>1</sup>.

### 21.2.3 CHARACTERISTICS OF SHARES, RIGHTS AND RESTRICTIONS ATTACHED TO EACH CATEGORY OF SHARES

Fully paid shares are registered or bearer shares, based on the choice of the shareholder.

The voting rights attached to the shares is proportional to the capital that they represent. However, Article 29 of the articles of association provides for the allocation of a double voting right:

1) to all fully paid shares for which registration has been justified for at least two years in the name of the same shareholder.

b) to registered bonus shares awarded to a shareholder in the case of a capital increase through capitalisation of reserves, profits or issue premiums, due to old shares with this right attached.

The double voting right shall terminate automatically in the case of any shares that are converted to bearer form or for which ownership is transferred, except in the case of transfer resulting from inheritance, separation of assets between spouses, gifts inter vivos to a spouse or relative entitled to inherit.

The voting right is cancelled for shareholders who directly or indirectly take ownership of a number of shares or voting rights representing at least two percent of the capital or of the voting rights or a multiple of 2% of the capital or of the voting rights of the company and who have failed to inform the company within 15 days of this threshold being crossed. This obligation to inform the company also applies in the case the capital or voting rights falling below the 2% threshold.

Approval must be requested by one or more shareholders who together or separately hold at least 2% of the capital or voting rights of the company or a multiple of 2% of the capital or voting rights of the company (including beyond the 5% threshold). Shareholders who fail to fulfil their obligation to inform will be deprived of their right to vote in all shareholders' meetings for a two-year period following the date on which notification was supplied.

The provisions above appear in Article 9 of the company's articles of association amended by the Extraordinary Shareholders' Meeting of 30 April 2015.

The statutory provisions relating to profits appear in Article 36 amended by the Extraordinary Shareholders' Meeting of 30 April 2015.

Given the company's SIIC status, it is indicated that shareholders will be granted, on a pro rata basis based on the par value of their unredeemed shares which have been fully paid for at least six months before financial year-end, a total dividend taking into account the applicable distribution obligations, subject to the potential application of provisions relating to the levy referred to in Article 208 IIb of the French General Tax Code. Shareholders who satisfy

<sup>1</sup> On 1 January 2017, the Board of Directors of the company opted to separate the roles of Chairman of the Board of Directors and those of Chief Executive Officer, and a Co-Chief Executive officer was also appointed.

the exemption conditions must justify their position to the company within five working days of the date of any dividend payment. Failure to do so shall result in the amount payable to the shareholder being reduced on a proportional basis to the levy deemed payable and paid by the company to the relevant tax authority.

Article 36 of the articles of association grants the Annual Shareholders' Meeting the option to give shareholders the right to choose between payment of the dividend in cash or shares.

Interim dividends may be paid to shareholder, at the discretion of the Annual Shareholders' Meeting, in accordance with the legal or regulatory provisions in force.

Article 36 also specifies that the dividend will be paid to the shareholder subject to the provisions of Article 208-IIb of the French General Tax Code. In the event that a shareholder satisfies the exemption conditions of Article 208-IIb of the General Tax Code, they must provide justification to the company within five working days of the date of any dividend payment.

Failure to provide justification within this period shall result in the amount payable to the shareholder being reduced on a proportional basis to the levy deemed payable and paid by the company to the relevant tax authority.

If the distribution is paid in shares, the shareholder will only receive a portion of the sums payable to them in the form of shares, without creating fractional shares, with the balance being allocated by the company to the payment of the levy through charging as specified above.

In the event that it should become apparent, after a distribution, that a shareholder was in a situation which should have given rise to a levy on the date of payment of said sums, the shareholder will be required to pay the company, in compensation for any losses it has incurred, a sum equal to the levy that the company should have paid in relation to the shares that the shareholder held on the date of payment of the distribution, plus additional compensation equal to late payment interest, penalties or charges of any nature that the company has incurred as a result of this situation.

Where applicable, the company will be entitled to charge any debt that it holds in this regard to the shareholder for any sum which may be paid subsequently in its favour, until said debt has been definitively extinguished.

#### **21.2.4 CHANGES TO SHAREHOLDERS' RIGHTS**

Changes to shareholders' rights may only be made as a result of statutory changes adopted by the Extraordinary Shareholders' Meeting of the company, under the conditions provided for in the current regulations.

#### **21.2.5 PROVISIONS RELATING TO THE CONVENING OF AND ADMITTANCE TO ANNUAL SHAREHOLDERS' MEETINGS**

##### TO ANNUAL SHAREHOLDERS' MEETINGS

Article 23 of the articles of association specifies the conditions for convening Annual Shareholders' Meetings of the company.

They are convened by the Board of Directors. Otherwise, they may also be convened by:

- the Statutory Auditors;
- a court-appointed representative at the request, either of any interested party in a case of emergency, or one or several shareholders representing at least one twentieth of the share capital or one twentieth of the shares of the related category, in the case of special meetings;
- the liquidators in the event of dissolution of the company and during the liquidation period.

Annual Shareholders' Meetings are convened by means of a notice inserted in a newspaper authorised to receive legal announcements in the French department in which the head office is situated at least fifteen days prior to the date of the meeting. However, if all the shares are registered, this insertion may be replaced by a notice of meeting sent, at the company's expense, by registered post to each shareholder.

Shareholders may also be called to meetings by means of electronic telecommunication following their prior written agreement.

Shareholders who have held registered shares for at least one month on the date of insertion of the notice are called to all meetings by standard letter or, at their request and their expense, by registered letter.

When a meeting has been unable to deliberate due to failure to assemble the quorum required, a second meeting and, where applicable, a deferred second meeting, will be called at least six calendar days in advance in the same format as the first. The notice and letters convening this second meeting shall bear the same date and agenda as the first.

Annual Shareholders' Meetings may be called verbally and without delay if all the shareholders are present or represented.

Article 25 of the articles of association establishes the conditions for admission to Annual Shareholders' Meetings of the company.

All shareholders have the right to attend Annual Shareholders' Meetings and to participate in deliberations, in person or by proxy, regardless of the number of shares they own, if justification has been provided, under legal conditions, of the accounting registration of their shares in their name or in that of the intermediary registered on their behalf in accordance with the 7<sup>th</sup> paragraph of article L228-1 of the French Commercial Code, two working days prior to the meeting at midnight Paris time (in accordance with Article R225-85 of the French Commercial Code as amended by the decree of 8 December 2014), either in the accounts of registered shares held by the company, or in the accounts of bearer shares held by the authorised intermediary.

All shareholders who have not been deprived of the right to vote may be granted authorisation by other shareholders in order to represent them at a meeting, without any limitations other than those emanating from the provisions of Article 29 of the articles of association setting the maximum number of votes which a single person may have, both in their own name and as proxy.

Legal representatives of shareholders without the required legal capacity and natural persons representing shareholders who are legal persons attend meetings, whether they are shareholders themselves or not.

Joint owners of shares must be represented in dealings with the company and at Annual Shareholders' Meetings by only one of the owners, who the company will consider the sole owner, or by a single representative; in the case of disagreement, the representative may be court-appointed at the request of the co-owner who acts first.

Unless the company is informed of an agreement to the contrary, beneficiaries of shares validly represent the bare owners in relation to the company; however, the right to vote belongs to the beneficiary in Ordinary Shareholders' Meetings and to the bare owner in Extraordinary or Special Shareholders' Meetings.

### 21.2.6 CHANGE IN CONTROL

With the exception of the provisions stated in section 21.2.3 concerning the allocation of double voting rights, no other statutory provision, charter or regulation of the company may have the effect of delaying, deferring or preventing a change of control in the company.

### 21.2.7 OBLIGATION TO INFORM IN THE EVENT OF CROSSING THE THRESHOLD

Article 9 of the articles of association stipulates that any shareholder who comes to directly or indirectly hold a number of shares or voting rights representing at least two percent of the capital or voting rights of the company must inform the company within fifteen days of crossing the threshold. The party declaring this situation must also indicate the securities granting access to the capital that they have in their possession on the date of their declaration. In the case of an agreement, the notification must contain the identity of natural persons and the identification of legal persons acting for the purposes of the agreement. These provisions are also applicable in the case of falling below the threshold. In the event of failure to comply with the above provisions, shares with voting rights exceeding the threshold will be deprived of the right to vote in any meeting for two years following the date on which notification was supplied.

### 21.2.8 CHANGES TO THE SHARE CAPITAL

The conditions for changes to the company's share capital provided for in the articles of association are no stricter than those legally in force.

# 22 MAJOR CONTRACTS

## **Shareholders' agreement with the company banimmo**

A shareholders' agreement was signed on 7 April 2016 between Affine and SMI. This agreement provides for shared control. It will

remain in force until 7 October 2017, and is automatically renewable from year to year thereafter.

# 23 THIRD PARTY INFORMATION AND STATEMENT BY EXPERTS AND DECLARATIONS OF INTEREST

Since late 2005, the entire property portfolio of the Affine Group has undergone an annual valuation at 30 June and 31 December.

The company's property portfolio is mainly composed of offices, retail premises and warehouses. For the preparation of its consolidated statements, the company has chosen to account for property using the fair value model in accordance with IAS 40 and IFRS 13, as explained in section 20.1.5.1.6. This standard requires the change in fair value of property for each reporting period to be recognised in the income statement.

At the end of December 2016, the Group arranged for the value of its rental properties to be measured through external appraisals, for 89% of their value, and internal appraisers for smaller-sized assets or for assets in the process of being sold (based on any preliminary sale agreements). The value used by Affine are equal to or lower than those of the external appraisals.

The methodology used by the appraisers is described in section 20.1.5.1.6. The capitalisation rate and the DCF methods were used for assets valued internally.

Valuations are based on the rental statements, planned investments and the status of current negotiations (expected departures and arrivals) provided by Affine.

The rent indexing used depends on the type of property and the nature of the tenant's activity. Present in the three main commercial property sectors (offices, retail and warehouses), Affine mainly uses three indices: the ILAT (INSEE Retail Rental Index), ICC (Construction Cost Index) and ILC (Commercial Rent Index) in 48%, 31% and 15% of cases respectively. More rarely, Affine also uses the French Building Federation's Construction Cost Index (ICC FFB), and a fixed rate.

The set of assumptions used in property valuations are reviewed and monitored by the Statutory Auditors. This audit is specifically aimed at checking the relevance of these items, the main variables of which are listed in section 20.1.5.1.4.

Valuations reflect market values excluding transfer taxes, i.e. after deduction of stamp duty and/or conveyancing fees (in the case of a property sold subject to VAT on property), based on 6.20%, 6.90% or 7.50% of the value excluding transfer taxes, depending on the property's location, and 1.80% for property subject to VAT.

The gross capitalisation rate is determined as the ratio of annualised gross rental income to appraisal values excluding transfer taxes. The rate of return is calculated based on the appraisal including transfer taxes.

The appraisers' fees are agreed at the outset based on a flat fee per asset, depending on the type, size, complexity and location.

Information on changes in fair value, reconciliation between values in the statement of financial position and appraisal values given by the independent experts and the sensitivity of the asset valuation can be found in note 1 of section 20.1.5.4.1.

In accordance with the principles enshrined in the Code of Conduct for SIIC, Affine rotates its appraisers so that an appraiser may not have more than two consecutive four-year appointments for the same asset (no exceptions are permitted). It ensures in this case that after a maximum of seven years, the internal teams in charge of the appraisal have effectively been replaced.

The appraisal results, associated returns and occupancy rates are illustrated below by activity segment:

(€M) AT 31 DEC 2016	FAIR VALUE EXC. TRANSFER TAXES	FAIR VALUE INC. TRANSFER TAXES	MARKET RETURN	HEADLINE RETURN	POTENTIAL RETURN	OCCUPANCY RATE
Offices	344.2	367.5	6.1%	5.8%	6.7%	86.0%
Retail	116.7	124.7	6.3%	6.6%	7.6%	86.2%
Warehouses and industrial premises	57.8	61.3	8.7%	9.0%	9.3%	97.2%
<b>PROPERTY PORTFOLIO</b>	<b>518.6</b>	<b>553.5</b>	<b>6.4%</b>	<b>6.4%</b>	<b>7.2%</b>	<b>87.5%</b>

The market, headline and potential returns correspond to market, headline and potential rents divided by the market value of rental properties, including transfer taxes, at closing.

Market rents correspond to the rents that would be obtained if the premises had to be re-let at the closing date.

Headline rents correspond to the contractual rents of the lease, to which successive pegging operations are applied as contractually agreed in the lease, excluding advantages granted to the tenant by the owner (unbilled charges contractually considered as such, staggering of rent, etc.).

Potential rents correspond to the sum of headline rents and market rents of vacant premises.

The financial occupancy rate is equal to the market rents of occupied premises divided by the market rents of the total premises.

## General framework

To update the value of its property portfolio, Affine approached the appraisers listed below according to the following breakdown:

(€M) AT 31 DECEMBRE 2016	TYPE	NUMBER OF ASSETS	MARKET VALUE EXCL. TRANSFER TAXES	FAIR VALUE INCLUDING TRANSFER TAXES	ASSIGNMENT AS % OF APPRAISER'S SALES
BNPP Real Estate Valuation	Offices	6	36.5	35.8	0.21%
	Retail	1	62.9	67.2	
	Warehouses and industrial premises	2	8.5	8.7	
	Other	0	5.3	5.1	
CBRE Expertise	Offices	10	115.3	121.2	0.17%
	Retail	1	30.2	30.8	
	Warehouses and industrial premises	2	13.4	14.1	
Crédit Foncier Expertise	Offices	8	163.7	174.3	0.06%
	Retail	2	14.3	15.2	
	Warehouses and industrial premises	1	22.2	23.8	
Assets not subjected to an appraisal	Offices	5	34.1	36.2	
	Retail	2	10.7	11.4	
	Warehouses and industrial premises	3	13.8	14.8	
<b>PROPERTY PORTFOLIO</b>		<b>43</b>	<b>530.9</b>	<b>558.6</b>	

## The appraisers report

The appraisers prepared their reports based on the values at 31 December 2016.

No conflict of interest was found.

This procedure was carried out to comply with the AMF recommendation on the presentation of valuation and risk data for the property assets of listed companies, published on 8 February 2010.

Appraisals were carried out based on the fair value of the property under the terms of the current lease and under IFRS (IAS 40 and IFRS 13). In view of Affine's status as a listed property company, fair value is defined in IAS 40 and IFRS 13 as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date".

Industry bodies recognise that for investment property, fair value is identical to market value, as defined by the Royal Institution of Chartered Surveyors (RICS) and the French real estate appraisal code (Charte de l'Expertise en Évaluation Immobilière).

According to this code, market value is "the estimated amount of money against which a property would be exchanged, at the measurement date, between a willing buyer and a willing seller in a balanced transaction after proper marketing where the parties have each acted knowingly, prudently and without pressure."

The appraisers confirm that the buildings were valued "line-by-line" based on individual appraisals, rather than based on the entire portfolio.

## Independence and expertise

We carried out this work for your company as external appraisers.

We did not identify any conflict of interest, either among the parties concerned or in relation to the properties and titles to property reviewed.

We also confirm that the team selected to do the work has the skills and knowledge needed to estimate the value of the assets concerned.

## Details of the brief

All the property assets concerned have been visited by appraisal teams over the past five years.

No technical, legal, environmental or administrative audit was required to perform the appraisal. The valuation is based on the documents provided by the client, including:

- leases,
- description contained in the purchase deeds,
- details of rents,
- details of tax and certain charges.

The properties concerned are part of a property portfolio which is periodically valued at 30 June and 31 December, in whole or in part, by independent appraisers.

## Operating conditions

The brief was carried out based on documents and information given to us, including rental statements and planned works, all assumed to be true and correct and corresponding to the information and documents in possession of or known to the client and likely to have an impact on the market value of the property.

It is not within our remit to assess or quantify the impact of risks related to the contamination of soil, buildings, pollution of land and environmental issues in general. Unless otherwise reported, we assumed that the plots were not polluted and that the buildings did not contain asbestos or wood-boring insects (termites, etc.), lead, radon or other products of a harmful nature.

The appraisal and valuations were carried out in accordance with:

- the recommendations of the Barthès de Ruyter report on the valuation of property assets of listed companies making public offerings, published in February 2000,
- the French real estate appraisal code (Charte de l'Expertise en Evaluation Immobilière),
- the European Valuation Standards published by TEGoVA (The European Group of Valuers' Associations),
- the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors (RICS),
- the International Valuation Standards of the International Valuation Standards Committee.

The market value of the property was estimated by the following methods:

- comparison method
- capitalisation method
- DCF method
- "developer's budget" method (applied only to properties under development)

The valuation methodology is summarised in section 20.1.5.1.6.

The valuation is based on an assumption of market stability and the absence of significant changes in properties between the completion date of the appraisals described in this report and the value date.

For leasehold property and title, only the underlying property and title were valued, and not the transfer value of the finance lease.

Any special financing arrangements entered into by the owners were likewise not taken into account.

BNPP Real Estate  
Valuation

CBRE  
Expertise

Crédit Foncier Expertise

## Additional valuation parameters – ifrs 13

Since 1 January 2013, the Group has applied IFRS 13, which defines fair value as the "highest and best use" of the asset. The standard establishes a fair value hierarchy with three levels according to the inputs used in valuations.

Given the nature of the real estate investment market in France and the features of Affine's investment property, the most significant parameters used for estimates, particularly market rental values and rates of return, are classified as level 3.

## Observations

The above value is net, i.e. after deduction of stamp duty and/or conveyancing fees (in the case of a property sold subject to VAT on property), based on 6.2%, 6.9% or 7.5% of the value excluding transfer taxes, depending on the property's location, and 1.8 % for property subject to VAT.

The values shown do not include any marketing costs or taxes and related fees.

We confirm that our appraisals are confidential and strictly for use by your company and your professional advisors in connection with the brief given.

Each appraiser declares that he/she is independent and has no interest in Affine, and confirms the values of the property assets valued, without taking responsibility for those performed by other firms. The appraiser also agrees to this condensed report being included in Affine's registration document.

# 24 DOCUMENTS AVAILABLE TO THE PUBLIC

The documents and information which constitute regulated information primarily include those available on the website [www.affine.fr](http://www.affine.fr). The company's website includes the following documents, which will be available for consultation on the website throughout the validity period of this Registration Document:

- Annual reports dating back to 2001
- Half-yearly financial reports dating back to 2006
- Quarterly financial information
- The Chairman's report on corporate governance and internal control
- The registration documents covered by the COB and then the AMF since 2002
- This 2016 Registration Document
- Financial notices published by the company
- Presentations made to analysts

The articles of association of Affine are available upon request sent to the company head office: 39, rue Washington 75008 PARIS.

# 25 INFORMATION ON EQUITY INTERESTS

Information regarding entities in which the company holds an equity interest appear in the notes to the consolidated financial statements in section 20.1.5.3 "Scope of consolidation".

## Report by the independent third-party body, on the consolidated social, environmental and societal information set out in the management report

Financial year ended 31 December 2016

To the shareholders,

In our capacity as an independent third-party body acting for Affine SA, accredited by the COFRAC<sup>1</sup> (the French Accreditation Committee) under number 3-1049, and member of the KPMG International network as one of your statutory auditors, we hereby present our report on the consolidated social, environmental and societal information regarding the financial year ended 31 December 2016 presented in the management report (hereinafter the "CSR Information"), as required by Article L.225-102-1 of the French Commercial Code.

### THE COMPANY'S RESPONSIBILITY

It is the responsibility of the Board of Directors to prepare a management report including the CSR information required by Article R.225-105-1 of the French Commercial Code, prepared in accordance with the guidelines used by the company (hereinafter the "Guidelines"), a summary of which is provided in the management report and is available at the company's registered office on request.

### INDEPENDENCE AND QUALITY CONTROL

Our independence is determined by the regulations, the professional business ethics code and the stipulations of Article L.822-11-3 of the French Commercial Code. Moreover, we have introduced a quality control system that includes documented policies and procedures aimed at ensuring compliance with the rules of business ethics and the applicable legislation and regulations.

### RESPONSIBILITY OF THE INDEPENDENT THIRD-PARTY BODY

Our responsibility, on the basis of our work, is:

- to certify that the required CSR Information is included in the management report, or is the subject of an explanation pursuant to the third paragraph of Article R.225-105 of the French Commercial Code (Certificate of inclusion of the CSR Information), in the event of omission;
- to draw a conclusion expressing moderate assurance on the fact that all the material aspects of the CSR Information, taken as a whole, have been presented in a fair manner in accordance with the Guidelines (reasoned opinion on the fairness of the CSR Information).

Our work involved the expertise of five people and was undertaken between November 2016 and March 2017 covering a total operating time of about two weeks. We called upon our CSR experts to help us perform this work.

We performed the work described below in accordance with the Order dated 13 May 2013 setting out the conditions under which the independent third-party performs its engagements as well as the professional doctrine of the National Company of Statutory Auditors relating to this work and with international standard ISAE 3000 where the reasoned fairness opinion is concerned<sup>2</sup>.

## 1. Certification of the inclusion of CSR Information

### Nature and extent of the work

We have familiarised ourselves with the presentation of the sustainable development guidelines, in accordance with the social and environmental consequences linked to the company's business activities, and with its societal commitments, and, where applicable, with the initiatives or programmes arising therefrom, based on meetings with the managers of the departments concerned.

We compared the CSR Information set out in the management report with the list provided for by Article R.225-105-1 of the French Commercial Code.

Where some consolidated information was missing, we checked that explanations were provided in accordance with the provisions of paragraph 3 of Article R.225-105 of the French Commercial Code, in particular, the reasons provided concerning why it was impossible to submit information relating to the use of electricity, water, waste and paper in 2016.

We checked that the CSR Information covered the scope of consolidation, namely the company and its subsidiaries, within the meaning of Article L.233-1 of the French Commercial Code, and the companies that it controls within the meaning of Article L.223-3 of that Code, in accordance with the limits specified in the methodology note set out in the section entitled "Methodology Note" in the management report.

### Conclusion

Based on this work, and in light of the aforementioned limits, we attest that the management report contains the required CSR Information, excepting information relating to the use of electricity, water, paper and the production of waste, which were calculated on a pro rata basis for average staff numbers in 2015, as stated in the methodology note.

<sup>1</sup> Go to [www.cofrac.fr](http://www.cofrac.fr) to check the scope of this accreditation.

<sup>2</sup> ISAE 3000 – Assurance engagements other than audits or reviews of historical financial information

## 2. Reasoned opinion on the fairness of the CSR Information

### Nature and extent of the work

We held two meetings with the persons responsible for preparing the CSR Information at the departments responsible for the information-gathering process, and where applicable, with the persons responsible for the internal control and risk management procedures, in order to:

- assess the appropriate nature of the Guidelines in terms of their relevance, completeness, reliability, objectivity and comprehensibility, taking good practices in the sector into consideration, where applicable;
- verify the implementation of an information-gathering, compilation, processing and control process aimed at providing complete and consistent CSR Information, and familiarise ourselves with the internal control and risk management procedures relating to the preparation of the CSR Information.

We determined the nature and scope of our tests and controls on the basis of the nature and materiality of the CSR Information, in view of the company's characteristic features, the social and environmental issues pertaining to its business activities, sustainable development guidelines, and good practices in the sector.

For the CSR information that we considered the most important<sup>3</sup>:

- we consulted the documentary sources and held meetings to corroborate the qualitative information (organisation, policies and initiatives), we implemented analytical processes in the case of the quantitative information, and checked the calculation and the consolidation of the data based on spot checks, and also checked their coherence and consistency with the other information provided in the management report at the level of the consolidated entity;

- we held meetings at the company's headquarters to check the correct application of procedures and to identify potential omissions, and conducted detailed tests on the basis of samples, which consisted in checking the calculations made and in cross-checking them with the data in the supporting documents. The sampling selected in this manner represents 100% of the workforce taken as a representative range of the social part and 100% of environmental data is considered representative of that of the environmental part (see the list of environmental indicators in the footnote on page 3).

In the case of other consolidated CSR Information, we assessed the consistency of the information with our knowledge of the company.

Lastly, we assessed the relevance of the explanations regarding the total or partial absence of some information, where applicable.

We believe that the sampling methods and size of the samples that we selected when exercising our professional judgement enable us to draw a conclusion expressing moderate assurance; a more definite conclusion would have required more extensive verification work. Given the use of sampling techniques and the other limits inherent to the operation of any information and internal control system, the risk that a material misstatement in the CSR Information was not identified cannot be completely eliminated.

### Conclusion

Based on our work, with the exception of any impact of the period used for presenting certain information such as that stated in Part 1 of this report, we did not observe any significant misstatement likely to call into question the fact that the CSR Information, taken as a whole, is presented in a fair manner, in compliance with the Guidelines.

Paris-La Défense, 30 March 2017

KPMG S.A.

Anne Garans  
Partner  
Sustainability Services

Isabelle Goalec  
Partner

<sup>3</sup> **Social data:** Workforce as at 31/12 and the analysis of employees by gender, age and status – Number of hires – Number of dismissals – Total number of training hours.

**Environmental information:** Number of green leases signed (aggregate since 2010) – Electricity consumption – Water consumption – Greenhouse gas emissions linked to electricity consumption.

**Material qualitative information:** Policies implemented in the areas of training, compensation and changes to them. The company's organisation to take account of environmental issues and, if appropriate, assessment procedures or environmental certification; Energy consumption and measures taken to improve energy efficiency and use of renewable energy. Regional, economic and social impact of the company's business in the area of employment, regional development, relations with persons or organisations interested in the company's business.

Corporate Social Responsibility (CSR) includes all information pertaining to the social, environmental, societal and economic aspects of the company’s operations and interactions with its stakeholders, as defined by the French Decree of 24 April 2012 regarding corporate social and environmental transparency requirements.

Three levels of reporting are used, which are those recommended by France GBC in its CSR Reporting guide:

- Corporate level: limited to buildings used by the company for its own use (head office).
- Operational level: limited to buildings contributing to revenues, with three areas of scope:
  1. No available information
  2. Information available only for managed common parts
  3. Information available for the entire building
- Stakeholder level: incorporating the environmental impact of programmes in their entirety, from construction to use.

In keeping with the financial consolidation method of accounting, the above three levels apply to Affine and its fully consolidated subsidiaries (therefore excluding Banimmco).

## Social information

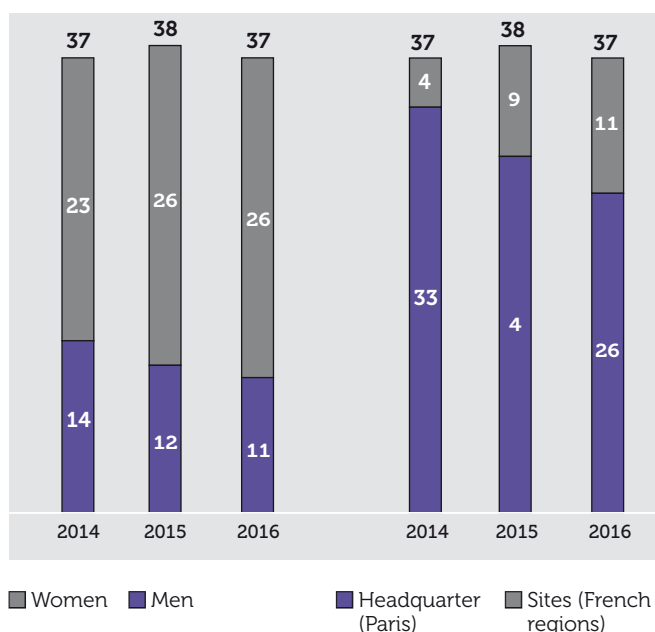
### EMPLOYMENT

#### Total workforce and breakdown of employees by gender, age and geographical area

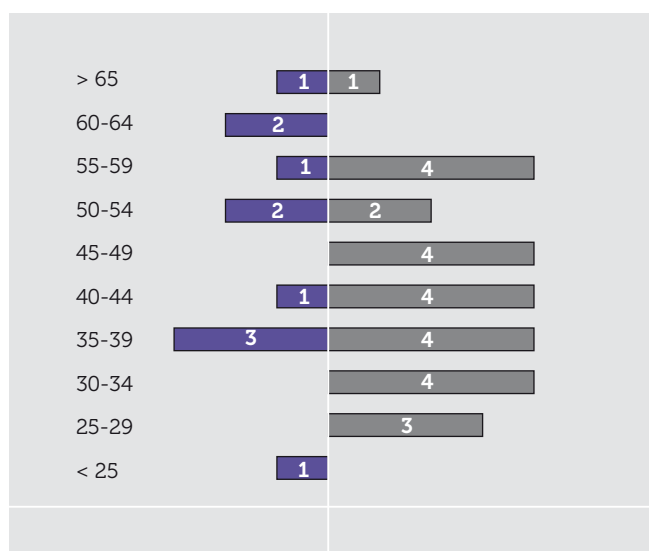
At 31 December 2016, the company employed 37 people: 8 employees, 27 managers and 2 executive officers. The female/male breakdown is as follows: 26 women (6 employees, 19 managers and

1 executive officer) and 11 men (2 employees, 8 managers and 1 executive officer). Included in this total are 5 employees of companies which operate stores in the Carré Colbert shopping centre in Nevers.

#### WORKFORCE BREAKDOWN BY GENDER AND LOCATION



#### AGE PYRAMID



## Recruitment and dismissals

The company recruited 5 employees during the period, including 4 on permanent contracts and 1 on a fixed-term contract. One fixed-term contract was turned into a permanent contract; 6 people left the company (retirement, resignation or redundancy), 1 of whom was laid off.

The company has no legally organised plan to downsize.

## Salaries and changes

At least once a year, managers meet their employees for an individual appraisal. This is an opportunity to check performance targets, review achievements and career development prospects, and identify any training needs. The appraisal also takes into account the work-life balance, to ensure that each employee is able to perform their work in accordance with regulatory requirements, particularly regarding the length of rest time they take. The appraisal process also enables employees to receive a full assessment each year of their skills and areas for development.

In 2016, employee gross salaries totalled €2.9m, down 6.6%. Social Security employer contributions accounted for 54% of gross salary.

In line with the profit-sharing agreement signed in June 2012 as stated below under "Collective Bargaining Agreements", no money was paid out in 2016 in respect of 2015 profit sharing.

At 31 December 2016, no employees of Affine had holdings in the company's share capital through a mutual fund or company savings plan (Article L.225-102 of the French Commercial Code). The bonus share award scheme set up in 2005 came to an end in 2011. A new bonus share award scheme was authorised by the general meeting of shareholders on 28 April 2016 within the limit of 0.30% of the shares existing on the day of the General Meeting. The General Meeting gave full powers to the Board of Directors to determine: the identity of the beneficiaries, the number of shares to be allocated to them and the length of the holding and vesting periods. This scheme was not launched in fiscal year 2016.

## ORGANISATION OF LABOUR

### Organisation of working hours

In December 2001, Affine signed an agreement to reduce working hours and introduce flexible working times with an annual workload of 1,600 hours. The "Solidarity Day" instituted by the French Law of 30 June 2004 was implemented by a reduction in the number of "RTT" days per year (days off in lieu as a result of the 35-hour week).

### Absenteeism

A total of 358 days' sick leave was lost in 2016 compared with 154 in 2015, i.e. 9.2 days per employee compared to 4.3 last year. Causes of absenteeism in the company were mainly maternity leave (270 days) and illness (88 days).

## EMPLOYER-EMPLOYEE RELATIONS

### Organisation of dialogue between management and employees, especially procedures for informing, consulting, and negotiating with employees

Affine employees are represented by delegated members of staff who are responsible for gathering questions and observations that employees wish to raise with management, discussing them at least monthly and, if necessary, seeking an agreement that suits all parties; decisions taken during such meetings are recorded and brought to the attention of all employees.

The questions put by personnel are expressed either through discussion, or by email.

Decisions made at weekly management meetings are notified to all employees.

General information meetings are held by general management throughout the year to present annual and half-yearly results to employees and to discuss important issues relating to the company's organisation or operation.

All mandatory notices are posted on company premises, as are the group's press releases, which are emailed to employees at the same time.

### Collective bargaining agreements in the company and their impact on the economic performance of the company and on the working conditions of the employees

In 2016, no new collective bargaining agreement was signed.

The following agreements continued to apply in 2016:

#### Collective labour agreement

The property sector collective labour agreement has been applied since 1 January 2013. However, the Louvois, Kutum, and Seada subsidiaries, which operate two stores in Nevers, are subject to the clothing sector collective labour agreement.

#### Profit-sharing agreement

All personnel signed a new agreement on 8 June 2012, effective from the 2012 financial year. This agreement was revoked at the end of 2015 and replaced with a new agreement from 2016, signed on 1 April.

#### Agreement to adjust working hours

The collective bargaining agreement of 21 December 2001 regarding the adjustment of working hours continues to apply.

## HEALTH AND SAFETY

### Health and safety in the workplace

Affine employees moved into new premises towards the end of 2016. Workspaces have been reconfigured to improve exchanges between employees in a more user-friendly setting, while benefiting from the latest technologies to speed up data processing and reduce energy consumption.

The company has organised seasonal flu vaccination campaigns since 2000.

In accordance with applicable regulations, an assessment was made of risks within the company. The results of this assessment were reported in the safety and security assessment document.

### **Results of workplace health and safety agreements signed with trade unions and employee representatives**

The company did not sign any specific agreements regarding health and safety in the workplace.

Given the changes in regulations including the French Decree of 9 January 2012 and the ACOSS social security circulars of 25 September 2013 and 4 February 2014, on 16 July 2014, Affine formalised the unilateral decision by the employer for the introduction of a complementary health plan for employees, after informing and consulting with employee representatives.

### **Workplace accidents, particularly their frequency and seriousness, and occupational illnesses**

The company recorded no workplace accidents.

Affine did not identify any occupational illnesses in its workforce in 2016.

## **TRAINING**

### **Implemented training policies**

Potential training needs are assessed during yearly individual appraisals. The company's training policy is designed to ensure that employees have, or can acquire, the skills and autonomy required to make decisions in line with their responsibilities.

Training focused on three main areas: accounting and IT skills, real estate law, and languages. Affine's training budget accounts for 1.29% of payroll; 23 employees benefited from training in 2016.

English lessons were given on a free access basis once a week in the company's offices.

As a new IT system was implemented, all employees received in-depth training to understand the importance of this new tool and master its use.

In addition, internal training was provided on regulatory changes affecting bonds and their impact on drafting contracts.

### **Total number of training hours**

The total number of external training hours in 2016 was 516.5.

## **EQUAL OPPORTUNITIES**

### **Measures taken to promote gender equality**

The company offers the same opportunities for career advancement within the company to men and women. In 2016, the company had 2 female and 3 male senior managers.

### **Measures taken to promote the employment and integration of people with disabilities**

The company works wherever it can with contractors who employ disabled people.

### **Anti-discrimination policy**

The company pays close attention to discrimination issues and strives to avoid any discrimination when hiring new personnel, or in career development and changes in pay.

As the average workforce in Affine totalled less than 50 in 2016, there was no need to establish an action plan for older employees.

The Company emphasizes the need to ensure that new information and communication technologies respect employees' private lives. As such, they have the right to disconnect. With regard to workers with a fixed-day contract, the right to disconnection guarantees minimum rest periods and maximum working hours.

## **PROMOTING AND UPHOLDING THE FUNDAMENTAL CONVENTIONS OF THE INTERNATIONAL LABOUR ORGANIZATION**

The group's business is limited to the European Union, and complies with specific stipulations regarding:

- freedom of association and the right to collective bargaining,
- elimination of discrimination in respect of employment and occupation,
- elimination of all forms of forced or compulsory labour and child labour.

## **Environmental information**

### GENERAL ENVIRONMENTAL POLICY

#### **Organisation of the company to take into account environmental issues and, where appropriate, processes for environmental assessment or certification**

Affine initiated a sustainable development review that considered the impact of its property business on the environment. This process is geared towards making an environmental analysis of the company's assets and raising tenant awareness of environmental issues.

Reducing the ecological footprint starts with a process of reflection conducted jointly with tenants on the use of the premises, installing systems that use natural resources more sparingly, measuring the impact on energy, water, waste and carbon, and evaluating investments to upgrade the portfolio's less energy-efficient buildings and ensure their compliance with standards or their improvement. The signing of green leases (14 since 2010) and efforts to obtain environmental certifications are concrete examples of how these principles are being applied to Affine's operating activities.

The Affine approach is in line with the company's objective of social responsibility and preserving the value of its assets. This environmental review has led Affine to rethink its strategy in order to make environmental performance a decisive factor in its investment and disposal policy. Affine aims to focus on acquiring buildings which already comply with the most advanced environmental performance criteria, or which could achieve such compliance with limited investment. For all the assets that it intends to acquire, the company thus requires an environmental certificate making it possible to limit the environmental impact of a building from design to completion.

Affine took delivery, for example, of a 1,500 sqm office building in Clichy with the BREEAM label. The building is distinguished by its green wall screened by planters around each level (innovative process to refresh façades and optimize energy consumption), ventilation to ensure natural extraction of indoor air through the common areas, natural lighting in offices and the staircase favouring its use, and solar panels in the roof.

The group also invested nearly €50m in turnkey projects in Nantes, Lille and Meudon in new office buildings with BREAM labelling, which can also benefit from specific environmental qualities:

- Green Office @ en Seine is part of the latest generation of positive energy buildings developed by Bouygues Immobilier. This program is part of an ambitious environmental approach aimed at the Label BEPOS Effinergie and the "Passport HQE level Exceptionnel" environmental certification. Energy consumption will be optimised by the use of high-performance materials, precise energy control and electrical production by 650 sqm of photovoltaic panels.
- Among the technical innovations developed as part of the Nantes scheme is the recovery of so-called "fatal" energy, through the installation of a system for the production of domestic hot water by servers. An initiative consistent with the ambitions of the eco-district.

Similarly, the company is disposing of assets that cannot be readily adapted to its environmental criteria.

The process for reporting environmental data is to be revised to take account of regulatory changes under France's "Grenelle II" Law on environmental governance. The areas identified for improvement include establishing a process to collect environmental data, defining the most relevant and suitable indicators, and consolidating various

aggregates to facilitate data analysis. This regulation requires the insertion of an environmental appendix to leases for all commercial buildings with a surface area exceeding 2,000 sqm. It also requires the carrying out of refurbishments to improve the energy performance of commercial buildings by January 2020. The company has already begun such work in anticipation of its implementation.

Areas identified for improvement include establishing a process to collect environmental data, defining the most relevant and suitable indicators, and consolidating various aggregates to facilitate data analysis.

This data collection process has been implemented for the company's main buildings. The data collection will allow a more in-depth analysis of results, which should be incorporated into upcoming CSR reports.

In accordance with the regulatory measure implemented by the DDADUE Law of 16 July 2013, the company launched an energy audit on a section of its portfolio determined with an external expert auditor. The results of this audit will help to identify sources of potential savings and identify improvement solutions in the medium to long term.

Created in 2015 by its founding members (including Affine), the BBCA (Low Carbon Building) non-profit association arose from a willingness amount many players in the real estate, construction and ecology sectors to come together and find solutions to reduce the carbon footprint of buildings and promote more virtuous constructions. The association has two goals: raise awareness of the urgency to reduce the carbon footprint of buildings and shine a positive light on every step that contributes to the development of low carbon buildings. The BBCA label should allow players in the real estate area to identify best practices.

#### **Employee training and information on environmental protection**

Asset managers receive regular training sessions on the various aspects of incorporating environmental considerations into the company's property management.

#### **Means employed to prevent environmental risks and pollution**

The nature of Affine's business does not pose any particular danger to the environment.

Nevertheless, Affine has launched an awareness plan for tenants by sending a best practice recommendation guide on environmental issues with easy-to-apply measures to limit the environmental impact of their operations.

Affine's portfolio is composed mainly of offices and retail premises, for which periodic checks are carried out and measures are taken (change of air conditioning, heating, improved thermal insulation, etc.).

The few logistics sites owned by Affine are subject to more rigorous supervision due to the higher risks arising from tenant operations.

#### **Amount of provisions and guarantees for environmental risk**

No provision or guarantee for environmental risk was required during the year.

## POLLUTION

### **Measures to prevent, reduce or repair air, water and soil emissions that seriously impact the environment**

Apart from the steps taken to ensure the compliance of regulated operations for environmental protection and the regular checks carried out on the buildings concerned, no other type of pollution risk has been identified and thus no further measures have proven necessary.

### **Noise pollution and other forms of pollution specific to an activity**

Maximum authorised noise on logistics sites is defined by regulation.

Periodical controls of these forms of pollution are carried out by the operators concerned to verify compliance with these limits.

## CIRCULAR ECONOMY

### **Prevention and waste management**

#### **Measures for prevention, recycling, re-use, other forms of recovery and disposal**

An effective waste management policy must be based on active cooperation with tenants, who are regularly informed about the site's waste management systems and sorting equipment. Leases and green leases may stipulate minimum requirements in terms of waste recycling and sorting.

On storage and warehousing sites, tenants have to sort ordinary industrial waste from hazardous waste.

At the corporate level, the company's share of waste amounted to 10.6 tons in 2016.

#### **Actions to prevent food waste**

Such actions are not relevant to the group's activities.

## **Sustainable use of resources**

### **Water consumption and supply based on local requirements**

The company relies on close cooperation with its tenants to reduce water consumption in its existing buildings. "Green" leases provide for the establishment of steering committees organised with tenants, representatives of the company, and possibly the property agent. Such committees raise stakeholder awareness of sustainability challenges such as the preservation of water resources.

For development, refurbishment and extension projects, technical choices regarding equipment installed or to be installed (fire extinguishers, water-based fire extinguishing systems, air-conditioning systems, etc.) are necessarily guided by both technical and energy performance criteria, and form part of the drive to reduce water consumption.

At the corporate level, water consumption was 444 m<sup>3</sup> in 2016.

### **Consumption of raw materials and measures taken to improve efficiency in their use**

For refurbishment or new projects, the company studies the possibility of reusing existing structures and materials. In addition, preference is given to materials with low environmental impact and recycled products or materials.

The company collects all used cartridges and gives them to an association specialising in this kind of recycling.

At the corporate level, the company's paper consumption totalled 2.0 tons in 2016.

### **Energy consumption, measures taken to improve energy efficiency and use of renewable energies**

At the corporate level, the company's electricity consumption was 215,750 kWh.

At the operational level, remote metering has been installed in a significant portion of the company's property portfolio to monitor power consumption and take appropriate measures to improve energy efficiency.

The composition of Affine's property portfolio, characterised for the most part by multi-tenant buildings with an average value of around €10 million, does not allow the company at present to envisage implementing a specific policy regarding negotiations to purchase power for all its properties as a means of promoting a "greener" source of energy production. Nevertheless, Affine is studying the possibility of installing specific equipment enabling the production of energy to reduce the energy consumption of certain assets, while lightening the charges borne by its tenants. With respect to on-going work and refurbishment operations, Affine seeks to limit the energy production of buildings and promotes the development of bioenergy.

## Use of soil

The due diligence process for acquisitions and investments comprises an in-depth assessment of technical, regulatory, environmental, safety and security risks, and soil pollution.

In most cases, the company undertakes to conduct a soil audit after the tenant's departure, particularly in the area of warehouses, in addition to regular checks and reports on site.

## CLIMATE CHANGE

### Significant greenhouse gas emissions generated as a result of the company's activity, in particular through the use of the goods and services it produces

The company reports on all greenhouse gas emissions (GHGE) associated with electricity consumption by its buildings, converted into units of CO<sub>2</sub> equivalent (CO<sub>2</sub>e).

At the corporate level, the 215,750 kWh of electricity consumed corresponds to greenhouse gas emissions of 177 tons (metric tons in CO<sub>2</sub> equivalent).

## Adapting to the consequences of climate change

To reduce its CO<sub>2</sub> emissions and limit the impact of its operations on the climate, the company strives to reduce the energy consumption of its buildings when carrying out refurbishments. At present, no general monitoring process has been yet set up to identify the positive results of this investment. A project to record information and provide tracking charts is under consideration.

The classification of buildings in relation to the regulations concerning natural, mining and technological risks is taken into account during the acquisition process. This classification is checked again at any rental movements, and will be updated half-yearly as from 2017.

## BIODIVERSITY PROTECTION

### Measures taken to safeguard or develop biodiversity

Affine's pragmatic approach to promoting biodiversity and environmental awareness at its existing sites involves paying great attention to the preservation of green spaces, even though the heavy urban density at most sites limits the scope for developing this initiative. The company also ensures that the protection of a site's existing fauna is factored into new projects.

# Societal information

## REGIONAL, ECONOMIC AND SOCIAL IMPACT OF THE COMPANY'S ACTIVITIES

### Impact on employment and regional development

Affine operates in close consultation with regional metropolises with strong development potential. By investing either in its existing assets through refurbishment or in new projects, the company generates jobs directly related to the work being undertaken. The installation and operation of these office and retail premises leads to the development of a variety of businesses, which generate further jobs.

### Impact on local and neighbouring populations

By helping to revitalise towns and cities, Affine boosts the development of the economic environment and urban fabric of these locations.

For example, the investments made by Affine in shopping centres located in towns such as Arcachon, Nevers and Bordeaux, have significantly contributed to revitalising and developing a new economic fabric in these areas. These districts have, from their design and construction to the opening of their retail premises, fostered new jobs, urban regeneration, and have contributed to the redeployment of inhabitants within these areas.

## RELATIONSHIPS WITH PERSONS OR ORGANISATIONS INTERESTED IN THE COMPANY'S BUSINESS ACTIVITIES

### Conditions for interacting with the above (jobseeker associations, educational establishments, environmental protection associations, consumer associations and neighbouring populations)

The Palladio Foundation was created in 2008 by companies in the real estate industry to address a major challenge of the 21st century, namely, the construction of cities and the living spaces within them. It operates directly with those involved and who have, or will have, responsibility for building cities, by creating the support tools needed to raise awareness (institute), prepare for the future (future section) and plan ahead (research centre). The working method is that of comparing and discussing viewpoints between leaders and experts, students and business people, researchers and operational staff.

In 2016, Affine Group, patron and board member of the Foundation, was particularly involved in:

- Governance of the Palladio Foundation: Affine is represented on the Foundation's Board of Directors.
- Palladio Future: Affine is a member of the Palladio Scholarship Committee.

## Partnership and sponsorship initiatives

In addition to its commitment to its business sector, Affine develops its partnership and sponsorship initiatives.

Since 2001, Affine has supported Pro Musicis, an association dedicated to advancing the careers of young musicians. It organises public concerts for these musicians in exchange for "community outreach concerts" performed for people who are isolated or suffering from illness or poverty (disabled children, the elderly, etc.).

Affine is a shareholder in Habitat et Urbanisme ("Housing and City Planning"). The primary goal of this association is to provide access to decent housing for people in precarious situations, facilitate their integration and enable them to recreate social ties.

Affine also supports the Agence du Don en Nature (ADN) association through its shareholder MAB Finance. ADN's goal is to foster and boost product philanthropy by establishing financial and skills-based partnerships with companies so that the most disadvantaged members of society can have access to everyday non-food products. Its approach entails collecting unused products intended for destruction and redistributing them. ADN handles the logistical interface.

## SUBCONTRACTORS AND SUPPLIERS

### Social and environmental challenges factored into the company's purchasing policy

Given the low volume and the nature of the products purchased, the possibility of monitoring information, such as the weight or origin of materials used in the company's programmes, was considered overly complex and irrelevant.

### Importance of sub-contracting and factoring in the social and environmental responsibility of suppliers and sub-contractors

Except in specific cases, the company favours local subcontracting agreements that promote regional economic development and limit the carbon footprint of projects.

## MAINTAINING BEST PRACTICES

### Anti-corruption initiatives

Disposals are entrusted to one or several intermediaries collectively selected for their expertise in a specific asset type and for their local establishment. The collective choice of the intermediary (intermediaries in the case of a non-exclusive or co-exclusive mandate) and the criteria used to retain it or them, help to limit favouritism and misuse of funds.

Significant construction projects or renovations are subject to calls for tender to several companies selected according to their skills and the quality of their achievements. The final choice is made by a panel of decision-makers. Any claim by a company is subject to a series of controls and approvals before any fund transfers.

When selling an asset, the company is particularly careful about the origin of the acquirer's capital, in cooperation with other relevant parties (notaries and banks).

### Measures taken to promote consumer health and safety

Affine's portfolio does not include any site that manufactures products to be sold to consumers. The storage sites for products intended to be sold to consumers are subject to health and safety standards. Compliance with the latter is verified on a regular basis.

In addition, the tenant is responsible for ensuring that the premises occupied comply with all the requirements of the administrative authorities concerning health, safety and salubrity. Any work that may be required for the maintenance or compliance of its premises is therefore the responsibility of the tenant, except for works related to the structure of the building since the so-called Pinel Act was introduced in France.

## OTHER INITIATIVES UNDERTAKEN TO PROMOTE HUMAN RIGHTS

No specific initiatives were undertaken in this regard.

## Note on methodology

The approach used by the company in its CSR reporting is based on Articles L.225-102-1, R.225-104 and R.225-105-2 of the French Commercial Code.

### REPORTING PERIOD

The data collected covers the period from 1 January to 31 December of the year. This data is provided on an annual basis.

### SCOPE

The scope of CSR reporting aims to be representative of the company's various activities and is defined in accordance with the following rules:

- Only companies which are fully consolidated in the financial statements are included in the scope of CSR reporting. Banimmco (and its subsidiaries) is excluded from the scope of reporting.
- The reporting scope for corporate environmental information covers the data on the head office.

As part of the regeneration of the Carré Colbert shopping centre in Nevers, Affine created two companies in 2015 through the company Louvois, Kutum and Seada, responsible for operating two stores on the site. They have a total of 5 employees.

### DEFINITIONS FOR METHODOLOGICAL INDICATORS AND LIMITATIONS

#### Social indicators

INFORMATION	DESCRIPTION	SCOPE
Workforce by age, gender and marital status	Number of permanent or temporary employees on the payroll at 31 December of the year. Trainees and temporary workers are excluded from this indicator.	Companies
New hires	Number of permanent and fixed-term employees recruited between 1 January and 31 December of the year.	
Dismissals	Number of employees who left the company between 1 January and 31 December of the year at the behest of the company.	
Number of absentee days	The number of absentee days includes absentee days due to illness and maternity leave.	
Frequency rate of occupational accidents with lost days	The frequency rate corresponds to the number of occupational accidents with stoppage during the year, multiplied by 1,000,000 and divided by the total number of theoretical worked hours during the year.	
Severity rate	The severity rate corresponds to the number of lost days from occupational accidents, multiplied by 1,000 and divided by the total number of theoretical worked hours during the year.	
Number of theoretical worked hours during the year	The total number of theoretical worked hours during the year corresponds to the following calculation: 35 worked hours per week multiplied by 47 weeks (considering an employee has 5 weeks of leave per year) and by the average workforce over the year.	
Training hours	Number of external training hours billed to and paid by the company, attended by employees between 1 January and 31 December of the year. The number of hours is booked per employee according to the justification provided or based on an estimate of time, with 7 training hours being the equivalent of 1 day. Participation in seminars and conferences is not included in the training hours.	

### CHOICE OF INDICATORS

Indicators are chosen with regard to the social, environmental and societal impact of the activity of the companies and the risks associated with the challenges that their business lines involve.

### CONSOLIDATION AND INTERNAL CONTROLS

Quantitative information is collected centrally by the relevant operating division. Qualitative information is collected centrally by Affine's Financial Communication & Capital Markets Division. The data is checked and approved by General Management.

### EXTERNAL CONTROLS

Pursuant to the regulatory obligations required by Article 225 of the French Grenelle II Law and its implementing Decree dated 24 April 2012, Affine asked one of its statutory auditors in 2013 to provide a report including a statement regarding the presence of environmental, social and societal information and a substantiated opinion on the fair presentation of the information published (moderate level of assurance).

## Environmental indicators

INFORMATION	DESCRIPTION	SCOPE
Water consumption	Mains water consumption during the period between 1 January and 31 December of the year. This includes consumption within both private and common areas allocated to the area occupied by the company in the building based on a ratio provided by the property management company.	
Electricity consumption	Electricity consumption during the period between 1 January and 31 December of the year. This includes consumption within both private and common areas. Consumption within common areas is allocated in proportion to the area occupied by the company in the building based on a ratio provided by the property management company. For the common areas, since meter readings were incomplete in 2015 due to technical reasons, Affine has decided to base its estimate on 2014 consumption data. This represents 51% of the total consumption in 2015.	
Number of green leases	This is the aggregate number of green leases with an appendix signed by the tenant since 2010.	
Energy-related greenhouse gas emissions	These are greenhouse gas emissions related to electricity consumption expressed in CO <sub>2</sub> equivalent. The emission factor used is the French agency ADEME 2014 emission factor, i.e. 0.082 kgCO <sub>2</sub> e/kWh	Head office
Waste production	Mains waste production during the period between 1 January and 31 December of the year. This includes production within both private and common areas allocated to the area occupied by the company in the building based on a ratio provided by the management company.	
Paper consumption	Paper consumption during the period between 1 January and 31 December of the year. This includes reams bought converted into tons.	
Missing data	In the event it is technically impossible to recover information for the current year, this is estimated on the basis of the information published the previous year. For 2016, this procedure concerned the electricity, water, waste and paper consumption calculated in proportion to the average workforce for the current year, which was 39.1 compared to 35.4 in 2015. The electricity consumption of common areas was estimated to be stable.	

# CORRELATION TABLE

## Management report

This Registration Document includes elements of the management report as required by Articles L225-100 et seq and L232-11 et seq of the French Commercial Code.

INFORMATION	SECTIONS
Financial position and business activity of the company and the group during the past year	3 / 5.2 / 6 / 9
Results	3 / 9
Progress made or challenges faced	3 / 9
Foreseeable trends and outlook	12
Significant events between the financial year closing date and the date on which this document was prepared	5.2.3
Objective and exhaustive analysis of developments in business, results and financial position of the company, particularly the debt position and non-financial performance indicators (especially those related to the environment and staff)	4.2.4 / 9 / 10.3 / 17
Research and development activities	N/A
Description of main risks and uncertainties	4
List of offices held or duties exercised throughout the company by each of the corporate officers	14
Compensation and benefits of all kinds for corporate officers	15
Activities of the company's subsidiaries	6.1
Acquisitions of significant equity interests in companies based in France	25
Environmental information	4.1.8 / 8.2 / 26
Information regarding capital allocation	18 / 21.1
Amount of dividends paid during the last three financial years	20.7
Changes to the method used for presentation of the annual financial statements	20.1 20.3
Indications provided in Article L225-211 of the French Commercial Code in the case of transactions performed by the company on its own shares	20.1
Transactions performed by management on the shares	18.5
Information provided in Article L225-100-3 of the French Commercial Code likely to have an impact in terms of a public offer	4.2.1 / 14.2 18 / 21.2
Operations conducted by the company to grant bonus shares	15.1 / 17.2

## Annual financial report

This Registration Document includes elements of the financial report as specified in Articles L451-1-2 of the French Monetary and Financial Code and 222-3 of the General Regulations of the AMF.

INFORMATION	SECTIONS
Consolidated financial statements of the group	20.1
Statutory Auditors' report on the consolidated financial statements	20.1
Annual financial statements of the company	20.3
Statutory Auditors' report on the annual financial statements	20.3
Management report	See table above
Declaration of the party responsible for the annual financial report	1.2

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## Text of the resolutions submitted to the combined ordinary and extraordinary meeting of shareholders of 27 April 2017

### RESOLUTIONS SUBMITTED TO THE EXTRAORDINARY MEETING

#### First resolution (amendment to Article 10 of the Articles of Association)

The General Meeting, deliberating under the rules for quorum and majority required for extraordinary general meetings, hereby authorises a change to Article 10 of the Articles of Association as follows:

The fifth and sixth paragraphs of Article 10 of the Articles of Association titled **Election of the members of the board of directors** are deleted, from: "An employee of the company may not be elected as Director..." up to "... illegally elected."

The rest of the article remains unchanged.

#### Second resolution (amendment to Article 13 of the Articles of Association)

The General Meeting, deliberating under the rules of quorum and majority required for extraordinary general meetings, hereby authorises a change to Article 13 of the Articles of Association as follows:

The final paragraph of Article 13 of the Articles of Association titled **Role of the board of directors** is amended as follows:

*"The Board of Directors elects a Chairman from among its individual members and sets the term of his or her office, which may not exceed his/her term of office on the Board. The age limit to serve as Chairman is set at 75."*

The rest of the article remains unchanged.

#### Third resolution (amendment to Article 14 of the Articles of Association)

The General Meeting, deliberating under the rules of quorum and majority required for extraordinary general meetings, hereby authorises a change to Article 14 of the Articles of Association as follows:

The third paragraph of 1-Chief Executive Officer of Article 14 of the Articles of Association titled **Management** is amended as follows:

"The Chief Executive Officer must be under the age of 75 to hold that position."

The article titled "2-Deputy Chief Executive Officer" of Article 14 of the Articles of Association **Management** is amended as follows:

The following is inserted after the first paragraph:

*"The Deputy Chief Executive Officer represents the Company with third parties and is vested with the most extensive powers to act in any circumstance in the name of the Company and to decide or authorise all transactions related to the Company's activity, within the limits of the corporate purpose and the powers expressly attributed by law to the decisions of the collectivity of the partners and those defined by a decision of the Board of Directors."*

The following paragraph is deleted.

The third paragraph is amended as follows: *"To perform his or her duties, the Deputy Chief Executive Officer must be less than 75 years old."*

The rest of the article remains unchanged.

#### Fourth resolution (amendment of Article 4 of the Articles of Association)

The General Meeting, deliberating under the rules of quorum and majority required for extraordinary general meetings, hereby authorises a change to Article 4 of the Articles of Association titled **Registered office** as follows:

*"It may be transferred to any other location in France by simple decision of the Board of Directors, and to any other location by resolution of the Extraordinary General Meeting of Shareholders."*

The rest of the article remains unchanged.

#### Fifth resolution (reduction of the share capital by €34,500.00)

The General Meeting, deliberating under the rules of quorum and majority required for extraordinary general meetings, after a reading of the report of the Board of Directors and the Statutory Auditors, and after noting that the retained earnings account of the Company, as approved by the General Meeting of 28 April 2016, called to approve the financial statements for 2015, amounted to €43,703,259.57, hereby decides that the share capital current set at €59,500,000, divided into 10,056,071 shares, is reduced by €34,500,000 by withdrawal from this account. The new share capital is established €25,000,000 (**Twenty-five million euros**).

## Sixth resolution (amendment of the Articles of Association following the capital reduction)

The General Meeting, deliberating under the rules of quorum and majority required for extraordinary general meetings, hereby authorises a change to Article 6 of the Articles of Association as follows:

### **"Article 6 – Share capital**

*The share capital is set at **twenty-five million euros** (€25,000,000) divided into 10,056,071 shares, without mention of nominal value, fully paid up and all of the same class."*

## Seventeenth resolution (Delegation of authority to the Board of Directors to increase the share capital with maintenance of the pre-emptive subscription right)

The General Meeting of Shareholders, deliberating under the rules of quorum and majority required for extraordinary general meetings, after a reading of the report from the Board of Directors and the special report from the Statutory Auditors, and in accordance with the provisions of Articles L. 225-129-2, L. 228-92 and L. 228-93 of the French Commercial Code:

1° Delegates to the Board of Directors, which may further delegate or sub-delegate within the limits of the law, to the extent and at the time of its choice, the authority to decide on one or more capital increases by the issuance, within or outside France, in euros, of ordinary shares of the company or any securities giving rights by any means, immediately or in the future, to ordinary shares of the company or of any company in which it owns over half the capital, whether directly or indirectly; these securities may also be denominated in foreign currencies or in any other monetary unit established by reference to several currencies.

The authority thus granted to the Board of Directors is valid for 18 months from the date of this meeting.

2° Resolves that the total amount of the capital increases that may be carried out immediately or in the future may not exceed, in nominal value, half of the share capital, or €12,250,000 on the basis of the current capital, the amount from which shall be deducted, as applicable, the ceiling set in the following resolution, and to which amount shall be added, if applicable, the additional number of shares to be issued to preserve the rights of the holders of securities giving rights to shares, as required by law.

3° Resolves that the shareholders have, in proportion to the number of shares they hold, a pre-emptive right to subscribe to a fixed number of transferable securities issued under this resolution, as well as, if applicable, a right to subscribe for additional shares if the Board of Directors so decides.

4° Resolves that if the subscriptions for a fixed number of shares and, if applicable, additional shares, have not absorbed the entire issue of shares or transferable securities defined above, the Board of Directors may use the options permitted by law, and in particular, offer to the public some or all of the securities not subscribed.

5° Notes that if this authority is exercised, the decision to issue securities giving access to the share capital will carry, to the benefit of the holders of issued securities, the shareholders' express waiver of their pre-emptive subscription right to the equity instruments to which the securities issued entitle them.

6° Resolves that the Board of Directors shall have, within the limits set above, the necessary powers to act on this authority, and in particular to set the issue dates and terms, as well as the features of the securities to be issued, to define the procedures that guarantee, if applicable, protection for the rights of holders of securities giving future rights to the company's capital pursuant to the legal and regulatory provisions in force, to decide the terms and conditions of the issue or issues, and in particular to set the share issue price, to allow the possibility of paying for the subscription in cash or by offsetting this against liquid and payable claims on the company or by a combination of the two, to certify the execution of the resulting capital increases and to make the relevant amendments to the Articles of Association, to allocate, on its sole initiative, the expenses generated by the capital increases to the total amount of the related share premiums and to deduct from this total amount the sums required to raise the legal reserve to one tenth of the new capital after each increase and, in general, to do what may be necessary in such matters.

7° Notes that this authorisation renders null and void the authorisation granted by the Combined General Meeting of Shareholders of 28 April 2016.

8° Notes that, in the event that the Board of Directors should exercise the authority delegated to it under this resolution, it shall report to the next ordinary general meeting of shareholders, as required by the law and regulations, on the utilisation of the authorisations granted in this resolution.

## Eighth resolution (Delegation of authority to the Board of Directors to increase the share capital with maintenance of the pre-emptive subscription right)

The General Meeting of Shareholders, deliberating under the rules of quorum and majority required for extraordinary general meetings, after a reading of the report from the Board of Directors and the special report from the Statutory Auditors, and in accordance with the provisions of Articles L. 225-129-2, L. 225-135, L. 228-92 and L. 228-93 of the French Commercial Code:

1° Delegates to the Board of Directors, which may further delegate or sub-delegate within the limits of the law, the authority to decide, to the extent and at the time of its choice, one or more capital increases by the issuance, within or outside France, in euros, of ordinary shares of the company or any securities giving rights by any means, immediately or in the future, to ordinary shares of the company or of any company in which it owns over half the capital, whether directly or indirectly; these securities may also be denominated in foreign currency or in any other monetary unit established by reference to several currencies.

The authority thus granted to the Board of Directors is valid for 18 months from the date of this meeting.

- 2° Resolves that the total amount of the share capital increases that may be carried out immediately or in the future may not exceed, in nominal value, 25% of the share capital, or €6,125,000 on the basis of the current share capital; this amount shall be charged, as applicable, against the ceiling set in the previous resolution, to which amount shall be added, if applicable, the additional amount of the shares to be issued to preserve, in accordance with the law, the rights of the holders of securities giving rights to shares.
- 3° Resolves to eliminate the pre-emptive subscription right to these securities, which will be issued in accordance with the law, and to grant the Board of Directors the power to institute, if applicable, a priority right for shareholders to subscribe to these securities pursuant to the provisions of Article L. 225-135 of the French Commercial Code.
- 4° Resolves that the issue price of the shares to be issued, as well as those to be issued through the exercise of securities, will be set by the Board of Directors and will be at least equal to the minimum authorised by the applicable legislation.
- 5° Resolves that if the subscriptions do not absorb the entire issue, the Board of Directors may limit the total amount of the operation to the total subscribed, provided that said total equals at least three-quarters of the issue approved.
- 6° Notes that if this authority is exercised, the decision to issue securities giving rights to the share capital will carry, to the benefit of the holders of issued securities, an express waiver by the shareholders of their pre-emptive subscription right to the equity securities to which the securities issued entitle them.
- 7° Resolves that the Board of Directors shall have, within the limits set above, the necessary powers to act on this authority, and in particular to set the issue dates and terms, as well as the features of the securities to be issued, to define the procedures that guarantee, if applicable, protection for the rights of holders of securities giving access in the future to the company's capital pursuant to the legal and regulatory provisions in force, to decide the terms and conditions of the issue or issues, to allow the possibility of paying for the subscription in cash or by setoff against liquid and payable claims on the company or by a combination of the two, to certify the execution of the resulting capital increases and to make the relevant amendments to the Articles of Association, to charge, on its sole initiative, the costs of the capital increases against the total amount of the related share premiums and to deduct from this total amount the sums required to raise the legal reserve to one-tenth of the new capital after each increase and, in general, to do what may be necessary in such matters.
- 8° Notes that this authorisation renders null and void the authorisation granted by the Combined General Meeting of Shareholders of 28 April 2016.
- 9° Notes that, in the event that the Board of Directors should exercise the authority delegated to it pursuant to this resolution, it shall report on the use made of the authorisation granted pursuant to this resolution at the next ordinary general meeting of shareholders, as required by law and regulations.

## Ninth resolution

### (Delegation of authority to the Board of Directors to increase the capital by capitalisation of reserves, profits or share premiums)

The Extraordinary General Meeting of Shareholders, deliberating under the rules of quorum and majority required for extraordinary general meetings, after a reading of the report from the Board of Directors and in accordance with the provisions of Articles L. 225-129 et seq. and L. 225-130 of the French Commercial Code:

- 1° Delegates to the Board of Directors, which may further delegate or sub-delegate within the limits of the law, for a period of 18 months, the authority to carry out one or more capital increases, in such proportions and at such times as the Board deems appropriate, by capitalisation of share premiums, reserves, profits or other sums as permitted by law or by the Articles of Association, by distributing bonus shares or by increasing the par value of the existing shares, or a combination of the two. The total amount of the capital increases that may be performed, plus the amount required to maintain, as required by law, the rights of holders of securities giving rights to shares and regardless of the ceilings set in the 7<sup>th</sup> and 8<sup>th</sup> resolutions above, may not exceed the amount of the reserves, share premiums or benefits referred to above that exist at the time of the capital increase.
- 2° Decides that fractional rights shall not be negotiable and the corresponding securities shall be sold.
- 3° Resolves that the Board of Directors shall have, within the limits set above, the necessary powers, with the option of sub-delegating these within the limits of the law, primarily to establish the terms and conditions of authorised transactions, and to set the amount and nature in particular of the reserves and share premiums to be incorporated into the share capital; to determine the number of shares to be issued and/or the amount by which the par value of the existing shares comprising the share capital will be increased; to decide the date, which may be retroactive, from which the new shares will be entitled to dividends or the date from which the increase in the par value will take effect; to certify the execution of the resulting capital increases and make the relevant amendments to the Articles of Association; and in general, to do what may be necessary in such matters.
- 4° Notes that this authorisation renders null and void the authorisation granted by the Combined General Meeting of Shareholders of 28 April 2016.
- 5° Notes that, in the event the Board of Directors should exercise the authority delegated to it under this resolution, it shall report on the use made of the authorisations granted under this resolution at the next ordinary general meeting of shareholders, in accordance with the law and regulations.

## Tenth resolution (Delegation of authority to the Board of Directors to increase the share capital via a private placement, with elimination of pre-emptive subscription rights)

The General Meeting of Shareholders, deliberating under the quorum and majority required for extraordinary general meetings, after a reading of the report from the Board of Directors and the special report from the Statutory Auditors, and in accordance with the provisions of Articles L. 225-129-2, L. 225-135, L. 225-136, L. 228-91 et seq. of the French Commercial Code:

- 1° Delegates to the Board of Directors, which may further delegate or sub-delegate within the limits of the law, the authority to decide one or more capital increases, to the extent and at the time of its choice, via an offering referred to in Article L. 411-2 of the French Monetary and Financial Code, by issuing, within or outside France, in euros, ordinary shares of the company or any securities giving access by any means, immediately or in the future, to ordinary shares of the company or of any company in which it owns over half the capital, whether directly or indirectly; these securities may also be denominated in foreign currency or in any other monetary unit established by reference to several currencies.  
The authority thus granted to the Board of Directors is valid for 18 months from the date of this meeting.
- 2° Resolves that the issuance of equity securities will be executed without pre-emptive subscription rights, via an offering referred to in Section II of Article L. 411-2 of the French Monetary and Financial Code, and resolves accordingly to eliminate the pre-emptive subscription right for shareholders to shares and securities to be issued in compliance with the applicable legislation.
- 3° Resolves that the issuance of equity securities carried out by an offering as described in Section II of Article L. 411-2 of the French Monetary and Financial Code will be limited to 10% of the capital per year, said limit being assessed on the date on which the Board of Directors exercises this authority; said amount shall be charged against the ceilings established in Resolutions 7 and 8 above.
- 4° Decides that the issue price of the securities shall be determined by the Board of Directors under the following conditions: it will be equal to an amount ranging between 80% and 120% of the average closing price over the last twenty trading days prior to the date on which the issue price is set.
- 5° Resolves that if the subscriptions do not absorb the entire issue, the Board of Directors may limit the total amount of the operation to the total subscribed, provided that said total equals at least three-quarters of the issue approved.
- 6° Notes that if this authority is exercised, the decision to issue securities giving rights to the share capital will carry, to the benefit of the holders of issued securities, an express waiver by the shareholders of their pre-emptive subscription right to the equity securities to which the securities issued entitle them.

- 7° Resolves that the Board of Directors shall have, within the limits set above, the necessary powers to act on this authority, particularly to decide the conditions of the issue or issues, to decide on the capital increase and set the issue dates and terms, as well as the features of the securities to be issued, to define the procedures that protect, as applicable, the rights of holders of securities giving rights to the company's capital pursuant to the legal and regulatory provisions in force, to allow the possibility of paying for the subscription in cash or by setoff against liquid and payable claims against the company or by a combination of the two, to certify the execution of the resulting capital increases and make the relevant amendments to the Articles of Association, to charge, at its sole initiative, the costs of the capital increases against the amount of the related share premiums and to deduct from this amount the sums required to raise the legal reserve to one-tenth of the new capital after each increase and, in general, to do what may be necessary in such matters.
- 8° Notes that this authorisation renders null and void the authorisation granted by the Combined General Meeting of Shareholders of 28 April 2016.
- 9° Notes that, in the event that the Board of Directors should exercise the authority delegated to it pursuant to this resolution, it shall report on the use made of the authorisation granted pursuant to this resolution at the next ordinary general meeting of shareholders, as required by law and regulations.

## Eleventh resolution (Capital increase reserved for employees)

The General Meeting of Shareholders, deliberating under the rules of quorum and majority required for extraordinary general meetings, after a reading of the report from the Board of Directors and the special report from the Statutory Auditors, and in accordance with the provisions of Articles L. 225-129-6, and L. 225-138-1 of the French Commercial Code and Articles L. 3332-18 et seq. of the Labour Code:

- 1° Delegates to the Board of Directors the necessary authority to increase the share capital on one or more occasions, within a maximum period of 18 months from the date of this meeting, up to a limit of 3% of the share capital as it exists on the date of the Board of Directors' meeting, by issuing ordinary shares reserved, directly or through a company mutual fund, for employees of the company and of the companies related thereto as defined by Article L. 225-180 of the French Commercial Code who are enrolled in the company's savings plan.
- 2° Resolves, as a result, to eliminate the pre-emptive subscription right granted to shareholders by Article L. 225-132 of the French Commercial Code and to reserve the subscription of these shares for employees of the Group.
- 3° Resolves that the maximum amount of share capital that may be issued by virtue of this authorisation will be charged against the ceiling on capital increases that the Board of Directors is authorised to carry out under the delegations set forth in the preceding resolutions,

4° The General Meeting of Shareholders grants full powers to the Board of Directors, which may further sub-delegate the same within the legal limits, to act on this authority and carry out the capital increase, and accordingly to set the subscription price of the new shares, provided that such price is no less than the average closing price over the twenty trading days preceding the date of the Board of Directors' decision to set the opening date for subscriptions, less the maximum discount permitted by law on the date of the Board of Directors' decision; to set, within the legal limits, the conditions for the issuance of the new shares and the time allotted to employees to exercise their rights, the terms and conditions for payment of the new shares, and any length-of-service criteria imposed on employees to exercise their rights; to record the completion of the capital increase commensurate with the shares subscribed for and to make the corresponding amendments to the Articles of Association; and to carry out all formalities and operations necessary because of the capital increase.

#### Twelfth resolution (Authorisation to cancel shares purchased in connection with the company's buyback of its own shares)

The General Meeting of Shareholders, deliberating under the rules of quorum and majority required for extraordinary general meetings, after a reading of the report from the Board of Directors and the special report from the Statutory Auditors, authorises the Board of Directors, which may further sub-delegate such authority under the conditions set by law, for a period of 18 months:

- to cancel, on one or more occasions, the shares of the company acquired under the utilisation of the authorisation to purchase its own shares stipulated in the 24<sup>th</sup> resolution below, up to a maximum of 10% of the capital pursuant to Article L. 225-209 of the French Commercial Code, and
- to reduce the share capital accordingly.

#### RESOLUTIONS TO BE SUBMITTED TO THE ORDINARY SHAREHOLDERS' MEETING

#### Thirteenth resolution (Approval of the separate financial statements for the year ended 31 December 2016)

The General Meeting of Shareholders, deliberating under the rules of quorum and majority required for ordinary general meetings of shareholders, after a reading of the reports from the Board of Directors and the Statutory Auditors, hereby approves the annual financial statements for the year ended 31 December 2016, as presented.

#### Fourteenth resolution (Approval of the consolidated financial statements for the year ended 31 December 2016)

The General Meeting of Shareholders, deliberating under the rules of quorum and majority required for ordinary general meetings of shareholders, after a reading of the reports from the Board of Directors and the Statutory Auditors, hereby approves the consolidated financial statements for the year ended 31 December 2016, as presented.

#### Fifteenth resolution (Discharge for directors)

The General Meeting of Shareholders, deliberating under the rules of quorum and majority required for ordinary general meetings of shareholders, hereby gives full discharge to the directors for their management for the year ended 31 December 2016.

#### Sixteenth resolution (Appropriation of earnings and distribution of reserves)

On the recommendation of the Board of Directors, the General Meeting, deliberating under the rules of quorum and majority required for ordinary general meetings, hereby allocated the earnings for the year, a loss of €-42,915,611.32, as follows:

Profit or loss for the period €-42,915,611.32  
by charging against retained earnings

Pursuant to Article 243 bis of the French General Tax Code, the General Meeting notes that the dividends distributed for the last three years were as follows:

YEAR	DIVIDENDS	DIVIDENDS
2013		€0.90
2014		€1
2015		€1

The General Meeting of Shareholders approves the distribution of €10,056,071 by withdrawal from the "Free reserve on sales" item.

Each of the 10,056,071 shares composing the share capital shall receive 1 euro, which will be paid on or after 10 May 2017.

This dividend paid out from the company's taxable income is eligible for the 40% allowance for individuals who are tax residents of pursuant to Article 158-3-2 of the French General Tax Code.

If the company holds treasury shares at the time the dividend is paid, the amount corresponding to dividends not paid out will be allocated to retained earnings.

#### Seventeenth resolution (Related-party agreements and commitments)

The General Meeting of Shareholders, deliberating under the rules of quorum and majority required for ordinary general meetings of shareholders, after a reading of the special report from the Statutory Auditors on the transactions referred to in Article L. 225-38 of the French Commercial Code, duly notes the conclusions of this report and approves the relevant agreements and commitments.

#### Eighteenth resolution (Commitments cited in Article L. 225-42-1 of the French Commercial Code: payment that may be due in the event of termination of the appointment of the Chief Executive Officer)

The General Shareholders' Meeting, deliberating under the rules of quorum and majority required for ordinary general shareholders' meetings, after a reading of the special report of the Statutory Auditors on the commitments referred to in Article L. 225-42-1 of the French Commercial Code, notes the conclusions of this report and approves the commitments mentioned therein concerning Alain Chaussard, Chief Executive Officer, appointed to this position by the Board of Directors on 6 December 2016.

### **Nineteenth resolution**

(Commitments cited in Article L. 225-42-1 of the French Commercial Code: payment that may be due in the event of termination of the appointment of the Deputy Chief Executive Officer)

The General Shareholders' Meeting, deliberating under the quorum and majority required for ordinary general shareholders' meetings, after a reading of the special report of the Statutory Auditors on the commitments referred to in Article L. 225-42-1 of the French Commercial Code, notes the conclusions of this report and approves the commitments mentioned therein concerning Matthieu Evrard, Deputy Chief Executive Officer, appointed to this position by the Board of Directors on 6 December 2016.

### **Twentieth resolution**

(Principles and criteria for determining, distributing and awarding the fixed, variable and exceptional components of the total compensation and the benefits of any kind attributable to the executives.)

The General Meeting, deliberating under the rules of quorum and majority required for ordinary shareholders' meetings, approves the following principles and criteria for determining the compensation of the following executive officers:

- 1° the compensation of the executives is composed of a fixed portion, a variable portion and, as applicable, an exceptional portion, the amount of which shall be set by the Board of Directors on the recommendation of the Remuneration and Appointments Committee;
- 2° the total level of the executive compensation shall be analysed yearly by the Remuneration and Appointments Committee, which shall make the adjustments necessary, if any, based on the performance of the beneficiary during the previous year and shall so inform the Board of Directors who so decides;
- 3° the variable portion and the exceptional portion, if applicable, of the executive compensation shall be assessed annually by the Board of Directors, on the recommendation of the Remuneration and Appointments Committee, as a function of defined objectives, particularly with regard to the growth of the company, the search to create value, and the optimisation of the assets.

The amount of the variable portion and exceptional portion, if applicable, of the compensation shall be set on the basis of the beneficiary's contribution to the results of Affine and its subsidiaries.

The variable portion of the compensation and the exceptional portion, if applicable, may be paid in cash or through an allotment of bonus shares.

Payment of the variable portion and, if applicable, the exceptional portion of the compensation must be approved by the General Meeting.

### **Twenty-first resolution**

(Compensation of the Chief Executive Officer)

The General Meeting, deliberating under the rules of quorum and majority required for ordinary shareholders' meetings, after a reading of the report of the Board of Directors in which the compensation of the Chief Executive Officer is indicated, hereby approves all the fixed, variable and, if applicable, exceptions elements of the total compensation and the benefits of any kind awarded because of his position.

These components are provided below:

- fixed portion: €335,400,
- variable portion: 50% of the fixed compensation,
- Directors' fees: €14,000 (over financial year 2016),
- other benefits: €5,583,

and are described more fully in the report attached to the report cited in Articles L. 225-100 and L. 225-102 of the French Commercial Code.

### **Twentieth resolution**

(Compensation of the Chief Operating Officer)

The General Meeting, deliberating under the rules of quorum and majority required for ordinary shareholders' meetings, after a reading of the report of the Board of Directors in which the compensation of the Chief Operating Officer is indicated, hereby approves all the fixed, variable and, if applicable, exceptional elements of the total compensation and the benefits of any kind awarded because of his position.

These components are provided below:

- fixed portion: €250,000,
- variable portion: up to 50% of the fixed compensation,
- Directors' fees if he is elected to the Board of Directors by this Meeting,
- other benefits: €14,249,

and are described more fully in the report attached to the report cited in Articles L. 225-100 and L. 225-102 of the French Commercial Code.

### **Twenty-third resolution**

(Amendment of the authorisation to allocate bonus company shares)

The General Meeting of Shareholders, deliberating under the rules of quorum and majority required for ordinary shareholders' meeting, hereby authorises the extension to the corporate officers of the authorisation granted on 28 April 2016 to the Board of Directors to allot bonus shares of the Company to company employees or to certain categories of employees.

## Twenty-fourth resolution (Authorisation to the Board of Directors to trade in the company's shares)

The General Meeting of Shareholders, deliberating under the rules of quorum and majority required by ordinary general meetings, hereby authorises the Board of Directors, with the option to sub-delegate this authority, to purchase shares of the company pursuant to Articles L. 225-209 et seq. of the Commercial Code for a period of 18 months.

Shares may be purchased for the following purposes:

- market-making under a liquidity contract in accordance with the ethics code recognised by the French Financial Markets Authority;
- the allocation of bonus shares to employees as permitted by law;
- retention and exchange or as payment in connection with possible external growth operations;
- the cancellation of shares, in connection with a reduction in share capital, as authorised by the 12<sup>th</sup> resolution set forth above.

The purchases and sales of shares carried out under this authorisation shall be executed within the following limits:

- the number of shares that may be purchased may not exceed 10% of the company's capital, i.e. 1,005,607 shares, with the stipulation that the number of shares purchased to be held and exchanged or use as payment in connection with a merger, demerger or contribution may not exceed 5% of the company's capital, i.e. 502,803 shares; the purchase price shall not exceed €30 per share;
- the maximum amount of the funds used for this share buyback programme will be €30,168,210;
- the maximum number of shares that may be purchased, as well as the maximum purchase price, shall be adjusted in the event of the allocation of bonus shares or the division of the shares comprising the company's share capital, based on the number of shares existing before and after these transactions.

These share purchases may be executed by any means, including the acquisition of blocks of shares, and at the times that the Board of Directors deems appropriate, including during a public offering, insofar as this is permitted under stock exchange regulations.

The General Meeting of Shareholders gives full powers to the Board of Directors, with the option of sub-delegating this authority, to issue any stock exchange orders, to enter into any agreements, to perform any formalities and declarations and, in general, to do whatever is necessary to complete the transactions carried out pursuant to this resolution.

This authorisation replaces the authorisation given by the Combined General Meeting of Shareholders of 28 April 2016, subject to the launch of a share buyback programme by the Board of Directors.

## Twenty-fifth resolution (Appointment of Matthieu Evrard as a Director)

The General Meeting of Shareholders, deliberating under the rules of quorum and majority required for ordinary general meetings of shareholders, hereby elects Matthieu Evrard to the Board of Directors for a term of three years that expires at the close of the Meeting called to approve the financial statements for the year ended in 2019.

## Twenty-sixth resolution (Re-election of Bertrand de Feydeau to the Board of Directors)

The General Shareholders' Meeting, deliberating under the quorum and majority required for ordinary general shareholders' meetings, re-elects Bertrand de Feydeau to the Board of Directors for a term of three years, to expire at the end of the General Shareholders' Meeting called to approve the financial statements for the year ended in 2019.

## Twenty-seventh resolution (Re-election of Delphine Benchetrit to the Board of Directors)

The General Shareholders' Meeting, deliberating under the rules of quorum and majority required for ordinary general shareholders' meetings, re-elects Delphine Benchetrit to the Board of Directors for a term of three years, to expire at the end of the General Shareholders' Meeting called to approve the financial statements for the year ended in 2019.

## Twenty-eighth resolution (Re-election of Atit to the Board of Directors)

The General Shareholders' Meeting, deliberating under the rules of quorum and majority required for ordinary general shareholders' meetings, re-elects Atit to the Board of Directors for a term of three years, to expire at the end of the General Shareholders' Meeting called to approve the financial statements for the year ended in 2019.

## Twenty-ninth resolution (Setting directors' fees)

The General Meeting of Shareholders, deliberating under the rules of quorum and majority required for ordinary general meetings of shareholders, hereby sets the amount of directors' fees allocated to Board members for their contribution to the work of the Board and its three special committees as follows:

- a doubling of directors' fees to €24,000 for the Chairman of the Board of Directors, which constitutes his compensation within the meaning of Articles L.225-37-2 and R.225-29-1 of the French Commercial Code;
- €12,000 per director, €6,000 of which is based on their actual attendance;
- €1,000 for each director, per meeting of a specialised committee.

## Thirtieth resolution (Transfer of the registered office)

The General Shareholders' Meeting, deliberating under the rules of quorum and majority required for ordinary general meetings, hereby ratifies the decision taken by the Board of Directors at its meeting of 15 September 2016 to transfer the registered office from 5 Square Edouard VII, 75009 Paris to 39 Rue Saint Georges, 75008 Paris, with effect from 10 October 2016.

## Thirty-first resolution (Powers)

All powers are given to the bearer of a copy or excerpt of the minutes of this General Meeting of Shareholders to perform all filings and publications required under current legislation.

**Table showing the company's earnings in the past five financial years**

(IN EUROS)	2012	2013	2014	2015	2016
<b>1. Financial position at year-end</b>					
a) Share capital at year-end	53,300	53,300	53,500	59,500	59,500
b) Number of shares outstanding at 31 December	9,033,959	9,033,959	9,051,431	10,056,071	10,056,071
c) Weighted average number of shares over the period	8,696,290	8,994,682	9,023,026	9,462,792	10,035,893
<b>2. Total income from operations</b>					
a) Revenue excl. tax <sup>(1)</sup>	58,283	50,881	46,823	40,352	35,362
b) Earnings before tax, amortisation, depreciation and provisions <sup>(2)</sup>	-14,270	10,908	21,247	23,960	6,307
c) Corporate income tax	34	1,237	556	-536	524
d) Earnings after tax, amortisation, depreciation and provisions	-20,196	-16,732	4,706	4,232	(42,916)
e) Distributed earnings	10,841	10,841	8,146	10,056	10,056
<b>3. Operating income per share <sup>(3)</sup></b>					
a) Earnings after tax and before amortisation, depreciation and provisions	-1.64	1.08	2.30	2.60	0.58
b) Earnings after tax, amortisation, depreciation and provisions	-2.32	-1.86	0.52	0.45	-4.27
c) Dividend per share	1.20	1.20	0.90	1.00	1.00
<b>4. Staff</b>					
a) Number of employees	37	36	36	33	32
b) Total payroll costs	3,247	2,870	3,031	2,528	3,126
c) Total amount paid for employee benefits (social security, community projects, etc.)	1,547	1,836	1,780	1,473	1,518

(1) Revenues include rental income, pre-rental income, financial income and related income (excluding uncollected termination benefits and extraordinary income).

(2) Allocation to and reversals of provisions, except those relating to uncollected termination benefits.

(3) On the basis of the weighted average number of shares over the period.

**Scheduled trade payables**

In accordance with Article L.441-6-1 of the French Commercial Code, the outstanding trade payables as at 31 December 2014, arranged by due dates, are shown in the table below:

(€000)	NOT DUE	BETWEEN 1 AND 60 DAYS	61 TO 180 DAYS	181 TO 360 DAYS	OVER 361 DAYS	TOTAL
	5	122	24	8	4	163

## Special Report of the Statutory Auditors on regulated agreements and commitments

### General Shareholders' Meeting called to approve the financial statements for the financial year ended 31 December 2016

To the Shareholders,

In our capacity as Statutory Auditors of your company, we hereby present our report on regulated agreements and commitments.

It is our responsibility to inform you, on the basis of the information given to us, of the features, essential terms and reasons justifying the interest for the company in the agreements and commitments of which we have been advised, or which we have discovered during our mission, without having to issue an opinion on their utility and legitimacy or to search for the existence of other agreements and commitments. Your role, under the terms of Article R.225-31 of the French Commercial Code, is to assess the advantage to the company's in entering into these agreements and commitments in order to approve them.

Furthermore, it is our role, where applicable, to communicate to you the information specified in Article R.225-31 of the French Commercial Code on the performance during the past year of the agreements and commitments already approved by the General Shareholders' Meeting.

We have performed the work that we deemed necessary in accordance with the professional standards of the French Association of Chartered Accountants for this mission. This work consisted in verifying that the information provided to us is consistent with the documentation from which it has been extracted.

#### 1 AGREEMENTS AND COMMITMENTS SUBMITTED FOR THE APPROVAL OF THE GENERAL SHAREHOLDERS' MEETING

##### 1.1 Agreements and commitments authorised during the past year

Pursuant to Article L.225-40 of the French Commercial Code, we have been advised of the following agreement, which was first authorised by your Board of Directors.

##### **With the Deputy Chief Executive Officer Matthieu Evrard (as from 1 January 2017)**

##### **Nature, purpose, terms and conditions justifying the interest for the company**

The Nominating and Compensation Committee recommended severance pay of €320,000 for Matthieu Evrard if he is dismissed before 1 January 2018. The payment of this indemnity is justified by the fact that the "corporate officers" unemployment insurance will not be in effect before that date. Therefore, this indemnity is not intended to continue after that date.

The Board of Directors authorised this payment at its meeting on 6 December 2016.

##### 1.2 Agreements and commitments authorised since the end of the period

We have been advised of the following agreements and undertakings, which have been authorised since the close of the year just ended, and were authorised previously by your Board of Directors.

##### **With the Chief Executive Officer of Affine R.E. – Alain Chaussard (as from 1 January 2017)**

##### **Nature, purpose, terms and conditions justifying the interest for the company**

Pursuant to the proposal of the Remuneration Committee of 7 March 2005, which was approved by the Board of Directors' meeting of 21 March 2005, Affine R.E. gave an undertaking to its Deputy Chief Executive Officer whereby it would pay the compensation due to him in the event of the termination of his office; this compensation is equivalent to one year's gross remuneration paid to him by all group companies. This compensation will not be paid in the event of proven gross negligence or serious misconduct.

In accordance with the recommendation of the Remuneration Committee of 4 March 2009, authorised by the Board of Directors on 4 March 2009, and approved by the Combined General Shareholders' meeting of 29 April 2009, and in accordance with Article L.225-42-1 of the French Commercial Code, this benefit is contingent on a performance condition linked to the results of Affine R.E.

The compensation is subject to the following performance condition:

- one year's total compensation if, during the financial year prior to termination because of a change in control, the net profit reported in the Affine R.E. individual financial statements is at least equal to 3% of shareholders' equity excluding subordinated debt;
- if this condition is not met, the performance may be assessed by the Remuneration Committee on the basis of the consolidated financial statements, excluding any fair value effects.

The Board of Directors' Meeting of 1 July 2013 reappointed Alain Chaussard as Deputy Chief Executive Officer.

On 17 February 2014, the Board of directors authorised the renewal of the severance pay under the same conditions as specified above.

The Board of Directors' Meeting of 21 September 2015, following the renewal by the Board of Directors at its meeting of 30 April and 1 September 2015, reappointed Alain Chaussard as Deputy Chief Executive Officer and renewed this commitment.

In addition, the Combined Shareholders' Meetings of 27 April 2012, 24 April 2013, and 30 April 2014, and 28 April 2016 approved the renewal of this compensation under the same terms.

Because of the change in the responsibilities of Alain Chaussard as from 1 January 2017, this payment was authorised, for the same amount and under the same terms as previously, by the Board of Directors on 28 February 2017.

## With MAB Finances SA

The Directors concerned are MAB Finances (represented by Alain Chaussard) and Maryse Aulagnon.

### Nature, purpose, terms and conditions justifying the interest for the company

The new agreement for administrative, financial and operational development services signed with MAB Finance was authorised by the Board of Directors on 30 April 2015 held after the General Meeting, and was approved by the Combined Ordinary and Extraordinary Shareholders' Meeting of 28 April 2016.

The agreement, dated 30 April 2015, effective retroactively to the 1 January 2015, renews the old agreement for a term of two years under economic conditions identical to those in the old agreement, but with a more strategic orientation to the missions assigned to MAB Finances.

This agreement allows Affine R.E. to benefit from the advice and assistance of MAB Finances, particularly to support its strategic growth in France and abroad and to identify investment projects.

On 3 February 2017, this agreement was amended, effective on 1 January 2017, in order to reduce the number of hours that MAB Finances must provide services, which was decreased from 800 to 400 hours yearly; the other provisions of the contract remain unchanged.

This agreement was authorised by the Board of Directors on 30 March 2017.

## 2 AGREEMENTS AND COMMITMENTS ALREADY APPROVED BY THE GENERAL SHAREHOLDERS' MEETING

### 2.1 Agreements and commitments approved in previous years

#### a) that continued to be implemented during the past year

Pursuant to Article R.225-30 of the French Commercial Code, we have been informed that the performance of the following agreements and commitments, which had already been approved by the General Shareholders' Meeting in previous years, continued during the past year.

#### With Promaffine (SAS) until 19 June 2016

The directors concerned are Maryse Aulagnon and Alain Chaussard.

##### Type, purpose and conditions

On 19 December 2014, Promaffine sold 498 company shares it held in Concerto Développement to Kaufman & Broad Real Estate. Affine R.E. has agreed to provide a guarantee to Kaufman & Broad Real Estate for all the commitments made by Promaffine in connection with this sale.

The compensation owed in the event of the inaccuracy or violation of one of the representations or warranties contained in the share transfer agreement of 30 October 2014 and the amendment thereto of 19 December 2014, is capped at €842,700, with the exception of "any act, event or circumstance deemed to constitute a violation, omission or inaccuracy of the representations and warranties set forth in Articles 5.1 to 5.4 [of the share transfer agreement of 30 October 2014], or of the specific risk" relating to the Marly dossier (Appendix 6.7 of this agreement) for which compensation is capped at the total price of the sale (€4,382,400). The indemnification obligation will cease at the expiration of a three-month period following the statutory limitation date (taxes and social charges) and at the end of a period of 18 months from 19 December 2014 for all other risks.

The guarantee of its subsidiary's commitments was given by Affine R.E. for a defined period at the time Promaffine sold the shares of the Concerto company. As a result, the commitment was in force until the end of the contract (19 June 2016) and the beneficiary of the guarantee did not seek implementation.

This agreement was authorised by the Board of Directors at its meetings on 23 October 2014 and 9 December 2014, and was approved by the General Meeting of 30 April 2015.

## 2.2 Agreements and commitments approved during the past year

### With the Deputy Chief Executive Officer of Affine R.E. – Alain Chaussard (until 31 December 2016)

#### Nature, purpose, terms and conditions justifying the interest for the company

The financial terms of this commitment are described in Section 1.2 above.

This indemnity was approved by the Combined General Shareholders' Meeting of 28 April 2016.

#### With MAB Finances SA

The Directors concerned are MAB Finances (represented by Alain Chaussard) and Maryse Aulagnon.

#### Nature, purpose, terms and conditions justifying the interest for the company

The terms of this agreement have been described in Section 1.2 above.

This agreement was authorised by the Board of Directors on 30 April 2015 held after the General Shareholders' Meeting, and was approved by the Combined General Shareholders' Meeting of 28 April 2016.

Under this contract, the expense recognised in the Affine R.E. financial statements as at 31 December 2016 amounted to €331,187 excluding taxes.

### **With Urbismart**

The directors concerned are Maryse Aulagnon and Alain Chaus-sard.

#### **Nature, purpose, terms and conditions justifying the interest for the company**

This agreement was signed on 22 December 2015 and is intended to provide Urbismart, in which Affine R.E. owns a 24.5% stake, and which has no administrative, services support or development departments, services in these areas for which Affine R.E. has appropriate human and physical resources.

The complexity and large number of operations that must be conducted in order to achieve the objectives set by Urbismart led the parties to set the compensation for Affine R.E. at €70,000 excluding tax annually, effective retroactively from 10 September 2014 until 31 December 2016. This agreement has not been renewed at this time.

The intervention of Affine R.E. as service provider for Urbismart is not intended to be long term as the objective of Urbismart is to develop human and physical resources over time in order to perform these missions itself.

This agreement was authorised by the Board of Directors on 24 February 2016 and approved by the Combined General Shareholders' Meeting of 28 April 2016.

Paris La Défense and Paris, 30 March 2017

The Statutory Auditors

#### **KPMG Audit FS I**

Isabelle Goalec  
*Partner*

#### **Cailliau Dedouit et Associés**

Rémi Savourmin  
*Partner*

# Chairman's report on corporate governance and internal control for fiscal 2016

(Article L. 225-37 of the French Commercial Code)

Pursuant to the provisions of Article L. 225-37 of the French Commercial Code, this report covers the membership of the Company's Board of Directors, the conditions for the preparation and organisation of the Board's work, as well as the internal control and risk management procedures implemented by the Company.

The report has been prepared on the basis of the "Reference framework for internal control -- A Guide to implementation for mid and small cap companies" published by the French financial market authority (Autorité des Marchés Financiers) in 2010, on the basis of the Middledext Code, and with regard to the principal recommendations of the report of the AMF working group on the Chairman's report on internal control and risk management procedures published in November 2016.

## I CORPORATE GOVERNANCE

The company has elected to adopt the Middledext Corporate Governance Code published in 2009. The company's organisation, its Board of Directors and its work are compliant with the recommendations of this Code. This code was recently revised and the Board of Directors will take up its adoption in the near future.

The company pays particular attention to defining and supplementing the rules for the organisation and operation of its Board of Directors as well as limits on the powers granted to Management, and has had its own rules of procedure since 5 December 2002, which were updated in June 2014.

### 1) Conditions governing the preparation and organisation of the work of the Board of Director

The internal rules specify and complete the operating procedures of the Board stipulated in the Articles of Association.

#### a) Members of the Board

As at 31 December 2016, the company's Board of Directors was composed of nine directors:

- Maryse Aulagnon, Chairman of the Board of Directors
- Mab-Finances, represented by Alain Chaussard, Vice-Chairman
- Atit, represented by Catherine Wallerand, Chief Counsel of the Affine Group
- Delphine Benchetrit, Managing Partner of Finae Advisors
- Arnaud de Bresson, Managing Director of Paris-Europlace
- Stéphane Bureau, President of Humakey
- Joëlle Chauvin
- Bertrand de Feydeau, Chairman of the Board of Foncière Développement Logements
- Holdaffine represented by Jean-Louis Charon, Chairman of Citystar Capital.

The membership of the Board of Directors has not changed since the end of the previous year.

A list of the offices held by the directors is provided in the management report.

The Company is not subject to the rules on the mandatory participation of employee representatives with a vote at Board meetings, which was instituted by the Law of 14 June 2013 on job

security. Similarly, since employee shareholding does not exceed the threshold of 3% of the share capital, the election of an employee director is not required (Article L. 225-23, paragraph 1 of the French Commercial Code).

#### ■ Application of the principle of balanced representation of women and men

The Board now has four women, i.e. 44% of its members, in line with the objectives of the Law of 27 January 2011 on the balanced representation of men and women on Boards of Directors.

#### ■ Independent directors

The independence criteria adopted by the rules of procedure were determined in accordance with the Middledext Code. This states that a director may be considered independent if he or she:

- has not been an employee or corporate officer of the company or any company within the same Group in the previous three years;
- is not a customer, supplier or significant bank of the company or its Group, or for whom the company or Group represents a significant percentage of business;
- is not a majority shareholder of the company;
- has no close family ties with a corporate officer or majority shareholder;
- has not been an auditor of the company during the previous three years.

Based on these criteria, five members of the Board are independent: Delphine Benchetrit, Arnaud de Bresson, Stéphane Bureau, Joëlle Chauvin and Bertrand de Feydeau, or 55% of Board members.

#### ■ Term of office

The term of office of directors is three years; one-third of the directors are elected each year.

#### ■ Choice of directors

The election and re-election of each director is studied by the Remuneration and Appointments Committee, and then submitted to the Board. The election of each director is the subject of a separate resolution submitted to the General Meeting of Shareholders.

#### ■ Qualifying share

Article 11 of the Articles of Association states that each director must hold at least one registered share of the company throughout his or her term of office.

#### ■ Directors' fees

Directors are entitled to receive directors' fees. These fees are allocated by the General Meeting of Shareholders and apportioned by the Board on the basis of actual attendance at Board and committee meetings. The Combined Ordinary and Extraordinary Meeting of Shareholders on 28 April 2016 set the amount of the directors' fees allocated to the directors for their participation in the work of the Board and the special committees as follows:

- €10,000 per director, €5,000 of which for their actual presence;
- €1,000 for each director, per meeting of a specialised committee.

**■ Ethics**

Each director is informed of his or her responsibilities at the time of nomination, and must comply with the ethics rules of his position: to comply with the legal rules on the maximum number of directorships held, to inform the Board in the event of a conflict of interest that occurs after her election, to regularly attend meetings of the Board and the General Meeting, to ensure possession of all information necessary about the agenda for Board meetings before taking any decision, and to respect professional secrecy.

**b) General management**

Until 31 December 2016, the duties of Management were performed by Maryse Aulagnon as Chairman and Chief Executive Officer, while Alain Chaussard served as Deputy Chief Executive Officer.

On 6 December 2016, on the recommendation of the its Chairman, the Board of Directors decided to split the offices of Chairman of the Board and Chief Executive Officer pursuant to Article 14 of the Articles of Association.

Since 1 January 2017, Maryse Aulagnon has been serving as Chairman of the Board of Directors of Affine R.E., Alain Chaussard is responsible for Management as Chief Executive Officer, and Matthieu Evrard is Deputy Chief Executive Officer.

In this new organisation, the Chairman will continue via MAB Finances to perform certain missions assigned to her under the strategic services contract of 30 April 2015, modified by amendment on 3 February 2017, in close coordination with Management:

- Chair and lead strategic seminars;
- Ensure a technological watch of changes in the real estate industry and monitor rival property companies;
- Chair internal meetings on the implementation of strategic decisions on properties (investments, Capex and sales);
- Lead negotiations on partnerships and alliances for Affine and its subsidiaries, and propose organisational changes arising from these negotiations;
- Attend internal meetings to define the financial communication strategy and the general communication strategy;
- Participate in the process to recruit executives for the group;
- Participate in meetings with investors and shareholders;
- Represent the company, with the Chief Executive Officer, in professional bodies and before the public authorities.

**■ Combination of employment contract with corporate office**

Alain Chaussard is not tied to the company or a company of the group under an employment contract.

Matthieu Evrard joined the company as an employee in April 2016. His employment contract was suspended on the date of his appointment.

**■ Compensation of executive officers**

The amounts of the fixed and variable compensation were determined by the Board of Directors on the recommendation of the Remunerations and Appointments Committee. The compensation amounts and conditions are detailed in the 2016 management report.

The compensation levels and conditions for the executives are based on the principles recommended by the Middlednext Corporate Governance Code, specifically: completeness, balance, consistency, visibility and transparency.

In 2016, the principles and rules used to determine the compensation and benefits of any kind awarded to the corporate officers, on the basis of the proposals of the Remunerations and Appointments Committee, were as follows:

- the fixed portion of the corporate officers' remuneration takes into account their presence in the company and their essential role in ensuring the Group's development and sustainability;
- the variable portion is determined according to the company's performance and any extraordinary transactions that have made a significant contribution to the company's value.
- the severance package for the Chief Executive Officer (Deputy Chief Executive Officer at the time) was approved at the Combined General Meetings of Shareholders of 29 April 2009, 27 April 2012, 24 April 2013, 30 April 2014 and 28 April 2016.

In order to meet the new regulatory requirements applicable as from the General Meeting called to approve the financial statements for fiscal year 2016, the principles and rules established in order to determine the compensation and benefits granted to the executive and their compensation and benefit amounts are provided in a report prepared by the Board of Directors, which will be incorporated into the registration document.

**c) Frequency of meetings**

The Board met seven times during the year. The average attendance rate of the directors was 88.89%.

**d) Notices of meetings and information sent to directors**

The internal rules stipulate that Board meetings may be called verbally or in writing by the Chairman of the Board of Directors (notices of meetings may be sent by email).

Prior to each meeting, each director receives the documents that allow them to make a fully informed decision during the meeting. Unless the meeting is urgent, the documents are sent to directors one week before the meeting date, but may be further supplemented by any other document that may help directors reach a decision.

Directors may attend Board meetings by videoconference or via another means of telecommunication, provided that these methods transmit at least the participants' voices and satisfy the technical requirements for continuous simultaneous transmission of the proceedings.

However, the use of videoconferencing or telecommunications is not possible for the following decisions: the appointment, dismissal, or the compensation of the Chairman, the Chief Executive Officer or the Deputy Chief Executive Officer and the approval of the annual financial statements and the management report.

The company sends directors all pertinent information concerning the company. This information is provided under the seal of confidentiality. Directors may ask the Chairman of the Board, at any time, for any document concerning the company.

It has been decided that a procedure will be introduced to evaluate the work done by the Board. Accordingly, the Chairman will invite Board members to give their opinion each year on the operation of the Board and the preparation of its work.

**e) Special committees**

The Board of Directors has set up three committees responsible for preparing its work.

The committees are composed of three to five members who are members of the Board of Directors. Committee members must have the requisite technical expertise to sit on a committee.

The committees report on their work to the Board of Directors after each of their meetings.

**1) The Remunerations and Appointments Committee (named the Compensation and Nominating Committee until 28 February 2017 – name changed by the Board of Directors on that date)**

The members of this committee are:

- Bertrand de Feydeau, Chairman,
- Delphine Benchetrit,
- Joëlle Chauvin.

The committee is composed entirely of independent directors.

This committee studies the compensation of the corporate officers, the award of bonus shares and the company's general remunerations policy.

It is also responsible for examining new candidates for directorships and executive appointments with a view to making a recommendation to the Board of Directors, and assesses the status of independent directors.

The corporate officers may assist in the work of the Remunerations Committee to determine the company's general compensation policy, excluding their own execution compensation and other benefits.

When the committee meets for the purpose of appointments, it includes the corporate officers when the purpose of the meeting is to select new directors and to examine the status of independent director.

The Remunerations Committee meets before the last Board of Directors' meeting of the year or prior to the Board meeting called to close the annual accounts or whenever decisions within its area of expertise need to be submitted to the Board.

The committee met twice in 2016 (100% attendance rate).

**2) Investment Committee**

The members of this committee are:

- The Chairman of the Board of Directors,
- Executive Management,
- Joëlle Chauvin, Chair (\*),
- Bertrand de Feydeau (\*),
- Jean-Louis Charon, representing Holdaffine.

(\*) Independent directors

The Property Director or project reported may be invited to present projects to the Committee.

The Investment Committee may be convened as soon as possible if necessary and by any means. The members of the committee may be consulted in writing and their opinions given by post, fax or email.

The Investment Committee examines sales and acquisition transactions up to €10 million per transaction; the Board is then informed of the transactions accepted by the committee. The committee also provides the Board with a recommendation on transactions in excess of this amount.

The committee met once in 2016 (100% attendance rate).

**3) Accounts Committee**

Since the audit reform resulting from the transposition of a European Directive, the Accounts Committee must be renamed as an Audit Committee. This new name was approved by the Board of Directors on 28 February 2017.

The members of this committee are:

- Jean-Louis Charon, representing Holdaffine, Chairman,
- Arnaud de Bresson (\*),
- Stéphane Bureau (\*).

(\*) Independent directors

The Chairman and Executive Management, as well as the Director of Accounting and Management Control may also participate on the committee.

The legal department serves as meeting secretary.

The company's Statutory Auditors attend meetings held to review the annual and half-year financial statements and may be invited to other meetings.

The committee meets at least twice a year, prior to the Board of Directors' meeting held to approve the annual and half-year financial statements. The committee may be convened if a particular event arises or if there is a specific change to any regulation with a material impact on its area of expertise.

The committee's role is to prepare the following for review by the Board:

- the accounting policies applied, and particularly any changes in policies compared to the preceding financial year;
- the process for closing the accounts;
- the draft financial statements;
- cash projections.

Only the Board of Directors is ultimately responsible for decisions regarding the financial statements.

The committee also gives its opinion on the choice of Statutory Auditors for the company prior to their appointment by the General Meeting of Shareholders, as well as on their engagement and fees. Since the audit reform, the committee rules on services other than accounts certification and the related fees before the end of the current financial year. It also has the mission to verify the independence of the statutory auditors.

The Accounts (Audit) Committee met three times in 2016 (attendance rate of 88.89%).

**f) Minutes of Board Meetings**

The minutes of the Board of Directors' meetings are prepared after each meeting and are sent to the directors for their approval before the next meeting.

**1) Limitations determined by the Board of Directors on the powers of the Chief Executive Officer and Deputy Chief Executive Officer**

- **a) Until 31 December 2016**, the Board had approved the combination of the offices of Chairman of the Board and Chief Executive Officer and, on 1 September 2015, reappointed Maryse Aulagnon as Chairman and Chief Executive Officer and Alain Chaussard as Deputy Chief Executive Officer the same day.

Their powers are defined by the Articles of Association and by the Board:

• **For the Chairman-Chief Executive Officer:**

*"The Chief Executive Officer shall be fully empowered to act in any situation on behalf of the company. He shall exercise this authority within the limits of the corporate purpose and subject to the powers expressly recognised by law for general meetings of shareholders and the Board of Directors."*

• **For the Deputy Chief Executive Officer:**

*"The Deputy Chief Executive Officer shall have full powers, under all circumstances, to act on behalf of the company, within the limits of its corporate purpose and subject to the powers that the law expressly grants to general meetings of shareholders and to the Board of Directors. The Deputy Chief Executive Officer shall assist the Chairman with the organisation of the Board of Directors and management of the Board's work."*

*In the event of the absence or death of the Chairman and Chief Executive Officer, the Deputy Chief Executive Officer shall be fully empowered to act on behalf of the company, which he or she shall represent in its relations with third parties and exercise all powers vested in the Chairman and Chief Executive Officer."*

*In the absence of the Chairman and Chief Executive Officer, the appointment of the Deputy Chief Executive Officer shall be temporary and may be renewed by the Board of Directors until the Chairman and Chief Executive Officer returns."*

*In the event of the death of the Chairman and Chief Executive Officer, the Deputy Chief Executive Officer shall remain in office until the appointment of a new Chairman and Chief Executive Officer."*

In addition, Alain Chaussard, in his capacity as the representative of Mab-Finances, Vice Chairman of the Board of Directors.

**b) As from 1 January 2017**, the positions are now split: Maryse Alagnon serves as Chairman of the Board and Alain Chaussard as Chief Executive Officer. As of the same date, Mattieu Evrard became the Deputy Chief Executive Officer.

If the Chairman of the Board is unable to service, the Board is chaired by the Vice Chairman, Alain Chaussard, as the permanent representative of Mab Finances, who was re-elected by the Board on 6 December 2016.

## 2) Delegations

The Board of Directors has delegated the following powers to Management:

- Disposals and acquisitions: up to €5 million per transaction; transactions exceeding €1 million must be notified to the Board before they are concluded.
- Sureties, endorsements and guarantees: up to €5 million for each guarantee issued on behalf of subsidiaries; guarantees exceeding €1 million must be notified to the Board before they are issued.

Until 31 December 2016, Maryse Aulagnon and Alain Chaussard conferred specific permanent delegations to certain directors on the basis of their areas of expertise. These delegations are limited in terms of commitment and time, and are applicable until the General Meeting of Shareholders called to approve the financial statements for 2017:

- to Julien Vernerey, Deputy Property Director, the power to sign, renew and terminate all leases, sign all company or property development contracts, grant all construction orders or delegate construction management for works, and signed all technical contracts;

- to Olivier Lainé, Chief Administrative and Financial Officer, the power to signed any rate hedge contract on Affine, and to accept and formalise any fixed-rate consolidation options;
- to Catherine Wallerand, Chief Counsel for the Group, the power to manage disputes, subscribe to any current insurance and financial management contract, as well as the power to handle insurance and property matters.

All of these powers were renewed by Alain Chaussard as from 1 January 2017.

The powers granted to Deputy Chief Executive Officer Matthieu Evrard since 1 January 2017 are limited by the powers assigned by law to the General Meeting and by the Board of Directors.

Special powers may be granted to other executives to sign contracts.

### 3) Other points covered in Article L. 225-37 of the French Commercial Code

The conditions relating to the attendance of shareholders in general meetings are specified in Article 25 of the company's Articles of Association.

Items that may have an impact in the event of a public offering are mentioned in the management report presented to the General Meeting of Shareholders.

## II INTERNAL CONTROL PROCEDURES

### 1) Purpose

The purpose of the internal control procedures currently in force in the company is as follows:

- firstly, to ensure that all operations and work carried out by company personnel comply with the laws and regulations;
- secondly, to ensure that the accounting, financial and management information conveyed to the company's managing bodies truly reflects the company's activity and position.

The primary objective of the internal control system is to prevent and control the risks resulting from the company's activity, as well as the risks of errors or fraud, particularly in accounting and finance. As with all control systems, there can be no absolute guarantee that these risks will be completely eliminated. The information given might not be complete and, as a result, certain risks may be unknown or not identified by the company. Thus, this information will not cover all the risks the company may be facing, but only the most sensitive risks.

The risk review is performed on the basis of elements within or outside the company that are known on the date of this report; these elements could later change.

The fully consolidated subsidiaries of Affine that are managed by personnel of the parent company benefit from the same provisions.

## 2) Description of the operators and the systems

The unit responsible for internal control reports directly to Management. Internal control is implemented by both executives and company employees, and an internal controller ensures compliance with procedures and verification of the regularity of transactions. Every year, the internal controller defines with Management one or more specific areas in order to verify the application of the internal control procedures, identify new risks if any, and update the manual of procedures.

The main players in internal control are:

- The Audit Committee, which meets at least twice a year, in the context of preparing the annual and interim financial statements;
- The Statutory Auditors who conduct audits in the performance of their missions;
- The operational directors who ensure the application of the procedures within their departments;
- The legal department, which performs the second-level control.

The internal control system applied by Affine consists of:

a) First-level controls corresponding to all of the means continuously implemented by the operating entities to guarantee the legality, security and proper execution of the transactions that are carried out, as well as compliance with the due diligence provisions related to monitoring risks of all types associated with transactions.

b) Second-level controls, which verify at intervals appropriate to the size of the company, the legality and compliance of transactions, primarily by examining:

- compliance with and the update of the procedures;
- the adequacy of the existing systems to measure and monitor all risks associated with transactions.

Controls are based on written procedures that were completely revised and distributed to all staff in May 2014. These procedures primarily cover the "business" procedures: lease management, works and budgets. The accounting procedures are covered in a separate manual.

These procedures conform to both regulatory requirements and company policies. They describe the methods and procedures for recording, processing and retrieving information, the accounting formats and the procedures for undertaking transactions. They ensure the production of the data and information required to monitor the risks to the company and its subsidiaries.

## 3) Description of the principal risks and uncertainties and prevention techniques

The company has defined the criteria and procedures for identifying and controlling risks and the systems for monitoring assets and controlling the quality of financial and accounting information.

The company, which held the status of financial company until 19 December 2011, still holds assets as a leasing company. Paragraphs a-1, a-2, d) and e) below also concern the finance leases signed by the company.

## a) Description of the main operational risks – oversight mechanisms

Since the company is a listed property company, the main operational risks it may face relate to the quality of its customers, of its assets and the general economic environment.

### 1 – Customer risk

Before any decision is taken, an analysis of the financial position of the future tenant and potential sub-lessees is performed. In order to prevent default by the lessee, appropriate guarantees are demanded (surety, bank guarantee, etc.).

In order to make contractual relations with the lessee more secure, standard contracts are developed and updated regulatory. The standard commercial lease matrix was therefore updated on the basis of the most recent legal changes, including contract reform, in collaboration with specialised lawyers. These changes resulted in the implementation of new procedures within the company.

Customer risk is regularly monitored through a specific procedure. Any late payment is analysed at a weekly meeting during which actions and collection methods are determined. Any late payment or default lasting more than six months results in the systematic provisioning of the full amount of the corresponding receivable. Customer risks are mapped and stronger controls are implemented on the basis of the mapping.

### 2 – Property risks

As the owner of property assets, Affine exercises particular vigilance to ensure that:

- assets are covered by insurance that will restore their value in the event of losses;
- the properties comply with all applicable regulations: environmental laws, regulations on IGH and ERP, etc.;
- building maintenance is performed under the supervision of recognised professionals;
- major repairs are done in a timely manner to ensure the safety and comfort of building users and to maintain the building's value;
- the financial analysis of tenants is reviewed each year if necessary;
- property values are estimated by recognised external appraisals twice a year, when the financial statements are prepared.

Affine has also introduced specific inspections of its properties to verify compliance with the various regulations. Thus, in order to comply with the Ad'hap regulations, Affine studied the plan to bring its buildings into compliance in order to file within the required deadlines.

Before the end of the ten-year warranty period for builders, the company will arrange for a technical inspection of its assets in order to identify any defects and activate the corresponding insurance, if necessary.

The Affine Group has taken out all insurance policies required for its property business from major international insurance companies; these policies cover property damages for replacement value as well as property owner civil liability. Other policies cover professional civil liability under the property transaction or management coverage for two group companies, as well as civil liability coverage for corporate officers.

### **3 – IT risk**

Affine's information system is managed with the assistance of a specialised company and all data on its activities are stored in the Cloud. In order to prevent any risk of a loss of the stored data at a single geographic site, the company has set up a redundancy system with backup of its data at a different site.

In the event of damage to the registered office, the outsourcing of the information system will ensure access to the data and resumption of activity requires only an Internet line with specific parameters.

Coded accesses and the installation of an anti-intrusion protection system complete the measures taken against the IT risk.

### **4 – Legal risk**

The Group's standard contracts are prepared with the collaboration of specialised lawyers. They are updated regularly, particularly at the time new laws or regulations are promulgated, or as new case law is made.

Acquisitions and disposals of rental assets are the subject of due diligence and reviews, including technical and legal reviews, conducted in collaboration with qualified technicians and notaries.

### **5 – Environmental risks**

The Group participates in the High-Quality Environment initiative by adopting preventive measures that limit the environmental impacts of constructing and renovating buildings. This initiative also offers ways to make a building more comfortable for its users.

Affine conducts periodic inspections of the buildings its owns in order to ensure that users comply with environmental regulations.

### **6 – Financial risk**

Affine practises prudent and rigorous financial management to ensure permanent access to sufficient resources by:

- maintaining readily available cash;
- maintaining confirmed lines of credit;
- the annual amortisation of loans (with a residual value at maturity, where applicable);
- scheduling repayments;
- diversifying its banking relations.

The company mainly uses two tools to monitor its liquidity risk:

- a daily cash statement prepared by the financial department and transmitted to Management;
- a three-year monthly cash position forecast provided by the management controller to Management; actual monthly cash and projected cash are reconciled and discrepancies analysed at this time. A cash flow projection is submitted to the two Board of Directors' meetings called to approve the financial statements.

The company is careful to place its cash only with banks which, alone or through the group to which they belong, offer all necessary guarantees. Its investments are diversified and made prudently, and exclude any instruments with a risk of loss of capital.

### **7 – Money-laundering risk**

The origin of the funds from purchasers and partners is systematically checked in compliance with the provisions applicable to property professionals. The company's manual of procedures contains a specific procedure for this risk.

## **b) Production and processing of accounting and financial information**

The organisation and duties of the accounting department are defined in the manual of accounting procedures.

Affine's accounting and management control department is responsible for the management accounting of all the French companies that are majority-owned (more than 50%) by the Group. Foreign companies use local accountancy firms.

Most of the transactions are directly reported in the accounts using software designed and updated by an outside service provider, which is used by a large number of property companies. The software is fed by various departments (Management, Corporate Services, etc.) and has all the authorisation and control procedures necessary to ensure that transactions are recorded under the best security conditions. Very few transactions are now entered manually.

In addition, the accounting formats used by Affine and its fully consolidated subsidiaries are defined in the manual of accounting procedures.

Before each closing of the financial statements (half-year and year-end), a timetable is prepared by the Accounting Department and sent to all project managers. A sheet to track projects and work progress is stored on a dedicated IT network and updated daily. In the event of any anomalies or delay in operations, the project manager informs the accounting director, who in turn informs Management if necessary.

At the end of each accounting period, the draft financial statements are checked by Management, which analyses the discrepancies in results compared with forecasts. The financial and accounting information is then verified by the independent auditors and presented to the Audit Committee and to the Board of Directors.

A breakdown of off-balance sheet commitments is also sent to the Board twice a year.

# Report of the Auditors prepared pursuant to Article L.225-235 of the French Commercial Code, on the basis of the report of the Chairman of the Board of Directors of Affine R.E.

Year ended 31 December 2016

To the Shareholders,

In our capacity as the Statutory Auditors of Affine R.E., and in accordance with the provisions of Article L.225-235 of the French Commercial Code, we are hereby reporting to you on the report prepared by the Chairman of your company for the year ended 31 December 2016, in accordance with the provisions of Article L.225-37 of the French Commercial Code.

It is the Chairman's responsibility to prepare a report on the internal control and risk management procedures implemented by the company, and to provide any other information specifically relating to corporate governance required under Article L.225-37 of the French Commercial Code.

It is our responsibility

- to inform you of the observations that we are required to make on the information contained in the Chairman's report on internal control and risk management procedures in relation to the preparation and processing of accounting and financial information, and
- to certify that this report contains the other information required by Article L.225-37 of the Commercial Code; however, it is specified that it is not our responsibility to verify the accuracy of this other information.

We conducted our work in accordance with the professional standards applicable in France.

## INFORMATION REGARDING THE INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES FOR THE PREPARATION AND PROCESSING OF FINANCIAL AND ACCOUNTING INFORMATION

Professional standards require that we perform due diligence to assess the fairness of the information internal control and risk management procedures for the preparation and processing of the accounting and financial information contained in the Chairman's report. This diligence primarily consisted of:

- familiarising ourselves with the internal control and risk management procedures for the preparation and processing of the accounting and financial information supporting the information presented in the Chairman's report, together with the existing documentation;
- familiarising ourselves with the work performed to prepare this information and the existing documentation;
- determining whether any material deficiencies in the internal control for the preparation and processing of the accounting and financial information that we may have noted during the context of our mission are properly disclosed in the Chairman's report.

On the basis of our work, we have no observation to make on the information provided about the company's internal control and risk management procedures for the preparation and processing of the accounting and financial information contained in the report prepared by the Chairman of the Board of Directors in accordance with Article L.225-37 of the French Commercial Code.

## OTHER INFORMATION

We certify that the report prepared by the Chairman of the Board of Directors also contains the other information required by Article L.225-37 of the French Commercial Code.

Paris La Défense and Paris, 30 March 2017

The Statutory Auditors

### KPMG Audit FS I

A division of KPMG S.A.

Isabelle Goalec  
Partner

### Cailliau Dedouit et Associés

Rémi Savourmin  
Partner

## Report of the board of directors on the capital reduction

The Board of Directors is submitting the Extraordinary General Meeting a proposal to reduce the capital of the company because of losses.

The Company's individual financial statements established and approved for financial year 2015 show equity of €102,757 K, including a retained earnings account for a negative €43,703 K. The results for the year 2016, as they appear in the financial statements that will be submitted for the approval of the Ordinary General Meeting, which are heavily strained by the provision of €35,000 K recognised on the Banimmio securities, will increase retained earnings by €42,916 K, and the forecast for future results do not suggest the possibility of discharging this balance in the coming years.

Therefore, the General Meeting of Shareholders is being asked to partially reduce retained earnings through a capital reduction pursuant to the provisions of Article L. 225-204 of the French Commercial Code. The capital reduction is justified by the amount of the losses, so creditors do not benefit from the right of objection granted to them under Article L. 225-205 of the French Commercial Code.

As a result, the Board is proposing to reduce the Company's capital by €35,000 K, from €59,500 K to €24,500 K, by deduction from retained earnings. This reduction shall be made by reducing the par value of the shares; you are reminded that their par value was eliminated.

The amount of the equity at 31 December 2016 was €59,841 K, taking into account the deficit for the year (-€42,916 K). The capital reduction will not, of course, have any impact on this amount, since it is offset by a decrease of retained earnings in the same amount.

Pursuant to the provisions of Article L. 232-11 of the French Commercial Code, a dividend distribution may not have the effect of bringing the amount of the equity to a level less than the sum of the equity and non-distributable reserves. After the proposed capital reduction, the equity must be a minimum of €49,785 K for a distribution to be approved by the General Meeting: as a result, the distribution potential on the basis of the financial statements established at 31 December 2016 amounts to €16,926 K.

Of course, this capital reduction does not affect the amount of consolidated equity, which totalled €285,036 K at the end of 2016.

This capital reduction project has been communicated to the statutory auditors, who shall prepare a report containing their assessment of the causes and conditions surrounding the operation.

## Statutory Auditors' report on capital reduction

### Combined General Shareholders' Meeting of 27 April 2017– Resolution 5

Dear Shareholders,

In our capacity as the Statutory Auditors of Affine R.E. S.A. and in the performance of the mission stipulated in Article L. 225-204 of the French Commercial Code in the event of a capital reduction, we have prepared this report to inform you of our assessment of the causes and conditions of the proposed capital reduction in the amount of €34,500,000.

Your Board of Directors is proposing to execute this capital reduction via a withdrawal from the "retained earnings" item.

We have performed the due diligence that we deemed necessary in accordance with the professional standards of the French Association of Chartered Accountants for this mission. This due diligence required that we determine whether the causes and conditions of the proposed capital reduction are legal. Our works consisted in verifying whether the proposed capital reduction does not reduce the amount of share capital to less than the regulatory minimum applicable to listed property investment companies (Sociétés d'Investissements Immobiliers Cotées) and that it will not damage the equality of shareholders.

We have no observation to make on the causes and conditions of this operation, which will reduce the share capital of your company from €59,500,000 euros to €25,000,000.

Paris La Défense, 30 March 2017

**KPMG Audit FS I**

Isabelle Goalec  
*Partner*

Paris, 30 March 2017

**Cailliau Dedouit et Associés**

Rémi Savournin  
*Partner*

# Statutory Auditors' report on capital transactions stipulated in resolutions 7, 8, 10, 11 and 12 of the Combined General Shareholders' Meeting of 27 April 2017

Dear Shareholders,

In our capacity as Statutory Auditors of your company, and pursuant to the missions stipulated by the French Commercial Code, we hereby present our report on the transactions on which you are required to give an opinion.

## 1 ISSUANCE OF ORDINARY SHARES AND TRANSFERABLE SECURITIES WITH AND/OR WITHOUT PRE-EMPTIVE SUBSCRIPTION RIGHTS (RESOLUTIONS 7, 8 AND 10)

Pursuant to the mission stipulated by Articles L.228-9, L.228-93, L.225-129 and L.225-135 of the French Commercial Code, we hereby present our report on the proposals to delegate authority to the Board of Directors to decide on various issues of ordinary shares and securities, with and/or without pre-emptive subscription rights, which are transactions you are called on to approve.

On the basis of its report, your Board of Directors is proposing that you delegate to the Board the authority to decide on the following operations for a period of eighteen months, to set the final terms of such issues and, as applicable, to eliminate your pre-emptive subscription rights:

- The issuance of ordinary shares and transferable securities (Seventh Resolution), giving immediate or future rights to the share capital of your Company or, in accordance with Article L.228-93 of the French Commercial Code, to the share capital of a company in which it owns, directly or indirectly, more than half of the share capital, retaining the pre-emptive subscription right, for a nominal amount that may not exceed one-half of share capital, i.e. €12,500,000 on the basis of current share capital plus, where applicable, the additional number of shares to be issued in order to protect the rights of holders of securities giving the right to shares, as required by law.
- The issuance of ordinary shares and securities (Eighth Resolution), giving immediate or future rights to your company's share capital or, in accordance with Article L.228-93 of the French Commercial Code, in the share capital of a company in which it owns, directly or indirectly, more than one-half of the share capital, eliminating pre-emptive subscription rights, for a nominal amount that may not exceed 25% of the share capital, i.e. €6,250,000 on the basis of the current share capital; this amount shall be charged against the ceiling defined in the Seventh Resolution plus, where applicable, the nominal amount of the additional shares that may be issued in the event of further financial transactions, in order to protect the rights of the holders of securities giving rights to the share capital.
- The issuance of ordinary shares and securities (Tenth Resolution) giving immediate or future rights to shares of your company or of a company in which it owns, directly or indirectly, more than half of the capital, to be performed through private placement, with elimination of pre-emptive subscription rights, for an amount limited to 10% of the capital per year to be charged against the ceilings defined in Resolutions Seven and Eight.

Your Board of Directors is responsible for preparing a report as required by Articles R.225-113, R.225-114, and R.225-117 of the French Commercial Code. It is our responsibility to express our opinion on the fair presentation of the calculated data drawn from the accounts, on the proposed waiver of pre-emptive subscription rights for the Eight Resolution, and on certain other information about the issue provided in this report.

We have performed the due diligence that we deemed necessary in accordance with the professional standards of the French Association of Chartered Accountants for this mission. This diligence primarily consisted in verifying the content of the Board of Directors' report on these transactions and the procedures for determining the issue price of the equity securities to be issued.

We are informing you that the Board of Directors' report does not include any information on the procedures for determining the issue price, as stipulated by the regulations.

Furthermore, since the final conditions for the capital increase have not been determined, we are not expressing an opinion on those conditions and, as a result, on the recommendation to eliminate the pre-emptive subscription rights made to you in the Eighth and Tenth Resolutions.

In accordance with Article R.225-116 of the French Commercial Code, we will prepare a supplementary report, as applicable, when these delegations are used by your Board of Directors in the event of an issue of ordinary shares with a waiver of pre-emptive subscription rights to securities granting rights to the share capital.

## 2 ISSUANCE OF ORDINARY SHARES RESERVED FOR EMPLOYEES WITH WAIVER OF PRE-EMPTIVE SUBSCRIPTION RIGHTS (RESOLUTION 11)

In the performance of the mission provided for by Articles L.225-135 et seq. of the French Commercial Code, we are hereby presenting our report on the proposal to delegate authority to the Board of Directors to decide on a capital increase, on one or more occasions, through the issuance of ordinary shares, eliminating pre-emptive subscription rights, reserved for employees of your company and its affiliated companies as defined by Article L.225-180 of the French Commercial Code, in an amount limited to 3% of the existing share capital on the date the Meeting of the Board of Directors, operations which you are being asked to approve.

This capital increase is being submitted for your approval pursuant to Articles L.225-129-6 of the French Commercial Code and Articles L.3332-18 et seq. of the French Labour Code.

On the basis of its report, your Board of Directors is asking you to delegate to the Board, for a period of eighteen months, the authority to set the conditions of this operation and to waive your pre-emptive subscription rights to the shares to be issued.

It is the responsibility of your Board of Directors to prepare a report pursuant to Articles R.225-113 and R.225-114 of the French Commercial Code. It is our responsibility to express our opinion on the accuracy of the calculated data derived from the accounts, on the proposal to waive pre-emptive subscription rights, and on certain other information concerning the issue that is provided in this report.

We have performed the due diligence that we deemed necessary in accordance with the professional standards of the French Association of Chartered Accountants for this mission. This diligence consisted in verifying the content of the Board of Directors' report regarding these operations and the procedures for determining the issue price of the equity securities to be issued.

We are informing you that the Board of Directors' report does not include any information on the procedures for determining the issue price, as stipulated by the regulations.

As the definitive conditions of the capital increase have not been determined, we are not expressing any opinion on this increase and, as a result, on the proposal made to you to waive the pre-emptive subscription rights.

In accordance with Article R.225-116 of the French Commercial Code, we will prepare a supplementary report, as applicable, when this authority is used by your Board of Directors.

### **3 REDUCTION OF THE SHARE CAPITAL THROUGH THE CANCELLATION OF SHARES PURCHASED (RESOLUTION 12)**

In the performance of the mission stipulated in in Article L.225-209 of the French Commercial Code in the event of a reduction in the share capital through the cancellation of purchased shares, we have prepared this report, which is intended to inform you of our assessment of the causes and conditions for the proposed capital reduction.

Your Board of Directors is proposing that you delegate to the Board, for a period of eighteen months, up to a maximum of 10% of its capital, on one or more occasions, all powers to cancel the shares purchased under the implementation of an authorisation for your company to purchase its own shares described in the Twenty-Fourth Seventh Resolution, subject to the provisions of the aforementioned article.

We have performed the due diligence that we deemed necessary in accordance with the professional standards of the French Association of Chartered Accountants for this mission. This diligence requires us to examine whether the causes and conditions of the planned capital reduction, which will not jeopardise the equality of shareholders, are legal.

We have no observation to make on the causes and conditions of the proposed capital reduction.

The Statutory Auditors

Paris La Défense, 30 March 2017

**KPMG Audit FS I**

Isabelle Goalec  
*Partner*

Paris, 30 March 2017

**Cailliau Dedouit et Associés**

Rémi Savournin  
*Partner*

## Summary of delegations for a capital increase (Article L. 225-100 para. 7 of the French Commercial Code)

**Authority granted to the Board of Directors by the Combined General Meeting of 28 April 2016** (superseding the authorisation given by the Combined General Meeting of 30 April 2015)

	AMOUNT AUTHORISED	DURATION	UTILISATION
Delegation of authority, with pre-emptive subscription right (12 <sup>th</sup> resolution)	€29,750,000	18 months (until 28 October 2017)	None
Delegation of authority with waiver of the pre-emptive subscription right (13 <sup>th</sup> resolution)	€14,875,000 (charged against the ceiling set in the 12 <sup>th</sup> resolution)	18 months (until 28 October 2017)	None
Delegation of authority to increase the capital by capitalisation of reserves (14 <sup>th</sup> resolution)	Amount of reserves	18 mois (jusqu'au 28 octobre 2017)	None
Delegation of authority with waiver of the pre-emptive subscription right, by private placement (15 <sup>th</sup> resolution)	10% of the capital per year; this amount is charged against the ceiling set in the 12 <sup>th</sup> and 13 <sup>th</sup> resolutions	18 months (until 28 October 2017)	None

## Proposed delegations of authority to increase the company's capital

The Board of Directors is proposing that the decision to increase the Company's capital and the execution of this increase be delegated to the Board pursuant to the general terms and conditions for delegations in Articles L. 225-129-2, L. 228-92, L. 228-93, L. 225-129 and L. 225-130 of the French Commercial Code.

The General Shareholders' Meeting may delegate its authority to a certain type of securities or to stipulate different authorisations on the basis of the value of the security.

a) The Combined Ordinary and Extraordinary General Meeting of 28 April 2016 delegated to the Board of Directors the option to increase the capital (with or without pre-emptive subscription rights) up to a maximum of half the capital.

These delegations fall within the framework of the "blanket delegation" mechanism resulting from Article L. 225-129-2 of the French Commercial Code, which gives the Board the greatest flexibility to act in the interest of the Company. They will support the development of the business by raising the necessary capital on the financial markets.

The authorisations will give the Board of Directors the option to choose the most favourable issue types and methods, in view of the wide range of securities and constantly changing stock markets.

The Board may thus issue ordinary shares of the company or any securities giving rights, by any means, immediately or in future, to ordinary shares of the company or of a company in which it directly or indirectly holds more than half of the capital.

The issue of these securities may not result in the increase of the share capital of the company by a total nominal amount equal to up to half of the share capital, or €12,250,000 on the basis of the current share capital, without taking into account the adjustments that may be made in compliance with the law.

It is proposed to set the levels of these increases as follows:

- If the issue is carried out with pre-emptive subscription rights, the Board may increase the share capital to a maximum total nominal amount of 50% of the share capital, i.e. €12,250,000.
- If the issue is carried out without pre-emptive subscription rights, the Board may increase the share capital to a maximum total nominal amount of 25% of the share capital, i.e. €6,125,000.

The Board of Directors will have the necessary powers to decide the terms and conditions of the issue or issues, to allow for the possibility of paying for the subscription in cash or by setoff against liquid and payable claims on the company, or by a combination of the two, to certify the execution of the resulting capital increases and to make the relevant amendments to the Articles of Association.

The Board will also have the power to increase the capital through the capitalisation of premiums, reserves, profits or other sums for which capitalisation is permitted by law and by the Articles of Association, in the form of bonus share allotments or an increase in the par value of existing shares.

You are being asked to grant these delegations again for a **period of eighteen (18) months** from the date of the Meeting.

b) The Combined General Meeting of Shareholders of 28 April 2016 also delegated to the Board of Directors, in accordance with Article L. 225-138 of the French Commercial Code, the possibility of increasing the share capital without pre-emptive subscription rights via a private placement (for qualified investors or a limited circle of investors) of 10% of the capital per year.

The elimination of pre-emptive subscription rights in favour of investors opens the capital to institutional investors. The issue price will be determined by the Board, in an amount ranging between 80 and 120% of the average of the closing prices for the last twenty trading day prior to the date on which the issue price is set.

It is proposed to grant this new delegation for a **period of eighteen (18) months** from the date of the Meeting.

c) Given the authorisations proposed above, the General Meeting of Shareholders must vote on a proposed resolution to carry out a capital increase reserved for employees, in accordance with Article L. 225-129-6 of the French Commercial Code. This requirement applies to all joint stock companies, whether or not they already have a company savings plan (PEE).

The Board approves a vote on this resolution.

## Report of the board of directors on executive compensation

### Meeting of the Board of Directors of 9 March 2017

The new provisions introduced by Law 2016-1691 of 9 December 2016 on transparency, the fight against corruption and the modernisation of economic life, known as the Sapin II Act, requires that the General Meeting of Shareholders' monitor executive compensation. Under this law, the notion of executives covers: the Chairman, chief executive officers and chief operating and other officers (see Article 225-37-2 of the French Commercial Code attached hereto).

Two types of control are established:

1) A control of principles and criteria: this control becomes effective for General Meetings voting on the years ended 31 December 2016.

The principles and criteria for the determination, division and award of the fixed, variable and exceptional elements that compose total compensation and the benefits of any kind attributable to executives are the subject of a resolution submitted for the approval of the shareholders' meeting (under the conditions stipulated by Article L 225-98 of the French Commercial Code).

Only the amounts of the variable and exceptional components are submitted for the approval of the Ordinary General Meeting of Shareholders.

Proposed resolutions are prepared by the Board and presented in a report attached to the management report that explains that the variable and exceptional portions must be approved by the General Meeting.

2) Control of the amounts: a resolution must be provided in order to authorise the amounts decided by the Board on the basis of the principles and criteria previously approved by the Meeting for the different components of the compensation. This provision shall apply to general meetings voting on the financial statements for the year ended in 2017.

If the resolution setting the amounts proposed to the meeting is not approved:

- the general principles and criteria for determining the compensation approved by the meeting may be applied;
- in the absence of such principles and criteria, the compensation awarded during the previous year will be applied;
- if no compensation has been paid during the previous year, the compensation will be paid in accordance with the existing practices of the company.

Under the regulations currently applicable, compensation of any kind (fixed, variable or exceptional) for the Chief Executive Officer and the Deputy Chief Executive Officer must be approved by a majority vote of the General Meeting of Shareholders. The Chairman no longer receives compensation from the Company other than directors' fees; therefore, she is not affected by the new provisions. You are reminded that Mab Finances signed a market making contract with Affine.

### I **PRINCIPLES AND RULES ESTABLISHED TO DETERMINE THE COMPENSATION AND BENEFITS PAID TO EXECUTIVE OFFICERS.**

The compensation policy and all the elements of compensation and benefits paid to each executive are determined by the Board of Directors on the recommendation of the Nomination and Compensation Committee. The Board and the Committee together assess all the various elements composing the compensation on the basis of objectives defined at the beginning of the year.

#### **1° General policy on executive compensation**

Every year, the Nomination and Compensation Committee conducts a review of the various components of executive compensation. This review analyses the pertinence of the level of the fixed annual compensation on the basis of the other components of the compensation, a determination of the performance criteria and the method for calculating the variable component of the compensation for the next fiscal year, the establishing of the portion in cash and, if applicable, in bonus shares given to the interested party.

You are reminded that no exceptional compensation has been recommended or paid in several years. In addition, the compensation paid to the Deputy Chief Executive Officer, who became Chief Executive Officer on 1 January 2017, has not be increased since 2014.

#### **2° Setting the elements of the compensation**

- **Variable portion of the compensation:** 50% of this portion consists of quantitative factors, and 50% is based on qualitative factors, particularly the targets set for the growth of the company, the search to create value and the optimisation of the property portfolio. The amount of the variable portion is set on the basis of the beneficiary's contribution to the achievement of the results of Affine and its subsidiaries, and the management, team operations, transformation of the company and changes in procedures. The company's transformation is weighted at 20%, and the other elements are weighted at 10%.
- **Exceptional portion of compensation:** this is awarded on the basis of the exceptional nature of the operation, its impact on the company's accounts, and the magnitude of the resulting creation of value. This amount is determined on an assessment of the criteria above.

The General Meeting of 28 April 2016 authorised the launch of a programme to allot bonus shares, a portion of which may be awarded to members of Management as the variable or exceptional portion of compensation, subject to the approval of the General Meeting of Shareholders on 27 April 2017 in order to amend the current bonus share allotment programme.

If the General Meeting approves this change, Alain Chaussard will be awarded 5,000 shares and Matthieu Evrard 4,000 shares.

- **Fixed portion of the compensation:** this is determined and may be revised on the basis of the personal qualities of the beneficiary, his dedication to the company, his expertise and knowledge of the property market, and changes in his duties.
- **Directors' fees:** As Alain Chaussard is a director of the company, he is paid directors' fees on the basis of his attendance at meetings of the Board and the various committees to which he belongs. Provided this is approved by the next General Meeting, Matthieu Evrard will be named a director of the company and will receive directors' fees on the basis of his attendance at Board meetings.

- **Other benefits:** the other benefits in kind awarded to the members of Management consist of a company car, the payment by the Company of unemployment insurance (GSC), and benefits from accident, pension and health policies as well as restaurant vouchers.

### 3°) Amount of the compensation for Management as from 2017

#### Alain Chaussard:

Fixed portion: €335,400

Variable portion: 50% of the fixed compensation

Directors' fees: €14,000

Other benefits: €5,583, which includes a company car, restaurant vouchers and benefits from accident, retirement and health insurance policies.

#### Matthieu Evrard

Fixed portion: €250,000

Variable portion: up to 50% of the fixed compensation

Directors' fees if he is elected to the Board of Directors by the next Shareholders' Meeting

Other benefits: €14,249 consisting of a company car, restaurant vouchers and benefits from accident, retirement and health insurance policies.

In addition, Alain Chaussard and Matthieu Evrard will both receive severance payment in the event of termination of their positions, the payment of which was approved by the Board of Directors, on the recommendation of the Remuneration and Appointments Committee, and which will be submitted to the General Meeting of Shareholders' for approval on the basis of Article L. 225-42-1 of the French Commercial Code.

## II RESOLUTIONS SUBMITTED TO THE GENERAL MEETING OF SHAREHOLDERS

As a result of the preceding, the resolutions that we are recommending be adopted by the General Meeting are as follows:

#### **Xx resolution: principles and criteria for determining, distribution and awarding the fixed, variable and exceptional components of total compensation and the benefits of any kind attributable to the executives.**

The General Meeting, deliberating under the rules of quorum and majority required for ordinary shareholders' meetings, approves the following principles and criteria for determining the compensation of executive officers:

1) executive compensation is composed of a fixed portion, a variable portion and, as applicable, an exceptional portion, the amount of which shall be set by the Board of Directors on the recommendation of the Remuneration and Appointments Committee;

2) the total level of the executive compensation shall be analysed yearly by the Remuneration and Appointments Committee, which shall make any adjustments necessary based on the performance of the beneficiary during the previous year and shall so inform the Board of Directors who makes a determination.

3) the variable portion and the exceptional portion, if applicable, of the executive compensation shall be assessed annually by the Board of Directors, on the recommendation of the Remuneration and Appointments Committee, as a function of defined objectives, particularly with regard to the growth of the company, the search to create value and the optimisation of the assets.

The amount of the variable portion and exceptional portion, if applicable, of the compensation shall be set on the basis of the beneficiary's contribution to the results of Affine and its subsidiaries.

The variable portion of the compensation and the exceptional portion, if applicable, may be paid in cash or through an allotment of bonus shares.

Payment of the variable portion and, if applicable, the exceptional portion of compensation depends on approval by the General Meeting.

#### **XXXXth resolution: compensation of the Chief Executive Officer**

The General Meeting, deliberating under the rules of quorum and majority required for ordinary shareholders' meetings, after a reading of the report of the Board of Directors in which the compensation of the Chief Executive Officer is indicated, hereby approves all the fixed, variable and, if applicable, exceptions elements of the total compensation and the benefits of any kind awarded because of his position, as detailed in the report attached to the report described in Articles L. 225-100 and L. 225-102 of the French Commercial Code.

#### **Xth resolution: Compensation of the Deputy Chief Executive Officer**

The General Meeting, deliberating under the rules of quorum and majority required for ordinary shareholders' meetings, after a reading of the report of the Board of Directors in which the compensation of the Deputy Chief Executive Officer is indicated, hereby approves all the fixed, variable and, if applicable, exceptions elements of the total compensation and the benefits of any kind awarded because of his position, as detailed in the report attached to the report described in Articles L. 225-100 and L. 225-102 of the French Commercial Code.

The assessment of the provisions set forth above remains subject to the provisions of a decree to be published in March that will specify the conditions for implementation of the law.

#### *French Commercial Code*

##### **Article L. 225-98**

The ordinary general meeting of shareholders makes all decisions other than those set forth in Articles L. 225-96 and L. 225-97.

It deliberates validly on the first notice of meeting only if the shareholders present or represented own at least one-fifth of the shares with voting rights. In companies whose shares are not listed for trading on a regulated market, the articles of association may stipulate a higher quorum. On a second notice of meeting, no quorum is required.

The Meeting shall rule by a majority of the votes held by the shareholders present and represented.

##### **Article L. 225-37-2**

In companies whose shares are listed for trading on a regulated market, the principles and criteria for determining, distributing and awarding the fixed, variable and exceptional elements composing the total compensation and benefits of any kind attributable to the chairman, chief executive officers, managing directors or chief operating officers for their services shall be submitted at least every year for the approval of the general meeting of shareholders under the conditions stipulated in Article L. 225-98 and in the second to the second to last paragraph of this article.

The resolutions proposed by the Board of Directors pursuant to the first paragraph of this article shall be presented in a report attached to the report defined in Articles L. 225-100 and L. 225-102. This report shall detail the compensation elements described in the first paragraph of this article, and shall specify that the payment of the variable and exceptional components is subject to approval by an ordinary shareholders' meeting of the elements of the compensation for the person in question under the conditions defined in Article L. 225-100.

The approval of the general meeting is required for any change in the elements described in the first paragraph of this article and at the time of each renewal of the position held by the persons described in said first paragraph.

If the general meeting does not approve the resolution, the principles and criteria previously approved under the conditions stipulated in the first three paragraphs of this article shall continue to apply. In the absence of approved principles and criteria, compensation shall be determined in accordance with the compensation paid for the previous year or, in the absence of compensation paid for the previous year, in accordance with existing practices in the company.

The conditions for implementation of this article shall be defined by a Decree adopted by the Council of State.

NOTE:

Pursuant to Section II of Article 161 of Law 2016-1691 of 9 December 2016, these provisions shall apply as from the ordinary general meeting approving the first year ended after the promulgation of this law.

Excerpt of Articles L. 225-100

(...)

*In companies whose shares are listed for trading on a regulated market, when a general meeting has approved the principles and criteria under the conditions set forth in Articles L. 225-37-2 or L. 225-82-2, the general meeting shall approve the fixed, variable and exceptional elements of the total compensation and the benefits of any kind paid or awarded for the previous year in separate resolutions for the chairman of the Board of Directors or the Supervisory Board, the Chief Executive Officer, the Chief Operating Officers, for the Chairman of the Management Board and the other members of the Management Board or the sole managing director.*

*The variable or exceptional components of compensation, the payment of which has been submitted for approval by an ordinary shareholders' meeting, under the conditions stipulated in said Articles L. 225-37-2 or L. 225-82-2, awarded for the previous year to the Chairman of the Board of Directors or the Supervisory Board, to the Chief Executive Officer, to the Chairman of the Management Board or the other members of the Management Board may be paid only after approval by a general meeting of the components of compensation for the person in question under the conditions stipulated in the tenth paragraph of this article.*

(...)

NOTE:

Pursuant to Section II of Article 161 of Law 2016-1691 of 9 December 2016, these provisions shall apply as from the end of the financial year following the first year ended after the promulgation of said law.

## Bonus share allotment plan

### I BOARD REPORT PREPARED IN ACCORDANCE WITH THE PROVISIONS OF ARTICLE L. 225-197-4 OF THE FRENCH COMMERCIAL CODE

The Combined Ordinary and Extraordinary Meeting of Shareholders on 28 April 2016 authorised the Board of Directors to allot existing shares of the Company as bonus shares on one or more occasions to company employees or to certain categories of employees. The maximum percentage of the share capital that may be allotted under this authorisation may not exceed zero point thirty percent (0.30%) of the number of existing shares on the date

of the Meeting, which is a maximum of 30,168 shares out of a total of 10,056,071 shares.

The Board of Directors informs the Meeting that the identity of the beneficiaries has been established. The plan shall be launched subject to the approval of the General Meeting of Shareholders on 27 April of the change described below.

### II CHANGES TO THE BONUS SHARE ALLOTMENT PLAN

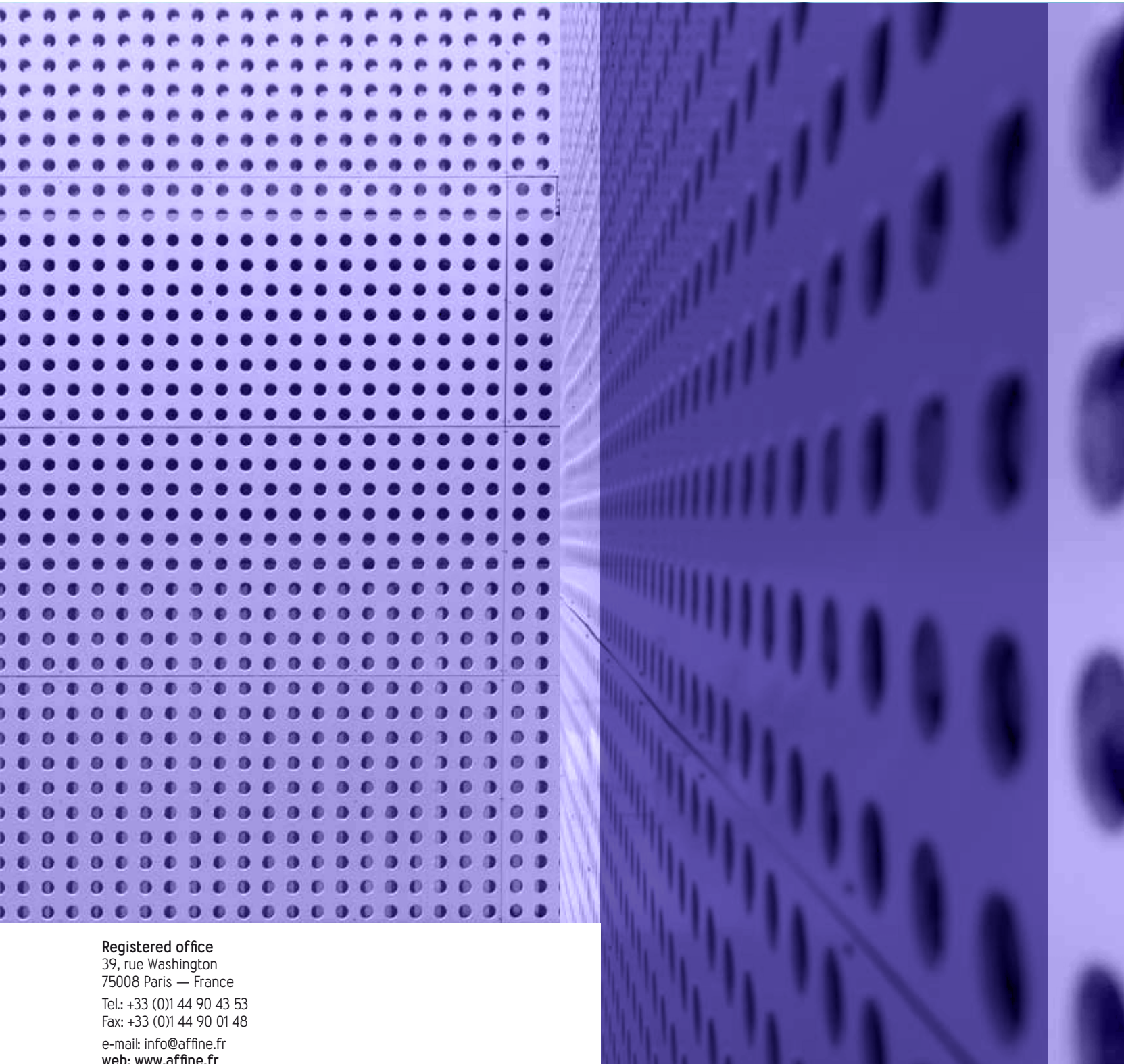
The authorisation given by the General Meeting of 28 April 2016, described above, allows the allotment of bonus shares only to salaried employees of the company or to certain employees. It is proposed to extend this authorisation to executives, pursuant to Section II of Article L. 225-197-1 of the French Commercial Code, which stipulates that *"The Chairman of the Board of Directors, the Chief Executive Officer, Deputy Chief Executive Officers... may be awarded shares of the company under the same conditions as employees and in compliance with the conditions defined in Article L. 225-197-6"*.

It is noted that, in this case, the Board of Directors may decide that the shares shall not be sold by the interested parties before the end of their appointment or may require these parties to own a set number of shares in registered form until the end of their appointment. This information must be published in the report cited in Article L. 225-102-1 and included in the registration document.

You are being asked to extend the allotment of bonus shares to the beneficiaries cited by Section II of Article L. 225-197-1 of the French Commercial Code.







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N° TVA intracommunautaire FR92712048735