ACANTHE DEVELOPPEMENT

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June 2017 - Photos: Acanthe Développement, Christian Murtin, Thierry Lewenberg-sturm - Conception: www.ideephare.com

ACANTHE DÉVELOPPEMENT

2016 ANNUAL FINANCIAL STATEMENTS

ACANTHE DEVELOPPEMENT

2016 ANNUAL FINANCIAL STATEMENTS

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PROGRESS REPORT

FINANCIAL REPORT

PROFILE

ACANTHE DEVELOPPEMENT is a European and property company eligible for French SIIC (real estate investment company) tax status. More than 94,43 % of its properties are located in the privileged districts of Paris.

ACANTHE DEVELOPPEMENT's strategy is underpinned by rigorous management of exceptional assets and the search for the best names to ensure capital growth on its portfolio and to secure a return on its assets.

ACANTHE DEVELOPPEMENT is listed in the C compartment of NYSE Euronext Paris and on the IEIF SIIC-REITS index.

PATRIMOINE

79,57 %
IN VALUE COMPRISING OFFICE SPACE AND COMMERCIAL PREMISES AT 31/12/2016

170,25
MILLIONS EQUITY

12 646 m²
TOTAL FLOOR AREA 31/12/2016

94,43 %
IN VALUE IN PARIS'S CENTRAL BUSINESS DISTRICT AND IN ITS HISTORIC CENTRE

129
MILLIONS AT 31/12/2016

7
BUILDINGS AT 31/12/2016

CHAIRMAN'S STATEMENT

ALAIN DUMÉNIL

Chairman of the Board of Directors

Property is still an investment that combines security and good returns. Ile-de-France still enjoys the best part of investments. Inner Paris, in particular the central business district, again attracted investors looking for properties regarded as safe investments. This strong appeal for emblematic properties continued to drive down "prime" rates of return. However, "prime" rates observed at around 3% are still much higher than risk-free investments like 10-year treasury bond rates, which are still under 1%. ACANTHE DEVELOPPEMENT continues to capitalize on its strategy initiated in the 2000s of refocusing its assets on the central business district of Paris.

The trade-offs on its assets reaching maturity in financial year 2016 enabled the group to derive the full benefit of this market trend.

After the sales in 2016, its adjusted net asset value totals 170.33 million euros (1.1577 euros per share). Net consolidated income for 2016 attributable to the group's shareholders totals 39.96 million euros.

In recent years the group has succeeded in consolidating its financial soundness. At 31 December 2016, the Group's cash assets totalled 71.82 million euros. On the same date the total capital balance on our loans totalled 20.54 million euros.

You are advised that the mandatory distributions under the SIIC (Real Estate Investment Trust) tax system amount to 42.24 million euros. These SIIC distribution obligations are determined on the basis of the Company's profits, which retain capital gains according to their historical cost, not consolidated income, which records changes in fair value every year.

At the general shareholders' meeting we will propose distributing a dividend of 58.85 million euros to the shareholders. We have already paid an interim dividend of 44.14 million euros in November 2016. This distribution will satisfy our obligations under the SIIC tax system.

The cash that is not distributed will be used to invest in good market opportunities

MANAGEMENT & ORGANIZATION

The Board of Directors met 8 times in 2015. Beyond its statutory powers, its brief is to study external growth operations and determine group strategy and financial policy. The schedule and agenda of its meetings are planned in advance to ensure all directors have all the information they need at their disposal.

COMPANY MANAGEMENT

is handled by a small team for greater efficiency.

Chairman of the Board of Directors Alain DUMÉNIL	
Managing Director Patrick ENGLER	
Chief Financial Officer Florence SOUCÉMARIANADIN	Chief Legal Officer Nicolas BOUCHERON

STATUTORY AUDITORS FOR FINANCIAL YEAR 2015

INCUMBENT

DELOITTE & ASSOCIÉS
185, avenue Charles-de-Gaulle
92524 Neuilly-sur-Seine Cedex
RCS Nanterre 572 028 041

ACE AUDIT
5, avenue Franklin Roosevelt
75008 Paris
RCS Paris 380 623 868

SUBSTITUTE

B.E.A.S
7-9, villa Houssay
92524 Neuilly-sur-Seine Cedex
RCS Nanterre 315 172 445

M. FRANÇOIS SHOUKRY
5, avenue Franklin Roosevelt
75008 Paris

BOARD OF DIRECTORS

There are five board members, two of whom are independent.

MEMBERS

Alain DUMÉNIL
Chairman of the Board of Directors

Patrick ENGLER
Director and Managing Director

Jean FOURNIER
Non-executive director

Valérie GIMOND-DUMÉNIL
Director

Laurence DUMÉNIL
Director

APPRAISERS

Crédit Foncier Expertise, 24 rue des Capucines, 75002 Paris.

The Group's portfolio was appraised by experts on 31 December 2015, mostly by the firm Crédit FONCIER EXPERTISE.

Their appraisals were conducted according to the criteria set out in the Charte de l'Expertise en Evaluation Immobilière (French property appraisal charter) and applied by all the listed property companies.

THE BUSINESS, SOCIAL AND ENVIRONMENTAL POLICY

CAPITAL GROWTH: ACTIVE STRATEGY

In financial year 2016 the Group sold the following assets for a total of 106.25 million euros:

- A mixed-occupancy building (retail and offices) at 17 rue François 1er (Paris 8th) for a gross amount of 85.4 million euros.
- A portfolio of three office buildings, one at 7 rue de Surene (Paris 8th), one at 26 rue d'Athènes (Paris 9th) and one at 2 rue de Bassano (Paris 16th) for a gross amount of 95 million euros.

The Group made no acquisitions in the period.

In addition, a firm 12-year lease was signed with the buyer of the building in rue de Bassano, thereby allowing Acanthe Développement to keep its head office and staff at this address.

ENVIRONMENTAL IMPACT UNDER CONTROL AND OPTIMIZED OBSERVANCE OF STANDARDS

Broadly speaking, the group makes every effort to control water and energy consumption through careful management. In special cases involving major structural works on buildings,

Acanthe Développement fully assumes its role as contracting owner. In this respect it ensures that current building and worker health and safety standards are met and applied. It has this audited by independent experts to ensure impartial control and strict observance thereof.

NONE OF ACANTHE DÉVELOPPEMENT'S ACTIVITIES HAVE ANY ADVERSE IMPACT IN ENVIRONMENTAL TERMS.

In staffing terms, 23 employees (executive and non-executive staff in equal numbers, not counting personnel in buildings) are in charge of acquisition analysis and financing, portfolio valuation and financial management. The management of buildings and marketing are entrusted to specialized outside firms.

ASSETS

PARIS 1ER

184, rue de Rivoli

- 2 284 m2 of office space, commercial premises and residential units
- A beautiful building in the typical style of the 19th century at the corner of Rue de Rivoli and Rue de l'Echelle

PARIS 2ÈME

15, rue de la banque

- 2 545 m² of office space
- 9 parking spaces
- A beautiful building near La Bourse, in the heart of an important business district, in a district well served by public transport

PARIS 6ÈME

3-5, quai Malaquais

- 2 549 m² of residential properties
- + parking spaces (Rue de Seine)
- 17th century building in the heart of the St Germain district, leading to the Quais de Seine

ASSETS

PARIS 8ÈME

55, rue Pierre Charron

- 970 m² of offices and commercial premises
- Superb Haussmann building, very close to the Champs-Élysées, comprising an exceptional 70 m² hall and very spacious volumes on the upper floors
- Public parking near the building

PARIS 16ÈME

24, rue Georges Bizet

- 1 042 m² of office space
- Late 19th century mansion, entirely renovated, situate in the central business district

PRO FORMA

Address		TYPE	AREA ASSESSED
PARIS			
184, rue de Rivoli	PARIS 1er	Mixed-occupancy building	2 284 m^2
15, rue de la Banque	PARIS 2ème	Office building	2 545 m^2
3-5, quai Malaquais	PARIS 6ème	Flats	549 m^2
55, rue Pierre Charron	PARIS 8ème	Office building	2 971 m^2
18-20 rue de Berri	PARIS 8ème	Parkings spaces	
24, rue Georges Bizet	PARIS 16ème	Office building	1 042 m^2
PARIS TOTAL			**9 391 m^2**
THE PROVINCES, FOREIGN COUNTRIES			
9, avenue de l'Astronomie	BRUXELLES	Private mansion	3 255 m^2
TOTAL THE PROVINCES, FOREIGN COUNTRIES			**3 255 m^2**
ACANTHE TOTAL			**12 646 m^2**

ACANTHE DEVELOPPEMENT

FINANCIAL DATA

The soundness of Acanthe Développement's assets stems from their concentration in Paris's central business district.

Controlled debt is a guarantee of sustainability.

FOCUS ON NET WORTH

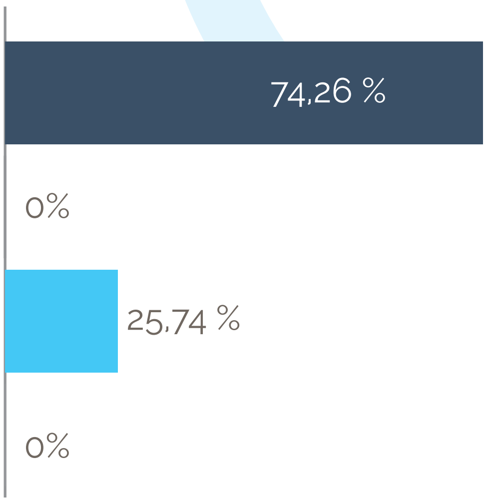
€129 million

NETWORTH
AT 31/12/16

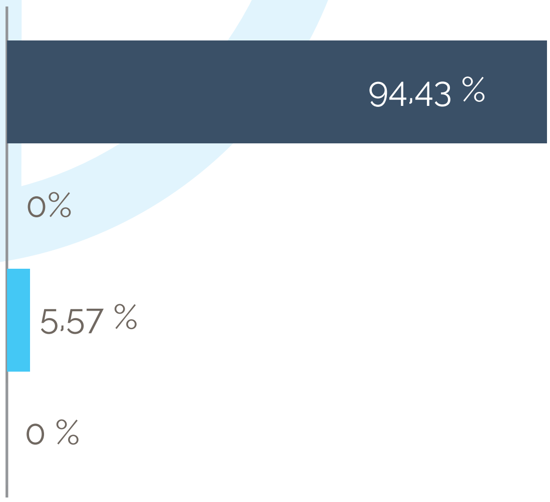
12 646 m²

TOTAL FLOOR AREA OF ASSETS
AT 31/12/16

BREAKDOWN OF ASSETS by floor area



BREAKDOWN OF ASSETS by value



Paris | Paris region | Abroad | Provinces

FINANCIAL DATA

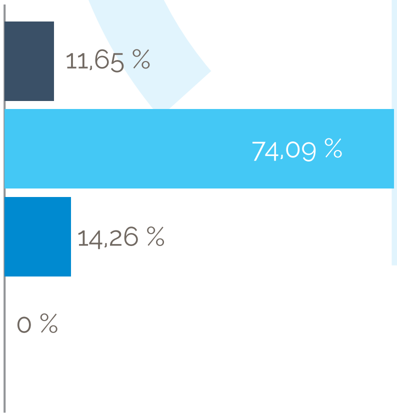
FOCUS ON THE PROFITABILITY OF ASSETS AT 31/12/2016

€ 3,636 million
RENTAL INCOME

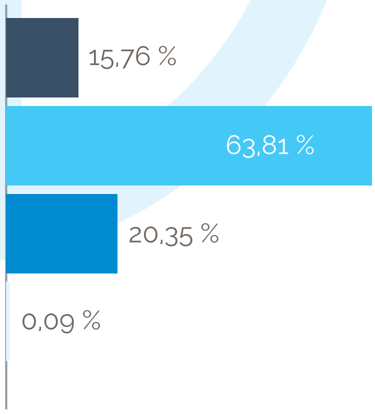
€ 4,957 million
POTENTIAL RENT

73 %
OCCUPANCY
RATE IN VALUE (EXCLUDING BUILDINGS UNDERGOING WORKS) ON 31/12/2016

NATURE OF ASSETS
by floor area



NATURE OF ASSETS
by value



Commercial premises | Offices | Residential Units | Miscellaneous

FOCUS ON THE FINANCIAL POSITION

Equity, Group share	€170,3 million
Net debt	€51,3 million
Debt-to-ANAV ratio	12,1 %
Ratio loan to value	15,9 %
Adjusted Net Asset Value after dilution, per share	€1,158

FOCUS ON FINANCIAL PERFORMANCE

Operating profit before disposals and allowances	€13,654 million
including change in value from investment properties	€15,934 million*

* Estimated by an appraisal firm, based on the criteria of the Charte de l'expertise en évaluation immobilière (French property appraisal charter). Estimated on 31 December 2015, the market value represents the expected selling price of a building within approximately six months.

Net consolidated group income	€39,955 M€

FOCUS SUR LA RÉMUNÉRATION DES ACTIONNAIRES

Évolution du dividende,
ordinaire + complémentaire

2004 :	€0,15 + €0,53
2005 :	€0,28 + 0,47
2006 :	€0,13 + €0,45
2007 :	€0,13 + €0,16
2008 :	€0,20 + €0,19
2009 :	€0,04
2010 :	€0,15
2011 :	€0,47 + €0,60
2012 :	€0,09
2013 :	€0,06
2014 :	€0,03
2015 :	€0,00
2016 :	€0,39
2017 :	€0,40(1)
Accumulated amount for period 2004 - 2016	€390,5 M

(1) dividend distribution proposed by the AGM of 15 June 2016, including an interim dividend of €0.27, paid in August 2015.

STOCK MARKET DATA AT 31/12/2016

Breakdown of capital

Floating	44,59 %
+ Alain DUMÉNIL directly and indirectly	55,41 %

ACANTHE DEVELOPPEMENT

OPERATING AND FINANCIAL REVIEW OF THE BOARD OF DIRECTORS

CONTENTS

In accordance with articles L L. 451-1-2 of the French Monetary and Financial Code and 222-3 of the General Rules of the AMF (Financial Markets Authority), this report includes the following documents and disclosures:

CERTIFICATE ISSUED BY NATURAL PERSONS TAKING RESPONSIBILITY FOR THE ANNUAL FINANCIAL REPORT

«I hereby certify that to my knowledge the individual and consolidated financial statements for the period ending 31 December 2016 as presented in the following financial report have been drawn up in accordance with generally accepted accounting principles and give a true and fair view of the asset base, financial position and earnings of the company and of all consolidated companies, and that the management report presents an accurate view of trends in the business, earnings and the financial position of the company and of all consolidated companies, as well as a description of the main risks and uncertainties they face."

ACANTHE DEVELOPPEMENT
Represented by: Patrick Engler
Managing Director

MANAGEMENT REPORT OF THE BOARD OF DIRECTORS PRESENTED TO THE ANNUAL AND EXTRAORDINARY SHAREHOLDERS' MEETING OF 15 JUNE 2017

ACANTHE DEVELOPPEMENT
A European company with capital of 19,991,141 euros
Registered office:
2 rue de Bassano
75116 Paris
735 620 205 RCS PARIS

Dear Shareholders,

We have convened this annual general meeting, as required by law and the provisions of our articles of association, more particularly to (i) report to you on the results of our management during accounting period ending 31 December 2016, (ii) seek your approval of the accounts of the said period, (iii) ratify the co-option of a new Director, (iv) renew the authority granted to the Board of Directors to buy and sell the Company's own shares, (v) allow the Board of Directors to reduce the share capital by cancelling redeemed shares, (vi) increase the share capital with a view to remunerating in-kind contributions, (vii) allow the Board of Directors to make certain modifications to the share capital, (viii) vest the Board with the authority to increase the capital by issuing shares reserved for members of a company savings plan.

The formalities for convening this Meeting have been duly accomplished.

As required by current regulations, the relevant documents and information have been sent to you or kept at your disposal and at the disposal of holders of securities giving access to your share capital within the time limits laid down by statutory and regulatory provisions and by our Articles of Association.

We would remind you that you have been convened to rule on the following agenda:

AGENDA

UNDER THE GENERAL PROCEDURE:

Management report of the Board of Directors for the period ending 31 December 2016, including the Group's management report ;

—

The Chairman of the Board's report on internal control procedures as provided for by Article L.225-37 of the French Commercial Code;

—

Supplementary report of the Board of Directors on the use of powers granted in connection with capital increases (Articles L.225-129-1 and L.225-129-2 of the French Commercial Code);

—

The Auditors' reports on the financial statements for the period ending 31 December 2016 and on the consolidated financial statements;

—

The Auditors' special report on the Chairman's report on internal control procedures as required by Article L.225-37 of the French Commercial Code;

—

The Auditors' special report on the regulated commitments and agreements pursuant to Article L. 225-38 of the French Commercial Code;

—

Approval of the annual financial statements and discharge of Directors;

—

Approval of the consolidated financial statements;

- Appropriated earnings;
  Distribution of dividends;
- Approval of the covenants referred to in Article L.225-38 of the French Commercial Code;
- Setting Directors' fees;
- Ratification of the provisional appointment of Miss Laurence Duménil as new Director;
- Approval of the items of the compensation plan due or awarded to Mr Alain Duménil, Chairman of the Board of Directors, for the period ending 31 December 2016,
- Approval of the items of the compensation plan due or awarded to Mr Patrick Engler, Managing Director, for the period ending 31 December 2016,
- Approval of the items of the compensation plan due or awarded for the period ending 31 December 2016 to Mr Philippe Mamez, Deputy Managing Director until 29 January 2016,
- Chairman's compensation policy, approval of the principles and criteria for setting, allocating and awarding the fixed, variable and exceptional components of the total compensation package and the benefits in kind awarded to the Chairman;
- Managing Director's compensation policy: Approval of the principles and criteria for setting, allocating and awarding the fixed, variable and exceptional components of the total compensation package and the benefits in kind awarded to the Managing Director;
- Deputy Managing Director's compensation policy: Approval of the principles and criteria for setting, allocating and awarding the fixed, variable and exceptional components of the total compensation package and the benefits in kind awarded to the Deputy Managing Director;
- Authority vested in the Board of Directors to set up a new share redemption plan;
- Authority vested in the Board of Directors to increase the capital through incorporation of reserves, profits or premiums;
- Powers vested for legal formalities.

UNDER THE EXTRAORDINARY PROCEDURE:

- Authority vested in the Board of Directors to reduce the share capital by cancelling treasury shares;
- Delegate powers to the Board of Directors with a view to proceeding with a capital increase by issuing ordinary shares with preferential subscription rights and/or securities giving access to equity and/or securities with rights to debt securities;
- Delegate powers to the Board of Directors with a view to proceeding with a capital increase by issuing ordinary shares without subscription rights and/or securities giving access to equity and/or securities with rights to debt securities;
- Authority to increase the amount of shares issued in the event of surplus applications;
- Authority vested in the Board of Directors to proceed with a capital increase, up to a maximum of 10% of capital, with a view to remunerating in-kind contributions, equity securities or securities giving access to equity;
- Delegation of authority to the Board of Directors to proceed with a capital increase by issuing shares reserved for subscribers to a company savings plan set up pursuant to articles L.225-129-6 of the French Commercial Code and L.3332-18 et seq of the Labour Code;
- Ceiling on capital increases;
- Powers vested for legal formalities.

REPORT CONTENTS

1. 1. COMPANY'S POSITION AND GROUP ACTIVITIES OVER THE PAST FINANCIAL YEAR

(Articles L.225-100, L.225-100-2 and L.233-26 of the French Commercial Code)

1.1. 1.1. GROUP'S POSITION AND ACTIVITIES OVER THE PAST FINANCIAL YEAR (Article L.225-100-2 of the French Commercial Code):

KEY INFORMATION

In millions of euros unless otherwise specified	31 dec 16	31 dec 15	Changes
Property assets (including Inventories)	129,2	181,0	-51,8
Shareholders' equity, Group share	170,3	191,9	-21,6
Net cash surplus	51,3	37,2	14,1
Adjusted Net Asset Value per share (€) (1)	1,158	1,305	-0,147

(1) Not including dilutive instruments
At 31/12/2015 there remained 4,896,436 stock options but their exercising was not taken into account as exercising them was not in the interests of the beneficiary (exercise price = €1.24, to compare with the quoted market price of €0.44 at 31/12/2015)
Please note that Board of Directors' meeting of 5 April 2016 duly noted the express and definitive abandonment by Mr Alain Duménil and the balance of the options.

The segment disclosures are presented below and in note 6 of the consolidated financial statements.

RENTAL ACTIVITY

All of the Group's revenue is generated in the real estate sector in France and Brussels.

ACANTHE DEVELOPPEMENT group revenue for 2016 totals €4,080,000 (including €3,513,000 of rental income and €567,000 of rebilled occupancy expenses), compared with €9,905,000 (including €8,021,000 of rental income and €1,884,000 of rebilled occupancy expenses) in 2015.
2016 revenue is down €5,825,000 (58.8%) compared with 2015.

This significant reduction in revenue is primarily due to the change in the Group's reporting scope. Two assets were sold in 2016: the building at 47 rue Vieille du Temple (Paris 4th), and the building at 2/4 rue de Lisbonne (Paris 8th) and three of the four properties sold in 2015 were sold at the end of December 2015: 7 rue de Surène (Paris 8th), 26 rue d'Athènes (Paris 9th) and 2 rue de Bassano (Paris 16th). The building in rue François Ier was sold in July 2015.
In 2015 the building in rue François Ier had generated €1,660,000 of revenue, the building in rue de Lisbonne €1,066,000, the building in rue de Surène €726,000, the building in rue d'Athènes €533,000 and the building at 2 rue de Bassano €1,186,000.

The reduction in revenue on a comparable basis is primarily due to the absence of a lessee at the end of 2015 in the building in rue Pierre Charron. The lots it occupied underwent refurbishment but have not yet been leased again.

Residential lots were also vacated in the building in rue de Rivoli: the group buys back the merchantability in order to change their use then rent them out. An initial agreement for a 187 m² floor has been obtained. The conversion work was completed in 2016 at a cost of €107,000. This lot currently being marketed should generate a rent of €100,000 per annum.

Finally the lessee of the building in rue Bizet left and was replaced forthwith but the 4-month franchise granted applies to revenue despite application of IFRS rent deferral.

At operating segment level, office space revenues made up 62.30% (€2,542,000) of total revenue in 2016. Other usual sectors: commercial premises and the residential sector for their part represent respectively 16.79% (€685,000) and 20.91% (€853,000) of total revenue.

By way of comparison, other segments (commercial and residential) for their part represented respectively 29.22% (€2,894,000) and 8.24% (€816,000) of total revenue.

Geographically, buildings in Inner Paris generate 96.91% of revenue.

BUILDING WORK

Refurbishment of the property at 15 rue de la Banque in Paris (2nd) was started and completed in 2016 at a cost of €96,000.

Following the release of certain lots at 15 rue de la Banque in Paris (2nd) and 55 rue Pierre Charron in Paris (8th), refurbishment work began in 2017, respectively costing €163,000 and €153,000.

ACQUISITIONS – DISPOSALS

The Group made no acquisitions in the period.

The Group sold two buildings in 2016: a building at 2/4 rue de Lisbonne in Paris (8th) and the building called Hôtel des Ambassadeurs de Hollande, a listed building, at 47 rue Vieille du Temple in Paris (4th) as well as the parking spaces at 6-8 rue des Guillemites in Paris (4th).
These sales amounted to a gross total of €106.25m before deduction of selling costs and agency commissions.

Through these sales, ACANTHE DÉVELOPPEMENT and its subsidiaries have reduced their bank debt by €27,096,000.

Your real estate assets valued at €129.19m at 31 December 2016 have been financed primarily with medium and long-term bank loans.

At 31 December 2016, these financing loans currently total €20.54m (a "loan to value" ratio of 15.90%). With cash and cash equivalents totalling €71.8m, the group even has a net surplus of €51.3m.

1.2. 1.2. CHANGES IN ACANTHE DEVELOPPEMENT OVER THE PAST FINANCIAL YEAR (Article L.225-100 of the French Commercial Code)::

DISTRIBUTIONS OF DIVIDENDS:

At the Combined Shareholders' Meeting of 15 June 2016, the shareholders decided to distribute a total dividend of 57,378,851.40 euros, namely 0.39 euros per share.

Further to a board meeting on 4 November 2016 and certification by the statutory auditors of the balance sheet drawn up on 3 November 2016 for period ending 31 December 2016, the Directors decided to distribute a total interim dividend of 44,137,578 euros (0.30 euros per share). The coupon clipping date was set at 23 November 2016 and the payment date at 25 November 2016.

GENERAL MANAGEMENT:

At the Board of Directors meeting dated 29 January 2016, the Directors duly noted the resignation of Mr Philippe Mamez as Deputy Managing Director.

Furthermore, the Board of Directors' meeting of 5 April 2016 duly noted Mr Alain Duménil's express and definitive abandonment of the balance of the options (4,896,436 options remaining to date) awarded by the Board of Directors during its meeting of 28 August 2009 pursuant to the first resolution of the Combined Shareholders' Meeting of 21 March 2007.

2. PARENT-COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDING 31 DECEMBER 2016

2.1. PARENT-COMPANY FINANCIAL STATEMENTS

Intangible assets primarily comprise a long-term lease on a mansion in Avenue de l'Astronomie in Brussels, the subsoil belonging to TRENUBEL, a wholly-owned subsidiary of ACANTHE DEVELOPPEMENT.

The net value of the fixed asset is €1.37m and includes a plot in Brussels and fixtures in the private mansion for which the Company has a long-term lease as stated above.

Equity interests in your subsidiaries total €227.18m (including company VENUS for €217.7m) in net value as of 31 December 2016 (gross value €228.14m less a provision of €0.96m) and have not undergone any significant change.

Other receivables from equity interests primarily comprise €86.52m net of advances made to your subsidiaries, against €42.91m in 2015. The increase is primarily accounted for by the reclassification of €25.78m of escrowed dividends paid by VENUS from "Other receivables" at 31 December 2015 to "Loans to subsidiaries" and the €17.87m advance granted to subsidiary SC CHARRON to pay off in full the loan it had taken out with the ING bank. In other respects, during the period cash advances are made between subsidiaries according to their needs.

Trade and other receivables (€2.11m) essentially include €2.07m of unbilled receivables, including reinvoiced head office and payroll expenses.

Other receivables total €5.47m, against €44.95m on 31 December 2015. The reduction in this item is primarily due to the reclassification of €25.78m of escrowed dividends paid by VENUS as as “Loans to subsidiaries”, the collection in the period of the €10.56m for the indemnity agreement on the lease of the building in rue de Bassano, and the February 2016 repayment of €2.7m of escrowed funds for arranging the first demand guarantee in favour of the lessor of the building at 2 rue de Bassano in Paris 16th. At 31 December 2016, this item essentially includes a State receivable of €3.38m in connection with tax disputes, €0.23m million of VAT receivables, and €1.7m in escrow concerning a dispute with the minority shareholders of a former subsidiary (FRANCE IMMOBILIER GROUP, see note 9.3.4 to the consolidated financial statements at 31 December 2016).

Short-term investments and total €16.0m and cash assets total €28.52m against respectively €0.02m and €79.13m at 31 December 2015.

Shareholders’ equity amounts to €125.27m 31 December 2016. The €17.42m decrease compared with 31 December 2015 is chiefly the result of:

- distribution of the balance of the 2015 dividend for a gross amount of €17.65m,
- distribution of an interim dividend for 2016 for a gross amount of €44.11m,
- a deficit of €44.34m in period 2016.

Contingency and loss provisions total €14.39m against €14.81m at the previous closing. Changes in provisions essentially comprise the reversed provision for future charges in connection with the leasing of the building in rue de Bassano in Paris (€0.73m) and to a lesser extent the adjusted provisions for tax disputes. These are explained in detail in note §9.3 to the consolidated financial statements .

Loans and financial liabilities total €223.94m, including €219.39m with SNC VENUS, against €233.50m at 31 December 2015; the variation essentially concerns cash advances or repayments of advances of subsidiaries having cash surpluses.

Trade and other payables comprise €0.29m of supplier payables and €1.08m of unbilled payables.

“Tax and social security liabilities” totalling €3.87m essentially comprise a corporation tax debt (€3.26m) and a VAT debt (0.42m).

“Other liabilities” totalling €0.05m primarily comprise unbilled credit notes for repayments of 2016 charges on the building in rue Bassano in Paris and the building in avenue de l’Astronomie in Brussels.

The period showed a profit of €44.34m against a profit of €44.33m in the prior period; it primarily includes:

- €3.17m of revenue, comprising the income from subletting the registered office in rue de Bassano Paris 16th (€1.34m), the rents and occupancy expenses for the building in Brussels (€0.12m), and lastly the revenue from reinvoicing committed and staffing costs (€1.69m);

- the reversal of a €0.73m provision concerning additional charges following the fixed-term 12-year lease taken out on the building in rue de Bassano in Paris (see notes to the financial statements at 31 December 2015),

- operating expenses totalling €6.76m (some of which has been reinvoiced, see previous paragraph). These primarily include €3.30m of rents and occupancy expenses on the registered office, €1.19m of fees, €1.13m of wages and social security taxes and €0.26m of amortization expenses;

- a €0.14m proportionate share of the loss transferred from subsidiary SCI ECHELLE RIVOLI;

- net financial income totalling €47.64m, which among other things includes €49.37m of dividends paid by subsidiary BALDAVINE SA and €2.04m of net finance charges on advances granted to or received from subsidiaries;

- non-recurring items totalling -€0.32m. This comprises an exceptional tax expense (€0.156m of recovery interest on prior disputes and a provision of €0.165m concerning the notice of reassessment received further to the tax audit on periods 2014 and 2015).

2.2. CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

The investment properties are valued at fair value at €129.2m as of 31 December 2016.

Financial assets primarily include:

- shares in BASSANO DEVELOPPEMENT, the freeholder of a 4-star hotel (15% equity). These shares are estimated at fair value at €4.8m on the basis of an Adjusted Net Asset Value.
- the first demand guarantee for the lease on the building at 2 rue Bassano in Paris 16th.

"Cash and cash equivalents" total €71.8m: primarily from the sale of two properties. These sales alone generated net cash assets of €91.3m. These cash assets are available to meet the distribution requirements under the SIIC tax system, and for new investments.

Other asset items are itemized in §4.3 of the notes to the consolidated financial statements.

Shareholders' equity amounted to €170.25m excluding non-controlling interests at 31 December 2016, against €191.89m at 31 December 2015.

The change in shareholders' equity (-€21.64m) compared with 31 December 2015 is primarily explained by:

- the reduction in consolidated group reserves further to the dividend payment of €17.65m
- the €44.12m reduction in consolidated group reserves further to the dividend payment;
- revenue directly recognized in equity (adjustment of the fair value of subsidiaries' shares and €0.26m of actuarial gains on the provision for retirement),
- the effect of derecognition of the subsidiary (change in reporting scope: –€0.09m) on reserves,
- "Group" consolidated income for the period showed a profit of €39.96m.

Contingency and loss provisions concern:

- tax disputes (€7.03m);
- the €0.45m provision for retirement packages,
- €4.32m of provisions concerning disputes with minority shareholders of the FRANCE IMMOBILER GROUP,
- the €8.07m provision for future charges on "over-rents".

The disputes that entailed these provisions are explained in detail in the notes to the consolidated financial statements in §9.3.

Financial liabilities (current and non-current) rose from €45.€4m in 2015 to €20.5m at the end of 2016. This sharp reduction of €24.9m is accounted for by the advance repayment of the loan funding the sold building in rue de Lisbonne in Paris 8th concomitantly to its sale and the advance repayment of the loan funding the building in rue Pierre Charron, the fixed rate of which was high.

Other liabilities are itemized in §4.6 and 4.7 of the notes to the consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

Consolidated turnover totalled €4,080,000 as of 31 December 2016 (€3,513,000 from rents and €567,000 from reinvoiced expenses), against €9,905,000 on 31 December 2015 (€8,021,000 from rents and €1,884,000 from reinvoiced expenses). Revenue is explained in paragraph 1.1 of this management report.

Net revenue from buildings totals €2,390,000 as of 31 December 2016 against €6,741,000 on 31 December 2015.

At the end of December 2016, operating profit excluding sales of investment property totalled €13,654,000, against €11,943,000 in 2015. The main components of this change are:

- The €4,351,000 decrease in net revenue from the aforementioned buildings,

- a €15,934,000 variation in the fair value of the investment buildings in 2016 (see note 4.1.1 to the consolidated financial statements at 31 December 2016) against an increase of €21,150,000 in 2015, making a negative variation of €5,216,000,

- amortization expense and provisions totalled €948,000 as of 31 December 2016 against €13,671,000 on 31 December 2015, a variation of €12,723,000 (see cross-reference to specific developments in the notes to the consolidated financial statements).

In other respects, for this period "Reversals of other amortization and provisions" (€1,449,000) include €1,384,000 of reversed provisions for tax disputes concerning a SIF DEVELOPPEMENT subsidiary, €41,000 of reversed pension provisions and €24,000 on accounts receivable against a reversed provisions totalling €3,878,000 in the prior period.

The Group sold two investment buildings in financial year 2016. Disposals of these investment properties showed a profit of €33,807,000

Income taxes include €1,211,000 for a tax reassessment of SIF DEVELOPPEMENT relating to financial years 2003 and 2005, this charge is covered by a provision reversal (see above).

Net consolidated income showed a profit of €40,237,000, including €39,955,000 for the group owners' share and €282,000 for non-controlling interests.

Significant disputes of any kind are explained and analysed in note 9.3 to the consolidated financial statements.

2.3. 2.3. RISK FACTORS

The company has carried out a review of any risks that could have a significant impact on its business, financial position or performance (or its ability to achieve its goals) and considers that there are no significant risks other than those presented here.

EQUITY MANAGEMENT RISK

The Group manages its equity to ensure that the Group's entities can continue operating by maximizing return on shareholder investment through an optimized balance between "shareholders' equity" and "net financial liabilities".
Net financial liabilities» include the loans referred to in note 4.6 to the consolidated financial statements less cash and cash equivalents. "Shareholders' equity" includes the parent company's share capital plus consolidated reserves and the period's consolidated income (loss). The calculated ratio in fact reveals a net cash surplus for two years

In 1,000s of euros	31/12/2016	31/12/2015
Borrowings from lending institutions	20 541	45 456
Cash and cash equivalents	(71 821)	(82 701)
Net financial liabilities	(51 280)	(37 245)
Shareholders' equity, Group share	170 250	191 89

So there is no capital management risk.

INTEREST-RATE RISK

As the ACANTHE DEVELOPPEMENT group leverages at a variable rate, its debt could be exposed to an interest-rate risk. However the Group pursues a prudent policy geared to the profile of its activities, and makes use of financial instruments to hedge against rising interest rates.

All the variable-rate loans have been repaid bar one, the balance of which was €565,000 at 31 December 2016. Accordingly, the Group has not attempted to purchase other hedging instruments. The last hedging instrument matured on 30 June 2016.

Interest-rate risk hedging at 31/12/2015:

Instruments	Maturity	Notional amount at 31/12/2015 in 1,000s €
CAP swap (3.65% guaranteed rate)	30/06/2016	12 980
TOTAL	**-**	**12 980**

In order to assess the risk to debt, the following table (see note 4.6. to the consolidated financial statements) summarizes the values and the payback periods for variable-rate borrowings, and for fixed-rate borrowings with a rate reset for each five or ten-year period.

The sensitivity analysis is based on the position of its debt and interest rate derivatives (the Group is not exposed to exchange rate risk) at year-end closing.
Sensitivity is the effect a 0.6% variation in the interest rate would have on profit or loss or on shareholders' equity compared with the interest rates prevailing in the period. The Euribor rate was -0.330% at 31 December 2016. Thus the downward variation was not calculated.
The Euribor rate was -0.131% at 31 December 2015. Thus the downward variation was not calculated.

Rate change sensitivity:

	31/12/2016		31/12/2015	
In 1,000s of euros	A rise in net income	A fall in net income	A rise in net income	A fall in net income
Interest rate +0.6%/-0%	4	0	84	0

As the derivative is a variable interest rate swap variable compared with a capped rate, it is estimated that the rates exchanged increase symmetrically without reaching the CAP threshold, and thus do not affect net income.

LIQUIDITY RISK

Group policy however consists in diversifying its counterparties to avert the risk of excessive concentration and to select quality counterparties. Moreover, the Group controls credit risk associated with the financial instruments it invests in according to the credit rating of its counterparties. Further to the sales of buildings during the period, the Group's cash assets totalled à €71.8m at 31 December 2016, against €82.7m at 31 December 2015. The Group invests its cash surpluses in short-term monetary instruments negotiated with counterparties having at least a Morningstar three-star credit rating. Off-balance sheet derivatives are negotiated with leading banks.

At 31 December 2016, for the reasons already given, the balance of short-term liquid assets is largely observed: current debt (€12.7m at 31 December 2016 against €12.9m at 31 December 2015) is offset by current assets (€92.5m at 31 December 2016 against €98.0m at 31 December 2015).

Matured receivables not impaired:

	31/12/2016							
In 1,000s of euros	Assets matured at year-end closing				Asset written down	Depreciation	Assets neither written down nor matured	Total
	0-6 months	6-12 months	+ 12 months	Total	Total	Total	Total	
Accounts receivable (customers)	-	210	248	458	430	-357	1 449	1 980
Other receivables	-	-	5 344	5 344	-	-	9 618	14 962
TOTAL	**0**	**210**	**5 592**	**5 802**	**430**	**-357**	**11 067**	**16 942**

Leases are subject to returnable deposits equal to three months' rent excluding service charges, limiting the risk of uncollectibility of rent.

Other receivables outstanding for over 12 months mainly include claims on the state (carry-back) and funds in escrow for ongoing litigation (see notes 9.3.3 and 9.3.4 to the consolidated financial statements).

	31/12/2015							
In 1,000s of euros	Assets matured at year-end closing				Asset written down	Depreciation	Assets neither written down nor matured	Total
	0-6 mois	6-12 mois	+ 12 mois	Total	Total	Total	Total	
Accounts receivable (customers)	-	41	110	151	117	-98	2 404	2 575
Other receivables	-	-	2 175	2 175	-	-	9 850	12 025
TOTAL	**0**	**41**	**2 285**	**2 326**	**117**	**-98**	**12 254**	**14 600**

The following table lists the outflows of cash (capital +accrued interest) needed to make bank loan repayments, in order to complete the information on Group liquidity risk.

		Units			
Rate type	Total Cash Flow at 31/12/2016	< 3 months	> 3 month < 1 year	> 1 year and < 5 years	over 5 years
Fixed rates	19 333	250	744	12 834	5 505
Variable-rates Euribor	573	1	191	381	-
TOTAL	**19 906**	**251**	**935**	**13 215**	**5 505**

Certain loans include clauses allowing for accelerated maturity in certain cases (see note 7.2 to the consolidated financial statements at 31 December 2016).

Finally, regarding the amount of dividend to distribute under the SIIC (REIT) tax system, the Company will take all appropriate measures to meet its obligations, but its cash position is currently more than sufficient.

The Company has carried out a special review of its liquidity risk and considers it is in a position to meet its scheduled payments.

RISK RELATING TO FUTURE INVESTMENTS

The Group's opportunities strategic depend on its ability to mobilize funding in the form of loans or shareholders' equity to fund its investments. One should consider a scenario of events affecting the property market or an international crisis affecting financial markets, in which the company would not have access to the funding it needs to fund the acquisition of new buildings, due either to lack of available capital or to the terms and conditions imposed on the desired funding arrangements.

CREDIT RISK

This risk concerns Group investments and the Group's counterparties in its business and derivative transactions. The credit risk on financial assets is limited by the type of instrument used, primarily monetary investment funds managed by well-known institutions. The Group invests is surpluses in short-term monetary financial instruments negotiated with counterparties having a credit rating of at least AA- (Standard & Poors) and AA2 (Moody's).

Transactions in derivatives are only made with large financial institutions.

ACANTHE DEVELOPPEMENT's capacity to collect rents depends on the solvency of its lessees. ACANTHE DEVELOPPEMENT takes the quality of lessees into consideration before signing any leases. ACANTHE DEVELOPPEMENT's operating profit could however be relatively prone to lessees occasionally defaulting on their payments.

All our leases are granted to SMEs. In the event of dishonoured rent payments, the lessee would be deemed legally insolvent. The court-appointed administrator would then decide whether or not to allow the lease to continue, in which case he would be liable for the payments out of his own funds. The administrator could, generally within 3 months (covered by the returnable deposit), decide to end the lease and thus surrender the keys of the premises to us.
In such cases the only risk for the group would be the period of vacancy before finding a new lessee, with a negotiated rent that could be higher or lower, depending on the market.

The highest customer debt (excluding affiliated companies) represented 24.94% of customer outstandings at 31 December 2016 (against 19.07% at 31 December 2015). The five biggest accounts receivable each represent more than 10% of the balance-sheet accounts receivable.

The five customers with the most outstandings on the balance sheet represent 85.38% (€718,000) and the ten with the most outstandings represent 98.82% (€833,000): €283,000 had been collected at the beginning of 2016.

With regard to other debtors such as notaries or building managers, these professions are covered by insurance.

TAX RISK RELATING TO THE STATUS OF SIIC (REAL ESTATE INVESTMENT COMPANY)

ACANTHE DEVELOPPEMENT opted for the SIIC tax regime with effect from 1st January 2005. In that capacity, it is exempt from corporation tax on the part of its tax profit arising from (i) renting buildings and subletting buildings on leasing arrangements or buildings the enjoyment of which has been temporarily granted by the State, a public authority or one of their publicly-owned companies, (ii) capital gains on sales of buildings, rights relating to a property leasing contract, holdings in partnerships or in subsidiaries that have opted for this special regime, (iii) dividends received from subsidiaries subject to the special regime, and paid by another SIIC when the beneficiary company holds at least 5% of the capital and voting rights of the distributing company for at least two years.
This corporation tax exemption is however subject to meeting certain obligations, in particular the obligation to distribute given amounts of net rental income, capital gains and dividends within specified deadlines. For instance, at least 95% of net rental income must be distributed to shareholders before the end of the period following the one in which it is earned, and at least 60% of capital gains must be distributed before the end of the second period following the one in which they are made. As for dividends received from subsidiaries subject to the special regime, they must be redistributed in full during the period following the one in which they are paid.
ACANTHE DEVELOPPEMENT subsidiaries in which it has at least a 95% interest have already opted or could opt for the same regime, under comparable conditions.

The benefit of the SIIC regime is also subject to other conditions, in particular the condition governing controlling shareholders. As with all SIICs, no more than 60% of ACANTHE DEVELOPPEMENT's share capital can be held directly or indirectly by one shareholder, or by several shareholders acting in concert (except for situations in which the 60% interest is held by one or more SIICs). For companies that had already opted for the SIIC regime before 1st January 2007, this condition should in principle have been met by 1st January 2009. However, paragraph I of Article 24 of the 2009 Finance Act deferred the effective date of this condition to 1st January 2010.
This ceiling could however be exceeded, on an exceptional basis, for certain transactions (takeovers bid or securities exchange takeover bids referred to in Article L 433-1 of the French Monetary and Financial Code, mergers, demergers or mergers of assets referred to in Article 210-0 A of the General Tax Code and transactions converting or repaying bonds as shares), subject to the ownership interest being lowered to under 60% before the tax returns filing deadline for the period concerned.
The law considers two situations: a temporary overrun on the 60% threshold not justified by any of the aforementioned events; and if this situation has not been remedied in the period in question.
In the first case, the SIIC regime is suspended only for the said period if the situation is regularized before the closing of the said period.
In respect of the period in which this regime is suspended, the SIIC is liable for corporation tax under the conditions of common law, subject to capital gains on sales of buildings, which are taxed at the lower rate of 19%, after deduction of accumulated amortization previously deducted from exempted profits.
A return to the exemption regime for the next period in principle has the consequences of cessation of business. Tax law however mitigates this with regard to the tax on unrealized gains. Unrealized gains on buildings, rights relating to a leasing contract and interests in partnerships having the same corporate purpose as SIICs are only subject to corporation tax at the lower rate of 19% on the part acquired since the first day of the period in which the threshold was exceeded, and unrealized gains on other non-current assets are not taxed immediately if no changes have been made to the accounting entries.

Lastly, the amount of tax payable is also increased by the tax at the lower rate of 19% on unrealized gains on buildings, rights relating to a property leasing contract and shareholdings acquired during the period of suspension, which would have been payable had the company not opted out of the regime.
In the second case, failure to regularize the fact of exceeding the 60% threshold entails the definitive disqualification of the regime for the defaulting company.
Now if the company is disqualified, more particularly for this reason, and if the event occurs within ten years of its opting for the SIIC regime, the SIIC is required to pay supplementary corporation tax on the capital gains taxed during the lower rate regime, taking the overall rate of tax on the capital gains in question to the rate under common law as provided for by Article 219 I of the General Tax Code.

Furthermore, the SIIC and its subsidiaries must reinstate into their taxable income for the period in which the regime ends the portion of distributable income existing at the end of the said period, originating from sums previously exempt. The amount of corporation tax due is also increased by a 25% tax on unrealized gains on buildings, rights relating to a property leasing contract and holdings acquired during the regime, less one tenth per calendar year since the beginning of the regime.
At 31 December 2016, no shareholder had reached in the aforesaid conditions the 60% threshold for a direct or indirect ownership interest in ACANTHE DEVELOPPEMENT.

With regard to dividends paid out by ACANTHE DEVELOPPEMENT from the time it took up this option, the law provides for a 20% levy on dividends taken from exempted profits distributed to shareholder other than a natural person directly or indirectly holding at least 10% of the SIIC's dividend entitlements at the time of payment, when the said shareholder's dividends are not liable for corporation tax (or any equivalent tax), unless the shareholder is a company required to redistribute all dividends thus paid.

INSURANCE RISK

ACANTHE DEVELOPPEMENT has insurance cover for its real estate assets that would fund the rebuilding of the Group's investment properties (excluding the value of the land). As the company is dependent on the insurance market, the premiums it pays could be raised in the event of a major claim borne by the insurance companies.
Our buildings are insured by reputedly solvent insurance companies, namely ACE Europe and HISCOX.

EXCHANGE RATE RISK

As the Group operates only in the eurozone, it is not exposed to any foreign exchange risk.

RISK ON TREASURY SHARES

At 31 December 2016, the Group held 71,532 treasury shares, their total cost of acquisition being €23,000.

2.4. FACTORS OF UNCERTAINTY

MARKET-RELATED UNCERTAINTIES

Uncertainties regarding the management of the investment properties portfolio relate to the following elements:

- Index-linked rents:

- For offices and commercial premises: the main index used by the group for its leases is INSEE's construction cost index. Leases are mainly revised every year. Only certain leases are revised every three years.
- For residential properties: the main index used by the group for its leases is the rent benchmark index (IRL in French). Leases are mainly revised every year.

Consequently, future revenues from buildings will be correlated to changes in these indicators.
As the reference rent and increases in the said rent are fixed in the lease, they are imposed on the parties by law until the leases expire. However, rents may be renegotiated with the lessee during the lease, only if both parties are willing to do so.

- Building occupancy rate:

The financial occupancy rate was 73% at 31 December 2016. The physical occupancy rate on the same date was 64%.

The financial occupancy rate is the total current rents divided by the rents that would have been earned had the building been fully rented.

- Property market trends:

Trends in the property market are described in note 9.1 'Adjusted Net Asset Value' to the consolidated financial statements at 31 December 2016.

- The impact of changes in the benchmark indexes:

- Changes in the construction cost index:

The table below presents the effect of a 30 point change in the construction cost index. This index is considered representative.
The latest known construction cost index on the reporting date is that of the 4th quarter of 2016. It stands at 1,645.

	31/12/2016		31/12/2015	
In 1,000s of euros	Impact on income	Impact on shareholders' equity	Impact on income	Impact on shareholders' equity
Construction cost ± 30 points	+/- 51	-	+/- 135	-

- Changes in the rent benchmark index

The table below presents the effect of a 2 point change in the rent benchmark index. This index is considered representative.
The latest known rent benchmark index on the reporting date is that of the 4th quarter of 2016. It stands at 125.50.

	31/12/2016		31/12/2015	
In 1,000s of euros	Impact on income	Impact on shareholders' equity	Impact on income	Impact on shareholders' equity
Rent benchmark index ± 2 points	+/- 11	-	+/- 11	-

- Maturity of leases

The table below presents the maturity of leases based on current leases at 31 December 2016 (rents for which leases will be renewed at a given frequency).

In 1,000s of euros	Total	Due in one year at the most	Due in and between one 5 years	Due in over 5 years
Maturity	3 469	266	1 335	1 868
	3 469	**266**	**1 335**	**1 868**

Impacts on the result of applying the fair value method

Les impacts sont centralisés dans le compte de résultat à la ligne « Variation de valeur des immeubles de placement ».

Tests de sensibilité

Sensitivity tests conducted by property experts show the following outcomes:

a) On the basis of the rate of return as of 31 December 2016, an increase of 25 basis points would lower the value of commercial property assets by €1.46m.

b) A 10% fall in the value of the residential property assets would lower it by 25 basis points, making a €2.63m reduction in the value of these assets (excluding estate duty and costs).

c) As for office space, an increase of 25 basis points in the rate of return would lower its overall value by €10.03m.

d) A 10% fall in the value of the other property assets would lower it by €6,000 (excluding conveyancing duty and costs).

These sensitivity tests would thus have a negative impact of €14.12m on real estate assets (10.9%).

The assumptions underlying these sensitivity tests were chosen to estimate the impact of a change in the property market.

3. INFORMATION ON TERMS OF PAYMENT

(Article L.441-6-1 of the French Commercial Code)

In accordance with the provisions of Article L.441-6-1 of the French Commercial Code, we present a breakdown of the balance of supplier payables by due date, at the closing of the last two periods, in 1,000s of €:

Année 2016	Suppliers					
Unbilled payables	Balance at 30 days	Balance at 60 days	Balance at 90 days	Balance at 120 days	Credit note	TOTAL
1 082	100	6	-	188	-	1 376

Maturities in excess of 120 days concern disputes (Mazars, Global Architectures, etc.).

Année 2015	Suppliers					
Unbilled payables	Balance at 30 days	Balance at 60 days	Balance at 90 days	Balance at 120 days	Credit note	TOTAL
630	195	3	6	116	-	950

Maturities in excess of 120 days concern disputes (Mazars, Global Architectures).

4. ACQUISITIONS OF MINORITY AND/OR CONTROLLING INTERESTS IN COMPANIES (Articles L.233-6 and L.247-1 of the French Commercial Code)

The Company and its subsidiaries did not acquire any ownership interests in other companies during the period ending 31 December 2016. The following ownership interests ceased:

Name of consolidated companies	Percentage of equity		Controlling interest	
	N	N-1	N	N-1
BRUXYS Société par Actions Simplifiée au capital de 38 113 € 380 852 574 RCS NANTERRE	sold	100 %	sold	100 %
SOGEB Société par Actions Simplifiée au capital de 38 112,25 € 413 151 754 RCS PARIS	sold	66,67 %	sold	66,67 %

5. IDENTITY OF PERSONS HOLDING SHARES OVER A CERTAIN THRESHOLD

(Articles L.233-13 and L.247-2 of the French Commercial Code)

COMPANY SHAREHOLDERS (ARTICLE L.233-13 OF THE FRENCH COMMERCIAL CODE)

The capital structure is as follows:

	Position at 31/12/2016			Position at 31/12/2015			Position at 31/12/2014		
Shareholders	number shares	% of equity	% of voting rights	number shares	% of equity	% of voting rights	number shares	% of equity	% of voting rights
A.Duménil and companies indirectly controlled									
A.Duménil	6 398 269	4,35%	4,35%	6 058 269	4,12%	4,12%	9 971 908	6,78%	6,78%
Rodra Investissement	71 887 619	48,86%	48,89%	71 887 619	48,86%	48,89%	71 947 619	48,90%	48,93%
Foncière 7 Investissements	855 000	0,58%	0,58%	855 000	0,58%	0,58%	855 000	0,58%	0,58%
Kentana	303 165	0,21%	0,21%	303 165	0,21%	0,21%	303 165	0,21%	0,21%
ADC SIIC	0	0,00%	0,00%	0	0,00%	0,00%	2 000 000	1,36%	1,36%
COFINFO	2 000 000	1,36%	1,36%	2 000 000	1,36%	1,36%	-	-	-
Acanthe Group Acanthe Développement	71 532	0,05%	0,00%	71 532	0,05%	0,00%	71 532	0,05%	0,00%
Subtotal for Alain Duménil and controlled companies (including the Acanthe Group)									
	81 515 585	55,41%	55,38%	81 175 585	55,17%	55,15%	85 149 224	57,88%	57,85%
PUBLIC Public	65 609 675	44,59%	44,62%	65 949 675	44,83%	44,85%	61 976 036	42,12%	42,15%
TOTAL	**147 125 260**	**100,00%**	**100,00%**	**147 125 260**	**100,00%**	**100,00%**	**147 125 260**	**100,00%**	**100,00%**

As far as the Company is aware, no other shareholders hold more than 5% of equity or voting rights.

As of 31 December 2016, the Company's share capital consists of 147,125,260 shares and voting rights; there are no double voting rights.

TREASURY SHARES (ARTICLE L.233-13 OF THE FRENCH COMMERCIAL CODE)

ACANTHE DEVELOPPEMENT holds 71,532 treasury shares out of the 147,125,260 shares making up ACANTHE DEVELOPPEMENT's share capital at 31 December 2016.

NOTICE OF HOLDING AND DISPOSALS OF RECIPROCAL CROSS-HOLDINGS

There have been no disposals of shares to regularize reciprocal cross-holdings in accordance with Article R.233-19 of the French Commercial Code.

6. SIGNIFICANT EVENTS SINCE THE COMPANY AND GROUP'S YEAR-END CLOSING

At the Board of Directors meeting on 17 May 2017, the Directors appointed Miss Valérie Duménil as new director for the rest of her predecessor's term, namely until the general shareholders' meeting convening to approve the accounts of period ending 31 December 2019, in place of Mr Bernard Tixier, who has resigned.

On 26 April 2017 the Final Court of Appeal rendered the decisions mentioned in the paragraph concerning the FIG dispute in note 9.3.4 to the consolidated financial statements at 31 December 2016.

7. POSITION AND VALUE OF ASSETS - EXPECTED CHANGES AND OUTLOOK OF THE COMPANY AND THE GROUP

ECONOMIC CLIMATE [1 2]

Management pays particular attention to the fair value measurement of its buildings. In the current international and national macroeconomic environment, business property is still one of the most profitable assets and a safe investment for investors. This requires the Group to pay particular attention to the valuation of its assets, the main component of its business and income.

GDP grew by 1.1% in 2016 against 1.2% in 2015. The main economic indicators remain full of contrasts: the unemployment rate, which fell slightly from 10.3% at the end of 2015 to 10.1% of the working population at the end of 2016, the balance of foreign trade, negatively affecting growth by 0.9 points whereas total French output was 1.4% up on 2015 and household consumption was up 1.8% (driven by purchases of household goods in the 1st half of 2016).
The 4th quarter of 2016 showed encouraging signs for 2017 with GDP up 0.4%, household spending up 0.6% and stronger exports up 1.3% compared with the 3rd quarter of 2016 and a slowdown in imports (+1% against +2.7% in the 3rd quarter of 2016).

In 2016, slow growth in France was primarily attributable to weak exports, hence the negative contribution of foreign trade to GDP. Growth in France remained lower than the European average (+1.7%). However, this is accounted for by the very nature of the growth in 2016: the marked increase in investments in capital goods compared with 2015 drove imports.
In hindsight, it seems that the very slow growth rate in the 2nd and 3rd quarters of 2016 is accounted for by cyclical problems in certain sectors like agriculture and aeronautics, and that the positive trends of the 4th quarter augur a better year in 2017.

Despite a very uncertain election year, household consumption, the slowdown in unemployment, the still fairly low price of oil combined with very low interest rates should sustain the volume of output, in particular that of businesses. Their investments rose by 4.3% in 2016. This rather positive environment is reflected in the "business climate" index, above average, and the morale of households, at its highest point for ten years.

French GDP growth forecasts for 2017 are between 1.1% and 1.4%. Certain economists are convinced that company investments will grow again if demand picks up, whereas others consider that the uncertainties surrounding the 2017 elections, such as growing inflation and the risks weighing on international trade, are liable to slow down French economic activity

In 2016, the financial markets enjoyed varying fortunes: the CAC 40 ended the year up 4.86%, much lower than its performance in 2015 (+8.53%), whereas the Dow Jones was up 14.53% as was London's FTSE index (+14.43%). Conversely, the Italian stock exchange fell by 10%, due to difficulties in the banking sector.

[1] Insee – Quick reference guide of 28 February 2017 - [2] Les Echos January 2017
[3] Agence Option Finance quoted by Lefigaro.fr on 30 December 2016

Torn between good and bad political news (depending on your point of view), such as Brexit and the election of Mr Trump in the USA, the Paris stock exchange picked up at the end of the year with the rise in oil prices and other raw materials (mining sector) then thanks to the banking sector, which took full advantage of the predicted rise in American rates in the wake of fiscal stimulus.
The year's main winners are the giants of raw materials with the doubling of oil prices and the recovery in base metals (ARCELOR MITTAL: +133% after a 57% fall in 2015).

Stocks showing sharp falls include telecoms equipment manufacturers (NOKIA and ERICSSON), penalized by their shrinking markets.

Analysts expect markets to pick up in 2017 (the "Trump effect") but remain cautious, given uncertainties in Europe surrounding Brexit and the French and German elections.

THE CORPORATE PROPERTY MARKETS IN 2016

- The investment market [4] :

2016 showed a high level of investment: 25 billion euros against 23 billion in 2015 and 25 billion in 2014.

An analysis of deals reveals a market still driven by big transactions, in excess of 100 million: 68 transactions, against 70 last year. They alone make up 61% of investments, against 65% last year, whereas deals over 500 million euros now only make up 19% of investments, against 15% in 2015.
Two French acquisitions topped one billion euros, one of which concerned 26,800 m² in place Vendôme in Paris 1st. The market was also sustained by transactions between 20 and 50 million euros, up 33% compared with 2015.

Deals continue to be advantaged by refinancing rates close to zero, investor aversion to stock market volatility and prudential asset allocation obligations. French stakeholders (insurers, property companies and private funds) represent 66% of investments (65% in 2015) whereas investors outside Europe represent 24% (25% in 2015). No "Brexit" effect was felt in 2016.
All investors are looking for alternative investments, and property is still the most profitable asset class. Even the "prime" rates of roughly 3% observed in Paris's QCA (central business district) are much higher than risk-free rates like 10-year treasury bonds (a difference of 2.25 points).

The breakdown by asset class is more or less the same as in 2015: about 70% of investments were made in office space.

Geographically, 71% of national investments are concentrated in the Greater Paris region, unchanged compared with 2015. Thanks to its vast and diverse real estate base, the region is still attractive for funds and other property players (headquarters of foreign and French multinationals). In particular, as well as prime properties, the rehabilitation of complexes is attracting more and more investors, enabling them to generate value and position themselves already with regard to the "Grand Paris" project.

Inner Paris, in particular the central business district and the Hauts-de-Seine department alone attracted 15 billion euros of investments. This strong appeal of emblematic properties resulted in a fall in the yield from "prime" properties, down from 3.25% in 2015 for the best service-sector assets in Paris's central business district to between 2.90% and 3.15% in 2016.
Faced with limited supply in the capital and falling yields, investors looked to La Défense: 1.7 billion euros invested.

For 2017, the investment market is expected to total 25 billion euros, the same as in 2016. It will continue to be sustained by high levels of liquidity (the BCE programme, extended to December 2017) and low rates, which are not expected to rise sharply.

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[4] Nexity – Points marché 2017 et 2016

Investments in commercial property totalled 4.4 billion euros in 2016 (including more than 2 billion in the last quarter), down 21% on 2015 but up 32% on the ten-year average. This type of assets was penalized by the lack of supply, despite investor expectations.

The types of property investors are looking for are still the well-known avenues and the major shopping centres in the regions.
High-profile transactions in 2016, excluding portfolios, were made in the Champs-Elysées (MARQUIS BUILDING for €490m) and the left bank (MARCHE SAINT-GERMAIN for €134m).

The “prime” yield from Paris boutiques (arteries like the Champs-Elysées or rue du Faubourg Saint-Honoré) fell below 3%. The yield from shopping centres was 3.5% against 4% at the end of 2015.

The major asset portfolios and emblematic addresses should boost investments in 2017.

- The rentals market in Ile-de-France and Paris [6, 7, 8]

In 2016, satisfied demand in Ile-de-France totalled 2.4 million m², up 7% on 2015. However this level is still below that of 2006-2007 (2.8 million m²) and 2011-2012 (2.5 million m²).

Business remained sustained by the capital, which represents over one million m², up 14% on 2015, breaking the 2006 record of on million m². The La Défense district also broke all its records with 274,000 m² of investments.
The central business district alone represents 445,000 m² of property deals in Paris, on a par with 2015.

At regional level, the year was marked by a higher number of transactions for premises in excess of 5,000 m²: 65 compared with 57 in 2015. Transactions in properties under 1,000 m² followed the 2015 trend: 800,000 m² exceeded.

For the second year running, inner Paris saw a rise in property investments: a record year. All geographical areas saw rises in transactions, in particular the North-East, 39% more floor area than in 2015 (nearly 200,000 m²) and the South of the capital, where investment volumes increased by 37% to 343,000 m².
The central business district, often the driver of the Paris market, has been buoyant for ten years with 440,000 m² of investments, driven by transactions in properties under 1,000 m² (BALMAIN, Paris 8th, BANQUE DE FRANCE, Paris 9th). These smaller properties represent 54% of investments in the central business district, whereas in the North-East and the South of Paris properties of over 5,000 m² predominate, representing respectively 43% and 59% of investments in these areas.
It is worth noting the level of restructured properties that will be available between 2017 and 2019 in this much sought-after central business district: 300,000 m².

This excellent performance by the French capital is reflected in the vacancy rate, 3.2% for Paris (the lowest in fifteen years) and 3.3% for the central business district. This is slightly affecting headline rents of “prime” properties, which are rising between 3% and 8% depending on the sectors in the capital. These “prime” rents average between €400/m² in North-East Paris and €660/m² in the central business district. The contraction of supply is reflected in rent exemptions and other accompanying measure for new leaseholders, limited on average to 17% of leases signed in the centre of Paris. So 2017 may well be a bullish year.

The commercial rental market is driven by high demand in the high-end beauty sector and by the catering trade but also the fashion sector (luxury). Specialist chains (textiles, clothing) suffered however in 2016 (the Nice attack, weather, buying power) and can have different location policies (returning to the city centre or opening outlets in “retail parks”). Customer experience is becoming more pronounced, in particular with the mobility afforded by smartphones.

In Paris, the luxury trade was still the driving force in the sector, but not the only one: pop-up stores but also pure-players and catering concept are looking for “prime” locations. This creates some tension on

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[5] CW – Marketbeat France Commerces 4T2016 - [6] CW – Les clés du marché Bureaux Ile-de-France 4T2016
[7] CW – Marketbeat IDF - Paris Bureaux 4T2016 - [8] CW – Marketbeat IDF- Paris QCA Bureaux 4T2016
[9] CW – Marketbeat France Commerces 4T2016

rental values (rarity, the inadequacy of available surfaces or regulatory constraints), factors that drive certain players towards the most sought-after arteries like rue du Faubourg Saint-Honoré (€13,000 per m2 per annum). Some other quarters already in vogue are benefiting from this trend, like Le Marais (opening of a 4,000 m² EATALY outlet expected in 2018) of the Left bank, with the completion of the Saint-Germain-des-Prés covered market (APPLE, UNIQLO and NESPRESSO), not forgetting the Opéra district, which has seen the arrival of REEBOK and PRET A MANGER. Other sector like Champs-Elysées also attract the leading international brands notwithstanding the highest prices in the capital (€18,000 per m² per annum) and the rue de Rivoli sector, a safe investment for "mass market" chains, where the reopening of LA SAMARITAINE is expected in 2018.

Constructive talks about Sunday opening of major department stores, like FNAC recently, should boost the commercial sector, which is undoubtedly expecting a lot of the next government.

THE HIGH-END RESIDENTIAL PROPERTY MARKET 2016 [10] :

After being ranked 7th most sought-after city by the international clientele in 2015, Paris is now deservedly ranked 5th . Paris is till half as expensive as London, despite rising prices. As in 2015, interest rates and the stronger dollar against the euro are positive factors.

As proof of this return of foreigners to the Paris market, the BARNES network notes the dramatic rise in the number of property transactions in excess of 4 million euros: 23 transactions, up 36%.
"Zero defects" properties are still rare and sell quickly.

Albeit an election year, 2017 is not dampening the appetite of this class of investors for a foothold in Paris, hence the emergence of new quarters like La Bastille and Le Marais.

- The Group's assets:

The ACANTHE DEVELOPPEMENT group's assets show an occupancy ratio of 64%. On the same basis, the ratio rises to 82% for its Paris-based assets.

The Group did not purchase any buildings In 2016.

In the same financial year it sold the buildings in rue Vieille du Temple (Paris 4th) and rue de Lisbonne (Paris 8th).

As in previous periods, expert appraisals were conducted on 31 December 2016 based on the criteria set out in the «Charte de l'Expertise en Evaluation Immobilière» (French property appraisal charter) and applied by all listed property companies.

Properties that are subject to preliminary contracts of sale without key conditions precedent are valued at their net selling price.

The group's net worth is estimated at €129,245,000 (investment buildings plus car parks). It comprises €82,469,000 of office space, €20,365,000 of commercial premises and €26,296,000 of residential buildings, plus €115,000 of parking space.

Floor areas break down into 9,370 m² of office space, 1,473 m² of commercial premises and 1,803 m² of residential units.

On a like-for-like basis, the expert appraisals of the ACANTHE DEVELOPPEMENT group's assets showed an increase of 14.06% against 31 December 2015.

Accordingly the Group's net position stands at €170,250,000. To calculate the Adjusted Net Asset Value (ANAV), this value is increased by the treasury shares whose acquisition cost was deducted from

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[10] **Barnes survey publish in l'Opinion on 20 January 2017**

consolidated shareholders' equity measured at fair value. Adjusted Net Asset Value excluding rights was as follows at 31 December 2016:

	In 1,000s of euros
Consolidated shareholders' equity	170,250
Treasury shares:	23
Capital gain on treasury shares	60
Adjusted Net Asset Value at 31/12/16	170,333
Number of shares at 31/12/16	147,125,260

- ANR: €1.1577 per share

At 31 December 2015 there remained 4,896,436 share options (to be exercised by 28 August 2019) awarded in August 2009 at the issue price of €1.24 per share.
The Board of Directors' meeting of 5 April 2016 duly noted Mr Alain Duménil's express and definitive abandonment of the balance of the options.

The fall in Adjusted Net Asset Value between 2015 and 2016 (€.1577 per share against €1.3049 per share) is essentially due to the high interim dividend paid in 2016 (€0.30 per share).

8. APPROBATION DES COMPTES - AFFECTATION DU RÉSULTAT - QUITUS AUX ADMINISTRATEURS

APPROPRIATED EARNINGS

The appropriation of your Company's retained earnings we propose complies with legal requirements and our Articles of Association.

We propose allocating the profit for the period ending 31 December 2016, namely forty-four million three hundred and thirty-eight thousand six hundred and sixteen euros and 25 cents (€44,338,616.25) as follows:

- Profit for the period ending 31 December 2016:....................................€44,338,616.25
- Unappropriated retained earnings on 31 December 2015: €2,091,542.19

Making distributable income of €46,430,158.44
Increased by the sum of.. €12,419,945.56

Taken from "Other reserves"

Making a total of.. €58,850,104.00

Appropriation:

- In full to shares by way of dividend:.. €58,850,104.00
  (including the interim dividend paid in August 2016......................... €44,137,578.00

We propose that a dividend of 0.40 euros per share be paid for each of the 147,125,260 shares making up the share capital at 31 December 2016.

You are further reminded that the Board of Directors decided on 4 August 2016 to pay an interim dividend of 44,137,578 euros (0.30 euros per share), with the result that the balance of the dividend, namely 14,712,526 euros (0.10 euros per existing share at 31 December 2016), is still outstanding.

Under the SIIC (property investment trust) regime, the Company is required to distribute its profits; they are capped at 42,238,502.48 euros for period ending 31 December 2016 for exempted (SIIC) profits of the same amount, made up of 7,128,976.13 euros of rental earnings and 49,367,478.61 euros of SIIC dividends received from subsidiaries. The proposed distribution has in part already been paid in the form of the interim dividend decided by the Board of Directors on 4 November 2016.

Please be advised that if the Company were to hold some of its own shares when these dividends are paid out, the sums corresponding to dividends not paid out on account of these shares would be allocated to unappropriated retained earnings.

We would ask you to vest the Board of Directors with all the powers it needs to make the necessary arrangements for this distribution.

NON TAX-DEDUCTIBLE EXPENSES (ARTICLE 39-4 DU GENERAL TAX CODE)

You are advised that our annual financial statements at 31 December 2016 show no expenses or charges listed in Article 39-4 of the General Tax Code.

PRIOR DIVIDEND DISTRIBUTIONS (ARTICLE 243A OF THE GENERAL TAX CODE)

Pursuant to Article 243a bis of the General Tax Code, please be advised that the following dividends per share were paid out over the last three periods:

	31/12/2013 (per share)	31/12/201 (per share)	31/12/2015 (per share)
Distributed dividend	€0.03	none	€0.39
Total amount (in thousands of €)	€4,264,000	none	€57,379,000

We would remind you that the Company made no exceptional distributions in the last three years.

In addition, the following exceptional distributions have been made since 2004:

Period	Distribution (per share)	Total amount (in thousands of euros)
2015	none	none
2014	none	none
2013	none	none
2012	none	none
2011	€0.60 (*)	€72,490,000
2010	none	none
2009	none	none
2008	€0.19	€17,752,000 (1*)
2007	€0.16	€13,472,000 (1*)
2006	€0.45	€36,021,000 (2*)
2005	€0.47	€23,721,000 (3*)
2004	€0.53	€26,757,000 (4*)

(*) exceptional distribution fully deducted from "unappropriated retained earnings", made in kind as one FIPP share (ISIN code FR 0000038184), valued at 0.60 euros.

(1*) exceptional distributions fully deducted from "share premiums".

(2*) exceptional distribution deducted from "other reserves" and "share premiums".

(3*) exceptional distribution fully deducted from "other reserves".

(4*) exceptional distribution fully deducted from "share premiums", made in kind as one ALLIANCE DEVELOPPEMENT CAPITAL share, ISIN code FR0000065401 valued at €0.50 and a cash amount of €0.03 per share.

DISCHARGE OF DIRECTORS

We ask you to grant your directors full discharge.

9. RESEARCH AND DEVELOPMENT ACTIVITIES OF THE COMPANY AND THE GROUP

(Articles L.232-1 and L.233-26 of the French Commercial Code)

As provided for by Articles L.232-1 and L.233-26 of the French Commercial Code, we would remind you that our Company and Group have not committed any expenses to research and development in the period.

10. DISCLOSURE OF CORPORATE OFFICERS' TERMS OF OFFICE AND DUTIES

(Article L.225-102-1 paragraph 4 of the French Commercial Code)

Full name or corporate designation of company officers	Office held in the Company	Date of appointment	Date of end of term	Other function(s) in the Company	Offices and/or functions in another company (Group and outside group)
Alain DUMÉNIL	Director	30/06/1994 renewed on 30/06/2000, on 25/07/2006 and on 29/06/2012	AGM ruling on the accounts 31/12/2017	Chairman of the Board of Directors since 30/06/1994	See list in appendix
Patrick ENGLER	Director	18/05/1995, renewed on 31/05/2001, 22/05/2007 and 22/06/2013	AGM ruling on the accounts 31/12/2018	Deputy Managing Director since 15/01/2013	See list in appendix
Philippe MAMEZ	Director	19/06/2002 renewed on 30/05/2008 and 25/06/2014	17/02/2017 (resigned)	Deputy Managing Director from 25/07/2007 to 29/01/2016	See list in appendix
Valérie GIMOND-DUMÉNIL	Director	30/05/2014	AGM ruling on the accounts 31/12/2018	none	See list in appendix
Jean FOURNIER	Director since 03/04/2015	03/04/2015 Renewed on 25/06/2015	AGM ruling on the accounts 31/12/2020	none	See list in appendix
Laurence DUMÉNIL	Director since 17/02/2017	17/02/2017	AGM ruling on the accounts 31/12/2019	none	See list in appendix

In accordance with the provisions of article L.225-102-1 paragraph 3 of the French Commercial Code provided in appendix 3 hereto, you will find the list of other offices held by members of our Company's Board of Directors during financial period 2016.

As provided for by Article 19 of the Company's Articles of Association, no more than one third of the members of the Board of Directors are aged 75 or over.

11. COMPENSATION POLICY FOR EXECUTIVE CORPORATE OFFICERS SUBJECT TO SHAREHOLDER APPROVAL

In accordance with the law dated 9 December 2016 on transparency, the fight against corruption and the modernization of the economy, known as "Sapin 2 Act", and the provisions of article L.225-37-2 of the Commercial Code, the Board of Directors submits for approval by the annual general meeting the principles and criteria that apply to setting, allocating and awarding the fixed, variable and exceptional components of the total compensation package and benefit in kinds attributable to the Chairman and Managing Director for their duties in financial year 2017.

In this respect, the compensation policy for executive corporate officers presented below has been framed by the Board of Directors.

This policy is subject to the approval of the general shareholders' meeting. If voted down, the Board of Directors shall meet within a reasonable time and In the meantime the principles adopted in 2016 will continue to apply.

Pursuant to article L.225-100 of the Commercial Code, the amounts resulting from placing of these principles and criteria will be submitted for the approval of the shareholders at the annual general meeting convening to rule on the accounts for FY 2017. We would ask you to approve these principles and criteria as set out in this report. Accordingly, from 2018, no annual or exception variable compensation will be paid until it has been approved by the general shareholders' meeting.

COMPENSATION PRINCIPLES:

The compensation policy for executive corporate officers aims to ensure the long-term appeal, commitment and loyalty of the best talents in the Company's highest functions while ensuring appropriate management of risks and due compliance. It also aims to recognize implementation of Group strategy over the long term in the interests of its shareholders.

This policy is framed in consideration of the size of the Company and its number of staff; it takes into consideration the exhaustiveness of remuneration components and other benefits granted where appropriate in the overall assessment of the remuneration of executive corporate officers.

We should also point out that the pay levels of Acanthe Développement's executive corporate officers are low and thus do not require any specific oversight criteria.

COMPENSATION ITEMS:

Pursuant to article R.225-29-1 of the Commercial Code adopted pursuant to article L.225-37-2 of the Commercial Code, please be advised of the items making up the compensation package and benefits in kind mentioned in article L.225-37-2 for the Chairman and the Managing Director.
You are reminded that since the Board of Directors meeting of 29 January 2016, which duly noted the resignation of Mr Philippe Mamez, no Deputy Managing Director has been appointed.

- The Chairman of the Board of Directors does not receive any payment apart from director's fees. We would remind you in this respect that the total amount of director's fees is set by the general shareholders' meeting. It is then allocated by the Board of Directors according to different criteria. First of all, board members' attendance at Board meetings is naturally taken in to account. Their level of responsibility and the time they devote to their duties are also factored in. Director's fees are also awarded with regard to their work on the Accounts Committee. The said committee prepares the annual accounts to be examined and signed off by the Board of Directors, controls the Company's current accounting methods and those of its main subsidiaries, analyses financial documents, assesses the appropriateness of choices and due application of the accounting methods, and assesses the accounting treatment of all significant transactions. It also examines the work, fees, terms of engagement and independence of the statutory auditors and implements internal control and risk management procedures.

- The Managing Director's compensation package comprises a fixed component set on his appointment by the Board of Directors on 15 January 2013.
  It is awarded according to the Managing Director's involvement in Company policy and his operational role in managing the said policy. He is vested with the widest powers to act on behalf of the Company in all circumstances within the bounds of the Company's corporate purpose, except when such authority is expressly vested in the shareholders or the Board of Directors by law.

  For your information, you are advised that the Company's Managing Director is awarded a gross annual remuneration of 180,000 euros (a monthly amount of 15,000 euros payable on 1st of every month), in accordance with the decision of the Board of Directors of 15 January 2013.

  He is also entitled to reimbursement of his entertainment and travel expenses, subject to producing receipts.

  The Managing Director also receives director's fees in his capacity as Director according to the above criteria.

The Chairman and the Managing Director do not receive any annual, pluriannuel or exceptional remuneration, or any benefits in kind or other perquisites; they are not awarded share subscription or purchase options or bonus shares; They were not paid any indemnity or reward for taking up their post; The Company or any company controlling or controlled by it, has not given any commitment mentioned in article L.225-42-1 of the Commercial Code; They do not receive any item of remuneration or benefit in respect of agreements entered into directly or through an intermediary with the Company, or any company controlling or controlled by it.

APPOINTMENT OF A NEW EXECUTIVE CORPORATE OFFICER:

In general the components of the compensation package and its structure described in this compensation policy also apply to any new executive corporate officer appointed during the period of applicability of this policy, factoring in his area of responsibility and professional experience. This principle will also apply to other benefits offered to executive corporate officers, where applicable. So it is up to the Board of Directors to set the fixed remuneration matching these characteristics, in line with that of current executive corporate officers and the practices of companies operating in the same sector.

12. DISCLOSURE OF CORPORATE OFFICERS' COMPENSATION PACKAGES AND BENEFITS

(Article L.225-102-1 paragraph 1 of the French Commercial Code)

In accordance with the provisions of article Article L.225-102-1 of the French Commercial Code, we hereby advise you of the total compensation package and perquisites paid to each corporate officer during the period.

Please be advised that Mr Philippe Mamez, Director until 17 February 2017 and Deputy Managing Director until 29 January 2016, was paid 24,000 euros including tax in respect of his consultant's contracts between MEP CONSULTANT and ACANTHE DEVELOPPEMENT, for the period from 1st January 2016 to 31 December 2016. You are reminded that the consultant's service contract specifies the following duties: assist and advise the Company inter alia to conduct negotiations with financial partners to make financing arrangements on the occasion of acquisitions and early repayments of current loan, and more generally offer advice to optimize financial debt; in conjunction with the property manager, supervise the asset management team and oversee building acquisitions and disposals. The statutory auditors refer to this agreement in their special report.

TABLE 1

Table summarizing compensation packages and stock options awarded to each executive corporate officer		
M. Alain DUMÉNIL, Chairman of the Board of Directors	FY 2015	FY 2016
Compensation packages due for the period (itemized in table 2)	€47,000	€47,000
Valuation of variable long-term compensation packages awarded during the period	0	0
Value (as per IFRS and without deferral of the expense) of options granted during the period (itemized in table 4)	0	0
Value (as per IFRS and without deferral of the expense) of bonus shares granted during the period (itemized in table 6)	0	0
TOTAL	**€47,000**	**€47,000**
M. Philippe MAMEZ, Director until 17 February 2017 and Deputy Managing Director until 29 January 2016	FY 2015	FY 2016
Compensation packages for the period (itemized in table 2)	0	€7,000
Services invoiced by MEP Consultants for the period (itemized in table 2)	€126,000	€12,000
Valuation of variable long-term compensation packages awarded during the period	0	0
Value of options granted during the period (itemized in table 4)	0	0
Value of bonus shares granted during the period (itemized in table 6)	0	0
TOTAL	**€126,000**	**€19,000**
M. Patrick ENGLER, Director and Managing Director	FY 2015	FY 2016
Compensation packages for the period (itemized in table 2)	€253,000	€253,000
Valuation of variable long-term compensation packages awarded during the period	0	0
Value of options granted during the period (itemized in table 4)	0	0
Value of bonus shares granted during the period (itemized in table 6)	0	0
TOTAL	**€253,000**	**€253,000**

TABLE 2

Table summarizing each corporate officer's gross compensation package (before social security taxes)				
M. Alain DUMÉNIL, Chairman of the Board of Directors	Amounts for period 2015		Amounts for period 2016	
	due	paid	due	paid
Fixed compensation package	0	0	0	0
Variable annual compensation package	0	0	0	0
Variable long-term compensation package	0	0	0	0
Exceptional compensation	0	0	0	0
Directors' fees	€47,000	€47,000	€47,000	€47,000
Perquisites	0	0	0	0
TOTAL	**€47,000**	**€47,000**	**€47,000**	**€47,000**
M. Philippe MAMEZ, Administrateur jusqu'au 17 février 2017 et Directeur Général Délégué jusqu'au 29 janvier 2016	Amounts for period 2015		Amounts for period 2016	
	due	paid	due	paid
Fixed service invoiced by MEP Consultants	€120,000	€120,000	€12,000	€24,000
Variable serve invoiced by MEP Consultants	€6,000	6 000	0	0
Variable long-term compensation package	0	0	0	0
Exceptional compensation	0	0	0	0
Directors' fees	0	0	€7,000	€7,000 0
Perquisites	0	0	0	0
TOTAL	**€126,000**	**€126,000**	**€19,000**	**€31,000**
M. Patrick ENGLER, Director and Managing Director	Amounts for period 2015		Amounts for period 2016	
	due	paid	due	paid
Fixed compensation package (gross)	€180,000	€180,000	€180,000	€180,000
Variable fee	0	0	0	0
Variable long-term compensation package	0	0	0	0
Exceptional compensation	0	0	0	0
Directors' fees	€73,000	€73,000	€73,000	€73,000
Perquisites	0	0	0	0
TOTAL	**€253,000**	**€253,000**	**€253,000**	**€253,000**

TABLE 3

Table of director's fees (gross) and other compensation paid to non-executive corporate officers		
Non-executive corporate officers	Amounts paid in 2015	Amounts paid in 2016
M. Pierre BERNEAU, Director, deceased in 2015		
Directors' fees	0	0
Other	0	0
Mme Valérie GIMOND-DUMÉNIL, Director		
Directors' fees	€20 000	€20 000
Other	0	0
M. Jean FOURNIER, Director since 03/04/2015		
Directors' fees	-	€10 000
Other	-	0
TOTAL	**€20 000**	**€30 000**

TABLE 4

Share subscription or purchase options granted during the period to each executive corporate officer by the Company and by any Group company						
Name of the executive corporate officer	Plan no. and date	Nature of the options (purchase or subscription)	Valuation of options according to the method adopted for the consolidated financial statements	Number of options exercised during the period	Exercise price	Exercise period
None						

TABLEAU 5

Share subscriptions or purchase options exercised during the period by each company officer			
Name of the executive corporate officer	Plan no. and date	Number of options exercised during the period	Exercise price
None			

TABLE 6

Bonus shares granted to each corporate officer						
Shares awarded free of charge by the shareholders' general meeting during the period to each corporate officer by the Company and any Group company	Plan no. and date	Number of shares awarded during the period	Valuation of options according to the method adopted for the consolidated financial	Acquisition date	Date of availability	Conditions of performance
None						

TABLE 7

Bonus shares available to each corporate officer	Plan no. and date	Rumen of shares available during the period	Conditions of acquisition
None			

TABLE 8

History of share purchase or subscription options		
Information on share purchase or subscription options		
	Plan 1 (the beneficiary waived this allocation on 03/08/2009)	Plan 2 (the beneficiary abandoned the balance of these options on 5 April 2016)
Date of the general meeting	21 March 2007	21 March 2007
Date of the Board meeting	25 July 2007	28 August 2009
Total number of shares available for subscription or purchase, including the number available for subscription or purchased by: Mr Alain Duménil	8,667,520 options	9,936,436 share purchase options
Starting point for exercising options	25 July 2008	28 August 2009
Expiry date	25 July 2017	28 August 2019
Subscription or purchase price	€2.92	€1.24
Exercising arrangements (when the plan includes several stages)		
Total number of cancelled or lapsed stock or purchase options	9,528,336 share options cancelled owing to the abandonment of Mr Duménil	4,896,436 share options cancelled further to the abandonment of Mr Duménil
Share subscription or purchase options remaining at the end of the period		

TABLE 9

Share subscription or purchase options granted to the first 10 non-corporate officer employees and options exercised by them	Total number of options granted/shares subscribed for or purchased	Weighted average price
Options granted during the period by the issuer or any company within the option granting scope, to the ten employees of the issuer or any company within this scope, with the largest number of options thus granted (total figures)	None	
Options held on the shares of the issuer and the aforesaid companies that have been exercised in the period by their ten employees having the largest number of options thus purchased or subscribed (total figures)	None	

TABLE 1 0

History of bonus share allocations		
Information on bonus share allocations		
	Enveloppe A	Enveloppe B
Date of the general meeting		
Date of the Board meeting		
Total number of bonus shares granted to: Vesting date	None	None
Vesting date		
Date of end of retention period		
Number of shares subscribed		
Cumulative number of shares cancelled or lapsed		
Bonus shares remaining at the end of the period		

ACANTHE DEVELOPPEMENT

TABLE 11

Managers and corporate officers	Employment contract		Supplementary pension plan		Compensation or benefits due or likely to be due for termination or change of office		Compensation relating to a non-competition clause	
	yes	no	yes	no	yes	no	yes	no
M. Alain DUMÉNIL Chairman of the Board of Directors		X		X		X		X
M. Patrick ENGLER Engler Managing Director and Director		X		X		X		X
M. Philippe MAMEZ Director until 17 February 2017 and Deputy Managing Director until 29 January 2016		X		X		X		X
M. Jean FOURNIER, Director		X		X		X		X
Mme Valérie GIMOND-DUMÉNIL, Director		X		X		X		X
Melle Laurence DUMÉNIL, Director since 17 February 2017		X		X		X		X

THE DIRECTORS' FEES BUDGET FOR FY 2017:

We propose paying your directors attendance fees totalling 150,000 euros to be shared out among them for the current period.

13. INFORMATION ABOUT THE WAY IN WHICH THE COMPANY MANAGES THE SOCIAL AND ENVIRONMENTAL CONSEQUENCES OF ITS ACTIVITIES

(Article L.225-102-1 paragraph 5 of the French Commercial Code)

Please refer to Appendix 2 for information about how the Company manages the social and environmental consequences of its activities.

14. EMPLOYEES' SHAREHOLDING THRESHOLD

(Article L.225-102 of the French Commercial Code)

At year-end closing, employees' shareholdings as defined in Article L.225-102 of the French Commercial Code represented 0% of the Company's share capital.

15. DISCLOSURE OF THE IMPLEMENTATION OF THE SHARE REDEMPTION PLAN

(Article L.225-211 of the French Commercial Code)

A share redemption plan applied by our Company for its own shares was authorized by the Annual Ordinary and Extraordinary General Meeting of 15 June 2016 for a period of 18 months.

As this plan comes to an end in December 2017, a proposal will be put to this Meeting to set up a new share redemption plan cancelling and replacing the previous one.

Within regard to the authorization granted and the aims set by the General Shareholders' Meeting on 25 July 2006 (as extended by the General Shareholders' Meeting of 15 June 2016), a description of the programme was published on the AMF's web site on 21 August 2006 but the Company did not buy or sell any of its treasury shares in financial year 2016.

DURING THE PREVIOUS FINANCIAL YEAR	
Number of own shares redeemed	0
Number of own shares sold	0
Average purchase price	0
Average price of shares sold	0
Total trading costs:	-
REDEEMED SHARES REGISTERED IN THE COMPANY'S NAME ON 31/12/2016	
Number:	71?532
Fraction of the capital they represent	0.049%
Total value evaluated at the purchase price	€23,000

No liquidity contract was signed for 2016.

16. 16. CONVERSION RATIOS FOR SECURITIES GIVING ACCESS TO CAPITAL (Articles R.228-90 and R.228-91 of the French Commercial Code)

You are advised that there are no longer any securities issued by your Company giving access to share capital currently in circulation.

17. CURRENT DIRECTORSHIPS

You are reminded of the provisional appointment by the Board of Directors during its meeting on 17 February 2017 of Miss Laurence Duménil as Director in place of Mr Philippe Mamez, who has resigned.

In accordance with legal and statutory provisions, we would ask you to ratify this appointment.

Miss Laurence Duménil will fulfil her duties for the remaining term of her predecessor, namely until the end of the general shareholders' meeting convening to approve the accounts of accounting period ending 31 December 2019.

18. CURRENT STATUS OF STATUTORY AUDITORS' ENGAGEMENTS

None of the Statutory Auditors' engagements expire at this meeting.

19. AUTHORIZATION GRANTED TO THE BOARD OF DIRECTORS TO SET UP A NEW SHARE REDEMPTION PLAN;

The Annual Ordinary and Extraordinary General Meeting of 15 June 2016 authorized the Board of Directors to set up a new share redemption plan for a period of eighteen months.

As this authorization lapses in December 2017, this Meeting will be asked to renew it for a further period of eighteen months.

These purchases and sales could be completed for any purpose that is or may be authorized by current law and regulations.

Shares may be purchased, sold or transferred on the market or by private agreement, by any means compatible with current law and regulations, including financial derivatives and block purchases or sales.

Such transactions may be made at any time, subject to the abstention periods provided for by General Rules of the Financial Markets Authority (AMF).

The maximum purchase price may not exceed €2 (two euros) per share and the maximum number of shares that could be purchased under this authorization would, according to article L.225-209 of the French Commercial Code, be set at 10% of the Company's share capital; on the understanding that (i) the number of shares acquired by the Company with a view to their retention and subsequent presentation for payment or exchange within the framework of a merger, demerger or contribution transaction must not exceed 5% of the capital according to the provisions of article L.225-209, paragraph 6 of the French Commercial Code and (ii) this limit applies to a number of shares that, where applicable, will be adjusted to take into account the transactions affecting the share capital after this meeting as the acquisitions made by the Company may under no circumstances result in it holding, either directly or through an individual acting in his own name but on behalf of the Company, more than 10% of the share capital social; it should be pointed out that the total amount the Company may devote to redeeming its own shares will be in line with the provisions of article L.225-210 of the French Commercial Code. If a capital increase is made by incorporating bonuses, reserves, profits or other items in the capital in the form of a bonus shares during the validity period of this authorization and in the event of a division or grouping of shares, the maximum unit price referred to above would be adjusted by a multiplying coefficient equal to the ratio of the number of shares making up the capital before the transaction to the number of shares after the transaction.

We propose that you vest your Board of Directors with the authority to:

- decide how this authorization is implemented;
- place all stock market orders and conclude all agreements particularly with a view to the updating of share purchase and sale registers, in accordance with current stock market regulations;
- complete all declarations, carry out all other formalities and, in general, do whatever is necessary.

20. AUTHORITY GRANTED TO THE BOARD OF DIRECTORS TO REDUCE THE SHARE CAPITAL BY CANCELLING TREASURY SHARES;

The Extraordinary General Meeting of 15 June 2016 authorized the Board of Directors to reduce the share capital in one or more stages in the proportions and at the times it sets, by cancelling the number of treasury shares decides, within the limits laid down by law, as provided for by Articles L.225-209 et seq of the French Commercial Code.

This authority was granted for a period of eighteen months and will expire in December 2017.
This Meeting is therefore asked to renew this authorization for a further period of eighteen months.

21. AUTHORITY VESTED IN THE BOARD OF DIRECTORS TO INCREASE THE CAPITAL THROUGH INCORPORATION OF RESERVES, PROFITS OR PREMIUMS

We ask you to vest the Board of Directors, for a period of twenty-six months from this meeting, with the powers (including the authority to sub-delegate such powers) to make one or more capital increases by capitalizing premiums, reserves or profits or any other items permitted by law and by our articles of association, in the form of bonus share awards and/or rises in the nominal value of existing shares.

We propose limiting the total amount of such capital increases to the amounts of reserves, premiums or profits referred to in point as they stand at the time of the capital increase, plus the amount needed - as required by law - to protect the rights of holders of securities with share rights regardless of the overall ceiling set in point 27, from which it is deducted.

Should the Board of Directors exercise this delegation of authority, we would ask you, in accordance with the provisions of article L.225-130 of the Commercial Code, to agree that the fractional rights are not negotiable and that the corresponding shares be sold; the proceeds of the sale will be allocated to the person entitled to the rights within the time allotted by regulations and at the latest thirty days after the date on which the whole number of allocated securities is registered on their account.

We would ask you to grant your Board of Directors all powers, including the authority to sub-delegate, as provided for by law, to carry this out and to amend the articles of association accordingly.

We would ask you to acknowledge that this delegation of powers may be used during a period of public purchase or exchange offer pertaining to the Company's shares.

This delegation of authority will void any prior delegation granted for the same purpose.

22. DELEGATE POWERS TO THE BOARD OF DIRECTORS WITH A VIEW TO PROCEEDING WITH A CAPITAL INCREASE BY ISSUING ORDINARY SHARES WITH PREFERENTIAL SUBSCRIPTION RIGHTS AND/OR SECURITIES GIVING ACCESS TO EQUITY AND/OR SECURITIES WITH RIGHTS TO DEBT SECURITIES

We would ask you to vest the Board of Directors with the authority:

Including the authority to sub-delegate, to proceed with one or more capital increases by issuing Company ordinary shares with preferential subscription rights in euros, in France or abroad, or any securities giving access immediately and/or at term to future ordinary shares of the Company of any company directly or indirectly controlling more than half its capital or one in which it holds over half the capital, or securities giving entitlement to debt securities, securities other than shares that can also be denominated in foreign currencies or any monetary unit in reference to several currencies, by cash subscription or by offsetting receivables under legal conditions.

This proposed delegation of authority to the Board of Directors would be valid for twenty-six months from this meeting.

Such capital increases would be capped, in accordance with point 27 of this report hereafter.

Shareholders would have a preferential subscription right, proportional to the amount of their shares, to any shares and/or securities issued under this delegated authority.

If the statutory and optional (if any) subscriptions have not absorbed all the issued shares and/or securities as defined above, the Board may offer all or part of the unsubscribed securities to the public.

If the shareholder and public subscriptions are less than the total issue of shares or securities, the Board of Directors may, in the order it determines and in accordance with the law, either limit the issue to the amount subscribed, provided this is at least three-quarters of the issue, or freely redistribute all or part of the unsubscribed securities issued.

Please note that where applicable the aforesaid delegation of authority by rights implies that holders of securities carrying rights to any Company shares that may be issued waive their preferential subscription rights to the said shares.

We would ask you to grant your Board of Directors all powers, including the authority to sub-delegate, as provided for by law, to carry this out and to amend the articles of association accordingly.

We would ask you to acknowledge that this delegation of powers may be used during a period of public purchase or exchange offer pertaining to the Company's shares.

This delegation of authority will void any prior delegation granted for the same purpose.

23. DELEGATE POWERS TO THE BOARD OF DIRECTORS WITH A VIEW TO PROCEEDING WITH A CAPITAL INCREASE BY ISSUING ORDINARY SHARES WITHOUT PREFERENTIAL SUBSCRIPTION RIGHTS AND/OR SECURITIES GIVING ACCESS TO EQUITY AND/OR SECURITIES WITH RIGHTS TO DEBT SECURITIES

We ask you to also to vest your Board of Directors with the authority, including the authority to sub-delegate, to proceed with one or more capital increases though public offerings of financial securities, Company ordinary shares denominated in euros or any other securities giving access immediately and/or at term to future ordinary shares of the Company or any company directly or indirectly controlling more than half its capital or one in which it holds over half the capital, or securities giving entitlement to debt securities, securities other than shares that can also be denominated in foreign currencies or any monetary unit in reference to several currencies, by cash subscription or by offsetting receivables under legal conditions, without a preferential subscription right, in order to finance the Group's activities and investments.

In accordance with article L.225-148 of the French Commercial Code, new shares may be issued in payment of securities contributed to the Company as part of a securities exchange or combined takeover bid on the shares of another company whose shares are traded on a regulated market, on the understanding that the Board of Directors will in particular have to set the conversion parities and where applicable the cash compensation payable to shareholders contributing their securities under the securities exchange takeover bid initiated by the Company.

This proposed delegation of authority to the Board of Directors would be valid for twenty-six months from this meeting.

We would ask you to cancel the shareholders' subscription rights to any ordinary shares and/or securities issued pursuant to this delegation of authority and to grant the Board of Directors the power to grant shareholders a priority subscription period, in accordance with the provisions of article L.225-135 of the French Commercial Code.

If the shareholders' and public subscriptions are less than the total issue of shares or securities, we ask that you permit the Board of Directors, in the order it determines and in accordance with the law, to limit the issue to the amount subscribed, provided this is at least three-quarters of the issue, or freely redistribute all or part of the unsubscribed securities issued.

The issue price of the shares and/or securities issued immediately or in the future shall be at least equal to the minimum authorized by current legislation.

The issue price of shares resulting from the exercise of securities giving access to equity issued under this delegation of authority shall be subject to the provisions of article L.225-136 of the French Commercial Code.

We ask you to allow the Board of Directors, in accordance with article L.225-129-2 and section two of article L.225-136 1° of the Commercial Code, and up to a maximum of 10% of the share capital existing to date, to set the issue price in the following manner: the sum owed or owing to the Company, for each issued share, after taking into account the issue price of any issued share purchase warrants, must be at least equal to 90% of the weighted average of prices over the last three trading sessions preceding the setting of the issue conditions.

Please note that where applicable the aforesaid delegation of authority by rights implies that shareholders waive their preferential subscription right to the shares in favour of holders of securities carrying rights to any Company shares.

Such capital increases would be capped, in accordance with point 27 of this report hereafter.

We would ask you to grant your Board of Directors all powers, including the authority to sub-delegate, as provided for by law, to carry this out and to amend the articles of association accordingly.

We would ask you to acknowledge that this delegation of powers may be used during a period of public purchase or exchange offer pertaining to the Company's shares.

This delegation of authority will void any prior delegation granted for the same purpose.

24. AUTHORITY TO INCREASE THE AMOUNT OF SHARES ISSUED IN THE EVENT OF SURPLUS APPLICATIONS

We propose that for all the above proposed delegations of authority you allow the Board of Directors to increase the number of shares to issue when it notes that there is surplus demand for them, under the conditions laid down by article L.225-135-1 of the French Commercial Code.

25. AUTHORITY VESTED IN THE BOARD OF DIRECTORS TO PROCEED WITH A CAPITAL INCREASE, UP TO A MAXIMUM OF 10% OF CAPITAL, WITH A VIEW TO REMUNERATING IN-KIND CONTRIBUTIONS, EQUITY SECURITIES OR SECURITIES GIVING ACCESS TO EQUITY;

We would ask you to allow the Board of Directors to proceed with a capital increase, up to a maximum of 10% of the share capital, with a view to remunerating any in-kind contributions, equity securities or securities giving access to equity granted to the Company.

This authority would be granted for twenty-six months. It would cancel and replace the authority granted by the annual general and combined shareholders' meeting of 25 June 2015 in its sixteenth resolution.

The total nominal value of ordinary shares issued under this delegation of authority cannot exceed 10% of the share capital. This ceiling will be deducted from the overall ceiling proposed hereafter in point 27.

26. DELEGATION OF AUTHORITY TO THE BOARD OF DIRECTORS TO PROCEED WITH A CAPITAL INCREASE BY ISSUING SHARES RESERVED FOR SUBSCRIBERS TO A COMPANY SAVINGS PLAN SET UP PURSUANT TO ARTICLES L.225-129-6 OF THE FRENCH COMMERCIAL CODE AND L.3332-18 ET SEQ OF THE LABOUR CODE

We would also ask you to allow your Board of Directors to proceed with a capital increase reserved for subscribers to a company savings plan, under the conditions of articles L.3332-18 to L.3332-24 of the Labour Code, y issuing ordinary cash shares and if need by allocating bonus shares or other dilutive securities.

Please note that, as provided for by articles L.3332-19 and L.3332-21 of the Labour Code, the price of such shares cannot be lower or higher than 20% (or 30% if the share lock-up period stipulated by the plan pursuant to articles L.3332-25 and L.3332-26 of the Labour Code is more than ten years) of the average of the share's first quoted prices in the 20 trading sessions preceding the Board of Directors' decision setting the opening date for subscriptions.

The maximum nominal value of the increase(s) allowable under this delegation of authority is 3% of the share capital at the time of the Board of Directors' decision. This ceiling will be deducted from the overall ceiling proposed hereafter in point 27.

We ask you to grant this proposed delegation of authority to the Board of Directors for twenty-six months.

Within the aforesaid limits, the Board of Directors will have the necessary powers inter alia to set conditions for the issues, duly recognize the capital increases resulting therefrom, duly amend the articles of association accordingly, on its own initiative deduct the costs of capital increases from the related premiums and deduct from this amount the sums needed to bring the legal reserve to one tenth of the new share capital after each increase, and more generally do whatever is necessary in such cases.

27. OVERALL CEILING

In accordance with article L.225-129-2 of the French Commercial Code, the overall cap on increases in share capital resulting immediately or in the future from issues of shares, securities and/or securities giving access to equity under the delegations of authority and powers referred to in points 21, 22, 23, 24, 25 and 26 of this report, would be set at a maximum of 100,000,000 (one hundred million) euros, this amount not including the nominal value of equity securities issued, where applicable, in respect of adjustments made as required by law and applicable contractual stipulations to protect the rights of holders of Company securities giving access to equity.

28. REGULATED AGREEMENTS AND COMMITMENTS

The agreements referred to in Article L.225-38 of the French Commercial Code are the subject of a special auditors' report. We would ask that you approve the agreements referred to in Article L.225-38 of the French Commercial Code, which have been duly authorized by the Board of Directors.

Pursuant to article L.225-102-1 of the Commercial Code, please be advised that during the period no agreements were entered into, directly or through an intermediary, between the Managing Director, the Deputy Managing Director, any directors or shareholders having more than 10% of voting rights in the Company on the one hand and another company in which the Company directly or indirectly holds more than half the share capital.

Your auditors will present them to you and provide all the relevant information in their special report, which will be read out to you shortly.

29. CHAIRMAN'S REPORT IN ACCORDANCE WITH THE PROVISIONS OF ARTICLE L.225-37 OF THE FRENCH COMMERCIAL CODE

In accordance with the provisions of Article L.225-37 of the French Commercial Code, the Chairman will provide information in an attached report on the conditions governing the preparation and organization of the Board's work and the internal auditing procedures introduced by the Company.

30. SUPPLEMENTARY REPORT OF THE BOARD OF DIRECTORS ON THE USE OF POWERS VESTED FOR CAPITAL INCREASES

(Articles L.225-129-1 and L.225-129-2 of the French Commercial Code);

As the Board of Directors has not availed itself of the authority vested in it by the General and Combined Shareholders' Meeting of 25 June 2016 to increase the capital in the period ending 31 December 2015, the supplementary report referred to in article L.225-129-5 of the Commercial Code is not required.

31. SHARE REDEMPTION PLANS

As required by law, we hereby report on the share redemption transactions made by the Company between 1st January 2016 and 31 December 2016, pursuant to the authority vested by the General Shareholders' Meeting in accordance with Article L.225-209 of the Commercial Code.
The General Shareholders' Meeting of ACANTHE DEVELOPPEMENT on 15 June 2016 authorized a share redemption plan in accordance with Article L.225-209 of the French Commercial Code.
As stated in point 15 of this report, no treasury shares were bought or sold during the period..

32. TABLE SUMMARIZING POWERS VESTED IN THE BOARD OF DIRECTORS WITH REGARD TO CURRENT CAPITAL INCREASES

Appendix 4 contains a table summarizing the powers vested in the Board of Directors by the General Shareholders' Meeting with regard to current capital increases (Article L.225-100 of the French Commercial Code).

The Board of Directors was vested with the said powers by the Annual Ordinary and Extraordinary General Meeting du 25 June 2015 and the said powers will expire on 24 August 2017.

33. SUMMARY OF TRANSACTIONS COVERED BY ARTICLE L.621-18-2 OF THE FRENCH MONETARY AND FINANCIAL CODE (article 223-26 of the General Rules of the AMF)

As no transactions have been made and/or brought to our attention during the past financial period, the summary table referred to in Article L.621-18-2 of the French Monetary and Financial Code is accordingly not required for financial year 2016.

34. SHARE ALLOCATIONS CARRIED OUT PURSUANT TO ARTICLES L.225-197-1 TO L.225-197-3 OF THE FRENCH COMMERCIAL CODE AND TRANSACTIONS PURSUANT TO THE PROVISIONS OF ARTICLES L.225-177 TO L.225-186 OF THE FRENCH COMMERCIAL CODE

No share subscription and/or purchase options were exercised or bonus shares awarded or exercised during the past financial year.

35. ELEMENTS LIABLE TO HAVE AN IMPACT IN THE EVENT OF A TAKEOVER BID

(Article L.225-100-3 of the French Commercial Code)

1/ STRUCTURE OF THE COMPANY'S CAPITAL

The share capital is set at 19,991,141 euros.
It is divided into 147,125,260 fully paid-up ordinary shares.

2/ STATUTORY RESTRICTIONS ON EXERCISING VOTING RIGHTS AND TRANSFERRING SHARERS, OR CLAUSES IN AGREEMENTS MADE KNOWN TO THE COMPANY PURSUANT TO ARTICLE L.233-11 OF THE FRENCH COMMERCIAL CODE

None.

3/ DIRECT OR INDIRECT HOLDINGS IN THE COMPANY'S CAPITAL, OF WHICH IS HAS BEEN APPRISED PURSUANT TO ARTICLES L.233-7 AND L.233-12 OF THE FRENCH COMMERCIAL CODE

see point 5 of this report

4/ LIST OF HOLDERS OF ANY SECURITIES CONFERRING SPECIAL CONTROL RIGHTS AND A DESCRIPTION OF SUCH RIGHTS

None.

5/ CONTROL MECHANISMS PROVIDED FOR IN A POTENTIAL EMPLOYEE SHAREHOLDING SCHEME WHEN THE CONTROL RIGHTS ARE NOT EXERCISED BY THE EMPLOYEES

None.

6/ AGREEMENTS BETWEEN SHAREHOLDERS OF WHICH THE COMPANY HAS BEEN APPRISED AND WHICH MAY CREATE RESTRICTIONS ON SHARE TRANSFERS AND THE EXERCISING OF VOTING RIGHTS

The Company is not aware of any agreements between shareholders which could create restrictions on share transfers and the exercising of voting rights.

7/ RULES GOVERNING THE APPOINTMENT AND REPLACEMENT OF MEMBERS OF THE BOARD OF DIRECTORS AND AMENDMENTS TO THE COMPANY'S ARTICLES OF ASSOCIATION

Board members are appointed by the ordinary general meeting, which can revoke them at any time. In the event of a merger or demerger, they may be appointed by the extraordinary general meeting. In the event of a vacancy due to the death or resignation of one or more board members, the Board of Directors the board of directors may make temporary appointments between two general meetings. If the number of board members falls below three, the remaining member or members must immediately convene an ordinary general meeting in order to appoint additional members to the board. The temporary appointments made by the board are subject to ratification by the next ordinary general meeting. Any Board member appointed to replace another remains in office for the remaining term of office of his predecessor.

The extraordinary general meeting alone is authorized to amend any provisions of the articles of association. Notwithstanding the exclusive powers of the extraordinary meeting to amend the articles of association, amendments to clauses relating to the share capital and the number of shares it represents may be made by the Board of Directors, provided such amendments correspond materially to the result of a capital increase, reduction or impairment.

Subject to such dispensations for certain capital increases and transformations, the extraordinary general meeting can only deliberate properly if the shareholders in attendance, voting by correspondence or duly represented own at least a quarter of the shares with voting rights and, if convened a second time, one fifth of the shares with voting rights. Without this quorum, the second meeting may be postponed to a later date two months after the original one and the one-fifth quorum will be required once again. Subject to these same reservations, it will rule by a two-thirds majority of the votes possessed by the shareholders in attendance, voting by correspondence or duly represented.

8/ POWERS VESTED IN THE BOARD OF DIRECTORS, PARTICULARLY WITH REGARD TO SHARE ISSUES OR REDEMPTION

see points 15, 19 and 31 of this report.

9/ AGREEMENTS CONCLUDED BY THE COMPANY THAT ARE AMENDED OR END IN THE EVENT OF A CHANGE IN CONTROL OF THE COMPANY, UNLESS SUCH DISCLOSURE WOULD SERIOUSLY HARM ITS INTERESTS (BARRING ANY STATUTORY DISCLOSURE OBLIGATION)

None.

10/ AGREEMENTS GRANTING SEVERANCE PAYMENTS TO MANAGEMENT OR SUPERVISORY BOARD MEMBERS OR EMPLOYEES, IF THEY RESIGN OR ARE DISMISSED WITHOUT DUE REASON OR CAUSE OR IF THEIR EMPLOYMENT ENDS DUE TO A TAKEOVER BID

None.

36. TABLE SUMMARIZING THE RESULTS OF THE LAST 5 ACCOUNTING PERIODS

A table presenting the company's results over the past 5 accounting periods is attached to this report as Appendix 8 according to the provisions of Article R.225-102 of the French Commercial Code.

37. POWERS VESTED FOR LEGAL FORMALITIES

We propose that you grant comprehensive powers to the bearer or a copy or extract of this report to carry out all the filing and reporting formalities required by law.

CONCLUSION

We would ask you to grant your Board of Directors full discharge of its management for financial year ending on 31 December 2016 in addition to discharge to the auditors for the fulfilment of their duties as attested to by their reports.
Your Board invites you to approve the text of its proposed resolutions by vote.

The Board of Directors

APPENDIX 1 - ASSETS

ACANTHE DEVELOPPEMENT- ASSETS AT 31/12/2016

Address		Type	Floor area
PARIS			
184, rue de Rivoli	PARIS 1st	Mixed-occupancy building	2 284 m²
15, rue de la Banque	PARIS 2nd	Office building	2,545 m²
3-5, quai Malaquais	PARIS 6th	Residential	549 m²
55, rue Pierre Charron	PARIS 8th	Office building	2,970 m²
18-20 rue de Berri	PARIS 8th	Parking spaces	0 m²
24, rue Georges Bizet	PARIS 16th	Office building	1 042 m²
PARIS TOTAL			9 390 m²
THE PROVINCES, FOREIGN COUNTRIES			
9 Avenue de l'Astronomie	Brussels	Town house with offices	3 255 m²
TOTAL, PROVINCES AND FOREIGN COUNTRIES			3 255 M²
ACANTHE TOTAL			**12 645 m²**

APPENDIX 2 – SOCIAL AND ENVIRONMENTAL REPORT ON THE WAY IN WHICH THE COMPANY MANAGES THE SOCIAL AND ENVIRONMENTAL CONSEQUENCES OF ITS ACTIVITIES

A. SOCIAL AND ENVIRONMENTAL REPORT

Scope

The reporting scope for the ACANTHE DEVELOPPEMENT group's business, environmental and social data covers all assets held by the company and its subsidiaries, as well as all its salaried staff. The figures are provided for 2016 and by way of comparison for 2015.

This report is guided by the notion of materiality and the relevance of the data to the group's real estate business.

Pursuant to law no. 2010-788 of 12 July 2012, the social, environmental and societal data has been verified by an independent third-party body. The certificate regarding the presence in the management report prepared by ACANTHE DEVELOPPEMENT's Board of Directors of all the information required under Article R. 225-105-1 of the French Commercial Code, as well as the reasoned opinion relating to the sincerity of the information provided in the said report and relevant explanations on any information lacking therein, are appended to this report.

Group activity

The group's assets essentially include buildings mostly located in the central business district of Paris.

At 31 December 2016, the group held 6 property assets, including a building in Brussels; two buildings were sold during the period.

The management thereof is carried out directly or delegated to a property manager. Final decisions regarding the management of managed buildings remain a matter for group Management. 4 buildings are managed by a property manager, the 2 others internally.

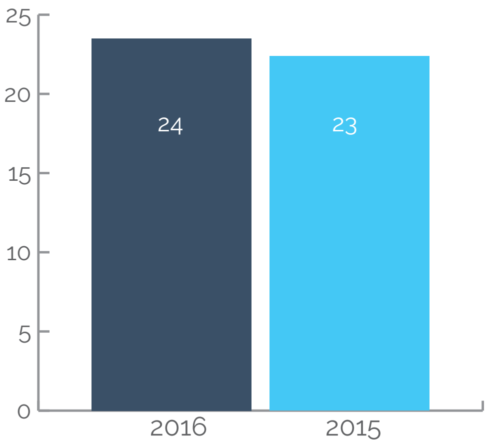
B. DISCLOSURES REQUIRED UNDER ARTICLE R. 225-105-1 OF THE FRENCH COMMERCIAL CODE

a. Social information

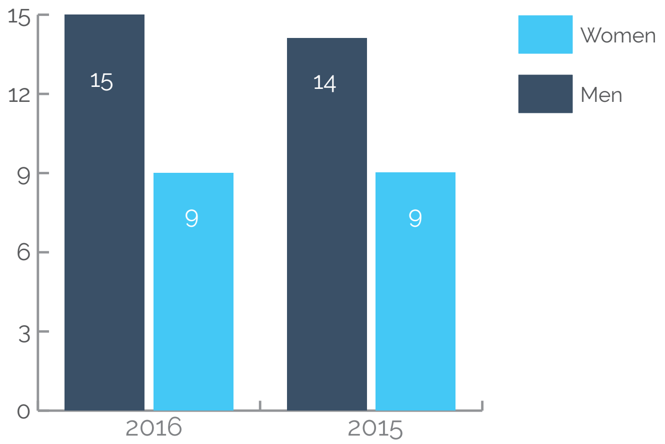
JOBS

A. TOTAL HEADCOUNT AT 31 DECEMBER AND BREAKDOWN BY GENDER, AGE AND GEOGRAPHICAL SEGMENT

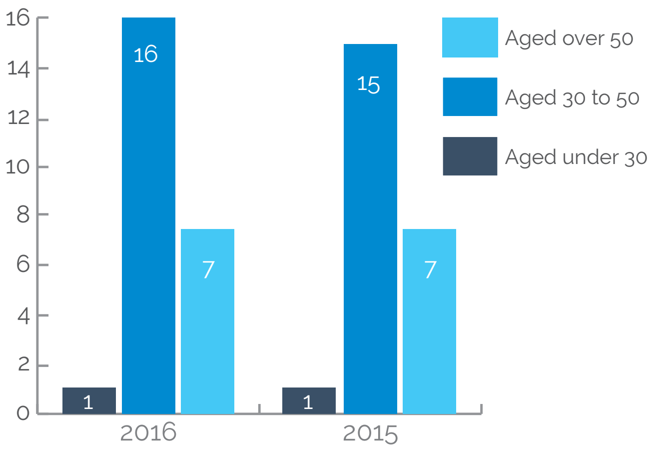
Total headcount



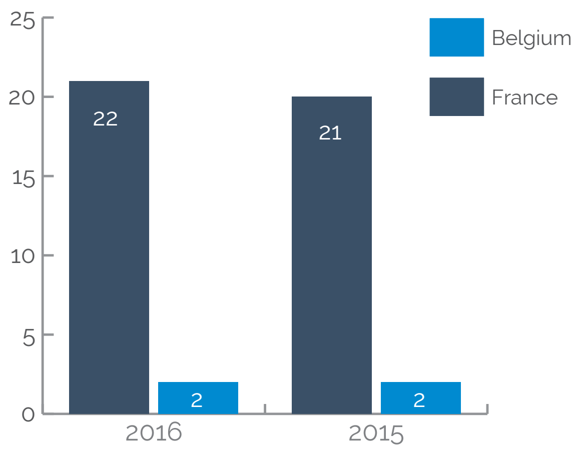
Breakdown by gender



Breakdown by age



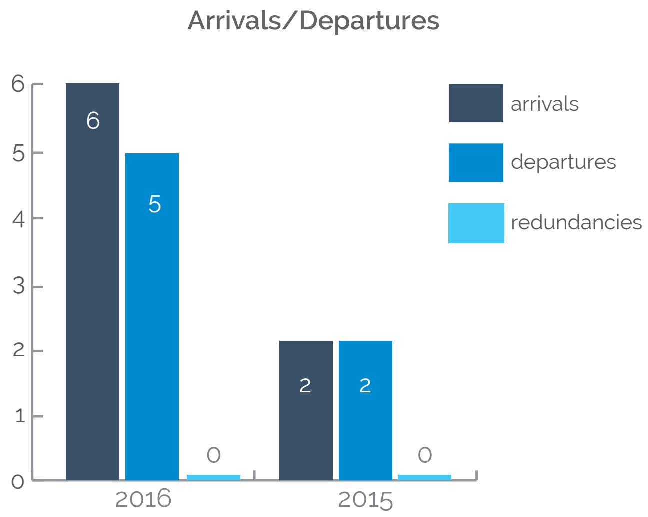
Geographical breakdown



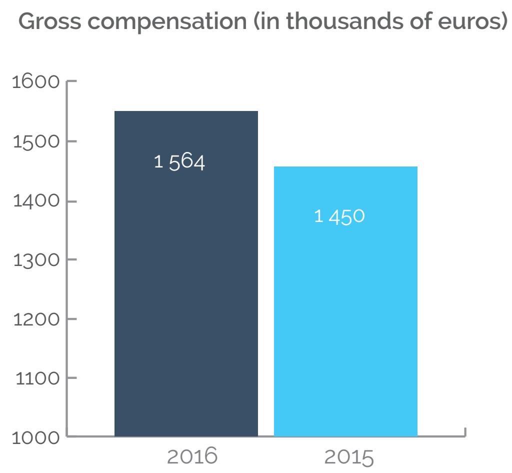
B. HIRINGS AND LAY-OFFS

The net balance of staff arrivals and departures in 2016 shows an increase of one in the total headcount.

The increase in the number of staff arrivals and departures is due more particularly to the use of fixed-term contracts to replace staff on paid leave (4 arrivals and 3 departures), notably the caretaking staff of the registered office.



C. PAY PLANS AND CHANGES



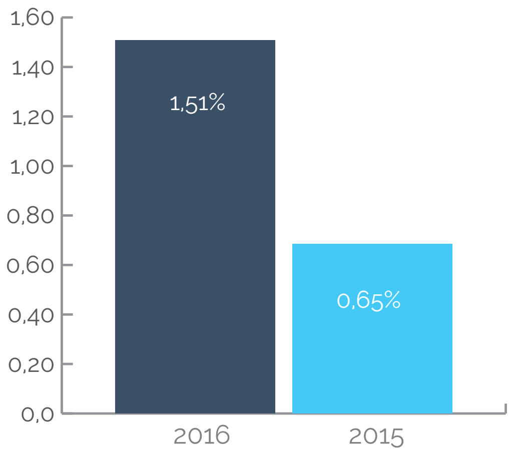
The increase in payroll is due firstly to the increase in staffing (one more person) and secondly to the policy of individual revaluation of wages as decided by management.

FRANCE
In France, working hours are organized by law under the national real estate collective agreement. Employees working in France have an employment contract specifying 35 working hours a week.

BELGIUM
In Belgium, working hours are laid down by law. Employees working in Belgium have an employment contract specifying 38 working hours a week.

A. WORKING HOURS

Absenteeism



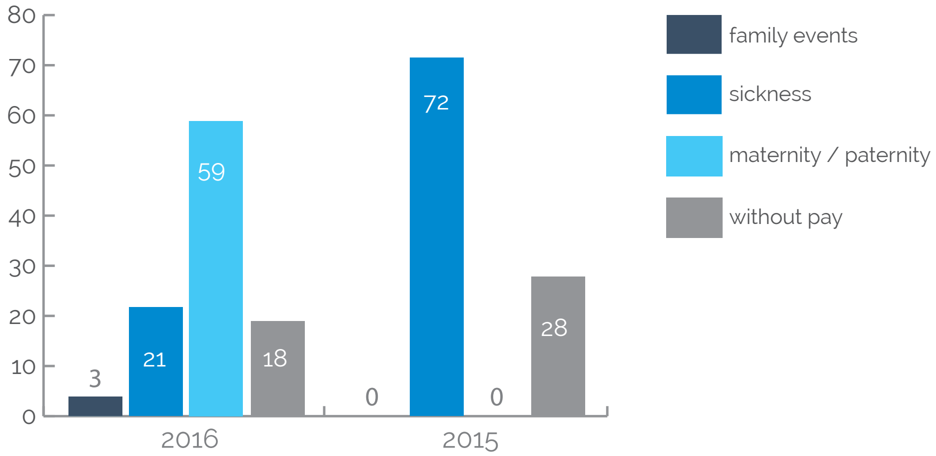
B. ABSENTEEISM

The percentage of absenteeism is defined as the number of hours of absence out of the total number of paid hours, including hours of absence. This only concerns French employees, namely 91% of group employees.

The rise in absenteeism only concerns one maternity leave, it alone representing 59% of the absences. Restated for this case, the rate of absenteeism appears lower than in 2015.

Reasons for absenteeism break down as follows:

Reasons for absenteeism break down as follows
(% of hours of absence) :



LABOUR RELATIONS

A. ORGANIZATION OF DIALOGUE BETWEEN MANAGEMENT AND STAFF, IN PARTICULAR STAFF INFORMATION AND CONSULTATION PROCEDURES

In view of its low staffing level, group companies do not have staff representative bodies.

In view of its status as a European company, a representative body of 3 members, elected for a term of 4 years, was formed on 5 July 2012 to be the contact for the Management of the company and its subsidiaries with regard to employee information and consultation.

The representative body and the Management of the company postponed the internal election pending the results of a reflection to achieve the goals defined by regulations without too much formality, which would result in a lack of interest on the part of employees for reading the minutes.

B. ASSESSMENT OF COLLECTIVE AGREEMENTS

As no collective agreements are currently operative, there is no assessment thereof.

HEALTH AND SAFETY

A. OCCUPATIONAL HEALTH AND SAFETY CONDITIONS

The group runs real estate assets that include office, residential and commercial buildings. Group revenue is generated by the rental and sale of these assets. As a result, all employees are sedentary. Asset management service staff who visit building renovation sites comply with applicable safety rules.

Therefore no elements of group activities can directly cause serious occupational health and safety problems for the staff.

B. REPORT ON OCCUPATIONAL HEALTH AND SAFETY AGREEMENTS SIGNED WITH TRADE UNIONS OR STAFF REPRESENTATIVES

The group's companies have neither trade union representatives nor staff representatives. Therefore there are no such agreements currently in force in group companies.

C. WORKPLACE ACCIDENTS, IN PARTICULAR THEIR FREQUENCY AND SEVERITY, AS WELL AS OCCUPATIONAL DISEASES

The group's companies have not lamented any workplace accidents or occupational diseases, either in 2016 or in 2015.

TRAINING

A. TRAINING POLICIES PURSUED

Given the low staffing levels of group companies, requests for training are examined individually. Training is provided by accredited outside firms specialized in their field.

B. TOTAL NUMBER OF TRAINING HOURS

34 hours of training were attended in 2016, against 59 in 2015.

EQUAL TREATMENT

A. MEASURES TAKEN TO PROMOTE EQUAL TREATMENT OF MEN AND WOMEN

No specific measures are taken in this respect given the lack of evidence of any unequal treatment of men and women in the group. Were any such evidence to appear, the group would take appropriate measures accordingly.

B. MEASURES TAKEN IN FAVOUR OF JOBS AND THE INTEGRATION OF PERSONS WITH DISABILITIES

None of the group companies are under any statutory obligation with regard to jobs and the integration of persons with disabilities. To date, no specific measures have been taken in this respect.

C. NON-DISCRIMINATION POLICY

No specific measures are taken in this respect given the lack of evidence of any discriminatory practices in the group. Were any such evidence to appear, the group would take appropriate measures accordingly.

PROMOTION AND OBSERVANCE OF THE STIPULATIONS OF THE FUNDAMENTAL CONVENTIONS OF THE ILO RELATING TO..

A. DUE OBSERVANCE OF FREEDOM OF ASSOCIATION AND THE RIGHT TO COLLECTIVE BARGAINING

There are no impediments to freedom of association and the right to collective bargaining in group companies. The group's low staffing level is conducive to respectful dialogue with Management.

B. THE ELIMINATION OF DISCRIMINATION IN MATTERS OF EMPLOYMENT AND OCCUPATION

There is no discrimination in matters of employment and occupation in Group companies. The employment contracts drawn up by the Human Resources department comply with current regulations. Lastly, the group complies with statutory provisions governing notices posted in the company, which promote equality of employment and profession.

C. ELIMINATING FORCED OR COMPULSORY LABOUR

Group companies are not confronted with forced or compulsory labour issues, given the location of their activities (France and Belgium).

D. EFFECTIVE ABOLITION OF CHILD LABOUR

Group companies are not confronted with child labour issues, given the location of their activities (France and Belgium).

GENERAL POLICY IN ENVIRONMENTAL MATTERS

A. COMPANY ORGANIZATION IN PLACE TO HANDLE ENVIRONMENTAL ISSUES AND, WHERE RELEVANT, ASSESSMENT AND CERTIFICATION PROCESSES

The group considers its general environmental policy with regard to its real estate activities and accordingly takes an active interest in environmental standards. This policy is characterised by the particular attention paid during the acquisition of new buildings and decisions made in renovation programmes. Through its various departments (asset management department, legal affairs and financial department) and with the assistance of outside experts, the group ensures due observance of all current legislation. In particular, compulsory survey reports (lead, asbestos, etc.) issued when buildings are sold or purchased are a key factor enabling the group to best avert the major environmental risks its activities entail.
No assessment or certification process was undertaken in 2016.

B. STAFF TRAINING AND INFORMATION IN MATTERS OF ENVIRONMENTAL PROTECTION

No relevant training was given in 2016.

C. ENVIRONMENTAL AND POLLUTION RISK PREVENTION MEASURES

The group duly conducts compulsory property surveys (lead, asbestos, etc.).

D. AMOUNT OF PROVISIONS AND GUARANTEES FOR ENVIRONMENTAL RISKS

No provisions have been recognized or guarantees given with regard to environmental risks.

Given its property-related activities and the assets it holds, to date the group has not been exposed to any risks liable to require such provisions or guarantees.

POLLUTION

A. MEASURES FOR THE PREVENTION, REDUCTION OR REPAIR OF DISCHARGES INTO THE AIR, WATER AND GROUND THAT SERIOUSLY AFFECT THE ENVIRONMENT

No such measures are taken by group companies due to their real estate activities. These activities do not generate discharges into the air, water and ground that seriously affect the environment.

B. NOISE POLLUTION AND ANY OTHER FORM OF POLLUTION SPECIFIC TO AN ACTIVITY

The group's activities do not directly generate noise pollution. However, the group takes special care with regard to potential noise pollution during renovation work on buildings. Contractors must comply with current regulations governing the hours during which building works are permitted. If any complaints were to be lodged during such works or on any other grounds, the group would take the appropriate measures.

CIRCULAR ECONOMY

WASTE PREVENTION AND MANAGEMENT

A. MEASURES FOR THE PREVENTION, RECYCLING, REUSE AND OTHER FORMS OF BENEFICIATION AND DISPOSAL OF WASTE

The group's activities do not directly generate waste. During renovation work on buildings, it is up to the contractors to take all appropriate regulatory measures to manage the waste generated by their work. If contractors are confronted with hazardous substances like asbestos, the group requires them to produce a certificate proving they have removed such waste material.

Apart from this point, the Group's companies did not pursue any particular policy concerning the circular economy.

B. INITIATIVES FIGHTING FOOD WASTE

The group's business is unrelated to the consumption of food. The group has no canteen for its employees. So no food management is required. Similarly, in the buildings leased out by the Group, it is up to the lessees to take all appropriate statutory measures according to their activities and internal organization to fight food waste.

SUSTAINABLE USE OF RESOURCES

C. WATER CONSUMPTION AND SUPPLIES ACCORDING TO LOCAL CONSTRAINTS

No water consumption reports are drawn up, as individual water meters are not systematically installed. Albeit not subject to local water supply constraints, the group is nonetheless mindful of excessive use of water, for instance during renovations. In such cases it will investigate the cause of such excessive use of water.

D. USE OF RAW MATERIALS AND MEASURES TAKEN TO USE THEM MORE EFFICIENTLY

The group's activities do not directly involve the use of raw materials.

E. ENERGY CONSUMPTION, MEASURES TAKEN TO IMPROVE ENERGY EFFICIENCY AND THE USE OF RENEWABLE ENERGIES

At the request of its lessees, the group would hold consultations on the subject.

F. LAND USE

The group does not exploit any of the land on which its buildings stand. Accordingly there is no soil deterioration or pollution in this respect.

CLIMATE CHANGE

A. SIGNIFICANT GREENHOUSE GAS EMISSIONS GENERATED BY THE COMPANY'S ACTIVITY

The group does not have any data on greenhouse gas emissions attributable to the lessees of its

investment buildings, nor any data on emissions attributable to its employees in their day-to-day activities.

B. ADAPTING TO THE CONSEQUENCES OF CLIMATE CHANGE

The group will take the necessary measures as and when regulations change in respect of the consequences of climate change.

PROTECTING BIODIVERSITY

A. MEASURES TAKEN TO PRESERVE OR DEVELOP BIODIVERSITY

By virtue of its property-related activities, the group is not directly or indirectly confronted with threats to biodiversity.

TERRITORIAL, ECONOMIC AND SOCIAL IMPACT OF THE COMPANY'S ACTIVITIES

A. WITH REGARD TO EMPLOYMENT AND REGIONAL DEVELOPMENT

The group cannot have any real impact on employment and regional development due to its small workforce, the nature and predominant geographical location of its core business.

B. ON LOCAL OR NEIGHBOURING RESIDENTS

Given their nature and volume, the group's property rental, purchasing and selling activities cannot have any significant territorial, economic and social impact on local or neighbouring residents.

RELATIONS WITH PEOPLE OR ORGANIZATIONS INTERESTED IN THE COMPANY'S ACTIVITIES, IN PARTICULAR PROFESSIONAL INSERTION ASSOCIATIONS, EDUCATIONAL INSTITUTIONS, ENVIRONMENTAL ASSOCIATIONS, CONSUMER ASSOCIATIONS AND NEIGHBOURING POPULATIONS

A. DIALOGUE WITH THESE PERSONS OR ORGANIZATIONS

The group is kept informed of any grievances or even complaints its lessees may lodge through its asset management service and building managers. This ensures we remain attentive to everybody and take the appropriate measures wherever possible and according to our liability.

B. PARTNERSHIP OR SPONSORSHIP INITIATIVES

The Group has not taken any such initiatives.

SUBCONTRACTING AND SUPPLIERS

A. SOCIAL AND ENVIRONMENTAL ISSUES FACTORED INTO IN PURCHASING POLICY

The main measures in this respect are those taken as part of the fight against corruption.

B. IMPORTANCE OF SUBCONTRACTING AND OF THE SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

OF SUPPLIERS AND SUBCONTRACTORS IN RELATIONS WITH THEM

The highest costs committed by the group with regard to subcontracting are those relating to works carried out on the buildings. Major works are overseen by an architect appointed by the group. In agreement with group Management and after issuing calls for bids, the group selects and supervises suppliers in technical terms and checks that they comply with laws and regulations, more particularly those governing their corporate social responsibility.

FAIR PRACTICES

A. ACTION TAKEN TO PREVENT CORRUPTION

The Group has a series of measures in place to prevent corruption. These cover acquisitions and disposals of buildings, but also decisions relating to building renovations and the choice of lessees.

Acquisitions and disposals of buildings

Purchase and/or sale proposals forwarded by estate and acquisition agents are studied by the Executive Committee. Asking prices are set on the basis of expert valuations of buildings carried out every six months and General Management's knowledge of the market. Expert valuations generally serve as benchmark prices. Likewise, for acquisitions, independent experts carry out market-based valuations. The final decision to acquire or dispose of a building is made by General Management. These provisions were implemented in connection with the sales of the buildings made in 2016.

Building works

Major works are overseen by an architect. Calls for tenders are issued to suppliers. After negotiations on quotes (at least two quotes are sought), Management selects the contractor according to the proposed deadline, price, services, materials, etc.).

Estimates for minor maintenance work are accepted subject to at least two estimates being provided by the building manager.

Selecting lessees

The longest leases are negotiated directly by lessees with General Management.

B. MEASURES IN FAVOUR OF CONSUMER HEALTH AND SAFETY

The Group has no consumers in the literal sense of the term. It complies with all statutory and regulatory provisions governing its activities in its dealings with lessees.

OTHER MEASURES IN FAVOUR OF HUMAN RIGHTS

The group has not taken any particular measures in favour of human rights.

SAS Cabinet de Saint Front
CSR AUDITS AND CONSULTING
CHARTERED ACCOUNTANTS
AUDITORS
JUDICIAL EXPERTISE

ACANTHE DEVELOPPEMENT
2, rue de Bassano 75116 Paris

The report of the public accounting expert appointed as independent third-party body on corporate, environmental and social data included in the management report.

Period ending 31 December 2016

To the shareholders,

In our capacity as public accounting expert appointed as independent third-party body, accredited by COFRAC under number 3-1055 (the remit of which is available for consultation at www.cofrac.fr), we present our report on the consolidated corporate, environmental and social data concerning the period ending 31 December 2016 as presented in the management report (hereafter «CSR Information"), in pursuance of article L.225-102-1 of the Commercial Code.

The company's responsibility

It is up to the Board of Directors to draw up an management report that includes the CSR information required under Article R.225-105-1 of the French Commercial Code, prepared in accordance with the framework (hereafter the "Framework").

Independence and quality control

Our independence is defined by statutory instruments, the profession's code of professional conduct as quoted in the decree of 30 March 2012 on the exercising of public accounting, and takes into account the provisions of article L.822-11 if the Commercial Code. Furthermore, we have put in place a quality control system that includes documented policies and procedures aimed at ensuring compliance with ethical rules, professional standards and applicable statutory and regulatory provisions.

Responsibility of the public accounting professional

On the basis of our work, it is our duty to

- certify that the requisite CSR data is included in the management report, or if omitted an explanation of such omission is provided in pursuance of the third paragraph of Article R.225-105 of the French Commercial Code (CSR Information Reporting Certificate);

- provide reasonable assurance that the CSR data taken as a whole is presented with its most significant aspects and in a fair manner (reasoned opinion on the true and fair view of CSR data).

Our audit was carried out by a team of 3 over 5 days between 25 October 2016 and 26 April 2017, including an audit in situ on 5 April 2017.

We carried out the tasks described below in accordance with professional standards applicable in France and the ministerial order of 13 May 2013, which specifies the arrangements whereby an independent third-party body should conduct its audit.

1. CSR data reporting certificate

Nature and scope of the audit

in interviews with the managers concerned, we heard an account of orientations in matters of sustainable development, in relation to the social and environmental consequences of the company's activities and its societal commitments and, where applicable, the attendant actions or programmes.

We compared the CSR data presented in the management report with the list specified by in Article R.225-105-1 of the French Commercial Code;.
in the absence of certain consolidated data, we checked that explanations had been provided in accordance with the provisions of Article R.225-105 paragraph 3 of the French Commercial Code.

We ascertained that the CSR data covers all consolidated reporting entities, namely the company and its subsidiaries within the meaning of Article L.233-1 and the companies it controls, within the meaning of Article L.233-3 of the French Commercial Code.

Conclusion

On the basis of our work, we hereby certify that the requisite CSR data is included in the management report.

2

2.Reasoned opinion on the true and fair view provided by the CSR data

Nature and scope of the audit

We conducted 4 interviews with those in charge of preparing the CSR Information, the departments tasked with collecting the information, and where applicable the persons responsible for internal control and risk management procedures, to verify the existence of a collection, compilation, processing and control process aimed at ensuring the completeness and consistency of CSR information, and to familiarize ourselves with the internal control and risk management procedures relating to the preparation of CSR information.

We determined the nature and extent of our tests and audits according to the nature and importance of the CSR data with regard to the company's characteristics, the social and environmental issues its activities raise, its orientations in matters of sustainable development and good sectoral practices.

We more particularly studied:

- Social information:
• staffing,
• absenteeism,
• total number of training hours;

- environmental data:
• company organization in place to handle environmental issues and, where relevant, environmental assessment and certification processes;

- social data:
• territorial, economic and social impact of the company's activities in terms of employment and regional development.

The CSR data we considered the most important includes:

- with regard to the Paris head office, we consulted documentary sources and held interviews to corroborate qualitative information (organization, policies, actions), we carried out analytical procedures on the quantitative data and on the basis of samples we checked data calculations and consolidation and its coherence and concordance with other information provided in the management report;

- with regard to the building in rue du Charron, which we selected on the basis of its location, characteristics and a risk analysis, we held interviews to ascertain due application of the procedures and implementation of detailed tests on the basis of sampling, consisting in checking calculations and reconciling the data with supporting documents. The sample we selected represents 23.5% of completed floor area held by Acanthe Développement.

For other consolidated CSR information, we assessed its consistency with respect to our knowledge of the company.

Finally, we assessed the appropriateness of any explanations for the total or partial lack of certain pieces of information.

We believe that the sampling methods and sample sizes we used to form our professional judgement enable us to provide a reasonable assurance. Owing to the use of sampling techniques and other limitations inherent in any information and internal control system, the risk of a significant irregularity in the CSR data cannot be totally ruled out.

Conclusion

On the basis of our work, we have not noted any significant irregularity liable to cast doubt on the fact that the CSR data, taken as a whole, is presented in a true and fair manner.

Done in Toulouse, 26 April 2017

THE INDEPENDENT THIRD-PARTY BODY
SAS CABINET DE SAINT FRONT

Jacques de Saint Front
Chairman

APPENDIX 3 – LIST OF OFFICES HELD BY CORPORATE OFFICERS

Mr Alain Duménil, Chairman of the Board of Directors of your Company, held the following positions during all or part of the period ending 31 December 2016:
- Chairman of the Board of Directors of: Acanthe Développement, Dual Holding until 29 June 2016, Gepar Holding;
- Director of: Ardor Capital SA, Ardor Investment SA, Cadanor, CiCom, Dual Holding, Foncière 7 Investissement, Foncière Paris Nord, Smalto;
- Director and Chairman of: Agefi now Publications de l'Economie et de la Finance AEF SA;
- CEO of: Alliance Développement Capital SIIC – ADC SIIC, Design & Création, Ingéfin, Védran;
- Manager of: Editions de l'Herne, GFA du Haut Béchignol, Padir, Suisse Design et Création until 12 July 2016, SCMI JEF, Suchet, Valor;
- Joint manager of Smalto Suisse until 11 January 2017.

Mr Philippe Mamez, Director of your Company until 17 February 2017 and Deputy Managing Director until 29 January 2016, held the following positions during all or part of the period ending 31 December 2016:
- Deputy Managing Director and board member of: Acanthe Développement until 29 January 2016, Maison d'Investissement MI 29, Eurobail;
- Director of: Acanthe Développement until 17 February 2017, Compagnie Fermière de Gestion et de Participation – Cofegep until 27 February 2016;
- Manager of: MEP Consultants, SCI Winwindaum.

Mr Patrick Engler, Director and Managing Director of your Company since 15 January 2013, held the following positions during all or part of the period ending 31 December 2016:
- Chairman & Managing Director and Director of the company: Alliance Finance until 7 April 2017;
- Managing Director and Board Member of: Acanthe Développement;
- Chairman of the Board of Directors of the following companies: CiCom, Gepar Holding;
- Director of: Alliance Développement Capital S.I.I.C, Ardor Capital SA, Cadanor, Dual Holding, FIPP, Foncière 7 Investissement, Foncière Paris Nord, Smalto;
- Representative of a corporate body board member of: Alliance Finance until 8 April 2017;
- Manager of: Agence Haussmann Transactions Immobilier de Prestige, Ingénierie, Ingénierie and Gestion, Sep 1.
- Joint manager of Adimm Concept et Gestion until 31 August 2016.

Mrs Valérie Gimond-Dumenil, director of your Company , held the following positions during all or part of the period ending 31 December 2016:
- Director of: Acanthe Développement, Alliance Développement Capital S.I.I.C. – ADC SIIC, Ardor Capital SA, Cadanor, CiCom, Gépar Holding, Dual Holding, FIPP, Zenessa SA.

Mr Jean Fournier, director of your Company, held the following positions during all or part of the period ending 31 December 2016
- Director of: Acanthe Développement, Alliance Développement Capital S.I.I.C. – ADC SIIC, Linguistique & Intelligence Artificielle;
- Manager of: F. Assurances, RCP-Finance (in judicial liquidation since 15 October 2014), Sté Civile Immobilière du Bas Vernay.

Miss Laurence Duménil, director of your Company since 17 February 2017, held the following positions during all or part of the period ending 31 December 2016:
- Director of: Acanthe Développement since 17 February 2017, Ardor Capital SA, Cadanor, Dual Holding since 29 March 2016, Foncière 7 Investissement, Smalto, Zenessa SA.

APPENDIX 4 – TABLE SUMMARIZING POWERS VESTED IN THE BOARD OF DIRECTORS WITH REGARD TO CURRENT CAPITAL INCREASES

In euros	Date of AGM	Powers vested until	Authorized amount	Increase(s) in previous years	Increase(s) during the current period	Residual amount on the date this table was produced
FY 2015						
Power vested to increase the capital through incorporation of reserves, profits or premiums	25 June 2015	24 August 2017	€100,000,000	none	none	€100,000,000
Power vested to increase the capital whilst maintaining the DPS	25 June 2015	24 August 2017	€100,000,000	none	none	€100,000,000
Power vested to increase the capital and cancel the preferential subscription right	25 June 2015	24 August 2017	€100,000,000	none	none	€100,000,000
Power to increase the capital as payment for a share contribution	25 June 2015	24 August 2017	10% of the share capital	none	none	€100,000,000

APPENDIX 5 – THE BOARD CHAIRMAN'S REPORT ON INTERNAL CONTROL PROCEDURES

Dear Shareholders,

The Chairman has prepared this report in accordance with the provisions of Article L.225-37 of the French Commercial Code.

This report outlines the composition of the Board and application of the principle of balanced representation of women and men on the board, the conditions under which the Board's work is prepared and organized, and the internal control and risk management procedures currently in place or being implemented in the Company.

This report also indicates any restrictions on the Managing Director's powers imposed by the Board.

As the Board of Directors has decided not to refer to a corporate governance code drawn up by business representative organizations, this report outlines the reasons behind this choice and the internal auditing rules adopted.

This report also refers to the particular arrangements for shareholder participation in the General Meeting and the principles and rules laid down by the Board of Directors to determine remuneration and benefits of all kinds awarded to the corporate officers.

This report furthermore specifies that the transformation into a European Company (societas europaea – SE) decided by the Extraordinary General Meeting of shareholders on 29 June 2012 did not result in the creation of a new legal entity and that the Company has remained in its form as a company anonyme (public limited company), in such a way that the composition, the conditions for preparing and organizing the work of the Board or the particular methods concerning shareholders participation in the General Meeting as well as the principles and rules set down by the Board of Directors in order to determine compensation packages and benefits in kind awarded to corporate officers have remained unchanged.

This report was approved by the Board of Directors at its meeting on 26 April 2017.

It is under these circumstances and in order to comply with corporate governance provisions (Article L.225-37 of the French Commercial Code) that I hereby submit the following information:

I – CORPORATE GOVERNANCE CODE DRAWN UP BY BUSINESS REPRESENTATIVE ORGANIZATIONS

The law no. 2008-649 of 3 July 2008 institutes a distinction depending on whether or not the Company voluntarily adheres to a corporate governance code drawn up by business representative organizations.

As our Company does not fully meet the recommendations of the AFEP MEDEF Code for the legitimate reasons outlined above, it has opted, as allowed by law, to declare that it does not refer to such a code (AFEP-MEDEF or Middlenext code).

However, internal auditing procedures have been applied and enhanced over a number of years and tangible progress has already been noted. This means that reference to such a code is not simply unnecessary, it is also inappropriate for the Company.

Our Company's listing on Euronext Paris has enabled it to opt for the dispensatory SIIC (real estate investment companies) legal and tax regime. However, our Group has 24 staff (23 full-time equivalent employees) and has neither the ramifications nor the organization of most listed companies. The small structure of the teams fosters effective communication, group work and as a result efficient internal control measures.

As the management bodies are small, this facilitates implementation of the Company's orientations.

For example, this flexible structure allows board members to easily obtain the information they need to carry out their duties (particularly in terms of auditing) and to discuss such matters with other board members and/or senior Company executives.

II – PREPARATION AND ORGANIZATION OF THE BOARD'S WORK

1. BOARD OF DIRECTORS

Duties

Your Board of Directors sets company strategy, appoints executive corporate officers in charge of running the company within the framework of this strategy and chooses an organizational model (separating or merging the functions of chairman and managing director), supervises management and ensures the quality of the information provided to shareholders and markets in the financial statements or with regard to important transactions.

Composition

In accordance with the provisions of Article L.225-37 paragraph 6 of the French Commercial Code, this report states the composition of the Board of Directors.

- Mr Alain Duménil, Chairman of the Board,
- Mr Philippe Mamez, director until 17 February 2017 and Deputy Managing Director until 29 January 2016,
- Mr Patrick Engler, director and Managing Director,
- Mr Jean Fournier, non-executive director,
- Miss Valérie Gimond-Duménil, director,
- Miss Laurence Duménil, director since 17 February 2017.

The offices held by your directors are listed in appendix 3 of the Board of Directors' report.

Please be advised that a member of your Board of Directors, Mr Jean Fournier, meets the commonly accepted criteria of independence:

• Not being an employee or corporate officer of the company, employee or director of its parent company or any consolidated company of the latter and not having been in such a position over the past five years.
• Not being a corporate officer of a company in which the company directly or indirectly holds a position as board member or in which an employee appointed as such or a corporate officer of the company (currently or within the past five years) holds a directorship.
• Not being a customer, supplier, merchant banker or financial banker of the company or its group, or for which the company or its group represents a significant proportion of business.
• Not having a close family connection with a corporate officer.
• Not having acted as auditor of the company during the past five years.
• Not having been a director of the company for more than twelve years.

None of your Board members have been currently elected from among the employees.

You are reminded that law 2011-103 of 27 January 2011 imposes a balanced representation of men and women on Boards of Directors. From the 1st Annual General Meeting since 1st January 2014, there must be at least 20% of directors of each sex on the board. This proportion cannot be less than 40% after the first Annual General Meeting that follows 1st January 2017. Mrs Valérie Gimond-Duménil was co-opted as Director by a Board meeting on 30 May 2014 and the general and extraordinary shareholders' meeting of 25 June 2014 ratified her co-option. Miss Laurence Duménil was co-opted as Director by a Board meeting on 17 February 2017. To date, the Company has not met the 40% threshold for representation of directors of each sex.

Organization

The Auditors are invited to attend the Board meeting that rules and balances the annual and interim accounts, and where appropriate any Board meeting where their presence may be deemed useful.

The invitations are issued in wiring within a reasonable deadline. By way of example, your directors and Auditors were duly invited by e-mail and letter dated 14 April 2016 to attend the board meeting of 28 April 2016 approving the annual financial statements and by e-mail and letter dated 14 September 2016 for the board meeting of 21 September 2016 approving the interim financial statements.

Board meetings are planned sufficiently early to ensure that the board members are correctly and fully informed; it should be pointed out that the latter have the right to obtain any information or documents they require to carry out their duties.

In this respect, the Chairman endeavours to provide them with all the requisite information or documents required beforehand to enable the Board members to prepare the meetings properly. In like manner, whenever a Board member so requests, the Chairman will provide him or her with the requested elements whenever possible.

Meetings are held at the head office. In 2016, the Board of Directors met ten times.

Members were required to attend in person, subject to availability and the nature of the meetings.

In addition to the points and decisions legally within the remit of this body, the Board of Directors along with the Executive Committee discussed the main campaigns conducted in 2016 both externally (acquisitions, transfers, sales, contracts) and in terms of Group strategy and financial policy (Group restructuring, business financing, issuance of securities, capital increases).

No meetings were called at the initiative of the board members.

2. EXECUTIVE COMMITTEE

The purpose of the Executive Committee is to assist the members of the Board of Directors.
It is on no account a body that substitutes for the Board in its remit.

Composition

The Executive Committee comprises at least three of the five members of the Board of Directors.

Duties

Its main duties are to examine:

- investments (study and analysis of investments), work undertaken, demolition and building permits,
- financing (amounts, rates and terms of loans),
- arbitration and all asset disposals,
- the administrative management of the Group and asset monitoring (disposals, building work and rental management),
- financial reporting,
- financial and cash management,
- HR policy (recruitment),
- monitoring of legal procedures (litigation).

Organization

During normal business periods, the Management Committee meets at least once every fifteen days on dates set by the Chairman, subject to availability, with an agenda prepared by the Managing Director.

The following people attend Executive Committee meetings:

- The Chairman of the Board of Directors, Mr Alain Duménil,
- The Managing Director, Patrick Engler
- Deputy Managing Director until 29 January 2016, Mr Philippe Mamez,
- The Chief Financial and Administrative Officer, Mrs Florence Soucémarianadin,
- The Chief Legal Officer, Mr Nicolas Boucheron.

If necessary, certain employees, executives or external consultants may be invited to attend meetings or express their opinions.

During these Committee meetings, the different Company departments prepare summary documents and may request any points deemed relevant to be put on the agenda.

Asset acquisition plans or arbitrations are systematically submitted to the Executive Committee, which decides on the appropriateness of these transactions and their analysis, and where applicable it appoints a project manager.

3. ACCOUNTS COMMITTEE

Formed by the Board of Directors on 4 August 2009, the Accounts Committee's duties, within the remit of the Board of Directors, include:

- overseeing the process of preparing quarterly financial reporting, the half-yearly and annual financial statements, before they are passed on to the Board of Directors for examination and closing where applicable,
- and more generally,

oensuring the relevance, permanence and reliability of the accounting methods in use in the Company and its main subsidiaries, among other things by analysing periodic financial documents, examining the relevance of choices and the correct application of accounting methods, and examining the accounting treatment of all significant transactions,

• listening to and questioning the Auditors,
• examining the Auditors' fees each year and assessing the conditions of their independence,
• examining the applications of Auditors of Group companies whose terms of office are about to end,
• guaranteeing the efficiency of internal control and risk management procedures.

To that end, the Committee has access to all the documents it needs to carry out its duties.

By the same token, without prejudice to the prerogatives of the Board of Directors, it may call upon experts from outside the Company and garner the opinions of any individual who may offer relevant information to better understand a specific point.

It reports to the Board of Directors on a regular basis and may express any opinions and make recommendations to the Board of Directors in matters within its remit.

Since 3 April 2015, the Accounts Committee's members are:

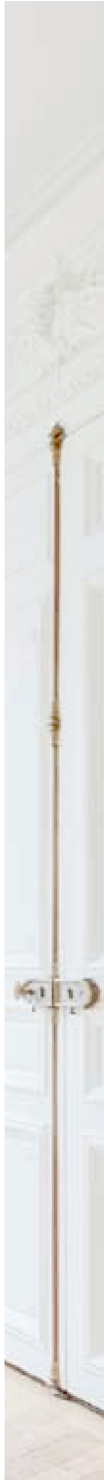
- Mr Patrick Engler, Committee Chairman,
- Mr Jean Fournier,
- Mrs Florence Soucemarianadin.

Accounts Committee members have special financial and accounting skills. One of its members, Mr Jean Fournier, is a non-executive director.

Their terms of office are the same as those of their directorships. They may be dismissed from their duties as members of the Accounts Committee by the Board of Directors at any time.

At its meeting of 19 April 2017, the Committee examined the annual and consolidated accounts for financial period 2016. It examined the property valuations of the Company's assets.

The Accounts Committee's work was in line with the objectives set for it.



4. OTHER COMMITTEES

In view of the size of the ACANTHE DEVELOPPEMENT Group, no other specific committees have been set up to date with regard to the life and business of the Company (remuneration committee, selection or appointment committee).

The ACANTHE DEVELOPPEMENT Group is pursuing its efforts with regard to corporate governance.

III - INTERNAL CONTROL PROCEDURES

ACANTHE DEVELOPPEMENT, through fortnightly committee meetings, monitors and verifies that its decisions are effectively implemented.

Transactions relating to the Group's business activities are verified, as is the accounting treatment thereof, the general aim being to ensure they comply with applicable laws, regulations and standards and that all the necessary measures are taken to avoid any losses likely to jeopardize the Group's long-term future.

This control and monitoring framework aims to cover the main risks identified to date and defines the ways in which these internal control procedures can be improved.

1. INTERNAL CONTROL PROCEDURES RELATING TO ASSET PROTECTION

The following insurance contracts in particular have been taken out:

The Group takes out an absentee owner insurance policy as a matter of routine for all the buildings it owns. For its properties in jointly-owned buildings, the Group subsidiary owner of the flats ensures that the building is adequately insured under an absentee owner policy taken out by the managing agent. In the event of a claim, all the policies provide rebuilding cost cover with limits set according to the value of the bricks and mortar, as well as cover for loss of rent for up to two years' rent.

As far as property development activities are concerned, when major or refurbishment work is carried out on buildings covered by ten-year liability insurance, the companies concerned take out construction damage insurance.

Besides the aforementioned policies, no tenant's risk insurance is taken out, as this risk is mitigated by the great diversity of tenants, thereby enabling the Group to avoid any significant economic dependency.

In addition to its insurance coverage, the Company has regular inspections carried out on the technical installations that could have an impact on the environment or life safety (fire-fighting equipment, ventilation, air-conditioning, electrical installations, lifts, etc.).

2. INTERNAL CONTROL PROCEDURES RELATING TO THE RENTAL AND COMMERCIAL MANAGEMENT OF PROPERTIES

The everyday management of property is entrusted to property managers. Depending on their importance, decisions are made either at the weekly meetings of asset managers with the Company's management or with by the Executive Committee for more important matters.

Dedicated teams are in charge of marketing properties, and they are assisted by acknowledged outside service providers. Prices, deadlines and targets are set in conjunction with General Management and the Executive Committee, and where necessary are authorized by the Board of Directors.

Rental offers are studied by the Asset Managers. The special terms and conditions applying to high-value rental properties (office space) first need to be approved by the Managing Director and/or the Executive Committee.

Finally, a quarterly audit of the income statement is conducted to detect any operating irregularities.

3. INTERNAL CONTROL PROCEDURES RELATING TO FINANCIAL RISKS

Interest-rate risk is partially offset through the use of swap or cap hedging instruments. Any questions in this respect are routinely examined by the Executive Committee, which conducts a weekly review of cash flow and financing requirements.

4. INTERNAL CONTROL PROCEDURES RELATING TO LEGAL RISKS AND LITIGATION

The Group's business involves the signing of contracts for the purchase and sale of buildings or properties in jointly-owned buildings, as well as leases.

All these contracts and agreements and most of the leases are duly drawn up by a notary, thereby rendering them secure and limiting any liability incurred by ACANTHE DEVELOPPEMENT.

Notaries also verify that each transaction (purchase, sale, lease and mortgage financing) meets environmental standards (asbestos, lead and pests), and the Company commissions accredited specialists to carry out these controls and surveys.

Legal risks are monitored by the Legal Department, which ensures that the operations of the Company, its subsidiaries and interests comply with applicable regulations and the Group's interests.

IV - INTERNAL CONTROL PROCEDURES RELATING TO THE PREPARATION AND TREATMENT OF FINANCIAL AND ACCOUNTING INFORMATION

Accounting data on the Group's real estate business is provided by specialized asset and wealth management firms. The same is true for information payroll data and the related social security and tax returns, which are then recorded in the accounts.

At each closing date, the Management Control department audits the accounts, examining any variance between the budget forecast and actual results on closing.

Each off-balance sheet commitment is checked by the Legal Department and updated in real time.

Financial and accounting data is then verified by the Auditors then presented and explained at meetings of the Accounts Committee, whose remit is described above, and the Executive Committee, prior to being signed off by the Board of Directors. Financial and accounting data thus provides a true and fair view of the position and performance of ACANTHE DEVELOPPEMENT.

Since the 2005 financial year, ACANTHE DEVELOPPEMENT has prepared its consolidated financial statements in accordance with International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS).

V – SPECIAL ARRANGEMENTS CONCERNING SHAREHOLDER ATTENDANCE OF THE ANNUAL GENERAL MEETING

In accordance with the provisions of article L.225-37 paragraph 8 of the Commercial Code, this report states that arrangements concerning shareholder attendance of the Annual General Meeting are set out in articles 30 to 44 of the Company's articles of association.

VI - ELEMENTS LIABLE TO HAVE AN IMPACT IN THE EVENT OF A TAKEOVER BID (ARTICLE L.225-100-3 L225-37 9 OF THE FRENCH COMMERCIAL CODE)

These elements are listed in point 35 du annual management report prepared by the Company's Board of Directors.

VII - SEPARATING/COMBINING THE POSITIONS OF CHAIRMAN OF THE BOARD AND MANAGING DIRECTOR

At the Board meeting of 15 January 2013, the directors decided to dissociate the duties of Chairman of the Board and Managing Director. Mr Alain Duménil thus continues as Chairman and Mr Patrick Engler has been appointed Managing Director for the duration of his directorship.

All shareholders and third parties have been duly informed of this decision, which was the subject of a legal notice published in La Loi on 4 February 2013, and an extract of the minutes of the Board of Directors' meeting of 15 January 2013 was filed on 8 February 2013 with the Clerk of the Commercial Court of Paris, in accordance with the provisions of Articles R.225-27 and R.123-105 and Article R.123-9 of the French Commercial Code.

VIII - LIMITATIONS OF THE POWERS OF THE MANAGING DIRECTOR

Full authority is vested in the General Manager to act on behalf of the Company in all circumstances within the bounds of the Company's corporate purpose, except when such authority is expressly vested in the shareholders or the Board of Directors by law.

The Board did not place any limitations on the Managing Director's powers in financial year 2016.

IX – PRINCIPLES AND RULES FOR DETERMINING COMPENSATION PACKAGES AND BENEFITS IN KIND AWARDED TO CORPORATE OFFICERS.

Director's fees as set by the Company's Annual General Shareholders' Meeting are awarded to directors according to different criteria.

First of all, board members' attendance at Board meetings is naturally taken in to account.

Any specific property-related studies (acquisitions/disposals) or financial studies (seeking funding) carried out by individual directors are also taken into consideration.

The compensation packages and perquisites paid to corporate officers are itemized in point 11of the annual management report.

The Chairman of the Board of Directors

ACANTHE DEVELOPPEMENT

APPENDIX 6 – AUDITORS 'S REPORT ON THE CHAIRMAN'S REPORT IN ACCORDANCE WITH THE PROVISIONS OF ARTICLE L.225-235 OF THE COMMERCIAL CODE

ACANTHE DEVELOPPEMENT
European company
2, rue de Bassano - 75116 Paris

Auditor's report pursuant to Article
L. L. 225-235 of the Commercial Code, on the Chairman's report

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ACANTHE DEVELOPPEMENT
European company
2, rue de Bassano - 75116 Paris

Auditor's report drawn up pursuant to Article L. 225-235 of the Commercial Code
on the Chairman's report

Period ending 31 December 2016

To the shareholders,

In our capacity as Auditors of ACANTHE DEVELOPPEMENT and in pursuance of article L. 225-235 of the Commercial Code, we present our report on the report prepared by the Chairman of your company in accordance with the provisions of article L. 225-37 of the Commercial Code for period ending 31 December 2016.

It is up to the Chairman to draw up and submit to the Board of Directors a report on the internal control and risk management procedures in place in the company and providing the other disclosures required by article L. 225-37 of the Commercial Code, concerning inter alia corporate governance among other things.

It is our duty to:
- apprise you of our observations on the information provided in the Chairman's report concerning the company's internal control and risk management procedures relating to the preparation and treatment of accounting and financial reporting, and
- attest that the report includes the other disclosures required by article L. 225-37 of the Commercial Code, on the understanding that we are not required to ascertain the sincerity of the other disclosures.
We have conducted our work in accordance with professional standards generally accepted in France.

INFORMATION ON THE INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES RELATING TO THE PREPARATION AND TREATMENT OF FINANCIAL AND ACCOUNTING INFORMATION

These standards require us to exercise reasonable care in assessing the accuracy of disclosures concerning internal control and risk management procedures relating to the preparation and treatment of the accounting and financial information in the Chairman's report. This consists inter alia in:

-familiarizing oneself with the internal control and risk management procedures relating to the preparation and treatment of the accounting and financial information underlying the disclosures in the Chairman's report and in existing documentation;
-understanding the work involved in preparing the said disclosures and existing documentation;
-determining whether any major deficiencies in internal control relating to the preparation and treatment of the accounting and financial information that we noted during our audit are duly disclosed in the Chairman's report.

On the basis of our work in this respect, we have no comment to make on the company's internal control and risk management procedures governing the preparation and treatment of the accounting and financial information in the Board Chairman's report prepared in accordance with the provisions of article L. 225-37 of the Commercial Code.

OTHER DISCLOSURES

We hereby certify that the report of the Chairman of the Board of Directors includes all the other disclosures required by article L. 225-37 of the Commercial Code.

Paris and Neuilly-sur-Seine, 27 April 2017
The statutory auditors

Exco Paris Ace
Arnaud DIEUMEGARD

Deloitte & Associés
Benoît PIMONT

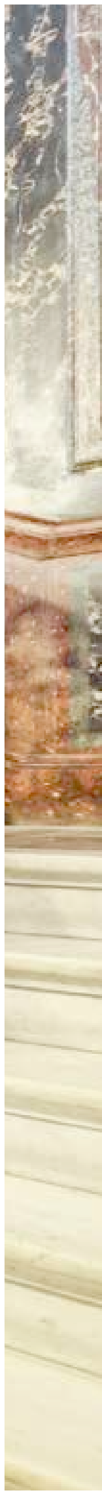
APPENDIX 7 - 5-YEAR SUMMARY

SE ACANTHE DEVELOPPEMENT 31/12/2016
RESULTS (AND OTHER SALIENT FEATURES) OF THE COMPANY OVER THE PAST FIVE FINANCIAL YEARS

	31/12/2012	31/12/2013	31/12/2014	31/12/2015	31/12/2016
Capital at the end of the period					
Share capital	17 206 397	19 312 608	19 991 141	19 991 141	19 991 141
Number of ordinary shares	126 630 877	142 131 582	147 125 260	147 125 260	147 125 260
Number of senior shares					
Maximum number of shared to be issued: - by bond conversion - by subscription right					
Activities and profit					
Revenue (excl. tax)	2 191 440	4 288 127	2 575 933	2 400 861	3 168 966
Earnings before tax, profit-sharing, depreciation and amortization	- 983 326	- 825 643	- 1 766 469	53 791 049	43 971 227
Corporate income tax	-	-	-	1 671 526	-
Worker profit-sharing	-	-	-	-	-
Earnings before tax, profit-sharing, depreciation and amortization	- 1 856 574	- 6 478 143	- 5 313 316	44 329 944	44 338 616
Distributed earnings	7 597 853	4 263 947	-	57 378 851	44 137 578
Earnings per share					
Earnings after tax, profit-sharing, before amortization expense and provisions	0	0	0	0	0
Earnings after tax, profit-sharing, amortization expense and provisions	0	0	0	0	0
Dividend due	0	0	-	0	0
Personnel					
Average employee headcount	3	4	4	4	5
Payroll	276 436	464 061	508 377	520 879	589 043
Employee benefits paid out (Social Security, community services)	119 780	190 003	239 374	244 740	283 918

(1) This is the amount proposed for distribution by ACANTHE DEVELOPPEMENT's Board of Directors, pending approval by the Annual General Meeting convening to approve the accounts.

ANNUAL FINANCIAL STATEMENTS



CONTENT

BALANCE SHEET - ASSETS

SE ACANTHE DEVELOPPEMENT
75116 PARIS

Assets	Period N 31/12/2016 (12 months) Gross	Period N 31/12/2016 (12 months) Amort. deprec (to be deducted)	Period N 31/12/2016 (12 months) Net	Period N-1 31/12/2015 (12) Net	Difference / N-1 Euros	Difference / N-1 %
Subscribed uncalled capital (I)						
CAPITAL ASSETS						
INTANGIBLE ASSETS						
• Preliminary expenses						
• Development expenditure						
• Concessions, patents, licences, and similar rights	3 650	2 113	1 537	2 757	-1 220	-44.25
• Goodwill (1)	5 319 567	3 733 427	1 586 140	1 796 449	-210 309	-11.71
• Other intangible assets						
• Advances and down payments						
PROPERTY, PLANT AND EQUIPMENT (PP&E)						
• Land	1 200 000		1 200 000	1 200 000		
• Buildings	289 050	123 193	165 857	194 762	-28 905	-14.84
• Industrial plant, machinery and equipment						
• Other PP&E	125 325	65 045	60 280	5 725	54 555	952.88
• Construction work in progress						
• Advances and down payments						
LONG-TERM INVESTMENTS (2)						
• Equity-method interests						
• Other controlling interests	228 140 795	957 358	227 183 437	226 841 334	342 103	0.15
• Advances to subsidiaries	88 683 193	2 168 185	86 515 007	42 911 761	43 603 246	101.61
• Other capitalized securities						
• Loans						
• Other long-term investments	14 501		14 501	12 506	1 995	15.95
TOTAL II	**323 776 080**	**7 049 322**	**316 726 759**	**272 965 294**	**43 761 465**	**16.03**
CURRENT ASSETS						
STOCK AND WORK-IN-PROGRESS INVENTORY						
• Raw materials and supplies						
• Goods in progress						
• Services in progress						
• Semi-finished and finished products						
• Goods						
Advances and down payments made on	34 238		34 238	74 822	-40 584	-54.24
ACCOUNTS RECEIVABLE (3)						
• Trade notes and accounts receivable	2 181 727	74 112	2 107 615	1 905 725	201 890	10.59
• Other receivables	5 467 601		5 467 601	44 950 885	-39 483 284	-87.84
• Subscribed capital called and unpaid						
Marketable securities	16 010 234	5 365	16 004 869	22 800	15 982 069	NS
Cash assets	28 520 466		28 520 466	79 128 819	-50 608 353	-63.96
Prepaid expenses (3)	49 824		49 824	51 367	-1 543	-3.00
TOTAL III	**52 264 090**	**79 477**	**52 184 613**	**126 134 417**	**-73 949 805**	**-58.63**
Adjustment accounts						
Expenses capitalized, to be amortized (IV)						
Loan redemption premiums (V)						
Unrealized exchange losses (VI)						
GRAND TOTAL (I+II+III+IV+V+VI)	**376 040 170**	**7 128 798**	**368 911 372**	**399 099 711**	**-30 188 339**	**-7.56**

(1) including lease renewal — 1 586 140
(2) Including maturities under one year (gross) — 0
(3) Including maturities over one year (gross)

BALANCE SHEET - LIABILITIES

SE ACANTHE DEVELOPPEMENT
75116 PARIS

	LIABILITIES	Period N 31/12/2016 12	Period N-1 31/12/2015 12	Difference N/N-1 Euros	Difference N/N-1 %
EQUITY	Capital (including paid-up: 19 991 141)	19 991 141	19 991 141		
	Share and merger premium	55 849 120	55 849 120		
	Revaluation adjustments				
	Reserves				
	• Legal reserve	1 999 114	1 500 000	499 114	33.27
	• Statutory or contractual reserves				
	• Regulated reserves				
	• Other reserves	45 137 751	45 137 751		
	Retained earnings	-42 046 036	-24 114 300	-17 931 736	-74.36
	NET PROFIT OR LOSS FOR THE PERIOD	**44 338 616**	**44 329 944**	**8 673**	**0.02**
	Capital grants				
	Regulated provisions				
	TOTAL I	**125 269 706**	**142 693 655**	**-17 423 950**	**-12.21**
OTHER EQUITY CAPITAL	Income from issued equity securities				
	Conditional advances				
	TOTAL II				
PROVISIONS	Provisions for risks	92 920	95 930	-3 010	-3.14
	Provisions for charges	14 297 839	14 709 662	-411 822	-2.80
	TOTAL III	**14 390 759**	**14 805 591**	**-414 832**	**-2.80**
LIABILITIES (1)	**FINANCIAL DEBTS**				
	• Convertible bond issues				
	• Other bond issues				
	• Loans with lending institutions				
	• Bank overdrafts	228	418	-190	-45.39
	• Loans and miscellaneous financial debts	223 942 705	233 503 093	-9 560 388	-4.09
	Advances and down payments received on orders	13 532	13 532		
	OPERATING DEBTS				
	• Trade notes payable and accounts payable	1 376 122	950 689	425 433	44.75
	• Tax and social security liabilities	3 865 565	5 486 401	-1 620 836	-29.54
	Liabilities on fixed assets and related accounts				
	Other liabilities	52 754	1 646 332	-1 593 578	-96.80
Adjustment accounts	Prepaid income (1)				
	TOTAL IV	**229 250 907**	**241 600 465**	**-12 349 558**	**-5.11**
	Unrealized exchange gains (V)				
	grand TOTAL (I+II+III+IV+V)	**368 911 372**	**399 099 711**	**-30 188 339**	**7.56**
	(1) Accrued income and liabilities	5 308 201	8 097 371		

INCOME STATEMENT

SE ACANTHE DEVELOPPEMENT
75116 PARIS

	Period N 31/12/2016 12			Period N-1 31/12/2015 12	Difference N / N-1	
	France	Export	Total		Euros	%
OPERATING REVENUE [1]						
Sales of goods						
Output sold goods						
Output sold services	3 168 966		3 168 966	2 400 861	768 105	31.99
NET SALES	**3 168 966**		**3 168 966**	**2 400 861**	**768 105**	31.99
Production held as inventory						
Self-constructed assets						
Operating grants						
Reversed impairment, provisions (and amortization) and expense transfers			742 312	6 078	736 233	NS
Other income			25	8 803 423	-8 803 398	-100.00
TOTAL OPERATING REVENUE (I)			**3 911 303**	**11 210 362**	**-7 299 060**	**-65.11**
OPERATING EXPENSES [2]						
Purchases of goods						
Changes in inventory (goods)						
Purchases of raw materials and other supplies						
Changes in inventory (raw materials and other supplies)						
Other purchases and external expenses *			5 102 321	2 694 125	2 408 196	89.39
Taxes and comparable payments			285 165	168 119	117 045	69.62
Wages and salaries			589 043	520 879	68 163	13.09
Social security contributions			283 918	244 740	39 178	16.01
Amortization and depreciation expenses						
• On fixed assets: amortization expenses			258 469	194 942	63 527	32.59
• On fixed assets: depreciation expenses						
• On current assets: depreciation provisions			74 112		74 112	
Depreciation provisions				8 800 000	-8 800 000	-100.00
Other expenses			163 667	235 922	-72 256	-30.63
TOTAL OPERATING EXPENSES (II)			**6 756 694**	**12 858 728**	**-6 102 034**	**-47.45**
1 - OPERATING INCOME (I-II)			**-2 845 392**	**-1 648 366**	**-1 197 026**	**-72.62**
SHARE OF NET INCOME FROM JOINT VENTURES						
Profit allocated ou loss transferred (III)				41 210 502	-41 210 502	-100.00
Loss allocated or profit transferred (IV)			139 196		139 196	

* Including: Equipment lease payments - Property lease payments
(1) Including income from prior periods - (2) Including expenses from prior periods

INCOME STATEMENT

SE ACANTHE DEVELOPPEMENT
75116 PARIS

	Period N	Period N-1	Difference N / N-1	
	31/12/2016 12	31/12/2015 12	Euros	%
INVESTMENT INCOME				
Income from shareholdings [3]	49 367 479	370 064	48 997 414	NS
Income from other investments and receivables on non-current assets [3]				
Other interest and comparable income [3]	338 826	422 446	-83 620	-19.79
Reversed impairment, provisions and expense transfers	345 112		345 112	
Foreign exchange gains				
Net income from sales of marketable securities		909	-909	-100.00
TOTAL V	**50 051 417**	**793 418**	**49 257 999**	**NS**
FINANCIAL EXPENSES				
Amortization, depreciation and provisions	56 965	1 732 820	-1 675 856	-96.71
Interest and comparable expenses [4]	2 343 272	1 563 988	779 284	49.83
Foreign exchange losses				
Net expenses on sales of marketable securities	6 273	227	6 045	NS
TOTAL VI	**2 406 510**	**3 297 036**	**-890 526**	**-27.01**
2. FINANCIAL INCOME (V-VI)	**47 644 907**	**-2 503 617**	**50 148 524**	**NS**
3. PRE-TAX INCOME (LOSS) (I-II+III-IV+V-VI)	**44 660 319**	**37 058 518**	**7 601 801**	**20.51**
NON-RECURRING INCOME				
Non-recurring income on operating activities				
Non-recurring income on investing activities		10 900 339	-10 900 339	-100.00
Reversed impairment, provisions and expense transfers		3 260 644	-3 260 644	-100.00
TOTAL VII		**14 160 983**	**-14 160 983**	**-100.00**
NON-RECURRING EXPENSES				
Non-recurring expenses on operating activities	192	1 589 389	-1 589 197	-99.99
Non-recurring expenses on investing activities		3 306 182	-3 306 182	-100.00
Amortization, depreciation and provisions	321 511	322 461	-950	-0.29
TOTAL VIII	**321 703**	**5 218 032**	**-4 896 329**	**-93.83**
4. TOTAL NON-RECURRING ITEMS (VII-VIII)	**-321 703**	**8 942 951**	**-9 264 654**	**-103.60**
Employee profit-sharing (IX)				
Corporate income tax (X)		1 671 526	-1 671 526	-100.00
TOTAL INCOME (I+III+V+VII)	**53 962 719**	**67 375 265**	**-13 412 546**	**-19.91**
TOTAL EXPENSES (II+IV+VI+VIII+IX+X)	**9 624 103**	**23 045 321**	**-13 421 218**	**-58.24**
5. PROFIT OR LOSS (total income - total expenses)	**44 338 616**	**44 329 944**	**8 673**	**0.02**

(3) Including income from affiliates	49 706 291	792 374
(4) Including interest paid to affiliates	2 334 389	1 505 280

NOTES TO THE ANNUAL FINANCIAL STATEMENTS AT 31 DECEMBER 2016

ACANTHE DEVELOPPEMENT

GENERAL INFORMATION

ACANTHE DEVELOPPEMENT is a European company with share capital of 19,991,141 euros, having its head office at 2 rue de Bassano, Paris 16th, and listed in the Trade & Companies Register of Paris under number 735 620 205. ACANTHE DEVELOPPEMENT shares are listed on Euronext Paris of NYSE Euronext (compartment C, ISIN FR 0000064602).

NOTE 1. MAIN EVENTS OF THE FINANCIAL PERIOD

Appropriated earnings

On 15 June 2016, the annual and extraordinary general shareholders' meeting appropriated the year's earnings as follows:

- Profits for period ending 31 December 2015 .... € 44 329 943,69
- Allocation to the legal reserve: .... - € 499 114,10
- Net income at 31 December 2015: .... ~~€ 15 609 520,56~~

Making distributable income of .... € 59 440 350,15

Appropriation:
- To shares as dividend: .... € 57 378 851,40
  (including the interim dividend paid in August 2015: € 39 723 820,20
- The balance, to unappropriated retained earnings: .... € 2 061 498,75

A dividend of 0.39 euros per share was paid for each of the 147,125,260 shares making up the share capital at 31 December 2015.

You are further reminded that on 12 August 2015 the Board of Directors decided to pay an interim dividend of 39,723,820.20 euros (0.27 euros per share), with the result that the balance of the dividend, namely 17,655,031.20 euros (0.12 euros per share) was still outstanding at 31 December 2015.

Furthermore, under the SIIC (property investment trust) regime, the Company was required to distribute its earnings for period ending 31 December 2015, which total 56,550,000.03 euros. The proposed distribution is thus a "SIIC" dividend in full.

At its meeting of 4 November 2016, the Board of Directors decided to pay an interim dividend of €0.30 per existing share at 01/01/2016 on the earnings of financial year 2016, making a total distribution of €44,137,578.

NOTE 2. ACCOUNTING POLICIES, STANDARDS AND METHODS

2.1 General points

The annual financial statements for period ending 31 December 2016 are prepared in accordance with the provisions of Commercial Code, the uniform code of accounts as described in ANC regulation 2016-07 of 4 November 2016 and generally accepted French accounting practice.

2.2 Bases of valuation, judgement and use of estimates

The main estimates concern valuations of the recoverable value of investment properties.

The criteria for valuing buildings are defined in the Charte de l'Expertise en Evaluation immobilière (Property Valuation Guidelines).

The present market value is the price one can expect to get if the building is sold to a buyer having no particular connection with the vendor within roughly 6 months of it being advertised in the market.

The tenancy status of premises is taken into consideration, the general rules being to:
-capitalize the rental value of vacant premises at a higher rate than that used for rented premises to factor in the risk of vacancy,
-adjust the rate of return on rented premises according to the location, type and use of buildings, and the level of rents in relation to the rental value and lease renewal dates.

The terms and conditions of leases were taken into account in the estimate, in particular the cost to lessees of possibly exorbitant common law clauses (land tax, building insurance, major repairs under Article 606 of the French Civil Code and management fees).

Finally, the buildings were deemed to be in a good state of repair, the budgets for work to be carried out having been deducted.
Any valuation may include a degree of uncertainty that could have an impact on the future result of operations.

In accordance with CRC regulation 02-10, an impairment test was carried out at the end of the period. The purpose of the test is to ascertain that the values estimated by the expert valuations described above are much higher than the net carrying amount posted in the balance sheet for the assets concerned. Otherwise, a valuation allowance for the difference is recognized.

These property valuations contribute to the valuation of equity interests.

2.3 Reporting date

The annual financial statements cover the period from 1st January 2016 to 31 December 2016.

2.4 SIIC (real estate investment company) regime.

You are reminded that on 28 April 2005 ACANTHE DEVELOPPEMENT SA opted for the Sociétés d'Investissement Immobilières Cotées (Real Estate Investment Company) tax regime, with effect from 1st May 2005 .

This regime exempts companies from corporation income tax on earnings from building rentals (or from the subletting of premises under leasing contracts signed on or acquired since 1st May 2005), on capital gains earned on certain disposals of buildings or holdings in property companies and the distribution of dividends by certain subsidiaries; such exemption is subject to:
• 95% of the profits from the rental of properties being distributed before the end of the financial year following the one in which they were made;
• 60% of the capital gains from disposals of properties and certain ownership interests in property companies being distributed before the end of the second financial year following the one in which they were made;
•100% of the dividends received from subsidiaries having opted to the SIIC tax regime being distributed before the end of the financial year following the one in which they were received.

NOTE 3. MEASUREMENT BASIS

3.1 Intangible assets

The lease renewal concerns the long-term lease on an office building in Brussels contributed by FINANCE CONSULTING in 2012 as part of a merger. A valuation allowance would be recognized if the market value of the property complex contributed by the company were to fall below its net carrying amount as posted under balance sheet assets, including the technical losses on merger described below.

As the merger with FINANCE CONSULTING was recognized on the basis of carrying amounts, the technical losses on merger reflects the difference between the fair value of the contributed assets and their net carrying amount in the contributing company's books of account. The technical loss on merger follows the value of its underlying asset and is amortized over the remaining lease amortization period, namely 8 years.

A valuation allowance is recognized when the cumulative value of the underlying asset and the portion of the losses arising from the underlying asset is higher that the value of the said underlying asset.

3.2 Property, plant and equipment

Property, plant and equipment are measured at their acquisition cost or their transfer value.
Depreciation is calculated on a straight-line basis over the following estimated useful lives:

Buildings..30 years
Façades & Weather-proofing ....15 years
General technical installations...................................20 years
Interior fixtures and fittings Decoration.................10 years
Technical losses..8 years
Software...3 years
Transportation equipment...5 years
Office furniture ....3 years
Office equipment and computer hardware ....3 years

3.3 Long-term investments

Equity interests are posted in the balance sheet at their acquisition cost; where applicable, they are impaired when their current value (based on net book assets, unrealized gains or losses, profit prospects or market price) proves to be lower than their acquisition cost. When the current value is negative, a provision for impairment of current accounts is recognised and, should this be insufficient, a provision for contingencies is recognized. The related receivables comprise current accounts with the subsidiaries.

3.4 Receivables

Receivables are recognized at face value. A provision for impairment is recognized when collection thereof is compromised.

3.5 Marketable securities

The current value of marketable securities is their average market price during the last month of the period. An impairment writedown is recognized when the current value is less than their acquisition cost except for ACANTHE DEVELOPPEMENT treasury shares, due to the adjusted net asset value (ANAV), which is greater than the net carrying amount.

3.6 Revenue

Revenue from «Services» comes from rents collected from tenants of properties leased by the company, as well as services billed to subsidiaries (head office costs and salaries, sundry tasks and duties).

3.7 Provisions for contingencies and losses

Contingency and loss provisions are recognized when, at year-end closing, the company has a present obligation towards a third party and it is probable that an outflow of resources will be required to settle the obligation without at least an equivalent consideration being expected from the said third party.

ACANTHE DEVELOPPEMENT SA does not recognize its pension and retirement benefit commitments, as they are insignificant.

3.8 Earnings per share

In accordance with decision no. 27 of the OEC (French association of chartered accountants), basic earnings per share are determined by dividing the company's net income by the weighted-average number of shares outstanding during the period.

The weighted-average number of shares is 147 125 260. Earnings per share are thus €0.301.

Diluted earnings per share are the same as earnings per share.

The Board of Directors' meeting of 5 April 2016 duly noted Mr Alain Duménil's express and definitive abandonment of the balance of the options (4,896,436 options remaining to date) awarded by the Board of Directors during its meeting of 28 August 2009 pursuant to the first resolution of the Combined Shareholders' Meeting of 21 March 2007.

So there is no longer any future dilution risk if the share price appreciates in the future.

NOTE 4.EXPLANATION OF BALANCE SHEET AND INCOME STATEMENT ITEMS AND CHANGES THEREIN (IN THOUSANDS OF EUROS)

4.1 Capital assets

(In thousands of euros)

	Immobilisations				Amortization and depreciation				Net
	Valeur brute 01/01/2016	Augm. Apport	Variation cpte à cpte	Valeur brute 31/12/2016	Amort. au 01/01/2016	Augm. Apport	Diminut.	Amort.au 31/12/2016	31/12/2016
Intangible assets									
Software	4			4	1	1		2	2
Lease renewal (1)	4 958		362	5 320	3 523	210		3 733	1 586
Merger loss (1)	362		- 362	-	-			-	-
Capital assets tangible									
Land	1 200			1 200	-			-	1 200
Buildings	-			-	-			-	-
Fixtures, fittings and equipment	289			289	94	29		123	166
Vehicles	-	72		72	-	14		14	58
Office & IT equpmt	53	0		53	47	4		51	3
In progress	-			-	-			-	-
Capital assets Financial									
Equity interests	228 141			228 141	1 299		342	957	227 183
Loans to subsidiaries	45 028	43 655		88 683	2 117	52		2 169	86 515
Other LT invest., Loans	12	2		14	-			-	14
TOTAL	**280 047**	**43 729**	**-**	**323 776**	**7 082**	**310**	**342**	**7 050**	**316 727**

(1) relating to the lease renewal and the long-term lease on an office building in Brussels contributed by FINANCE CONSULTING in 2012 as part of a merger. From 1st January 2016, the Adjusted Net Asset Value has modified the balance-sheet recognition of the technical loss on merger in order to allocate it to the underlying assets. It will also follow the amortization and depreciation rules governing the underlying asset to which it is allocated.

Property, plant and equipment

Property, plant and equipment items include a plot of land and the long-term lease on an office building in Brussels, contributed by FINANCE CONSULTING in 2012 as part of a merger.

Long-term investments

As of 31 December 2016, and where applicable, provisions for long-term investments take into account the net revalued position of unrealized gains on the buildings.

SUBSIDIARIES AND EQUITY INTERESTS (IN THOUSANDS OF EUROS)

Company	Capital	Equity other than capital	Proportionate interest (%)	Gross carrying amount	Net carrying amount	Loans and advances granted by the company	Sureties and guarantees given by the company	Turnover excluding tax in the last financial year	Profit or loss of prior period	Dividendes - Acompte sur résultat	Dividends paid to the company during the period
A : subsidiaries at least 50 %											
SA VELO	1	-1 1 46	100,00%	624	-	1 075	-	-	-25	-	-
SA BALDAVINE	131	13	100,00%	4 625	4 625	-	-	15	55 226	49 345	23
SNC VENUS	2224 811	8 754	97,34%	217 719	217 719	25 784	-	1 974	3 668	-	-
FINPLAT	31	-1 454	100,00%	0	0	1 652	-	-	-1 049	-	-
SAS BASSANO DVT	33 301	-3 355	15,10%	5 172	4 838	-	-	848	2 278	-	-
TRENUBEL	31	-1 472	99,92%	0	0	2 470	-	-	-35	-	-
ECHELLE RIVOLI	1	-	99,9%	1	1	22 833	-	805	-153	-	-
B : subsidiaries, less than 10%											
TOTALS				228 141	227 183	53 814	0	3 642	59 910	49 345	23

Subsidiary Bassano Développement, 15.01% owned, is the freeholder of the Royal Garden Hotel at 218/220 rue du Faubourg St Honoré (Paris 8th).

ACANTHE DEVELOPPEMENT also has current accounts with lower-tier subsidiaries, namely CEDRIANE (€10,601,000), SC CHARRON (€17,865,000) and SCI BIZET 24 (€6,403,000).

4.2 Statement of Receivables (gross before impairment)

Change in receivables (In thousands of euros)

Gross receivables	At 31/12/16	At 31/12/15	Change
Capitalized receivables			
Loans to subsidiaries and affiliates	88 683	45 028	43 655
Other long-term investments	15	13	2
Current assets			
Trade receivables	2 182	1 906	276
State and local authorities	3 649	4 053	-405
Group & Associates			
Sundry debtors	1 819	40 898	-39 079
Prepaid expenses	50	51	-2
TOTALS	**96 397**	**91 949**	**4 448**

"Loans to subsidiaries" primarily include advances to Group subsidiaries. The increase is primarily accounted for by the reclassification of €25,784,000 of escrowed dividends paid by VENUS from "Other receivables" at 31 December 2015 to "Loans to subsidiaries" and the €17,865,000 advance granted to subsidiary SC CHARRON to pay off in full the loan it had taken out with the ING bank. In other respects, during the period cash advances are made between subsidiaries according to their needs.

The change in "Customers" is accounted for by the increase in unbilled receivables. This item, with a gross value of €2,182,000, is written down by €74,000.

«State and local authorities» includes a State debt (€3,375,000) further to a tax dispute (see note 6), VAT receivables (€228,000), a carry¬back demand (€44,000) and accrued income of €2,000 from the Treasury.

"Non-trade receivables" include €1,700,000 in escrow further to a dispute between Company and former shareholders of a subsidiary (note 6.2) and other non-trade receivables (€119,000). The reduction in this item is primarily due to the reclassification of €25,784,000 of escrowed dividends paid by VENUS as "Loans to subsidiaries", the collection in the period of the €10,560,000 for the indemnity agreement on the lease of the building in rue de Bassano, and the February 2016 repayment of €2,699,000 of escrowed funds for arranging the first demand guarantee in favour of the lessor of the building at 2 rue de Bassano in Paris 16th.

Schedule of receivables
(In thousands of euros)

Receivables	Gross amount	Net amount	Due in one year at the most	Due in over one year
Capitalized receivables				
Loans to subsidiaries and affiliates	88 683	86 515		86 515
Loans				
Other	15	15		15
Circulating assets				
Customers	2 182	2 108	2 108	
State and local authorities	3 649	3 649	3 649	
Group & Associates				
Sundry debtors	1 819	1 819	1 819	
Prepaid expenses	50	50	50	
TOTALS	**96 397**	**94 155**	**7 625**	**86 530**

4.3 Marketable securities

The current value of marketable securities is their average market price during the last month of the period for shares, and the latest known price for open-end investment fund units (SICAV).
(in thousands of euros)

Securities	Number	Gross carrying amount	Net carrying amount
Own shares	71 532	23	23
KRONOS shares	54	2 994	2 994
SICAV	116	12 994	12 988
TOTALS	**71 702**	**16 010**	**16 005**

4.4 Equity
(In thousands of euros)

	Capital	Primes d'émission	Réserve légale	Autres réserves	RAN	Résultat net	Total
At 31/12/15	19 991	55 849	1 500	45 138	15 610	4 606	142 694
Appropriation of income (loss)			499		4 107	-4 606	0
Dividends					-17 655		-17 655
Increase in capital through						-44 138	-44 138
Dividends on redeemed shares					30		30
2016 net income						44 339	44 339
TOTALS	**19 991**	**55 849**	**1 999**	**45 138**	**2 092**	**201**	**125 270**

During the period, as mentioned under "Highlights of the period", the main changes in equity were:
- €499,000 allocated to the legal reserve,
- €17,655,000 paid for the balance of the 2015 dividend,
- payment of an interim dividend of €44,138,000,
- and a share dividend on treasury shares generating a €30,000 increase in equity,
- the period's profit of €44,339,000.

Share capital components

As of 31 December 2016, the share capital comprises 147,125,260 fully paid-up ordinary single-voting shares.

4.5 Liabilities

Changes in liabilities
(In thousands of euros)

Liabilities	At 31/12/16	At 31/12/15	Change
Bank loans and financial liabilities	0	0	0
Sundry borrowings and debts	234	266	-32
Advances and down payments received	14	14	-
Trade accounts payable	1 376	951	425
Tax and social security liabilities	3 866	5 486	-1 621
Current accounts (incl. SNC Venus €219 million)	223 709	233 237	-9 529
Other liabilities	53	1 646	-1 594
TOTALS	**229 251**	**136 969**	**-12 350**

«Sundry financial loans and debts» includes returnable deposits received from lessees.

"Advances and down payments received" comprises the balances of customers in credit further to the repayment of charges in favour of the lessees.

Changes in "Trade payables" primarily include the increase in occupancy charges on the building in rue de Bassano, and fee provisions for our advisers.

«Tax and social security liabilities» primarily comprise €420,000 of payable VAT and €3,260,000 of outstanding tax, the balance being accrued payroll costs.

"Current accounts" essentially comprise cash advances of subsidiaries having cash surpluses.

"Other liabilities" essentially comprise unbilled credit notes on 2016 occupancy expenses.

Schedule of debts
(In thousands of euros)

Liabilities	Amount	Due in one year at the most	due in 1 to 5 years	due in over 5 years
Bank loans and financial liabilities	0	0		
Sundry borrowings and debts	234		234	
Advances and down payments received	14	14		
Trade accounts payable	1 376	1 376		
Tax and social security liabilities	3 866	3 866		
Current accounts	223 709		223 709	
Other liabilities	53	53		
TOTALS	**229 251**	**5 309**	**223 943**	**-**

4.6 Accrued payables and Accrued income

(In thousands of euros)

Accounts receivable	31/12/16	31/12/15	Var.
Financial			
Accrued interest on cur.act. receivables	176	422	-246
Accrued interest on term deposits			
Operating Loans			
Trade receivables	2 068	1 889	179
Sundry int.			
Other receivables	2	14	-12
Unbilled discounts received			
Sundry accrued income			
TOTAL	**2 247**	**2 195**	**-79**

Liability	31/12/15	31/12/15	Var.
Financial			
Accrued interest on cur.act. liabilities	2 334	1 468	866
Accrued interest on loans			-
Accrued interest	-	0	0
Operating Loans			
Trade payables	1 082	630	452
Tax and social security liabilities	85	55	31
Unbilled discounts granted	53	3	50
Sundry accrued expenses	-	24	-24
TOTAL	**3 554**	**2 024**	**1 375**

4.7 Provisions

(In thousands of euros)

	Amount at 31/12/2015	Accretion	Writedown		Amount at 31/12/16
			used	not used	
For disputes					
For tax adjustment	5 909	322			6 231
For risks	96	-		3	93
For expenses	8 800			733	8 067
For equity interests	1 299			342	957
For current accounts	2 117	52			2 168
For VMP	-	5			5
On treasury shares	-	74			74
TOTAL	**18 221**	**453**	**-**	**1 078**	**17 596**

ACANTHE DEVELOPPEMENT was the subject of a tax audit in 2016. The audit covered all tax or social security returns in the period from 1st January 2014 to 31 December 2015. The audit resulted in a notice of reassessment primarily concerning the absence of taxation of a fraction of one of its dividend distributions (the portion resulting from taxable income) on the additional contribution to corporation tax due on the distributed earnings. This point of tax law is indeed the subject of an appeal filed by other companies (and still pending) before the Constitutional Council. ACANTHE DEVELOPPEMENT however has already recognized a provision of €165,000 at 31 December 2016 in respect of the latter notification.

- The provision for interest on arrears (tax risks) was also adjusted by €157,000 (see note 6.1).
- A reversal of a provision for risks (€3,000) was recognized for subsidiary VELO during the period.
- You will recall that ACANTHE DEVELOPPEMENT signed a lease on the building at 2 rue de Bassano in Paris. This building, which was owned by the group's subsidiaries BASNO and FONCIERE DU ROCHER, was leased by ACANTHE DEVELOPPEMENT and by various affiliates. It was sold on December 2015, subject to termination of the existing leases and to ACANTHE DEVELOPPEMENT taking out a fixed 12-year lease on the whole building for a rent of €2,699,000, this rent per square metre being higher than the rent per square metre specified in the previous leases. In order to enable its lower-tier subsidiaries to sell the building under the desired terms and conditions, ACANTHE DEVELOPPEMENT agreed to take out the said lease subject to being paid compensation for the additional updated carrying charge it will incur for the duration of the lease. Under the new lease, the rent that ACANTHE DEVELOPPEMENT will pay for the floor area it occupies personally will be higher than the previous rent, and furthermore the rents it will collect from its sub-lessees (the former lessees of the building, on the same terms as previously) will be lower than the rent it will pay for the same floor areas: A provision reversal of 1/12th of €733,000 was recognized for occupancy expenses under the lease of the building at 2 rue de Bassano in Paris.
- A provision reversal for impairment of equity interests (€342,000) was recognized for subsidiary SAS BASSANO DEVELOPPEMENT.
- Two impairment provisions for the current accounts were recognized for a total of €52,000. The subsidiaries concerned are VELO (€32,000) and FINPLAT (€20,000).
- A valuation allowance of €5,000 for short-term investments was recognized.

4.8 Prepaid expenses

These primarily consist of subscription and insurance costs (€50,000 compared with €51,000 in 2015).

4.9 Affiliated companies

(In thousands of euros)

Balance Sheet	31/12/16	31/12/15	Chg.	Income Statement	31/12/16	31/12/15	Chg.
Equity interests	228 141	228 141	0	Fees	-210	328	119
Prov. for equity interests	-957	-1 299	342	Interest on other loans	0	0	
				Interest expenses on cur.act	-2 334	-1 505	-829
				Reinvoicing of staff	-425	-127	-298
Créances rattachées à des part.	88 507	44 606	43 901	Property rentals	0	-715	715
int. on loans to subs. and aff.	176	422	-246	Rebillable expenses	0	-270	270
Prov. for current accounts	-2 168	-2 117	-51	Share of book loss - Subsidiaries	-139	0	-139
Provisions for contingencies	-93	-96	3	Share of book profit - Subsidiaries	0	41 211	-41 211
				Prov. for contingencies	3	0	3
Current account in credit	-221 374	-231 769	10 395	Works rebilled	0	-1	1
Interest on current account	-2 334	-1 468	-866	Income from current accounts	342	0	342
				Income from participating interests	484	452	32
Unbilled receivables	2 068	1 853	215	Income from current accounts	339	422	-83
Customers	18	2	16	income from participating interests	49 367	370	48 997
Deposits received	-234	-266	32	Reinvoicing of sundry expenses	4	9	-6
Deposits paid	0	0	0	Head office costs rebilled	1 211	1 095	115
Invoices not yet received	-510	-152	-358	Taxable rents	1 067	196	872
Unbillled credit note	0	12	-12	Rebillable expenses	399	77	322
Shares	-43	-3	-40	Provision for current accounts	-52	-1 115	1 064
Provision for shares	23	23	0	Provision for equity interests	0	-617	617
Sundry debtors	0	25 784	-25 784	Other income-Compensation	0	8 800	-8 800
TOTAL	91 219	63 672	27 547	TOTAL	50 056	47 953	2 103

Transactions between the company's subsidiaries were made under normal market conditions; as such, they do not require additional disclosures under Article R.123-198 11° of the French Commercial Code.

4.10 Notes to the income statement

Changes in revenue (In thousands of euros)

Income	At 31/12/16	At 31/12/15	change
Rental income	1 071	644	427
Income from rebillable expenses	399	200	199
Income from other activities	1 698	1 557	142
Revenue	**3 169**	**2 401**	**768**

ACANTHE DEVELOPPEMENT is both a holding company and a property investment company. Its revenue comprises rents from leased properties as well as income from rebillable expenses and head office expenses invoiced to subsidiaries.

Changes in rental income and rebillable service charges are accounted for in particular by the subletting of part of the premises at 2 rue de Bassano (€873,000 for rental income and €323,000 rebillable service charges) and by the reduction in income from the building in rue d'Athènes further to the sale on 29 December 2015 (-€449,000 for rental income and -€122,000 for rebillable service charges).

Revenue from ancillary operations totalled €1,698,000 against €1,557,000 in 2015.

A provision reversal of €733,000 was recognized for additional occupancy expenses under the lease of the building at 2 rue de Bassano in Paris. (see note 4.7)

Operating expenses

Operating expenses totalled €6,757,000 for the period compared with €12,859,000 last year.
This fall (€6,102,000) is essentially accounted for by:

- a provision for additional future additional occupancy expenses (-€8,800,000) was recognized in 2015, compared with none this year,
- the increase in rental charges (+€1,984,000) and the charges attached to the building (+€337,000),
- the increase of direct and indirect taxes (+€117,000),
- the increase in «Wages and salaries and social security contributions» (+€107,000).

Share of net income from joint ventures

Profits transferred from conduit entities total €139,000.

Net financial income

This year, net financial income shows a profit of €47,645,000 and breaks down as follows:

-+€49,367,000 of dividends received from BALDAVINE, resulting from an interim dividend further to the sale of buildings in Paris rue de Lisbonne and rue Vieille du Temple,
- +€339,000 of interest received on current accounts,
- -€2,334 of interest paid on current accounts,
- A provision of €32,000 for impairment of the VELO current account,
- A -€20,000 provision for impairment of the current FINPLAT account,
- +€342,000 for a reversed provision on BASSANO DEVELOPPEMENT securities,
- A provision for risks and contingencies of -€3,000 on VELO securities,
- And other financial income and expenses totalling €20,000 net.

At 31 December 2015, net financial income showed a loss of €2,504,000. It broke down as follows:

- +€370,000 of dividends received from BALDAVINE and BASSANO DEVELOPPEMENT,
- +€422,000 of interest received on current accounts,
- €1,505,000 of interest paid on current accounts,
- A provision of €42,000 for impairment of the VELO current account,
- A -€1,073,000 provision for impairment of the FINPLAT current account,
- A provision of €617,000 for BASSANO DEVELOPPEMENT securities,
- A provision for risks and contingencies of -€3,000 on VELO securities,
- And other financial income and expenses totalling €58,000 net.

Non-recurring items

This year, non-recurring items showed a loss of €322,000 compared with a loss of €8,943,000 in 2015.
This loss is essentially due to provisions totalling €322,000 for the risk of tax adjustment.

The period showed a profit of €44,339,000.

NOTE 5. OFF-BALANCE SHEET COMMITMENTS

5.1 Commitments given

ACANTHE DEVELOPPEMENT has granted collateral totalling €6,821,000 to the banks that financed buildings owned by its subsidiaries.

Collateral, Guarantees and Sureties:

Company whose securities are pledged	Owner of the securities	Beneficiaries of the pledge	Effective date	Maturity date	Number of securities pledged	% of pledged capital
SCI ECHELLE RIVOLI	ACANTHE DEVELOPPEMENT	MUNCHENER HYPOTHEKEN BANK	18/11/2013	17/11/2020	999	99,90%

5.2 Commitments received

None

5.3 Rentals invoiced by the suppliers

ACANTHE DEVELOPPEMENT signed a fixed-term lease for 12 years to rent the building at 2 rue Bassano in Paris 16th, which the Group sold at the end of December 2015 (see note 4.7).

The minimum future payments payable under this signed and firm operating lease are presented below in aggregate and for each of the following periods:

In thousands of euros	Total	Due in one year at the most	Maturing in between one and 5 years	Maturing in over 5 years
Rent to be paid	29 689	2 699	10 796	16 194
TOTALS	**29 689**	**2 699**	**10 796**	**16 194**

The table lists the estimated scheduled payments of rent based on the lease continuing to its term.

The Group does not use all the building's floor area. Subleases have been arranged and sub-lessees are being sought for the vacant areas. The rent from these subleases will lower the cost of the lease.

NOTE 6. DISPUTES

6.1 Tax disputes

In consideration of the information below, the arguments put forward by CMS Bureau Francis Lefebvre lawyers and arguments based on legal precedents, the Company considers that it should win most of these cases, which justifies the absence of recognized provisions apart from those recognized in cases that resulted in adverse decisions rendered by the Administrative Court of Appeal or the Council of State.

1) Parent/daughter company regime

The tax authority challenged the applicability of the parent-child regime to the dividends distributed in 2004. An upward adjustment was notified in the same notice as the upward adjustment of the value of AD CAPITAL actions mentioned below. The theoretical amount of additional tax under the parent/child company regime totals €0.8m in principal and €0.3m in interest and penalties.

In the same notice, the tax authority drew conclusions from the two upward adjustments above, and automatically raised the exit tax declared when the SIIC (Real Estate Investment Trust) option was taken up. The theoretical amount of additional tax in this respect totals €3.16m in principal and €2.19m in interest and penalties.

In a ruling on 10 December 2014, the Administrative Court dismissed the Company's appeal on the applicability of the parent-child regime. In a ruling dated 8 November 2016, the Administrative Court of Appeal of Paris, confirmed the decision of the Administrative Court.

An appeal on points of law was filed on 9 January 2017 with the Council of State to challenge the ruling of the Administrative Court of Appeal of Paris on this point. The case is currently being heard by this Court.

At the request of the statutory auditors, the company funded provisions for these upward adjustments.

The recognized provisions (including interest on recoveries) therefore amount to €4.36 million in total.

2) Other reasons for tax reassessment

Moreover, the proposals for correction sent to ACANTHE DEVELOPPEMENT questioned the valuation of the AD CAPITAL shares distributed as dividends in kind for a base amount of €15.6 million, a portion of which is taxed as long-term capital gains, which results in back taxes of €3.4 million in principal. ACANTHE DEVELOPPEMENT had valued these securities on the basis of Adjusted Net Asset Value (ANAV) and the tax authorities has proposed other methods, which have been contested by the Company and its advisors (CMS Bureau Francis Lefebvre) in their response to the proposed adjustment.

On 7 July 2008, the departmental representative of the tax authorities met the company's counsel, CMS Bureau Francis Lefebvre, and after the meeting, the authorities, albeit confirming the principle of the challenge to the initial valuation method, accepted some of the submitted valuation elements and correlatively reduced the amount of the tax adjustment to €11.8m, making a tax adjustment in the principal amount of €2.5m.

Pursuing its challenge of the adjustment, the company specifically requested that it be submitted to the departmental committee of direct taxes and taxes on sales. The committee duly examined the company's case on 30 June 2010 and took into account the elements submitted on behalf of the company to demonstrate the exaggerated nature of the valuation performed by the authorities. Following this decision, the amount of the adjustment was further reduced to €10.4m, making a tax adjustment of €2.15m (excluding €0.34m of interest and €0.82m of surcharges).

There again, on receiving collection notice for the corresponding tax, the company filed a claim and, following the rejection of the latter, on 7 September 2011 it referred the matter to the Administrative Court of Paris in order to have all the arguments presented taken into consideration. The proceedings are currently underway.

In a ruling of 10 December 2014, the Administrative Court fully upheld the Company's appeal on the valuation of the AD CAPITAL shares distributed as dividends in kind. Similarly, the Administrative Court discharged the upwardly adjusted exit tax in proportion to the exemption on the point above.

The tax authority, without prejudice to an appeal against this decision, pronounced a tax exemption of all sums initially levied further to this raising.

No provision has been recognized in this respect.

ACANTHE DEVELOPPEMENT was the subject of a tax audit in 2014. The audit covered all tax or social security returns in the period from 1st January 2011 to 31 December 2013. The audit did not lead to a reassessment.

ACANTHE DEVELOPPEMENT was again the subject of a tax audit in 2016. The audit covered all tax or social security returns in the period from 1st January 2014 to 31 December 2015. The audit resulted in a notice of reassessment primarily concerning the absence of taxation of a fraction of one of its dividend distributions (the portion resulting from taxable income) on the additional contribution to corporation tax due on the distributed earnings. This point of tax law is indeed the subject of an appeal filed by other companies (and still pending) before the Constitutional Council. ACANTHE DEVELOPPEMENT however has already recognized a provision of €165,000 at 31 December 2016 in respect of the latter notification.

6.2 OTHER DISPUTES: FRANCE IMMOBILIER GROUP (FIG)

a/ Decision of the Paris Court of Appeal of 27 February 2014:

In a decision dated 27 February 2014, the Paris Court of Appeal decided:
- to cancel a contribution deed dated 24 November 2009 whereby FIG (formerly a lower-tier subsidiary of ACANTHE DEVELOPPEMENT sold on 19 March 2010) contributed all its property assets (buildings and shares in property investment partnerships) to SNC VENUS, valued by a valuer of contributions in kind at €138,755,688, in exchange for 95,496 SNC VENUS partnership shares,
- to cancel a decision dated 9 December 2009 to distribute all FIG's assets (more particularly including VENUS shares) to TAMPICO,
- cancel a decision dated 11 June 2010 to increase FIG's capital from €1,439,50 to €10,221,035.83 and modify the company's share capital allocation.

The Paris Court of Appeal also ordered ACANTHE DEVELOPPEMENT, jointly and severally with companies FIG and VENUS, to pay Mr Barthes €129,552 and Mr Noyer €89,597 as compensation for their loss of shareholders' rights.
The Court of Appeal thus reviewed the conclusions of Mr Kling, the expert appointed under the decisions of 14 January 2011 of the Paris Commercial Court to value the rights that FIG's minority groups held in FIG's shareholders' equity and dividends and reserves, after allowing for changes in their ownership interest further to the various transactions affecting FIG's net assets since the ordinary and extraordinary general meeting of 24 February 2004.
The Court of Appeal also ordered ACANTHE DEVELOPPEMENT and VENUS jointly and severally to pay €100,000 each in respect of article 700 of the Code of Civil Procedure.
ACANTHE DEVELOPPEMENT paid Mr Barthes and Mr Noyer in full further to this decision.
The Court of Appeal did not set aside the decision dated 23 February 2010 whereby company TAMPICO distributed dividends totalling €235,064,565.09 (mainly by distributing VENUS shares) to ACANTHE DEVELOPPEMENT.

Given the complexity of the decision of 27 February 2014 and the impossibility of restoring the «status quo ante» in view of transactions made since 24 February 2004, ACANTHE DEVELOPPEMENT takes the view that this decision is inapplicable.
This situation creates a legal uncertainty regarding how this dispute will unravel and its possible consequences.
Further to the decision of 27 February 2014, a communiqué was sent to all shareholders and published on the Company's web site on 6 March 2014.
The decision has been published in its entirety on the Company's web site since that date.

An appeal on points of law has been lodged against this judgement. The decision of the Final Court of Appeal will be handed down on 26 April 2017.

b/ Sums held in escrow:

In an ex parte order of 15 June 2010 delivered at the request of Messrs Barthes and Ceuzin, the President of the Commercial Court of Paris ordered the confiscation of 95,496 SNC VENUS partnership shares representing a value of more than 138 million euros, belonging to ACANTHE DEVELOPPEMENT, by a court bailiff.
In an ex parte order dated 16 September 2010 delivered at the request of Messrs Barthes and Ceuzin, the President of the Commercial Court of Paris ordered €15,179,894.85 (the full amount of the dividend voted by the General Meeting of the Shareholders ACANTHE DEVELOPPEMENT on 18 June 2010) placed under compulsory administration by a court bailiff.
A decision of the Paris Court of Appeal on 8 December 2010 confirmed the ex parte order of 8 October 2010, which had limited the amount placed under compulsory administration to €1,700,000.
An ex parte order dated 29 March 2011 dismissed ACANTHE DEVELOPPEMENT's application in respect of the court order of 15 June 2010 and rejected its application in respect of the court orders of 16 September and 8 October 2010.
In a ruling on 30 March 2012, the Paris Court of Appeal confirmed the part of the 29 March 2011 court order in connection with the court order of 15 June 2010. The Court of Appeal in particular held that since

the judgements of 14 January 2011 were under appeal, they were not definitive and accordingly did not end the dispute between the parties.
With regard to the appeal against the court order of 29 March 2011 for the part relating to the court orders of 16 September and 8 October 2010, a judgement of the Paris Court of Appeal on 25 October 2012 dismissed ACANTHE DEVELOPPEMENT's appeal.

Further to the aforementioned ruling of 27 February 2014 on the appeals against the rulings of 14 January 2011, ACANTHE DEVELOPPEMENT lodged an appeal with the competent courts with a view to securing the release of the funds held in escrow.

In a judgement dated 24 September 2015, the Court of Appeal of Paris dismiss all ACANTHE DEVELOPPEMENT's claims, considering that it had lodged an appeal in law against the ruling of 27 February 2014, with the result that this ruling was not final.
ACANTHE DEVELOPPEMENT has lodged an appeal in law against the September 2015 decision. The decision will be handed down on 26 April 2017.

The €138m of VENUS securities and the €1.7m placed in escrow on the initiative of Messrs Barthes and Ceuzin should be reconciled with the €129,552 granted to Mr Barthes by the Court of Appeal of Paris.

c/ Proceedings brought to cancel transactions made during the suspect period of FRANCE IMMOBILIER GROUP (FIG):

On 2 May 2012, companies ACANTHE DEVELOPPEMENT, VENUS and TAMPICO were summoned by SCP BECHERET SENECHAL GORRIAS, the liquidators of FRANCE IMMOBILIER GROUP (FIG), with a view to securing the cancellation of FIG's contribution of the building at 15 rue de la Banque – 75002 Paris and equity interests realized on 24 November 2009 in favour of VENUS, as well as the cancellation of the distributions of the advance on dividends and of the distributions of the issue premium in December 2009.
The liquidator of FIG consequently asked VENUS to restore ownership of the building at 15 rue de la Banque – 75002 Paris and the equity securities, on pain of a penalty payment of 10,000 euros a day for each day of delay.
He also asked that VENUS be ordered to reimburse FIG for the rents collected, dividends and the fruits of any nature whatsoever, accessory to the leases relating to the building at 15 rue de la Banque in Paris (2nd) and the aforementioned equity securities that have accrued since 24 November 2009; that ACANTHE DEVELOPPEMENT return to FIG the 95,496 Venus partnership shares with a view to having them cancelled, on pain of a penalty payment of 10,000 euros a day for each day of delay after receiving notification of the forthcoming ruling; that the 95,496 Venus partnership shares be cancelled once they and the property complex at 15 rue de la Banque in Paris (2nd), the related lease contracts and equity securities had been returned to FRANCE IMMOBILIER GROUP; and that ACANTHE DEVELOPPEMENT and TAMPICO be jointly ordered to repay FIG the sum of €4,047,975.50 resulting from the distributions paid in cash, plus interest at the official rate of interest, from 31 December 2009.
These court applications have been challenged.
Further to a ruling of the Commercial Court of Paris on 6 February 2015, a stay of proceedings pending the decision of the Final Court of Appeal following the appeal on points of law against the aforesaid order of 27 February 2014 was pronounced.

d/ Settlement

Further to an application dated 7 September 2015, Maître Gorrias, liquidator of SAS FRANCE IMMOBILIER GROUP (FIG), has lodged an appeal for approval of a settlement with the bankruptcy judge, according to the provisions of articles L642-24 and R642-41 of the Commercial Code and articles 2044 et seq of the Civil Code.
Under the terms of this draft settlement, ongoing civil procedures concerning these insolvency proceedings would be brought to an end (in particular the action to set aside in respect of FIG's doubtful period; order of 27 February 2014) in exchange for a voluntary contribution to the FIG's insolvency liabilities.
The planned Settlement Agreement submitted to the bankruptcy judge for approval provides for the repayment of at least 40% of the claims of creditors other than intercompany creditors.

This draft agreement was initially inseparable from another agreement concluded concomitantly in connection with the judicial liquidation of Alliance Designers, also subject to the authorization of the bankruptcy judge and the approval of the Commercial Court of Paris.

The liquidator has indeed received a proposal for payment of 3,825,172 euros from ACANTHE DEVELOPPEMENT, TAMPICO and VENUS, and Messrs Mamez and Bensimon by way of full and final lump-sum compensation.
The legal costs that form part of the proposed compensation have not yet been definitively fixed, but ACANTHE DEVELOPPEMENT has agreed to contribute to legal costs and lawyer's fees and has undertake to pat the liquidator 500,000 euros as part payment thereof.

An order of the bankruptcy judge dated 26 February 2016 and notified on 1st March 2016 has authorized SCP BTSG, liquidator of company FIG, to sign a draft agreement providing for Messrs Mamez and Bensimon and ACANTHE DEVELOPPEMENT, TAMPICO and VENUS paying a total amount of €4,325,172 that, after payment of legal costs and the estimated fees of the custodian pendente lite, would be immediately distributed equally among the registered creditors, apart from a debt in escrow; pending the final outcome of the procedure concerning the identity of the holder of the said debt in escrow.

The State prosecutor and Mr Barthes appealed against the decision of the bankruptcy judge. Companies FINANCIERE MEDICIS, SOZAN Holding and Portugal Luxembourg filed a petition.

In decisions dated 18 October 2016, the Court declared inadmissible the appeals of Mr Barthes, FINANCIERE MEDICIS, SOZAN Holding, Portugal Luxembourg and the Prosecution, and decided to reopen the proceedings at a hearing dated 7 November 2016.

Mr Barthes, FINANCIERE MEDICIS, SOZAN Holding and Portugal Luxembourg lodged an appeal against these decisions on 18 October 2016.

On 13 December 2016, the commercial court that had decided to reopen the proceedings declared a stay of proceedings pending the judgement of the court of appeal. The proceedings on appeal are ongoing.

When the draft agreement is signed by SCP BTSG, liquidator of company FIG, it will be referred to the Commercial Court of Paris for approval.

NOTE 7. OTHER DISCLOSURES

The company employed one manager and four staff as of 31 December 2016.

No advance or loan was granted to the individual directors during the financial year.

The Annual General Meeting of Shareholders set directors fees at €150,000 (gross) to be shared out among the directors.

Pension obligations are insignificant and no provision is recognized in the parent company's financial statements.

Fiscal deficits and changes therein break down as follows:
(In thousands of euros)

Items	at 31/12/15	year's deficits	Charged in the year Carry-back	at 31/12/15
Ordinary deficits Long-term loss in value	22 299 -	1 661 -	207 -	23 753 -
TOTALS	**22 299**	**1 661**	**207**	**23 753**

The period's revenue broken down into operating income and non-recurring items (In thousands of euros)

Income	2016	Alternative minimum tax	Corporation tax at 33,33%	Corporation tax at 16,50%	Total
Operating income Intercompany transactions Financial income (loss) Non-recurring items Corporation tax	-2 845 -139 47 645 -322 -				-2 845 -139 47 645 -322 -
TOTALS	**44 339**	**-**	**-**	**-**	**44 339**

NOTE 8. POST-BALANCE SHEET EVENTS

No other significant developments have occurred since 31 December 2016 that have not been disclosed heretofore.

CONSOLIDATED FINANCIAL STATEMENTS 2016

ACANTHE DEVELOPPEMENT - CONSOLIDATED BALANCE SHEET

CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2016

In thousands of euros	31/12/2016	31/12/2015
ACTIF		
Investment properties	129 189	180 982
Intangible assets in progress		
Tangible assets	137	88
Conditions of acquisition		
Tangible assets	5	8
Financial assets	7 580	4 538
Total non-current assets	**136 911**	**185 615**
Property inventory		
Trade notes and accounts receivable	1 980	2 575
Other receivables	14 962	12 023
Other current assets	59	64
Current financial assets	3 713	685
Cash and cash equivalents	71 821	82 701
Assets held for sale		
Total current assets	**92 535**	**98 048**
TOTAL ASSETS		
(In thousands of euros)	31/12/2016	31/12/2015
LIABILITIES		
Capital	19 991	19 991
Reserves	110 304	127 870
Net consolidated income	39 955	44 029
Equity attributed to the owners	**170 250**	**191 890**
Reserves attributable to non-controlling interests	7 446	12 989
Income attributable to non-controlling interests	282	935
TOTAL EQUITY	**177 979**	**205 815**
Non-current financial liabilities	18 893	43 656
Contingency and loss provisions	19 870	21 314
Deferred tax liabilities	-	-
TOTAL NON-CURRENT LIABILITIES	**38 763**	**64 970**
Current financial liabilities	1 648	1 800
Deposits and guarantees	1 231	1 465
Suppliers	3 817	2 573
Tax and social security liabilities	5 536	4 150
Other liabilities	338	2 816
Other current liabilities	134	76
Total Other current liabilities	**12 704**	**12 879**
Total debt	**51 467**	**77 849**
TOTAL LIABILITIES	**229 446**	**283 663**

ACANTHE DEVELOPPEMENT - STATEMENT OF NET INCOME AND OTHER COMPREHENSIVE INCOME CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2016

In thousands of euros	31/12/2016	31/12/2015
Rents	3 513	8 021
Rebilled occupancy expenses	567	1 884
Total occupancy expenses	(1 691)	(3 165)
Net income from property	**2 390**	**6 741**
Net income from property development		
Income from other activities		
Payroll expenses	(1 500)	(1 545)
Other overhead costs	(3 349)	(1 923)
Other income and expenses	(322)	(2 687)
Change in value of investment property	15 934	21 150
Revenue from disposals of investment properties		
Change in value of investment property (depreciation)		
Depreciation and amortization	(948)	(13 671)
Reversals of amortization expenses and provisions	1 449	3 878
Operating income before disposals	**13 654**	**11 943**
Income from disposals of investment properties	33 807	39 583
Income from disposals of subsidiaries	1	(1 552)
Operating profit	**47 461**	**49 974**
• Cash and cash equivalents	43	20
• Cost of gross financial debt	(6 039)	(3 444)
Cost of net financial debt	**(5 996)**	**(3 424)**
Other financial income and charges	(16)	86
Income or loss before tax	**41 448**	**46 636**
Tax on profits	(1 211)	(1 672)
Income net of tax on divested operations		
Net income or loss for the period	**40 237**	**44 964**
attributable to:		
• Non-controlling interests	282	935
• Group owners	39 955	44 029
Earnings per share		
Basic earnings per share (in €)	0,2716	0,2993
Diluted earnings per share (€)	0,2716	0,2993
Earnings per share on continuing operations		
Basic earnings per share (in €)	0,2716	0,2993
Diluted earnings per share (€)	0,2716	0,2993
Net income or loss for the period	**40 237**	**44 964**
Other items of comprehensive income		
Items subsequently reclassified as net profit or loss		
Revalued financial assets available for sale	349	(614)
Tax relating to reclassified items		
Items not subsequently reclassified as net profit or loss		
Revaluation of capital assets		
Actuarial gains and losses on severance benefits	(88)	(78)
Tax relating to non-reclassified items		
Total gains and losses recognized as equity	**261**	**(692)**
Comprehensive income Total for the period	**40 498**	**44 272**
attributable to:		
• Group owners	40 216	43 337
• Non-controlling interests	282	935

STATEMENT OF CHANGES IN EQUITY

	Group share						
	Capital	Equity-related reserves	Treasury shares	Consolidated reserves and results	Group share of equity	Minority interests' share of equity	Total shareholders' equity
SHAREHOLDERS' EQUITY AT 31/12/2014	**19 991**	**83 426**	**-23**	**90 371**	**189 504**	**12 988**	**202 492**
Capital transactions Capital reduction Share-based transactions Treasury share transactions Dividends reinvested in shares Dividends Foreign exchange adjustments				-40 831	-40 831		-40 831
Net income or loss for the period Gains and losses recognized directly in equity				44 029 -692	44 029 9 -692	35	44 965 -692
Net income and gains and losses recognized directly as equity				**43 337**	**43 337**	**935**	**44 272**
Change in reporting scope				-119	-119		-119
SHAREHOLDERS' EQUITY AT 31/12/2015	**19 991**	**83 426**	**-23**	**133 708**	**191 890**	**13 924**	**205 815**
Capital transactions Capital reduction Share-based transactions Treasury share transactions Dividends reinvested in shares Dividends Interim dividend (FY 2016) Foreign exchange adjustments				-17 646 -44 116	-17 646 -44 116		-17 646 -44 116
Net income or loss for the period Gains and losses recognized directly in equity [1]				39 955 261	39 955 261	282	40 237 261
Net income and gains and losses recognized directly as equity				**40 216**	**40 216**	**282**	**40 498**
Change in reporting scope				-93	-93	-6 478	-6 571
SHAREHOLDERS' EQUITY AT 31/12/2016	**19 991**	**83 426**	**-23**	**112 068**	**170 250**	**7 728**	**177 979**

(1) Gains and losses recognized directly in equity

Actuarial gains/losses on the pension provision ....-88
JV Adjustment Bassano Développement securities 349
Indexation 3eme étage Bassano.. 0

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STATEMENT OF CHANGES IN CASH FLOW (1,000S OF EUROS)

		31/12/2016	31/12/2015
Cash flows from continuing operations			
Net consolidated group		40 237	44 964
Derecognition of expenses and income with no impact on cash flow			
Depreciation and provisions		(1 233)	9 793
Change in the fair value of properties		(15 934)	(21 150)
Bonus shares and share options			
Other IFRS restatements		204	(42)
Other unpaid income and expenses			
Capital gains/losses		(35 988)	(43 720)
Impact of changes in reporting scope			712
Badwill			
Equity method companies' share of income (loss)			
Cash flows from operations after cost of net financial debt and tax		**(12 714)**	**(9 442)**
Cost of net debt			
Taxes (including deferred tax))			
Cash flows from operations before cost of net financial debt and tax	A	**(12 714)**	**(9 442)**
Taxes paid	B		
Activity-based changes in working capital requirements	C	(5 785)	(638)
Changes in working capital requirements relating to divested operations	D		
Net cash flow generated by operations	E=A+B+C+D	**(18 499)**	**(10 080)**
Cash flow relating to investing activities			
Acquisitions of property, plant and equipment (PP&E)		(2 622)	(2 297)
Disposals of PP&E		106 250	180 328
Acquisitions of long-term investments		(2 699)	57
Repayments of long-term investments		6	
Impact of changes in scope (other than discontinued activities)			
Changes in loans and advance payments granted			
Other flows relating to investing activities			(392)
Changes in investment cash flows from divested operations		(2 502)	
Net cash flow from investing activities	F	**98 433**	**177 696**
Net cash flow relating to financing activities			
Capital increase			
• Paid by parent company shareholders•			
• Paid by minority shareholders in consolidated companies			
Dividends paid out		(61 763)	(40 831)
Acquisition or disposal of treasury shares			
Receipts relating to new loans			
Loans reimbursed		(28 819)	(49 375)
Net interest paid			
Impact of changes in reporting scope			
Other flows relating to financing activities		(234)	210
Change in financing cash flow from divested operations			(54)
Net cash flow relating to financing activities	G	**(90 816)**	**(90 050)**
Changes in cash flow	E+F+G	**(10 880)**	**77 569**
Changes in cash flow		**(10 880)**	**77 569**
Opening cash balance			
Cash assets		82 701	1 284
Bank overdrafts [1]			(0)
Short-term investments			3 849
		82 701	**5 133**
Closing cash balance			
Cash assets		37 733	82 701
Bank overdrafts [1]		34 088	
Short-term investments			
		71 821	**82 701**

(1) Overdrafts are included in «Current financial liabilities»

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2016

NOTES TO THE ANNUAL FINANCIAL STATEMENTS AT 31 DECEMBER 2016 - CONTENTS

NOTE 1. HIGHLIGHTS OF THE PERIOD

General information

ACANTHE DEVELOPPEMENT is a European company with share capital of 19,991,141 euros, having its head office at 2 rue de Bassano, Paris 16th, and listed in the Trade & Companies Register of Paris under number 735 620 205. ACANTHE DEVELOPPEMENT shares are listed on Euronext Paris of NYSE Euronext (compartment C, ISIN FR 0000064602).

1.1. Appropriation of profit or treatment of loss

On 15 June 2016, the annual and extraordinary general shareholders' meeting appropriated the year's earnings as follows:

- Profits for period ending 31 December 2015 .... € 44 329 943,69
- Allocation to the legal reserve: ....€-499 114,10
- Unappropriated retained earnings at 31 December 2015: .... € 15 609 520,56

Making distributable income of .... € 59 440 350,15

Appropriation:

- To shares as dividend: ....€ 57 378 851,40
  (including the interim dividend paid in August 2015: €39 723 820,20)
- The balance, to unappropriated retained earnings:..€ 2 061 498,75

A dividend of 0.39 euros per share was paid for each of the 147,125,260 shares making up the share capital at 31 December 2015.

You are further reminded that on 12 August 2015 the Board of Directors decided to pay an interim dividend of 39,723,820.20 euros (0.27 euros per share), with the result that the balance of the dividend, namely 17,655,031.20 euros (0.12 euros per share) was still outstanding at 31 December 2015.

In addition, under the SIIC (property investment trust) regime, the Company was required to distribute its earnings for period ending 31 December 2015, which total 56,550,000.03 euros for a SIIC-exempted profit of 66,002,677.36 euros. The proposed distribution is thus a "SIIC" dividend in full.

At its meeting of 4 November 2016, the Board of Directors decided to pay an interim dividend of €0.30 per existing share at 01/01/2016 on the earnings of financial year 2016, making a total distribution of €44,137,578.

1.2. Disposal of capital assets

Two buildings were sold during the financial year for a gross total of €106,250,000:

- On 8 June 2016, the building at 2-4 rue de Lisbonne in Paris 8th;
- On 14 September 2016, the building at 47 rue Vieille du Temple in Paris 4th.

The loan taken out with MUNCHENER HYPOTHEKENBANK, backed by the building in rue de Lisbonne, was repaid in advance by the sale, showing a consolidated capital balance of €12,800,000 at opening.

NOTE 2. ACCOUNTING POLICIES AND METHODS

ACANTHE DEVELOPPEMENT, a public limited company having its head office at 2, rue Bassano is the controlling entity of the ACANTHE DEVELOPPEMENT group. It is listed in Paris (EURONEXT) and its functional currency is the euro.

The Group's consolidated financial statements are expressed in thousands of euros, unless otherwise specified.

The balance sheet date for the consolidated financial statements is 31 December of each year. The individual financial statements incorporated in the consolidated financial statements are drawn up at the above balance sheet date (31 December) and cover the same 12-month period.

The consolidated financial statements were approved by the Board of Directors on 26 April 2017.

2.1. POLICY FOR PREPARING THE FINANCIAL STATEMENTS

Pursuant to Regulation (EC) no. 1606/2002 of 19 July 2002, the consolidated financial statements of the ACANTHE DEVELOPPEMENT Group as of 31 December 2016 (available for consultation on the Group's web site at www.acanthedeveloppement.com) were drawn up in accordance with international accounting standards as approved by the European Union on the balance sheet date of the said financial statements, which are of a mandatory nature on that date (standard available at **http://ec.europa.eu/internal_market/accounting/ias_fr.htm).**

The international standards include IFRS (International Financial Reporting Standards), IAS (International Accounting Standards) and interpretations of the IFRIC (International Financial Reporting Interpretations Committee) and the SIC (Standing Interpretations Committee).

The consolidated financial statements were drawn up in accordance with the accounting policies and methods applied by the Group to financial statements for period 2015, with the exception of the following standards and amendments thereto, applying compulsorily or in advance from 1st January 2016:

- Amendments to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations",
- Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization",
- Amendments to IAS 16 and IAS 41 "Agriculture: bearer plants",
- Amendments to IAS 27 "Equity Method in Separate Financial Statements",
- Annual improvements to the IFRS (2012-2014 cycle);
- Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception",
- Amendment to IAS 1 "Disclosure Initiative".

These amendments to standards have not entailed any modifications to the consolidated financial statements.
The Group has not opted for early adoption of the standards and interpretations that were not yet mandatory on 1st January 2016.

Moreover, the process whereby the Group determines the potential impacts of the standards or interpretations that will subsequently apply to the consolidated financial statements is currently being evaluated.

Concerning future developments:
IFRS 15 on Revenue from Contracts with Customers, which will apply from 1st January 2018, constitutes a major normative change in the definition of revenue.

However this new standard excludes leases, (which are covered by IAS 17 (replaced by IFRS 16 from 1st January 2019 see below), which make up the bulk of the income of a property company.

Equally, this new standard does not cover disposals of investment properties, which are still covered by IAS 40.

Accordingly, in our Group only a few related transactions are affected by IFRS 15; and their analysis according to the revenue recognition process defined by the standard does not appear to involve any particular difficulties.

Regarding IFRS 16 (Leases, applicable from 1st January 2019 and replacing IAS 17), the foreseeable consequences can at present be described as follows.

- **Leases granted by the Group as lessor** are operating leases, as they transfer virtually none of the risks and rewards of the leased property to the lessee.
So the leased property will always be a capital asset in the lessor's balance sheet, and the rental income will generally be recognized in profit or loss with the straight-line method for the duration of the lease.
So there will be no significant change compared with the current situation.

- **Leases taken out by the Group** are covered by this classification. The lease on the registered office at 2 rue de Bassano Paris 16th, which in part is a sublease with third-party companies.
The following sums will be recognized respectively as an asset and a liability in the balance sheet:
- a right of use of the underlying asset,
- an obligation to pay rent, equal to the present value of future payments; the discount rate used being one that equalizes the present value of the rents with the fair value of the underlying asset.

At present, the company has not measured the asset and liability amount to be recognized for the lease of the registered office when implementing the standard.

The charges pertaining to the lease include firstly the amortization and depreciation of the "right of use" asset, presented in the results of operating activities, and secondly the interest expense on the rent liability, presented in the net financial income.

As for subleases, they are treated separately from the main lease.

For its initial application, IFRS 16 defines inter alia a simplified retrospective approach in which the cumulative effect of a change in method is recognized as an adjustment to equity at opening, namely 1st January 2019, without the comparative information being restated. This is the approach adopted by the group.

Another major change in standards will be the application of IFRS 9 - Financial instruments - from 1st January 2018. This standard defines inter alia the classification, measurement and impairment of financial assets.

The new impairment model, based on expected loss, will use more forecast data that at present and will accelerate the recognition of impairment risks.

2.2. USE OF ESTIMATES

The Group makes estimates and assumptions regarding the carrying amount of assets and liabilities, income and expenses, and disclosures to include in the notes when drawing up its accounts.

The main significant estimates made by the Group more particularly concern:

- measurement of the fair value of investment properties, for which valuations are made or updated by independent experts according to multiple criteria then checked by the Group's senior management; in general these valuations reflect changes in the relevant parameters: actual or potential rents, rate of return, occupancy rates, value for comparison purposes if available, works required, etc.
Special assessments are made to factor in the specific features of some exceptional items.
- derivatives, which are valued by an independent expert;

- employee pension obligations, measured in accordance with the projected unit credit method, as required by IAS 19, based on a model developed by the Group;
-provisions estimated on the basis of the type of litigation and Group experience. These provisions reflect the best estimate of the risks incurred by the Group in these disputes.

The Group makes continuous assessments based on past experience and various other factors considered reasonable, which form the basis for the said assessments. The amounts stated in future financial statements may vary from these estimates according to changes in these assumptions or changing economic conditions.

2.3. CONSOLIDATION POLICIES

Subsidiaries that are exclusively controlled by the Group in the sense of IFRS 10 are fully consolidated.

Companies in which the Group has considerable influence are consolidated using the equity method.

At 31 December 2016, all entities included in the Group's consolidation scope were exclusively controlled by the Group.

All Group companies operate in the euro zone, therefore no translation adjustments arise in consolidation.

The consolidated statements cover the financial period from 1st January to 31 December 2016. All consolidated companies close their accounts on 31 December.

2.4. INVESTMENT PROPERTIES

Under IAS 40 and its amendments, and investment property is defined as real estate held by the owner or the lessee (under a finance lease) to earn rent or appreciate capital or both, as opposed to:

- using the property to produce or supply goods or services or for administrative purposes,
- selling as part of an ordinary trading business (selling goods).

All the Group's assets at 31 December 2016 are classified as "investment buildings",
After initial recognition and under IAS 40, investment properties are measured:

- either at fair value
- or at cost, as required under IAS 16.

The Group pursues a demanding selection policy for its investments, whereby it only acquires or retains properties with guaranteed levels of profitability, and with potential for revaluation. On that basis, and in accordance with IAS 40, the Group decided to measure its investment properties at fair value from 1st January 2006. This option is intended to reflect changes in «investment property» in the consolidated financial statements and measure the market value of its assets. This option entails recognition of changes in fair value in profit or loss.

Fair value is defined as «the price that would be received from the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date» (IFRS 13 §15). In practice, for investment property, fair value is similar to commercial value.
To determine fair value at 31 December 2016, le ACANTHE DEVELOPPEMENT Group entrusted the task of updating expert appraisals of its property assets to two acknowledged external experts (CREDIT FONCIER IMMOBILIER EXPERTISE and GALTIER EXPERTISES IMMOBILIERES ET FINANCIERES).

These valuations were carried out on 31 December 2016, and factor in outstanding renovation work, the marketability transferred and the tenancy status of the buildings.

The property valuations were based on the following standards:

- Charte de l'Expertise en Evaluation Immobilière (French charter on expert property valuations)
-The valuation standards of the Royal Institution of Chartered Surveyors (Red book)
-The COB (former French Stock Exchange watchdog) report of February 2000 (the Barthes de Ruyther report).

The valuation criteria set out in the Charte de l'Expertise en Evaluation immobilière determine commercial value excluding transfer and preliminary expenses. As commercial value is defined as stated above, it is measured under the following conditions:

- the free will of the seller and buyer,
-a reasonable period for negotiation given the nature of the property and the state of the market,
-selling conditions deemed normal, without reservations and with adequate means,
- the parties involved are not influenced by exceptional personal reasons.

Commercial value takes into account renovation work still to be carried out, the marketability transferred, the tenancy status of the premises and reasonable rent assumptions based on current market condition. It also takes into account the geographic location, the nature and standing of the buildings, their tenancy status, in particular the occupancy rate, lease renewal dates, and the level of charges relating to any clauses possibly waiving common law:

- land tax,
- building insurance,
- major repairs under Article 606 of the French Civil Code and management fees.

To determine the commercial value of buildings using assumptions made for the task, the expert surveyors adopted different approaches depending on the nature or usage of the premises.

These approaches involved two main methods (revenue-based or direct comparison), which were adapted or modified to enable valuation of most of the buildings.

Two of these adapted or modified methods were more particularly used to value the buildings: capitalization of revenue, and direct comparison.

Revenue-based methods:
These methods consist in applying a rate of return to revenue (therefore capitalizing it), whether the revenue is recognized or existing revenue, or theoretical or potential revenue (market rent or market rental value). The methods can be adapted in various ways depending on the type of revenue considered (actual rent, market rental value, net revenue), corresponding to different rates of return. The adopted rates of return depend on several parameters:

- the long-term cost of resources (investors generally adopt the French OAT TEC 10 index),
- the geographical location of the property,
- the nature and condition of the property,
- its market liquidity, which depends on how well it meets local needs and its modularity
- the lessee's legal capacity,
- the clauses and conditions of leases, rent levels compared with rental value and foreseeable changes in them,
- the risk of premises remaining vacant.

Revenue-based methods can be applied in many ways. Certain methods are based on discounted future net or projected earnings.

- direct comparison methods: an analysis of transactions in properties as similar as possible (type, location, etc.) and completed at a date as close as possible to the date of the appraisal.

In accordance with the recommendations of the COB (now the AMF) working group, chaired by Georges Barthes de Ruyther, the expert valuations were based on a multicriteria approach. However, revenue-based methods are generally deemed by experts as the most pertinent for the investment properties making up the bulk of the group's assets, as direct comparison methods are generally used to value residential premises.

Establishing the fair value of investment properties is the main area of estimates needed to close the consolidated financial statements (see § 2.2).

Considering the typology of levels of fair value specified by IFRS 13, the group considers that the fair value of residential premises, predominantly measured by comparison, comes under level 2, whereas the fair value of other properties (offices, commercial premises, miscellaneous premises) comes under level 3.

					Sensitivity test		
Type of property	Level of fair value	Fair value in 1,000s of €	Priority valuation method	Capitalization rate	Net rate of return	A -0.25 change in the capitalization rate	A -10% change in market input
Land/ Residential/ Outbuildings	2	26 356	Comparison method	Residential: 1.50 to 3.75%			2 636
Offices/ Commercial premises	2	102 834	Comparison method	Offices: Commercial:	1,05 to 3,50%	11 488	

No properties changed in their level of fair value during the period.

The Group makes continuous assessments based on past experience and various other factors considered reasonable, which form the basis for the said assessments. The amounts stated in future financial statements may vary from these estimates according to changes in these assumptions or changing economic conditions.

The rate and value per m² figures by asset class are provided in note 9.1.

2.5. ACTIFS CORPORELS ET INCORPORELS

Tangible and intangible assets with a defined life cycle are recognized at acquisition cost less accumulated amortization/depreciation and any loss in value..
Accumulated amortization and depreciation of the following assets is calculated on a straight-line basis over their estimated useful life:

- office and IT equipment:..............................3 years
- vehicles: ....5 years
- software:...3 years

2.6. LEASING CONTRACTS

2.6.1. Finance leases

Properties acquired under finance leases are capitalized when the leasing contracts transfer virtually all the risks and advantages of ownership thereof to the Group. The criteria for assessing such contracts based in particular on:

- the ratio of the lease period of assets to their useful life,
- the ratio of total future payments to the fair value of the financed asset,
- transfer of ownership at the end of the leasing contract,
- a favourable purchase option,
- the specific nature of the rented asset.

Assets held under finance leases are amortized over their useful life or over the lease period if the latter is shorter and there is no reasonable certainty that the lessee will become the owner.
Such contracts do not exist in the Group.

2.6.2. Operating leases

Leases not having the characteristics of a finance lease are recognized as operating leases, and the rents are recognized in profit or loss (see note 2.17).

2.7. Property inventory

Property inventory is valued at the lower of its cost or its realizable value. The cost of inventory comprises all costs of purchase, conversion and other costs incurred (including the borrowing costs as described in note 2.8) in bringing it to its present condition.
On each closing, an impairment test is carried out to ascertain whether ensure its net realisable value is higher than its inventory value. The net realisable value is the estimated selling price less marketing costs and the cost of any works still to be undertaken.
The «Property inventory» item includes properties that have undergone extensive refurbishment before being placed on the market, or buildings constructed with a view to being sold for future completion.

2.8. Borrowing costs

The cost of loans directly relating to the acquisition, construction or production of a qualifying asset is recognized in the cost of the said asset

2.9. Asset impairment

Other capitalized assets undergo an impairment test whenever there is an indication of internal or external loss in value.
This test consists on comparing the asset's net carrying amount with its recoverable amount, which is the higher of its fair value less costs to sell and its value in use.
Value in use is the present value of expected cash flows generated by use of the asset (of group of assets) and by its possible sale.
Fair value less costs to sell equals the amount that could be obtained from the sale of the asset (or group of assets) in an arm's length transaction, less direct selling costs.
When tests indicate an impairment in value, this is recognized so that the net carrying amount of the assets does not exceed their recoverable amount.

2.10. Financial assets

Financial assets are classified into one of the seven following categories:

- assets held for trading purposes;
- investments held to maturity;

- loans and receivables,
- assets available for sale;
- treasury shares
- cash and cash equivalents;
- financial derivatives.

The Group classifies financial assets at the time of initial recognition, depending on the reasons for which they were acquired..

2.10.1. Financial assets held for trading purposes

A financial asset is classified as held for trading purposes if it is:

- acquired primarily to he sold or repurchased in the short term (UCITS, open-end investment funds);

- part of a portfolio of identified financial instruments managed together and indicates a recent profit in the short term;

- a derivative (apart from one that is a designated and effective hedging instrument).

Derivatives negotiated by the Group are not documented within the framework of hegding and thus fall into this category.
These financial assets are measured at fair value and changes in fair value are recognized in profit or loss. Assets in this category are classified as current assets.

2.10.2. Investments held to maturity

These are non-derivative financial assets having fixed or determinable payments and a fixed date of maturity, which the company fully intends to and can hold to maturity, except for:

- those that the entity at initial recognition designated as being at fair value through profit or loss;

- those that the entity designates as available for sale,

- those that match the definition of loans and receivables.

After their initial recognition, investments held to maturity are measured at amortized cost by the compound interest method.

Amortized cost takes into account any provision for impairment loss or premium on acquisition, in the period from acquisition to repayment. For investments recognized at amortized cost, profits or losses are recognized in profit or loss when the investments are divested, when they lose value, and through the process of amortization.

They undergo impairment tests if there is an indication of impairment in value. An impairment in value is recognized if the carrying amount is higher than the estimated recoverable amount.

These assets are included in current assets except for those maturing more than 12 months after the reporting date.

2.10.3. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments and are not quoted on an organized market, except for:

- those that the entity designated at initial recognition as being at fair value through profit or loss;

- those that the entity designates as available for sale on initial recognition;

- those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration, which shall be classified as available for sale.

Loans and receivables granted are measured by the historical cost method (amortized cost) or by the effective rate of interest method. Their balance sheet value is the remaining capital due plus accrued interest. They undergo recoverability value tests, carried out whenever there are signs that this is lower than the balance sheet value for these assets, and at least on each year-end closing. When the recoverable amount is lower than the carrying amount, an impairment loss is recognized.

These assets are included in current assets except for those maturing more than 12 months after the reporting date.

2.10.4. Financial assets available for sale

These are non-derivative financial assets that are not included in any of the aforesaid categories.
They are included in non-current assets unless the Group intends to sell them within 12 months of the reporting date.

They are measured at liquidation value or quotation value, depending on their type.

Changes in recorded fair value are recognized in equity until they are sold, with the exception of losses in value, which are recognized in profit or loss when they are determined.

Exchange losses and gains for assets in foreign currencies are recognized in profit or loss for monetary assets and in equity for non-monetary assets.

This category primarily includes non-consolidated equity interests and securities that do not meet other definitions of financial assets. They are posted under Other assets, current and non-current and liquid assets.

2.10.5. Own shares

According to IAS 32, the acquisition cost of all treasury shares held by a Group is deducted from equity. Subsequent sales are recognized directly in equity, not in profit or loss.

ACANTHE DEVELOPPEMENT's own equity interests (treasury shares) are accordingly offset against equity.

2.10.6. Cash and cash equivalents

Cash includes liquid assets in bank accounts and cash kept by the entity.

Cash equivalents are held to meet short-term cash outflow commitments rather than for investment or other purposes. They must therefore be easily convertible into a known amount of cash, not be exposed to any significant risk of change in value and have a maturity in excess of 3 months at the time of acquisition.

2.10.7. Derivative financial instruments

The Group trades financial derivatives with first-rate institutions to reduce its exposure to the risk of changes in interest rates. For implementation of hedge accounting, IAS 39 requires the entity to demonstrate and document the effectiveness of the hedging relationship at its inception and throughout its lifetime.
As the Group has neither documented nor demonstrated the effectiveness of hedging for "active" instruments on 31 December 2014 and 2015, the changes in fair value of the said instruments are recognized as financial income or expenses.
Fair value is determined by the financial institution with which the instrument has been subscribed.

2.11. Financial liabilities

Non-derivative financial liabilities or those not recognized at fair value in profit or loss or not held for trading purposes are measured at amortized cost using the effective interest method. Loan-related fees are deducted from amounts borrowed when the financial liability is recognized; they subsequently constitute an interest expense as and when repayments are made.

2.12. Provisions

IAS 37 states that a provision is recognized when the Group has a present obligation (legal or implicit) arising from past events, the settlement of which is expected to result in an outflow of resources embodying economic benefits and the amount of the obligation can be reliably estimated. The estimate takes into consideration the most probable assumptions at the reporting date.

If the effect of time value is significant, the provision is discounted. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks inherent in the obligation. An increase in the amount of a discounted provision is recognized under financial expenses.

2.13. Income taxes

ACANTHE DEVELOPPEMENT and some of its opted for the SIIC (real estate investment company) tax regime in 2005. For this reason, profits in the property sector are exempt from corporation tax, while other items of income are liable for it.
The tax expense is the amount of current tax plus deferred tax. Current tax is the tax due for the current tax year.
Deferred tax includes all temporary differences arising when the book value of an asset or liability differs from its fiscal value. Such differences generate tax assets and liabilities described as deferred, and are calculated using the liability method.

2.14. Employee benefits

IAS 19 specifies the methods for recognizing employee benefits. It applies to all remuneration paid in return for services rendered, with the exception of share options, which are the subject of IFRS 2.
Under IAS 19, all employee benefits, monetary or in kind, short or long-term, fall into the two following categories:

- short-term benefits, such as salaries and paid annual leave, which are expensed by the company when it has used the services rendered by employees in return for the benefits granted to them,
- long-term benefits, such as post-employment benefits not fully due in the twelve months following the financial period in which the employees rendered the corresponding services.

These benefits must be the subject of provisions.

For basic plans and other defined contribution plans, the Group expenses contributions when they are payable, as it is not committed beyond any paid-up contributions.
For defined benefit plans, pension expenses are measured using the actuarial projected unit credit method. Under this method, each period of service results in an additional unit-based right to benefits, and each of these units is measured separately to determine the final obligation.

This final obligation is then discounted. These calculations are primarily based on the following assumptions:
- a discount rate,
- a rate of inflation,
- a mortality table,
- a pay increase rate, and
- a staff turnover rate.

Actuarial gains and losses are recognized as other components of comprehensive income without subsequently being reclassified to profit or loss, whereas the cost of services rendered is recognized in profit or loss.

2.15. Earnings per share

In accordance with IAS 33, basic earnings per share are determined by dividing the company's net income by the weighted-average number of shares outstanding during the period.
The weighted-average number of shares outstanding is calculated on the basis of different changes in share capital, adjusted where applicable by the number of treasury shares held by the Group.
Diluted earnings per share are calculated by dividing «Net income - Group share» by the weighted-average number of ordinary shares outstanding plus any potentially dilutive ordinary shares.

2.16. Property revenue

Rental income is recognized on a straight-line basis over the entire duration of the lease; as such, the impact of rent exemptions or progressive rent clauses is spread over the duration of the lease when they meet the standard's requirements.
Rebilled occupancy expenses and overall occupancy expenses are recognized as and when they are committed.
Lease contracts the group signs with its lessees are operating leases in the sense of
IAS 17. Generally speaking, leases include clauses on lease period renewal and index-linked rent, as well as the other clauses generally included in this type of contract.
Additional disclosures pursuant to IFRS 7 are presented in note 9.10.
Net income from properties includes all revenue and costs directly related to operation of the buildings.

2.17. Revenue from disposals of investment properties

Revenue resulting from the sale of investment property is the difference between the selling price and allowances for depreciation on the one hand, and the latest fair value (the net consolidated carrying amount) plus transfer costs on the other.

2.18. Operating segments

IFRS 8 « Operating segments» states that segment disclosures as presented are based on internal management data used to analyse the performance of activities and resource allocations by the «chief operating decision-maker», which in this instance is the Company's Executive Committee.

An operating segment is a distinct component of the Group engaged in supplying distinct products or services and that is exposed to different risks and earning power from those of other operating segments.

The operating segments were as follows (no change compared with the prior period):

- Office space,

- Commercial premises,

- Hotels,

- Residential.

Moreover, as the market fluctuates according to geographical location, a separate presentation is also provided for each of the four following regions:

- Paris,

- The Paris region (outside Paris),

- Provinces,
- Abroad.

Segment operating profit or loss is presented for each segment. Investment properties, property inventories and current and non-current financial liabilities are also presented for each segment.

NOTE 3. SCOPE OF CONSOLIDATION

3.1. LIST OF CONSOLIDATED COMPANIES

			31 December 2016			31 December 2015		
Legal Form	Company		% interest	% control	Consolidation method	% interest	% control	Consolidation method
Parent company								
SE ACANTHE DEVELOPPEMENT								
Fully consolidated companies								
SARL	ATREE	(1)	97.34%	100%	I G	97.34%	100%	I G
SA	BALDAVINE		100%	100%	I G	100%	100%	I G
SC	BASNO	(1)	97.34%	100%	I G	97.34%	100%	I G
SCI	BIZET 24	(1)	97.34%	100%	I G	97.34%	100%	I G
SAS	CEDRIANE	(1)	97.34%	100%	I G	97.34%	100%	I G
SC	CHARRON	(1)	97.34%	100%	I G	97.34%	100%	I G
SC	CORDYLLIERE	(1)	97.34%	100%	I G	97.34%	100%	I G
SCI	ECHELLE RIVOLI		100%	100%	I G	100%	100%	I G
SA	FINPLAT		100%	100%	I G	100%	100%	I G
SCI	FONCIERE DU 17 RUE FRANCOIS 1ER	(1)	97.34%	100%	I G	97.34%	100%	I G
SCI	FONCIERE DU ROCHER	(1)	97.34%	100%	I G	97.34%	100%	I G
SCI	HOTEL AMELOT		100%	100%	I G	100%	100%	I G
SCI	LA PLANCHE BRULEE		100%	100%	I G	100%	100%	I G
EURL	LORGA	(1)	97.34%	100%	I G	97.34%	100%	I G
SA	SAUMAN FINANCE	(1)	97.34%	100%	I G	97.34%	100%	I G
SAS	SIF DEVELOPPEMENT	(1)	97.34%	100%	I G	97.34%	100%	I G
SAS	SIN		100%	100%	I G	100%	100%	I G
EURL	SURBAK	(1)	97.34%	100%	I G	97.34%	100%	I G
SA	TRENUBEL		100%	100%	I G	100%	100%	I G
SAS	VELO		100%	100%	I G	100%	100%	I G
SNC	VENUS	(1)	97.34%	97.34%	I G	97.34%	97.34%	I G
EURL	VOLPAR	(1)	97.34%	100%	I G	97.34%	100%	I G
Left the scope of consolidation during the period:								
SAS	BRUXYS					100%	100%	I G
SC	SOGEB					66,67%	66,67%	I G

FC = Fully consolidated
(1) The ownership interests totalling 97.34% are all subsidiaries of company VENUS, which includes minority interests.

The scope of consolidation at the current year-end closing includes 23 fully consolidated companies, 9 of which are non-trading companies.

No controlled company is outside the scope of consolidation.

Furthermore, ACANTHE DEVELOPPEMENT has a 15.01% stake in BASSANO DEVELOPPEMENT SAS, located at 2, rue de Bassano, Paris 16th RCS PARIS 523 145 878 (see § 4.3.1).

3.2. CHANGES IN REPORTING SCOPE

After a compromise settlement concerning the dispute between the ACANTHE DEVELOPPEMENT group and minority shareholder SOGEB (see § 10.2), SOGEB's general shareholders' meeting of 9 February 2016 decided to reduce its share capital by redeeming partnership shares held by BRUXYS.

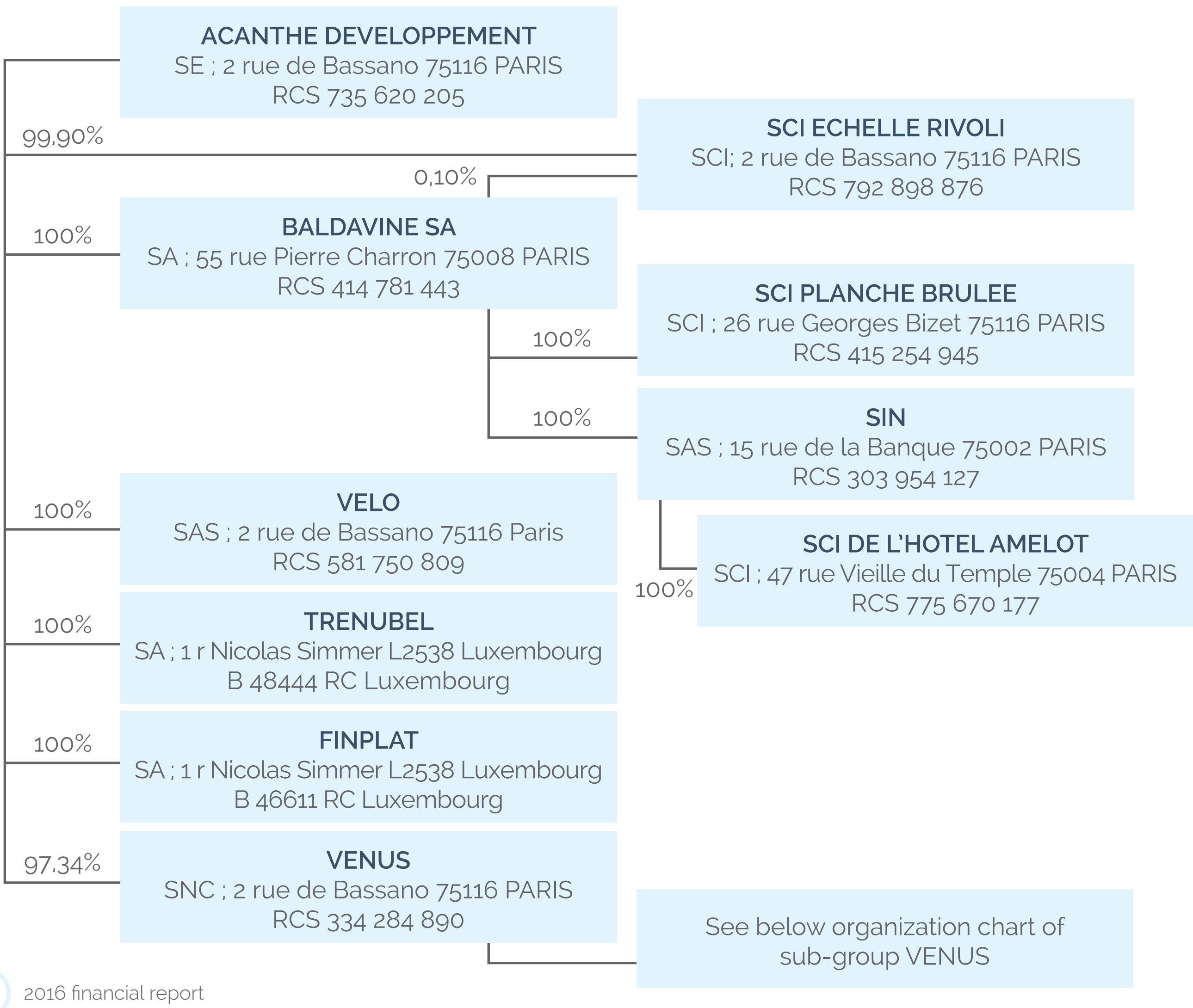
The stake in SOGEB has accordingly disappeared and SOGEB was no longer in the scope of consolidation on the date of the general shareholders' meeting.

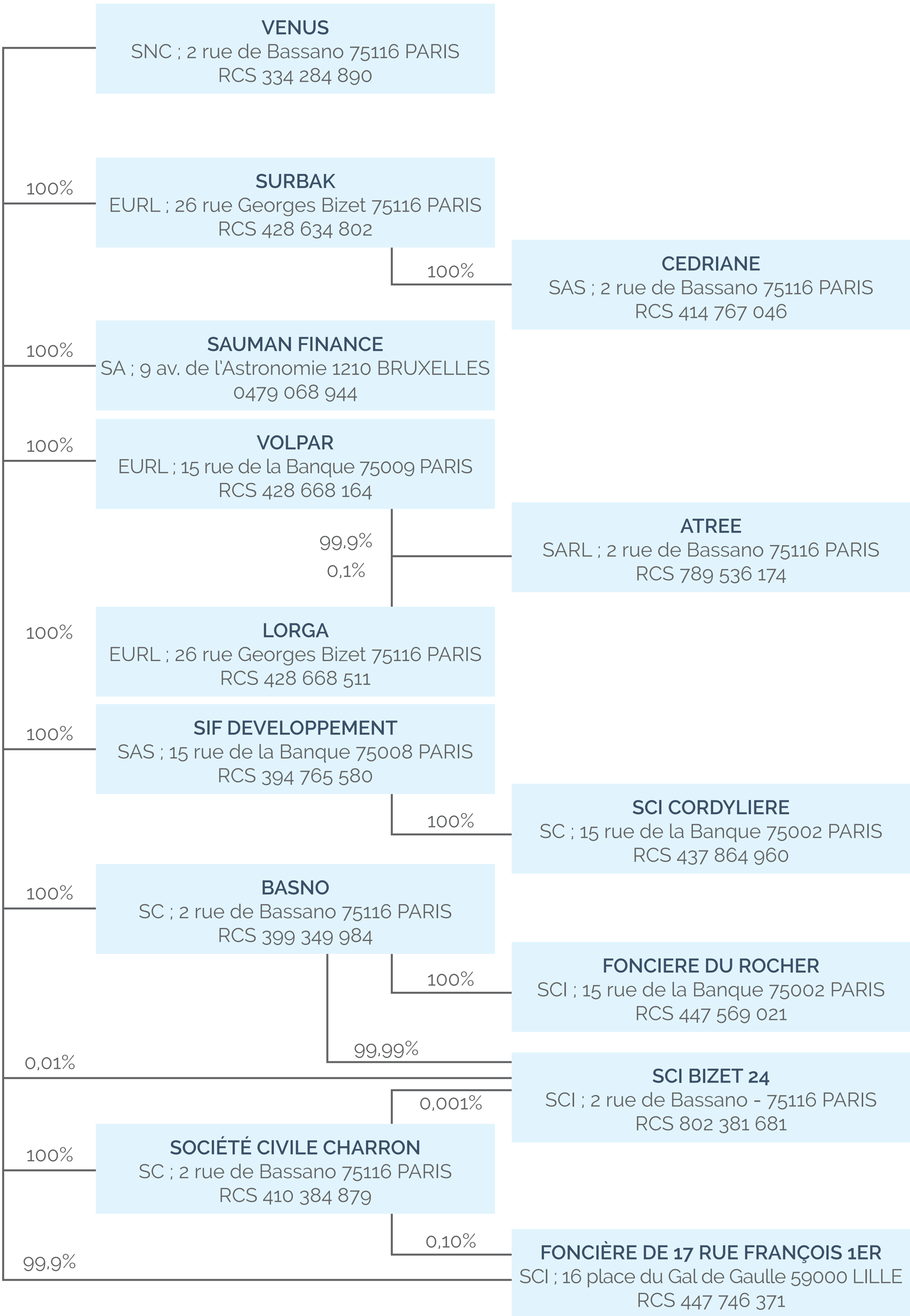
On 15 April 2016, all BRUXYS company shares held by FINPLAT were sold to a foreign company for €1.

BRUXYS had no operating activities apart from holding SOGEB shares until their redemption as explained above. Its income from disposals totals €1,000.

3.3. ORGANIZATION CHART

Le pourcentage mentionné pour chaque fililale exprime le taux de détention




VENUS
SNC ; 2 rue de Bassano 75116 PARIS
RCS 334 284 890
100%
SURBAK
EURL ; 26 rue Georges Bizet 75116 PARIS
RCS 428 634 802
100%
CEDRIANE
SAS ; 2 rue de Bassano 75116 PARIS
RCS 414 767 046
100%
SAUMAN FINANCE
SA ; 9 av. de l'Astronomie 1210 BRUXELLES
0479 068 944
100%
VOLPAR
EURL ; 15 rue de la Banque 75009 PARIS
RCS 428 668 164
99,9%
0,1%
ATREE
SARL ; 2 rue de Bassano 75116 PARIS
RCS 789 536 174
100%
LORGA
EURL ; 26 rue Georges Bizet 75116 PARIS
RCS 428 668 511
100%
SIF DEVELOPPEMENT
SAS ; 15 rue de la Banque 75008 PARIS
RCS 394 765 580
100%
SCI CORDYLIERE
SC ; 15 rue de la Banque 75002 PARIS
RCS 437 864 960
100%
BASNO
SC ; 2 rue de Bassano 75116 PARIS
RCS 399 349 984
100%
FONCIERE DU ROCHER
SCI ; 15 rue de la Banque 75002 PARIS
RCS 447 569 021
99,99%
0,01%
SCI BIZET 24
SCI ; 2 rue de Bassano - 75116 PARIS
RCS 802 381 681
0,001%
100%
SOCIÉTÉ CIVILE CHARRON
SC ; 2 rue de Bassano 75116 PARIS
RCS 410 384 879
0,10%
99,9%
FONCIÈRE DE 17 RUE FRANÇOIS 1ER
SCI ; 16 place du Gal de Gaulle 59000 LILLE
RCS 447 746 371

NOTE 4. DISCLOSURES: BALANCE SHEET

4.1. NON-CURRENT NON-FINANCIAL ASSETS

4.1.1. Change in value of investment property

At 31 December 2016:

The appraised value (excluding taxes) of investment property excluding fees on 31 December 2016 totals €129,189,000.

In 1,000s of euros	Net carrying amount 31/12/2015	Capitalizations (new acquisitions)	Capitalizations (expenses capitalized) (1)	Sales (2)	Change in fair value (3)	Change in reporting scope (4)	Value at 31/12/2016
Investment properties (IAS 40)	180 982		2 538	-70 265	15 934		129 189

(1) Capitalized expenditure primarily comprises work on buildings in Paris: €2,092,000 at 47 rue Vieille du Temple, €184,000 at rue de Rivoli 1st, €165,000 at rue Pierre Charron and €97,000 at rue de la Banque,

(2) Disposals of buildings include 2-4 rue de Lisbonne in Paris 8th and 47 rue Vieille du Temple in Paris 4th , the respective fair values of these buildings at 31 December 2015 being €35m and €33.2m plus €2,092,000 for the aforementioned works,

(3) There were increases in fair value primarily of the building in rue Charon Paris 8th (€8.2m), the building in rue Bizet in Paris 16th (€2.5m), the building in rue de la Banque Paris 2nd (€2.4m) and the building in rue de Rivoli Paris 1st (€2.3m).

At 31 December 2015:

The appraised value (excluding taxes) of investment property excluding fees on 31 December 2015 totals €180,982,000.

In 1,000s of euros	Net carrying amount 31/12/2014	Capitalizations (new acquisitions) (1)	Capitalizations (expenses capitalized) (2)	Sales (3)	Change in fair value (4)	Change in reporting scope (5)	Value at 31/12/2016
Investment properties (IAS 40)	288 293	127	2 105	-130 543	21 150	-150	180 982

(1) Acquisition of a garage on Quai Malaquais in Paris 6th,

(2) Capitalized expenses primarily comprise the works on the buildings in rue Vieille du Temple Paris 4th (€1,578,000) and rue François 1er Paris 1st (€322,000),

(3) The Group sold buildings in Paris 8th rue François 1er, rue de Surène in Paris 9th, rue d'Athènes and rue Bassano in Paris 16th; the fair value of these building at 31 December 2014 was respectively €65.0m, €11.9m, €7.7m and €46.0m,

(4) There were increases in fair value mainly for the building in rue Lisbonne (€11m), the building in rue Vieille du Temple (€2m), the building in rue de la Banque (€3m), the building in rue Charron (€3.2m) and the one in rue Bizet (1.1m),

(5) The change in reporting scope concerns the plot of land in Villeneuve d'Ascq (59).

4.1.2. Change in the value of tangible assets other than investment properties

At 31 December 2016:

In 1,000s of euros	Gross value 31/12/2015	Acquisitions	Disposals	Changes in scope	Revaluation surplus	Account transfer	Gross value 31/12/2016
Land	-	-		-	-	-	-
Buildings & Fixtures	55			-	-	-	55
Tangible capital assets	297	85	-3	-	-	-	379
TOTAL	**352**	**85**	**-3**	**-**	**-**	**-**	**434**

At 31 décembre 2015 :

In 1,000s of euros	Gross value 31/12/2014	Acquisitions	Disposals	Changes in scope	Revaluation surplus	Account transfer	Gross value 31/12/2016
Land	683	-	-683	-	-	-	-
Buildings & Fixtures	6 148	55	-6 148	-	-	-	55
Tangible capital assets	295	2	-	-	-	-	297
TOTAL	**7 126**	**57**	**-6 831**	**-**	**-**	**-**	**352**

The administrative premises used by the company on the 3rd floor of the building at 2 rue de Bassano in Paris 16th were included in the sale made during the period.

4.1.3. Change in amortization and depreciation of tangible assets other than investment property

At 31 décembre 2016 :

In 1,000s of euros	31/12/2015	Allowances	Change in reporting scope	Reversal further to sale and disposal	Revaluation surplus	Account transfer	31/12/2016
Buildings & Fixtures	-	-	-		-	-	-
Tangible capital assets	264	35	-	-3	-	-	296
TOTAL	**264**	**35**	**-**	**-3**	**-**	**-**	**296**

In 1,000s of euros	31/12/2014	Allowances	Change in reporting scope	Reversal further to sale and disposal	Revaluation surplus	Account transfer	31/12/2015
Buildings & Fixtures	842	-	-	-842	-	-	-
Tangible capital assets	245	19	-	-	-	-	264
TOTAL	**1 087**	**19**	**-**	**-842**	**-**	**-**	**264**

The reversed amortization on "Buildings, fixtures and fittings" relates to the sale of the building at 2 rue de Bassano in Paris 16th.

4.1.4. Change in the net value of intangible assets

At 31 décembre 2016 :

In 1,000s of euros	Net value 31/12/15	Acquisitions	Change in reporting scope	Amortization and depreciation	Disposal	Net value 31/12/16
Intangible assets	8	-	-	-3	-	5
TOTAL	**8**	**-**	**-**	**-3**	**-**	**5**

At 31 décembre 2015 :

In 1,000s of euros	Valeur nette 31/12/14	Acquisitions	Change in reporting scope	Amortization and depreciation	Disposal	Net value 31/12/15
Intangible assets	9	2	-	-3	-	8
TOTAL	**9**	**2**	**-**	**-3**	**-**	**8**

4.2. PROPERTY INVENTORY

Au 31 décembre 2016 :

On this closing, no assets meet the definition of property inventory.

At 31 décembre 2015 :

In 1,000s of euros	31/12/14	Acquisitions	Changes in inventory	Change in reporting scope	Depreciation	31/12/15
Property inventory	470	-	-	-470	-	-
TOTAL	**470**	**-**	**-**	**-470**	**-**	**-**

The flat in Ajaccio was recognized in inventories. It was held by company SFIF. The latter was derecognized further to the sale of its parent company IMOGEST during the period.

4.3. FINANCIAL ASSETS

Financial assets are broken down into the following categories as specified by IAS 39:

Financial assets in 1,000s of euros	31/12/2016									
	Financial assets held for trading purposes	Assets held to maturity	Loans and receivables	Assets available for sale	BALANCE SHEET TOTAL	Amortised cost	Fair value recognized in equity	Fair value recognized in profit or loss	FAIR VALUE	Level of fair value
Non-current financial assets	-	-	2 734	4 846	**7 580**	2 734	4 846	-	**7 580**	3
Trade notes and accounts receivable	-	-	1 980	-	**1 980**	1 980	-	-	**1 980**	N/A
Other receivables	-	-	14 962	-	**14 962**	14 962	-	-	**14 962**	N/A
Other current assets	-	-	59	-	**59**	59	-	-	**59**	N/A
Current financial assets	3 713	-	-	-	**3 713**	3 712	-	-	**3 712**	3
Cash and cash equivalents	71 821	-	-	-	**71 821**	71 821	-	-	**71 821**	1

Financial assets in 1,000s of euros	31/12/2015									
	Financial assets held for trading purposes	Assets held to maturity	Prêts et créances	Assets available for sale	BALANCE SHEET TOTAL	Amortised cost	Fair value recognized in equity	Fair value recognized in profit or loss	FAIR VALUE	Level of fair value
Non-current financial assets	-	-	42	4 496	**4 538**	42	4 496	-	**4 538**	3
Trade notes and accounts receivable	-	-	2 575	-	**2 575**	2 575	-	-	**2 575**	N/A
Other receivables	-	-	12 023	-	**12 023**	12 023	-	-	**12 023**	N/A
Other current assets	-	-	64	-	**64**	64	-	-	**64**	N/A
Current financial assets	685	-	-	-	**685**	685	-	-	**685**	3
Cash and cash equivalents	82 701	-	-	-	**82 701**	82 701	-	-	**82 701**	1

IFRS 13 defines a 3-level hierarchy of fair value:

- level 1, which is the fair value in active markets for identical assets or liabilities;
- level 2, which is a valuation based on observable inputs, directly or indirectly;
- level 3, which is a valuation fully or partially based on inputs not directly or indirectly observable;.

The value of trade receivables, other receivables and other current assets is their fair value. However, when there is an indication of impairment in value (customer outstandings, other non-recoverable receivables), impairment is recognized to adjust the amount of the debt to the potential inflow of funds.

4.3.1. Non-current financial assets

At 31 décembre 2016 :

Financial assets in 1,000s of euros	31/12/2015	Increases	Decreases	Change in reporting scope	31/12/2016	Maturity: Up to 1 year	Maturity: 1 to 5 years	Maturity: Over 5 years
Pledged term deposit (1)	-	2 699		-	2 699	-	-	2 699
Financial assets available for sale (2)	4 496	350		-	4 846	-	4 846	-
Deposits (working capital) (3)	18	1		-	19	19	-	-
Loans	-	-	-	-	-	-	-	-
Trading financial assets	-	-	-	-	-	-	-	-
Other	23		7	-	16	16	-	-
TOTALS	**4 538**	**3 050**	**7**	**-**	**7 580**	**35**	**4 846**	**2 699**

(1) ACANTHE DEVELOPPEMENT placed a cash pledge of €2,699,000 with Société Générale; this pledge is the exchange value of the "first demand guarantee" granted by the bank to the lessor of the registered office at 2 rue de Bassano in Paris 16th, guaranteeing the rents and occupancy expenses payable; it equals 12 months' rent.

(2) Financial assets available for sale only comprise BASSANO DEVELOPPEMENT securities (the latter is the freeholder of the Royal Garden Hotel at 218/220 rue du Faubourg St Honoré) for €4,846,000, appreciated by €349,000 according to the share of the revalued net position of this company; the appreciation is offset in equity.

(3) Deposits (working capital) include sums paid to the managing agents of the properties.

In 1,000s of euros	31/12/2016: Gain/loss posted in equity	31/12/2016: Gain/loss transferred from equity to profit or loss
Financial assets available for sale	349	

The Group no longer holds any derivatives at 31 December 2016.

At 31 décembre 2015 :

Financial assets in 1,000s of euros	31/12/2014	Increases	Decreases	Change in reporting scope	31/12/2015	Maturity: Up to 1 year	Maturity: 1 to 5 years	Maturity: Over 5 years
Pledged term deposit (1)	210	-	210	-	-	-	-	-
Financial assets available for sale (2)	5 111	-	615	-	4 496	-	4 496	
Deposits (working capital) (3)	19	-	1	-	18	18	-	-
Loans	-	-	-	-	-	-	-	-
Trading financial assets	-	-	-	-	-	-	-	-
Other (4)	125	2	104	-	23	23	-	-
TOTAUX	**5 464**	**-**	**930**	**-**	**4 538**	**42**	**4 496**	**-**

1) Le dépôt à terme était nanti en faveur de la DEUTSCHE PFANDBRIEFBANK pour 210 K€ en garantie du remboursement du prêt qu'elle avait é à The term deposit is pledged to DEUTSCHE PFANDBRIEFBANK for €210,000 as collateral for the repayment of the loan it granted to company BASNO. It was redeemed in advance following the sale of the building.

(2) Financial assets available for sale only comprise BASSANO DEVELOPPEMENT securities (the latter is the freeholder of the Royal Garden Hotel at 218/220 rue du Faubourg St Honoré) for €4,496,000, depreciated by €615,000 according to the share of the revalued net position of this company; the depreciation is offset in equity.

(3) Deposits (working capital) include sums paid to the managing agents of the properties.

(4) This item among other things includes the €14,000 deposit for the air-conditioning company occupying one of the Group's buildings. This item also includes a derivative instrument with a zero value.

In 1,000s of euros	31/12/2015	
	Loss posted in equity	Loss transferred from equity to profit or loss
Financial assets available for	sale -615	

Derivatives at 31/12/2015

Instruments	Maturity	Notional amount at 31/12/2015 in 1,000s €	Value at 31/12/2014 en K€ Asset	Value at 31/12/2015 en K€ Asset	Change in value in K€
CAP swap (3.65% guaranteed rate)	30/06/2016	12 980	1	-	-1
TOTAL		**12 980**	**1**	**-**	**-1**

4.3.2. Trade and other receivables

At 31 décembre 2016 :	31/12/2016					
				DATE OF MATURITY		
In 1,000s of euros	Gross value	Dépréciation	Net value	due in over one year	due in one to 5 years	due in over 5 years
Trade notes and accounts receivable	2 337	357	1 980	1 981	-	-
Other receivables	14 962	-	14 962	12 870	2 092	-
TOTALS	**17 299**	**357**	**16 942**	**14 851**	**2 092**	**-**

Other receivables at 31 December 2016 primarily include:

- €3,102,000 of VAT, including €2,025,000 of VAT credit repaid in January and February 2017,
- A €3,375,000 claim on the Treasury further to a tax dispute (see § 9.3.1),
- €1,846,000 advanced to notaries for notarial instruments, offset in "unbilled payables", inter alia, €1,694,000 concerning the sale of the building in rue Vieille du Temple, kept for the purchase of merchantability and the tax on creation of offices,
- €156,000 for building managers,
- €474,000 of deferred rents according to IAS 17: this accrual entry averages the differences in rents arising from periods of rent exemption or from progressive changes in the annual rent, on a straight-line basis and in accordance with IFRS over the entire period of leases,
- €1,700,000 held in escrow by BNP: this is for the disputes mentioned in note 9.3.4,
- €393,000 held in escrow for the dispute between VELO and GERY DUTHEIL (see § 9.3.3),
- Carry-backs totalling €45,000,
- €3,086,000 of escrow funds on a CARPA account: this is for the disputes mentioned in note 9.3.4 (e),
-A cash advance of €601,000 granted on a current account, repaid in January 2017.

Net income and expenses recognized in profit or loss at amortized cost on current receivables are as follows:

In 1,000s of euros	31/12/2016
	Net expense recognized in profit or loss
Receivables	-320

A minus sign indicates an expense

The net income or expense on current receivables results from the loss on bad debts, inflows on amortized receivables and valuation allowances on receivables.

At 31 December 2015:

	31/12/2015					
				ECHEANCE		
In 1,000s of euros	Gross value	Dépréciation	Net value	due in over one year	due in one to 5 years	due in over 5 years
Trade notes and accounts receivable	2 672	98	2 575	2 575	-	-
Other receivables	12 023	-	12 023	9 923	2 100	-
TOTALS	**14 695**	**98**	**14 598**	**12 498**	**2 100**	**-**

Other receivables at 31 December 2015 primarily include:

- VAT receivables totalling €2,388,000,
- A €3,382,000 claim on the Treasury further to a tax dispute (see § 9.3.1),
- €3,006,000 advanced to notaries, including the 1st demand guarantee escrow fund (€2,699,000), in connection with the lease taken out by ACANTHE DEVELOPPEMENT for premises at 2 rue de Bassano in Paris 16th , and for notarially recorded instruments offset against "unbilled payables",
- €305,000 for building managers, who mostly repaid at the beginning of 2015,
- €397,000 of deferred rents according to IAS 17: this accrual entry averages the differences in rents arising from periods of rent exemption or from progressive changes in the annual rent, on a straight-line basis and in accordance with IFRS over the entire period of leases,
- €1,700,000 held in escrow by BNP: this is for the disputes mentioned in note 9.3.4,
- €393,000 held in escrow for the dispute between VELO and GERY DUTHEIL (see § 9.3.3),
- Carry-backs totalling €45,000.

Net income and expenses recognized in profit or loss at amortized cost on current receivables are as follows:

In 1,000s of euros	31/12/2015
	Net expense recognized in profit or loss
Receivables	-73

A minus sign indicates an expense

The net income or expense on current receivables results from the loss on bad debts, inflows on amortized receivables and valuation allowances on receivables.

4.3.3. Current financial assets

Current financial assets comprise units in an open-end share investment fund (€3,028,000) and bonds issued by SMALTO for a total of €685,000 as of 31 December 2016.

These bonds yield 3% and mature on 24 July 2018.

4.3.4. Measurement of financial assets

The value of trade receivables, other receivables and other current assets is their fair value, equal to their carrying amount. When there is an indication of impairment in value (customer outstandings, other non-recoverable receivables), impairment is recognized to adjust the amount of the debt to the potential inflow of funds.

4.3.5. Cash and cash equivalents

In thousands of euros	31/12/2016	31/12/2015
Money market funds	44 888	-
Cash assets	26 933	82 701
Total financial assets for trading	**71 821**	**82 701**

4.4. EQUITY

As of 31 December 2014, the share capital comprises 147,125,260 fully paid-up shares totalling 19,991,141 euros. Shares are either registered or bearer shares.
On that date there were 71,532 treasury shares having a balance sheet value of €23,000. These treasury shares have been restated by allocation to consolidated equity.

4.4.1. Description of the capital structure

The capital structure is as follows:

	At 31/12/2016			At 31/12/2015			At 31/12/2014		
Shareholders	number of share	% of capital	% of voting rights	number of share	% of capital	% of voting de vote	number of share	% of capital	% of voting rights
A.Duménil and controlled companies									
A.Duménil	6 398 269	4,35%	4,35%	6 058 269	4,12%	4,12%	9 971 908	6,78%	6,78%
Rodra Investissement	71 887 619	48,86%	48,89%	71 887 619	48,86%	48,89%	71 947 619	48,90%	48,93%
Foncière 7 Investissements	855 000	0,58%	0,58%	855 000	0,58%	0,58%	855 000	0,58%	0,58%
Kentana	303 165	0,21%	0,21%	303 165	0,21%	0,21%	303 165	0,21%	0,21%
ADC SIIC	0	0,00%	0,00%	0	0,00%	0,00%	2 000 000	1,36%	1,36%
COFINFO	2 000 000	1,36%	1,36%	2 000 000	1,36%	1,36%	-	-	-
Acanthe Group Acanthe Développement	71 532	0,05%	0,00%	71 532	0,05%	0,00%	71 532	0,05%	0,00%
Subtotal for Alain Duménil and controlled companies (including the Acanthe Group)									
	81 515 585	55,41%	55,38%	81 175 585	55,17%	55,15%	85 149 224	57,88%	57,85%
PUBLIC Public	65 609 675	44,59%	44,62%	65 949 675	44,83%	44,85%	61 976 036	42,12%	42,15%
TOTAL	**147 125 260**	**100,00%**	**100,00%**	**147 125 260**	**100,00%**	**100,00%**	**147 125 260**	**100,00%**	**100,00%**

As far as the Company is aware, no other shareholders hold more than 5% of equity or voting rights.

4.4.2. Disclosure of shareholder agreements

Shareholder agreement reporting and disclosure requirements are regulated by the provisions of article L. 233-11 of the French Commercial Code and article 223-18 of the Financial Markets Authority's general regulations.
The Company has no knowledge of any agreements between the shareholders known and registered at year-end closing.

4.4.3. Specific disclosure if the Company is controlled

The Company is controlled as described above; however, it does not think there is a risk of control being exercised improperly.

4.4.4. Capital increases and decreases in the period

In financial year 2016, the share capital remained unchanged at 19,991,141 euros, represented by 147,125,260 shares.

4.4.5. Distributions

The Annual and Extraordinary Shareholders' meeting of 15 June 2016 decided to distribute a dividend of €0.39 per share for financial year 2015, making a total distribution €57,378,851.40.

On 4 November 2016 the Board of Directors decided to pay an interim dividend of €0.30 per share for financial year 2016, making a total distribution of €44,137,578.

This generates a consolidated reduction in shareholders' equity of €61,762,000. Payment of dividends generated a cash outflow of the same amount.

4.4.6. Dilutive instruments

The share options allocation plan decided by the Board of Directors on 28 August 2009 and clarified by the Board of Directors on 31 December 2009, awarded 9,936,436 options at an exercise price of €1.24.

On 5 April 2016, Mr Dumenil waived his right by post to exercise the balance of his options, namely 4,896,436 options. On the same day, the Board of Directors duly noted this express, irrevocable and definitive waiver.

Therefore there are no longer any dilutive instruments.

4.4.7. Non-controlling interests

Non-controlling interests concern company VENUS.

Name of subsidiary having non-controlling equity interests	VENUS
Registered office	2, rue de Bassano 75116 Paris
Proportionate interest of holders of non-controlling interests	2,66%
Income attributable to holders of non-controlling interests	€282,000
Total non-controlling interests	€7,728,000
Additional information	Subsidiaries controlled by VENUS appear in the organization chart in note 3.3

Non-controlling interests concerning SOGEB have disappeared, as this company is no longer in the scope of consolidation.

4.5. PROVISION FOR RISKS AND CONTINGENCIES

In thousands of euros	31/12/2016	31/12/2015
Contingency and loss provisions		
Provision for tax risks (1)	7 032	7 791
Provision for litigation (2)	4 325	4 325
Provision for charges(3)	8 067	8 800
Provision for severance benefits (4)	446	398
TOTAL	**19 870**	**21 314**

Contingency and loss provisions include:

(1) Provisions for tax risks totalling €7,032,000 mainly concern (€6,231,000) ACANTHE DEVELOPPEMENT disputes (see §9.3.1) and SIF DEVELOPPEMENT disputes (€563,000). €1,384,000 of provisions for SIF DEVELOPPEMENT disputes were reversed, namely the proportion of the risk that arose after all forms of resolution had been exhausted; in parallel the tax debt was recognized for the same amount (see §9.3.1).

(2) At closing, provisions for litigation comprise two provisions totalling €4,325,000 and concern disputes with the minority shareholders of company FIG (see §9.3.4).

(3) A provision of €8,067,000 for charges for renting the building at 2 rue de Bassano in Paris. This building, which was owned by the group's subsidiaries BASNO and FONCIERE DU ROCHER, was leased by ACANTHE DEVELOPPEMENT and by various affiliates. It was sold on December 2015, subject to termination of the existing leases and to ACANTHE DEVELOPPEMENT taking out a fixed 12-year lease on the whole building for a rent of €2,699,000, this rent per square metre being higher than the rent per square metre specified in the previous leases. In order to enable its lower-tier subsidiaries to sell the building under the desired terms and conditions, ACANTHE DEVELOPPEMENT agreed to take out the said lease subject to being paid compensation for the additional updated carrying charge it will incur for the duration of the lease. Under the new lease, the rent that ACANTHE DEVELOPPEMENT will pay for the floor area it occupies personally will be higher than the previous rent, and furthermore the rents it will collect from its sub-lessees (the former lessees of the building, on the same terms as previously) will be lower than the rent it will pay for the same floor areas. The quid pro quo for this indemnity owed by the subsidiaries is a provision for charges of the same amount that will be reversed and adjusted over the 12-year term of the lease; A €733,000 reversal of this provision was recognized during this period.

(4) The variables making up this provision are presented in §9.8.

4.6. FINANCIAL LIABILITIES

4.6.1. Itemized current and non-current financial liabilities

"Liabilities In 1,000s €"	31/12/2016	31/12/2015
Non-current liabilities		
Loans and debts with credit institutions > 1 year	18 893	43 656
Other loans and debts > 1 year	-	-
TOTAL NON-CURRENT FINANCIAL LIABILITIES	**18 893**	**43 656**
Current liabilities		
Loans and debts with credit institutions < 1 year	1 488	1 578
Bank overdrafts	0	1
Accrued interest	160	221
TOTAL CURRENT FINANCIAL LIABILITIES	**1 648**	**1 800**
TOTAL FINANCIAL LIABILITIES	**20 541**	**45 456**
Cash flow	71 821	82 701
NET DEBT	**-51 280**	**-37 245**

The table below presents the cash flow needed to extinguish bank loans (scheduled capital repayments and future interest), the types of interest rates, their frequency and the term of these loans.

						Outstanding disbursements on loans (Capital +interest)					
Buildings	Loan	Rate type	Date of rate change	Term of the loan	Rate	< 3 months	> 3 months and < 1 year"	>1 year and < 5 years"	over 5 years	Total	Fair value
rue de Rivoli	Munchener Hypotenkenbank	Fixed rate	NA	nov-2020	3.500%	163	486	11 505		12 155	12 175
24 rue Bizet	Munchener Hypotenkenbank	Fixed rate	NA	juin - 2022	2.867%	86	258	1 329	5 505	7 177	7 144
Fixed rate subtotal						**250**	**744**	**12 834**	**5 505**	**19 332**	
quai Malaquais	Deutsche Pfandbriefbank	Euribor 3 M+0.90%	Trim	oct-2019	0.588%	1	191	381		572	574
Euribor subtotal						**1**	**191**	**381**		**572**	
GRAND TOTAL						**251**	**935**	**13 214**	**5 505**	**19 905**	**19 893**

The financial liabilities itemized in the above table were measured at amortized cost under the effective interest method. For fair value measurement, the balance sheet amount of non-current financial liabilities would have been different for fixed rates.

The loan taken out with MUNCHENER HYPOTHEKENBANK, backed by the building in rue de Lisbonne, was repaid in advance by the sale, showing a consolidated capital balance of €12,800,000 at opening.

Furthermore, it was decided to repay in advance the loan taken out by CHARRON with ING LEASE FRANCE in view of its high interest rate (6.50%). Its capital balance was €14.3m. The prepayment fee came to €3.9m.

Exposure to risk of fluctuation in variable interest rates is limited to a single loan for an insignificant capital balance.

4.6.2. Fair value of financial liabilities

In thousands of euros	TOTAL	Amortised cost	Effective interest rate	Fair value	Level of fair value
Sundry financial loans and debts	20 541	3 032	17 509	22 925	3
Deposits and guarantees	1 231	1 231	-	1 231	N/A
Trade accounts payable	3 817	3 817	-	3 817	N/A
Tax and social security liabilities	5 536	5 536	-	5 536	N/A
Other liabilities	338	338	-	338	N/A
Other current liabilities	134	134	-	134	N/A
TOTALS	**31 597**	**14 088**	**17 509**	**33 981**	

With regard to overdrafts, trade payables, deposits and guarantees and tax and social security liabilities, most of which are short-term liabilities, the balance sheet values are stated at cost, which is virtually identical to their fair value.

4.7. SCHEDULE OF DEBTS

At 31 décembre 2016 :

		Échéance		
In thousands of euros	TOTAL	due in over one year	due in 1 to 5 years	due in over 5 years
Sundry financial loans and debts	20 541	1 648	13 485	5 408
Deposits and guarantees	1 231	1 231	-	-
Tax and social security liabilities	3 817	3 817	-	-
Dettes fiscales et sociales	5 536	5 536	-	-
Other liabilities	338	338	-	-
Other current liabilities	134	134	-	-
TOTALS	**31 597**	**12 704**	**13 485**	**5 408**

Accrued interest, included in borrowings and financial liabilities, totals €160,000.

«Tax and social security liabilities» includes:
- €436,000 of payroll expenses,
- €404,000 of VAT liabilities (payable or calculated),
- €4,645,000 of outstanding corporation tax, more particularly including €1,384,000 recognized in this period for the proportion of SIF DEVELOPPEMENT's tax disputes for which all recourse has been exhausted. This has no impact on net income. A reversal of a contingency provision was recognized for the same amount,
- €25,000 of sundry taxes.

"Other liabilities" primarily include:
- €170,000 of customers in credit (primarily customers' prepayments and advances of occupancy expenses due to customers further to their lease ending),
- €155,000 of unbilled credit notes, including repayments of lessees' occupancy expense (€91,000) and a future credit note in favour of a lessee whose lease has been renegotiated (€63,000).

At 31 December 2015:

		Échéance		
en milliers d'€	TOTAL	à 1 an au plus	de 1 an à 5 ans	à plus de 5 ans
Emprunts et dettes financières diverses	45 456	1 800	7 182	36 473
Dépôts et cautionnements	1 465	1 465	-	-
Dettes fournisseurs	2 573	2 573	-	-
Dettes fiscales et sociales	4 150	4 150	-	-
Autres dettes	2 816	2 816	-	-
Autres passifs courants	76	76	-	-
TOTAUX	**56 536**	**12 880**	**7 182**	**36 473**

Accrued interest, included in borrowings and financial liabilities, totals €221,000.

«Tax and social security liabilities» includes:
- €422,000 of payroll expenses,
- €435,000 of VAT liabilities (payable or calculated),
- €3,260,000 of outstanding corporation tax,
- €33,000 of sundry taxes.

«Other liabilities» primarily include:
- €1,634,000 of debts to former subsidiaries derecognized by the Group,
- €730,000 of debts to a lessee,
- €92,000 of customers in credit (primarily customers' prepayments and advances of occupancy expenses due to customers further to their lease ending),
- €91,000 of unbilled credit notes, for repayment of lessees' occupancy expenses.

NOTE 5. DISCLOSURES: INCOME STATEMENT

5.1. NET INCOME FROM PROPERTIES

Net income from properties includes all revenue and costs directly related to operating the buildings.

In thousands of euros	31/12/2016	31/12/2015
Rents	3 513	8 021
Rebilled occupancy expenses	567	1 884
Total occupancy expenses	(1 691)	(3 165)
NET INCOME FROM PROPERTIES	**2 390**	**6 740**

2016 revenue is down €5,825,000 (58.8%) compared with 2015.

This significant reduction in revenue is primarily due to the change in the Group's reporting scope. Two assets were sold in 2016: the building at 47 rue Vieille du Temple (Paris 4th), and the building at 2/4 rue de Lisbonne (Paris 8th) and three of the four properties sold in 2015 were sold at the end of December 2015: 7 rue de Surène (Paris 8th), 26 rue d'Athènes (Paris 9th) and 2 rue de Bassano (Paris 16th). The building in rue François Ier was sold in July 2015.

In 2015 the building in rue François Ier had generated €1,660,000 of revenue, the building in rue de Lisbonne €1,066,000, the building in rue de Surène €726,000, the building in rue d'Athènes €533,000 and the building at 2 rue de Bassano €1,186,000.

Changes in revenue on a comparable basis from buildings already held by the group at the previous closing are:

	31/12/2016	31/12/2015	Change	Change in %
Changes in revenue on a comparable basis	4 119	4 588	- 469	-10,22%

The reduction in revenue on a comparable basis is primarily due to the absence of a lessee at the end of 2015 in the building in rue Pierre Charron. The lots it occupied underwent refurbishment but have not yet been leased again. Residential lots were also vacated in the building in rue de Rivoli: the group buys back the merchantability in order to change their use then rent them out. Finally the lessee of the building in rue Bizet left and was replaced forthwith but the franchise granted applies to revenue despite application of IFRS rent deferral.

The effect of overall index-linking of rents on a like-for-like basis at 31 December 2016 is 0.01%.

5.2. OPERATING INCOME

Operating income is defined as the difference of all expenses and income not resulting from financial activities, negative goodwill, transferred activities or taxes, in accordance with CNC recommendation 2009-R03.

In thousands of euros	31/12/2016	31/12/2015
Payroll expenses	(1 500)	(1 545)
Other overhead costs	(3 349)	(1 923)
Other income and expenses	(322)	(2 687)
Change in value of investment property	15 934	21 150
Depreciation and amortization	(948)	(13 671)
Reversals of other amortization expenses and provisions	1 449	3 878
Operating expenses	**11 264**	**5 202**
Operating income before disposals	**13 654**	**11 943**
Income (loss) from disposals of investment properties	33 807	39 583
Income from disposals of subsidiaries	1	(1 552)
Operating income	**47 461**	**49 974**

Operating profit before disposals was down €1,711,000 compared with 2015. The main changes in operating profit are:

Other general and administrative expenses have increased significantly because of the rent and occupancy expenses for the offices in rue de Bassano, previously owned by the group, now rented on a 12-year firm lease (see note 4.5) from the new owner.

The €15,934,000 change in the fair value of investment property in 2016 against an increase of €21,150,000 in 2015, a positive variation of €5,216,000. The main changes in fair value are itemized in note 4.1.1.

Amortization expense and provisions totalled €948,000 as of 31 December 2016 against €13,671,000 on 31 December 2015, an increase of €12,723,000. During financial year 2015, a provision of €8,800,000 was recognized for the additional lease finance charges and provisions totalling €4,325,000 for litigation with the minority shareholders of company FIG were recognized.

The period's amortization expense and provisions break down as follows:
- Amortization €38,000,
- Tax risks €626,000, including €165,000 of provisions recognized for the financial consequences of the last tax audit concerning tax years 2014 and 2015 (see note 9.3.1)
- Impairment of accounts receivable €284,000.

Reversed provisions total €1,449,000 in 2016 against €3,878,000 in 2015. They relate to:
- Pensions €41,000,
- Tax risks €1,384,000, as part of the risk of tax adjustment of ACANTHE DEVELOPPEMENT was confirmed, a tax expense of €1,211,000 and penalties (recognized under "Other expenses") of €173,000 were recognized and offset this reversal;
- Impairment of accounts receivable €24,000.

Sales of investment properties totalled €33,807 at 31 December 2016. This represents the proceeds of the sales of the following buildings:
- The building at 2/4 rue de Lisbonne in Paris 8th,
- The building at 47 rue Vieille du Temple in Paris 4th.

Revenue from disposals of subsidiaries totals €1,000 as of 31 December 2016 against -€1,552,000 on 31 December 2015. This represents the transfer of contributions to consolidated reserves of the sold entities (BRUXYS/SOGEB) and the 2016 results of the said entities.

5.3. NET INCOME (LOSS)

In thousands of euros	31/12/2016	31/12/2015
Operating income	**47 461**	**49 974**
Cash and cash equivalents	43	20
Cost of gross financial debt	(6 039)	(3 444)
Cost of net financial debt	(5 996)	(3 424)
Other financial income and charges	(16)	86
Income or loss before tax	**41 448**	**46 636**
Negative goodwill		
Income tax expense	(1 211)	(1 672)
Net income from discontinued operations		
Net income (loss)	**40 237**	**44 964**
Group owners	39 955	44 029
Non-controlling interests	282	935

The cost of gross financial debt includes interest expenses on loans and the costs of derivatives acquired to limit rises in loan interest. Loan interest expenses are down (€1,831,000 in 2016, including €223,000 of differences in the treatment of the effective interest rate, against €2,549,000 in 2015), as are the costs of derivatives (nothing in 2016 against -€44,000 in 2015). The increase in the cost of financial debt is accounted for by the specific cost of advance redemption of the loans (cancellation of the difference in treatment of the effective interest rate (€223,000) and prepayment fees of €4,208,000) funding the building at 2/4 rue de Lisbonne in Paris (8th), sold during the financial year, and the loan funding the building in rue Pierre Charron in Paris (8th) (see note 4.6.1).

Income taxes include €1,211,000 for a tax reassessment of SIF DEVELOPPEMENT relating to financial years 2004 and 2005, this charge is covered by a provision reversal (see note 5.2).

5.4. VERIFICATION OF TAX EXPENSE

In thousands of euros	31/12/2016	31/12/2015
Net consolidated income	**40 237**	**44 964**
Corporation income tax	1 211	2
Income or loss before tax	**41 448**	**44 966**
French tax rate	33.33%	33.33%
Theoretical tax charge or income	**-13 816**	**-14 989**
Restatement of foreign company accounts	-577	-159
Other restatements and mismatches	1 156	-1 918
Non-taxable income (SIIC regime)	14 918	18 131
Allocation: creation of unused deficits	-470	-1 067
Tax charge or income	**1211**	**-2**

Corporation tax is virtually zero by virtue of the SIIC regime opted for during the course of 2005, which provides for a full exemption, subject to redistribution, of capital gains and income generated from property-related activities for all transparent consolidated French companies or those that chose this option.
The only taxable income is from non-property related activities. The corporation tax charge for this period therefore concerns the tax reassessment of SIF DEVELOPPEMENT (see notes 5.2 and 5.5)

NOTE 6. OPERATING SEGMENTS

All the Group's revenue is generated in the eurozone, in the property sector.
The Group's assets (investment properties and inventory) as of 31 December 2016 represented a total floor area of 12,645 m², against 17,085 m² compared with the prior period, and break down as follows:

Breakdown by type			Geographical breakdown		
in m²	31-déc-16	31-déc-15	% based on m²	31-déc-16	31-déc-15
Offices	9 370 m²	11 703 m²	Paris	74%	81%
Residential	1 802 m²	1 996 m²	The Paris region (outside Paris)		
Commercial premises	1 473 m²	1 473 m²	Province		
Sundry (1)	0 m²	1 913 m²	Abroad (2)	26%	19%
TOTAL	**12 645 m²**	**17 085 m²**	**TOTAL**	**100%**	**100%**

(1) This primarily concerns a building purchased in October 2010, which is going to be restructured then sold in 2016.

(2) The only property located abroad (3,255 m²) is the building at 9 Avenue de l'Astronomie in Brussels.

Breakdown of assets	In 1,000s of euros
Real estate assets (a) by geographical segment	
Paris	122 044
Paris region	
Provinces	
Abroad	7 200
	129 244
Actifs non immobiliers	
Other non-chargeable assets (b)	100 202
TOTAL ASSETS	**229 446**

(a) details of real estate assets

Investment property	129 189
Building as tangible asset	55
Building in inventory	0
	129 244

(b) These are not real estate assets.

At 31 décembre 2016 :

Income statement by business segment at 31 December 2016

(in 1,000s €)	Offices	Commercial premises	Hotels	Residential	Non-chargeable	TOTAL
Rents	2 176	616	-	721	-	3 513
Rebilled occupancy expenses	366	69	-	132	-	567
Total occupancy expenses	(964)	(424)	-	(183)	(120)	(1 691)
Net income from properties	**1 578**	**261**	**-**	**670**	**(120)**	**2 390**
Income from property development	-	-	-	-	-	-
Expenses on property development	-	-	-	-	-	-
Changes in property inventory	-	-	-	-	-	-
Net income from property development	**-**	**-**	**-**	**-**	**-**	**-**
Income from other activities	-	-	-	-	-	-
Payroll expenses (1)	(1 111)	(175)	-	(214)	-	(1 500)
Other overhead costs (2)	(2 482)	(390)	-	(477)	-	(3 349)
Other income and expenses	(159)	(19)	-	(24)	(120)	(322)
Change in value of investment property	10 897	3 528	-	1 509	-	15 934

Other amortization expenses and provisions (3)	(463)	(2)	-	(5)	(478)	(948)
Reversal of other amortization and provisions (4)	65	-	-	-	1 384	1 449
Income from disposals of investment properties (5)	(89)	-	-	-	33 896	33 807
Income from disposals of subsidiaries	-	-	-	-	1	1
Cash flow income	32	5	6			43
Cost of gross financial debt	(4 475)	(703)	-	(861)	-	(6 039)
Other financial income and charges	(12)	(2)	-	(2)	-	(16)
Profit (loss) before tax	**3 781**	**2 503**	**6**	**596**	**34 563**	**41 448**
Corporation income tax	-	-	-	-	(1 211)	(1 211)
Net income (loss)	**3 781**	**2 503**	**6**	**596**	**33 352**	**40 237**

(1) Payroll expenses and other overhead costs are apportioned according to surface area in m2.

(2) Other overheads primarily include the Group's general management costs.

(3) Non-chargeable provisions primarily concern impairments of accounts receivable and provisions for tax risks.

(4) Reversed provisions not chargeable primarily include reversed provisions for tax risks.

(5) The non-chargeable part concerns the sale of the building, which was restructured then sold in 2016.

Informations bilantielles par secteur d'activité au 31 décembre 2016

In 1,000s of euros	Offices	Commercial premises	Hotels	Residential (1)	Non-chargeable	TOTAL
Assets						
Investment properties	82 468	20 365	-	26 296	60	129 189
Tangible assets Parking administrative offices	-	-	-	-	55	55
Property inventory	-	-	-	-	-	0
Buildings held for sale	-	-	-	-	-	0
Liabilities						
Non-current financial liabilities	8 064	3 998	-	6 831	-	18 893
Current financial liabilities	218	107	-	1 163	160	1 648

(1) Including Malaquais and Rivoli

Acquisitions of sector-based assets valued at 31 December 2016

In 1,000s of euros	Offices	Commercial premises	Hotels	Residential	Non-chargeable	TOTAL
Investment properties	-	-	-	-	-	-

At 31 décembre 2015 :

Income statement by business segment at 31 December 2015

(1) Payroll expenses and other overhead costs are apportioned according to surface area in m².

(in 1,000s of euros)	Bureaux	Commerces	Hôtels	Habitations	Non affectable	TOTAL
Rents	4 870	2 460	-	691	-	8 021
Rebilled occupancy expenses	1 325	434	-	125	-	1 884
Total occupancy expenses	(1 909)	(803)	-	(248)	(205)	(3 165)
Net income from properties	**4 286**	**2 091**	**-**	**568**	**(205)**	**6 740**
Income from property development	-	-	-	-	-	-
Expenses on property development	-	-	-	-	-	-
Changes in property inventory	-	-	-	-	-	-
Net income from property development	**-**	**-**	**-**	**-**	**-**	**-**
Income from other activities	-	-	-	-	-	-
Payroll expenses (1)	(1 091)	(203)	-	(128)	(123)	(1 545)
Other overhead costs (2)	(1 357)	(253)	-	(160)	(153)	(1 923)
Other income and expenses	(2 196)	(249)	-	(127)	(115)	(2 687)
Change in value of investment property (3)	17 929	1 050	-	199	1 972	21 150
Other amortization expenses and provisions (4)	(12 350)	(585)	-	(374)	(362)	(13 671)
Reversal of other amortization and provisions (5)	2 833	502	-	277	266	3 878
Income (loss) from disposals of investment properties	(17 551)	57 134	-	-	-	39 583
Revenue from disposals of subsidiaries	-	-	-	-	(1 552)	(1 552)
Cash flow income	14	3	-	2	1	20
Coût de l'endettement financier brut	(2 432)	(452)	-	(286)	(274)	(3 444)
Other financial income and charges	61	11	-	7	7	86
Profit (loss) before tax	**(11 854)**	**59 049**	**-**	**(22)**	**(538)**	**46 636**
Income from disposals of subsidiaries	-	-	-	-	(1 672)	(1 672)
Net income	**(11 854)**	**59 049**	**-**	**(22)**	**(2 210)**	**44 964**

(2) Other overhead costs primarily include the Group's general management costs.

(3) Changes in the values of non-chargeable investment properties concern land and investment properties the characteristics of which do not match any identified operating segment.

(4) Non-chargeable provisions concern allowances for tax risks and for the Paris Court of Appeal order dated 24 February 2014.

(5) Non-chargeable provisions concern allowances for tax risks and for the Paris Court of Appeal order dated 24 February 2014.

(5) Non-chargeable provisions concern allowances for tax risks and for the Paris Court of Appeal order dated 24 February 2014.

Balance sheet data by business segment at 31 December 2015

In 1,000s of euros	Offices	Commercial premises	Hotels	Residential	Not chargeable	TOTAL
ASSETS						
Investment properties	103 877	17 263	-	26 612	33 230	180 982
Tangible assets Bassano QP administrative offices	-	-	-	-	-	0
Property inventory	-	-	-	-	-	0
Buildings held for sale	-	-	-	-	-	0
LIABILITIES						
Non-current financial liabilities	32 375	-	-	11 280	-	43 656
Current financial liabilities	1 113	-	-	465	223	1 800

Acquisitions d'actifs sectoriels évalués au 31 décembre 2015

In 1,000s of euros	Offices	Commercial premises	Hotels	Residential	Not chargeable	TOTAL
Investment properties	-	-	-	-	-	-

The non-chargeable asset items primarily include land and the building being restructured and in the process of allocation.
The liability items are bank overdrafts and related items.

At 31 décembre 2016 :

Income statement by geographical segment at 31 December 2016

(in 1,000s €)	Paris	The Paris region outside	Provinces	Abroad	Non chargeable	TOTAL
Rents	3 424	-	-	89	-	3 513
Rebilled occupancy expenses	530	-	-	37	-	567
Total occupancy expenses	(1 477)	-	-	(214)	-	(1 691)
Net income from properties	**2 477**	**-**	**-**	**(88)**	**-**	**2 390**
Income from property development	-	-	-	-	-	-
Expenses on property development	-	-	-	-	-	-
Changes in property inventory	-	-	-	-	-	-
Net income from property development	**-**	**-**	**-**	**-**	**-**	**-**
Income from other activities	-	-	-	-	-	-
Payroll expenses (1)	(1 114)	-	-	(386)	-	(1 500)
Other overhead costs (2)	(2 487)	-	-	(862)	-	(3 349)
Other income and expenses	(163)	-	-	(39)	(120)	(322)
Change in value of investment property	15 934	-	-	-	-	15 934
Other amortization expenses and provisions(3)	(470)	-	-	-	(478)	(948)

Reversal of other amortization and provisions (4)	65	-	-	-	1 384	1 449
Income (loss) from disposals of investment properties	33 807	-	-	-	-	33 807
Income from disposals of subsidiaries	-	-	-	-	1	1
Cash flow income	32	-	-	11	-	43
Cost of gross financial debt	(4 485)	-	-	(1 554)	-	(6 039)
Other financial income and charges	(12)	-	-	(4)	-	(16)
Profit (loss) before tax	**43 584**	**-**	**-**	**(2 922)**	**787**	**41 448**
Corporation income tax	-	-	-	-	(1 211)	(1 211)
Net income (loss)	**43 584**	**-**	**-**	**(2 922)**	**(424)**	**40 237**

(1) Payroll expenses and other overhead costs are apportioned according to surface area in m2.

(2) Other overheads primarily include the Group's general management costs.

(3) Non-chargeable provisions primarily concern impairments of accounts receivable and provisions for tax risks.

(4) Reversed provisions not chargeable primarily include reversed provisions for tax risks.

Informations bilantielles par zones géographiques au 31 décembre 2016

In 1,000s of euros	Paris	The Paris region outside Paris	Provinces	Abroad	Non chargeable	TOTAL
ASSETS						
Investment properties	121 989	-	-	7 200	-	129 189
Tangible assets Parking administrative offices	55	-	-	-	-	55
Property inventory	-	-	-	-	-	0
Buildings held for sale	-	-	-	-	-	0
LIABILITIES						
Non-current financial liabilities	18 893	-	-	-	-	18 893
Current financial liabilities	1 488	-	-	-	160	1 648

Acquisitions d'actifs par zones géographiques évalués au 31 décembre 2016

In 1,000s of euros	Paris	The Paris region outside Paris	Provinces	Abroad	Non chargeable	TOTAL
Investment properties	-	-	-	-	-	-

At 31 décembre 2015 :

Income statement by geographical segment at 31 December 2015

(in 1,000s €)	Paris	The Paris region (outside Paris)	Provinces	Foreign	Non chargeable	TOTAL
Rents	7 935	-	-	86	-	8 021
Rebilled occupancy expenses	1 846	-	-	38	-	1 884
Total occupancy expenses	(2 941)	-	-	(224)	-	(3 165)
Net income from properties	**6 840**	**-**	**-**	**(100)**	**-**	**6 740**
Income from property development	-	-	-	-	-	-
Expenses on property development	-	-	-	-	-	-
Changes in property inventory	-	-	-	-	-	-
Net income from property development	**-**	**-**	**-**	**-**	**-**	**-**
Income from other activities	-	-	-	-	-	-
Payroll expenses (1)	(1 336)	-	-	(209)	-	(1 545)
Other overhead costs (2)	(1 663)	-	-	(260)	-	(1 923)
Other income and expenses	(2 405)	-	-	(282)	-	(2 687)
Change in value of investment property	20 712	-	-	438	-	21 150
Other amortization expenses and provisions (3)	-	-	-	-	(13 671)	(13 671)
Reversal of other amortization and provisions (4)	150	-	-	468	3 260	3 878
Income (loss) from disposals of investment properties	39 583	-	-	-	-	39 583
Résultat de cession des filiales cédées	-	-	-	-	(1 552)	(1 552)
Cash flow income	17	-	-	3	-	20
Cost of gross financial debt	(2 978)	-	-	(466)	-	(3 444)
Other financial income and charges	75	-	-	11	-	86
Profit (loss) before tax	**58 995**	**-**	**-**	**(397)**	**(11 963)**	**46 636**
Corporation income tax	-	-	-	-	(1 672)	(1 672)
Net income	**58 995**	**-**	**-**	**(397)**	**(13 635)**	**44 964**

(1) Payroll expenses and other overhead costs are apportioned according to surface area in m2.

(2) Other overheads primarily include the Group's general management costs.

(3) Non-chargeable provisions concern allowances for additional rental charges, allowances for the Paris Court of Appeal order dated 24 February 2014 and allowances for tax risks.

(4) Reversed provisions not chargeable primarily include reversed provisions for tax risks.

Balance sheet data by geographical segment at 31 December 2015

(in 1,000s €)	Paris	The Paris region (outside Paris)	Provinces	Foreign	Non chargeable	TOTAL
ASSETS						
Investment properties	173 982	-	-	7 000	-	180 982
Tangible assets Bassano QP administrative offices	-	-	-	-	-	0
Property inventory	-	-	-	-	-	0
Buildings held for sale	-	-	-	-	-	0
LIABILITIES						
Non-current financial liabilities	43 656	-	-	-	-	43 656
Current financial liabilities	1 578	-	-	-	222	1 800

Acquisitions of sector-based assets valued at 31 December 2015

In 1,000s of euros	Offices	Commercial premises	Hotels	Residential	Not chargeable	TOTAL
Investment properties	-	-	-	-	-	-

NOTE 7. OFF-BALANCE SHEET COMMITMENTS

The Group's internal or external commitments are as follows:

7.1. OFF-BALANCE SHEET COMMITMENTS RELATING TO THE GROUP'S SCOPE OF CONSOLIDATION

7.1.1. Commitments given

Off-balance sheet commitments relating to the group's scope of consolidation in 1,000s of euros	Key features (type, date, consideration)	31/12/2016	31/12/2016
Equity investment commitments	-	None	None
Commitments on unconsolidated special purpose entities likely to have a significant effect on financial statements	-	None	None
Other	-	None	None

7.1.2. Commitments received

Off-balance sheet commitments relating to the group's scope of consolidation in 1,000s of euros	Key features (type, date, consideration)	31/12/2016	31/12/2016
Commitments received in specific transactions	-	None	None

7.2. OFF-BALANCE SHEET COMMITMENTS RELATING TO FINANCING ACTIVITIES

7.2.1. Commitments given

The commitments can only be exercised up to the actual outstanding amounts repayable on the date the guarantee is exercised, plus fees, charges and additional costs capped at 20% of the said amount. The real impact of these commitments for the Group at year-end closing date is shown below. The commitments listed below concern liabilities included in the consolidated balance sheet, and are not a complement of the latter.

In thousands of euros	31/12/2015	31/12/2016	at less than 1 year	1 to 5 years	over 5 years
Deposits and demand guarantees granted to financial institutions	20 158	6 821	357	1 053	5 411
Registered mortgages on properties purchased 1.2 times the amount of the outstanding loan	54 643	21 088	774	13 821	6 493
Collateral for commercial rents	45 536	17 574	645	11 518	5 411
Cash pledge		2 699			2 699

These periods match those of the loans.

Collateral, Guarantees and Sureties:

Company whose shares or ownership interests are pledged	Name of shareholder or partner	Beneficiary	Starting date	Date of maturity	Lifting condition	Number of shares pledged	% of pledged capital
SCI Echelle Rivoli	Acanthe Developpement et Baldavine	Munchener Hypothekenbank	18/11/2013	17/11/2020	Repayment	1 000	100%
Bizet 24	Basno, Venus et Charron	Munchener Hypothekenbank	01/08/2014	11/06/2022	Repayment	10 851 000	100%

Securities are pledged against the capital balance of the loans concerned..

Other commitments

Loan agreements specify that borrowing companies have to meet a number of ratios:

		Ratios	
		DSCR	LTV
ECHELLE RIVOLI	MUNCHENER HYPOTHEKENBANK	> 105%	≤ 60%
SCI BIZET 24	MUNCHENER HYPOTHEKENBANK		≤ 65 % (1)

(1) an additional margin of 0.20% is added to the annual fixed rate of 2.828% when LTV > 60%

ICR = Interest Coverage Ratio

DSCR = Debt Service Coverage Ratio

LTV = The building Loan-To-Value ratio

If the above ratios are not met, this generally entails an early partial repayment obligation.

Lastly, the group has not granted third parties any unused lines of credit (drawdown letters, etc.) or commitments to repurchase securities loaned or deposited as collateral.

7.2.2. Commitments received

Mr Alain Duménil's guarantee for the loan taken out by a Group subsidiary (CEDRIANE) to fund the acquisition of a building, in favour of DEUTSCHE PFANDBRIFBANK for €565,000.

7.3. OFF-BALANCE SHEET COMMITMENTS RELATING TO THE GROUP'S OPERATING ACTIVITIES

7.3.1. Commitments given

The Treasury has registered preferential rights against certain companies in the ACANTHE DEVELOPPEMENT group to guarantee disputed amounts of tax totalling €4,347,000 as of 31 December 2016 (see note 9.3.1).

Furthermore, the following mortgages were taken by the Treasury as an interim measure (see note 9.3.1):

In thousands of euros	31/12/2016	31/12/2015
Registered mortgages on buildings (1)	13 876	13 876

The mortgage amounts break down as follows:

In thousands of euros	total at 31/12/2016	at less than 1 year	1 to 5 years	over 5 years
Mortgages	13 876	0	13 876	0

(1) Including €13,876,000 for buildings formerly owned by company FIG that further to the publication of the contribution agreement became the property of SNC VENUS, which has no debt with the tax authorities. This mortgage was not listed on the statement provided by our notary on the date of the contribution.

ACANTHE DEVELOPPEMENT has stood surety, with waiver of division and discussion, in favour of Mr Bergougnian for payment of the bonds issued by CEDRIANE.

Under the agreement settling the disputes between SOGEB and BRUXYS and Mr Bergougnian (minority partner of SOGEB), he was given 871 bonds each with a nominal value of €4,280, making a payment of €3,728,000; At 31 December 2016, after an initial amortization of the bond issue, the capital balance, guaranteed by the surety, totalled €2,872,000.

7.3.2. Commitments received

None

NOTE 8. EXPOSITION AUX RISQUES

L'exposition aux risques et aux facteurs d'incertitude et la gestion de ceux-ci sont explicités en notes 2.3 et 2.4 du rapport de gestion sur les comptes de l'exercice 2016.

NOTE 9. OTHER DISCLOSURES

9.1. ADJUSTED NET ASSET VALUE

The ACANTHE DEVELOPPEMMENT Group decided to adopt the IAS 40 fair value measurement option to measure the fair value of its investment property on 1st January 2006. The purpose of this option is to reflect changes in the "investment property" market in the consolidated financial statements and measure the market value of its assets.

Economic context [1] [2]

Management pays particular attention to the fair value measurement of its buildings. They are valued with great rigour. In the current international and national macroeconomic environment, business property is still one of the most profitable assets and a safe investment for investors. This requires the group to pay particular attention to the valuation of its assets, the main component of its business and income.

GDP grew by 1.1% in 2016 against 1.2% in 2015. The main economic indicators remain full of contrasts: the unemployment rate, which fell slightly from 10.3% at the end of 2015 to 10.1% of the working population at the end of 2016, the balance of foreign trade, negatively affecting growth by 0.9 points whereas total French output was 1.4% up on 2015 and household consumption was up 1.8% (driven by purchases of household goods in the 1st half of 2016).
The 4th quarter of 2016 showed encouraging signs for 2017 with GDP up 0.4%, household spending up 0.6% and stronger exports up 1.3% compared with the 3rd quarter of 2016 and a slowdown in imports (+1% against +2.7% in the 3rd quarter of 2016).

In 2016, slow growth in France was primarily attributable to weak exports, hence the negative contribution of foreign trade to GDP. Growth in France remained lower than the European average (+1.7%). However, this is accounted for by the very nature of the growth in 2016: the marked increase in investments in capital goods compared with 2015 drove imports.
In hindsight, it seems that the very slow growth rate in the 2nd and 3rd quarters of 2016 is accounted for by cyclical problems in certain sectors like agriculture and aeronautics, and that the positive trends of the 4th quarter augur a better year in 2017.

Despite a very uncertain election year, household consumption, the slowdown in unemployment, the still fairly low price of oil combined with very low interest rates should sustain the volume of output, in particular that of businesses. Their investments rose by 4.3% in 2016. This rather positive environment is reflected in the "business climate" index, above average, and the morale of households, at its highest point for ten years.

French GDP growth forecasts for 2017 are between 1.1% and 1.4%. Certain economists are convinced that company investments will grow again if demand picks up, whereas others consider that the uncertainties surrounding the 2017 elections, such as growing inflation and the risks weighing on international trade, are liable to slow down French economic activity.

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(1) INSEE – Quick reference guide of 28 February 2017 - (2) Les Echos 31 January 2017

In 2016, the financial markets[3] enjoyed varying fortunes: the CAC 40 ended the year up 4.86%, much lower than its performance in 2015 (+8.53%), whereas the Dow Jones was up 14.53% as was London's FTSE index (+14.43%). Conversely, the Italian stock exchange fell by 10%, due to difficulties in the banking sector.

Torn between good and bad political news (depending on your point of view), such as Brexit and the election of Mr Trump in the USA, the Paris stock exchange picked up at the end of the year with the rise in oil prices and other raw materials (mining sector) then thanks to the banking sector, which took full advantage of the predicted rise in American rates in the wake of fiscal stimulus.
The year's main winners are the giants of raw materials with the doubling of oil prices and the recovery in base metals (ARCELOR MITTAL: +80.4% after a 57% fall in 2015).

Stocks showing sharp falls include telecoms equipment manufacturers (NOKIA and ERICSSON), penalized by their shrinking markets.

Analysts expect markets to pick up in 2017 (the "Trump effect") but remain cautious, given uncertainties in Europe surrounding Brexit and the French and German elections.

The corporate property market in 2016

- The investment market [4] :

2016 showed a high level of investment: 25 billion euros against 23 billion in 2015 and 25 billion in 2014.

An analysis of deals reveals a market still driven by big transactions, in excess of 100 million: 68 transactions, against 70 last year. They alone make up 61% of investments, against 65% last year, whereas deals over 500 million euros now only make up 19% of investments, against 15% in 2015.
Two French acquisitions topped one billion euros, one of which concerned 26,800 m² in place Vendôme in Paris 1st. The market was also sustained by transactions between 20 and 50 million euros, up 33% on 2015.

Deals continue to be advantaged by refinancing rates close to zero, investor aversion to stock market volatility and prudential asset allocation obligations. French stakeholders (insurers, property companies and private funds) represent 66% of investments (65% in 2015) whereas investors outside Europe represent 24% (25% in 2015). No "Brexit" effect was felt in 2016.
All investors are looking for alternative investments, and property is still the most profitable asset class. Even the "prime" rates of roughly 3% observed in Paris's QCA (central business district) are much higher than risk-free rates like 10-year treasury bonds (a difference of 2.25 points).

The breakdown by asset class is more or less the same as in 2015: about 70% of investments were made in office space.

Geographically, 71% of national investments are concentrated in the Greater Paris region, unchanged compared with 2015. Thanks to its vast and diverse real estate base, the region is still attractive for funds and other property players (headquarters of foreign and French multinationals). In particular, as well as prime properties, the rehabilitation of complexes is attracting more and more investors, enabling them to generate value and position themselves already with regard to the "Grand Paris" project.

Inner Paris, in particular the central business district and the Hauts-de-Seine department alone attracted 15 billion euros of investments. This strong appeal of emblematic properties resulted in a fall in the yield from "prime" properties, down from 3.25% in 2015 for the best service-sector assets in Paris's central business district to between 2.90% and 3.15% in 2016.
Faced with limited supply in the capital and falling yields, investors looked to La Défense: 1.7 billion euros invested.

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(3) Agence Option Finance quoted by Lefigaro.fr on 30 December 2016 - (4) Nexity – 2017 and 2016 market round-ups

For 2017, the investment market is expected to total 25 billion euros, the same as in 2016. It will continue to be sustained by high levels of liquidity (the BCE programme, extended to December 2017) and low rates, which are not expected to rise sharply.

Investments in commercial property totalled 4.4 billion euros in 2016 (including more than 2 billion in the last quarter), down 21% on 2015 but up 32% on the ten-year average. This type of assets was penalized by the lack of supply, despite investor expectations.

The types of property investors are looking for are still the well-known avenues and the major shopping centres in the regions.
High-profile transactions in 2016, excluding portfolios, were made in the Champs-Elysées (MARQUIS BUILDING for €490m) and the left bank (MARCHE SAINT-GERMAIN for €134m).

The "prime" yield from Paris boutiques (arteries like the Champs-Elysées or rue du Faubourg Saint-Honoré) fell below 3%. The yield from shopping centres was 3.5% against 4% at the end of 2015.

The major asset portfolios and emblematic addresses should boost investments in 2017.

- The rentals market in Ile-de-France and Paris [6] [7] [8]

In 2016, satisfied demand in Ile-de-France totalled 2.4 million m², up 7% on 2015. However this level is still below that of 2006-2007 (2.8 million m²) and 2011-2012 (2.5 million m²).

Business remained sustained by the capital, which represents over one million m², up 14% on 2015, breaking the 2006 record of on million m². The La Défense district also broke all its records with 274,000 m² of investments.
The central business district alone represents 445,000 m² of property deals in Paris, on a par with 2015.

At regional level, the year was marked by a higher number of transactions for premises in excess of 5,000 m²: 65 compared with 57 in 2015. Transactions in properties under 1,000 m² followed the 2015 trend: 800,000 m² exceeded.

For the second year running, inner Paris saw a rise in property investments: a record year. All geographical areas saw rises in transactions, in particular the North-East, 39% more floor area than in 2015 (nearly 200,000 m²) and the South of the capital, where investment volumes increased by 37% to 343,000 m².

The central business district, often the driver of the Paris market, has been buoyant for ten years with 440,000 m² of investments, driven by transactions in properties under 1,000 m² (BALMAIN, Paris 8th, BANQUE DE FRANCE, Paris 9th). These smaller properties represent 54% of investments in the central business district, whereas in the North-East and the South of Paris properties of over 5,000 m² predominate, representing respectively 43% and 59% of investments in these areas.
It is worth noting the level of restructured properties that will be available between 2017 and 2019 in this much sought-after central business district: 300,000 m².

This excellent performance by the French capital is reflected in the vacancy rate, 3.2% for Paris (the lowest in fifteen years) and 3.3% for the central business district. This is slightly affecting headline rents of "prime" properties, which are rising between 3% and 8% depending on the sectors in the capital. These "prime" rents average between €400/m² in North-East Paris and €660/m² in the central business district. The contraction of supply is reflected in rent exemptions and other accompanying measure for new leaseholders, limited on average to 17% of leases signed in the centre of Paris. So 2017 may well be a bullish year.

(5) CW – Marketbeat France Commerces Q4 2016 - (6) CW – Les clés du marché Bureaux Ile-de-France 4T2016 - (7) CW – Marketbeat IDF - Paris Bureaux Q4 2016 - (8) CW – Marketbeat IDF- Paris QCA Bureaux Q4 2016

The commercial rental market is driven by high demand in the high-end beauty sector and by the catering trade but also the fashion sector (luxury). Specialist chains (textiles, clothing) suffered however in 2016 (the Nice attack, weather, buying power) and can have different location policies (returning to the city centre or opening outlets in "retail parks"). Customer experience is becoming more pronounced, in particular with the mobility afforded by smartphones.

In Paris, the luxury trade was still the driving force in the sector, but not the only one: pop-up stores but also pure-players and catering concept are looking for "prime" locations. This creates some tension on rental values (rarity, the inadequacy of available surfaces or regulatory constraints), factors that drive certain players towards the most sought-after arteries like rue du Faubourg Saint-Honoré (€13,000 per m2 per annum). Some other quarters already in vogue are benefiting from this trend, like Le Marais (opening of a 4,000 m² EATALY outlet expected in 2018) of the Left bank, with the completion of the Saint-Germain-des-Prés covered market (APPLE, UNIQLO and NESPRESSO), not forgetting the Opéra district, which has seen the arrival of REEBOK and PRET A MANGER. Other sector like Champs-Elysées also attract the leading international brands notwithstanding the highest prices in the capital (€18,000 per m² per annum) and the rue de Rivoli sector, a safe investment for "mass market" chains, where the reopening of LA SAMARITAINE is expected in 2018.

Constructive talks about Sunday opening of major department stores, like FNAC recently, should boost the commercial sector, which is undoubtedly expecting a lot of the next government.

The high-end residential property market 2016 [10] :

After being ranked 7th most sought-after city by the international clientele in 2015, Paris is now deservedly ranked 5th . Paris is till half as expensive as London, despite rising prices. As in 2015, interest rates and the stronger dollar against the euro are positive factors.

As proof of this return of foreigners to the Paris market, the BARNES network notes the dramatic rise in the number of property transactions in excess of 4 million euros: 23 transactions, up 36%.
"Zero defects" properties are still rare and sell quickly.

Albeit an election year, 2017 is not dampening the appetite of this class of investors for a foothold in Paris, hence the emergence of new quarters like La Bastille and Le Marais.

- The Group's assets:

The ACANTHE DEVELOPPEMENT group's assets show an occupancy ratio of 64%. On the same basis, the ratio rises to 82% for its Paris-based assets.

The Group did not purchase any buildings In 2016.
In the same financial year it sold the buildings in rue Vieille du Temple (Paris 4th) and rue de Lisbonne (Paris 8th).

As in previous periods, expert appraisals were conducted on 31 December 2016 based on the criteria set out in the «Charte de l'Expertise en Evaluation Immobilière» (French property appraisal charter) and applied by all listed property companies.

Properties that are subject to preliminary contracts of sale without key conditions precedent are valued at their net selling price.

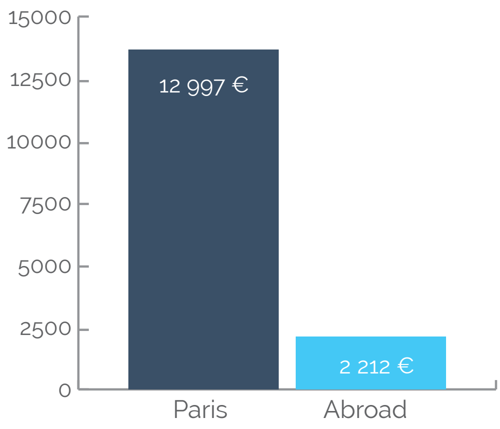
The group's net worth is estimated at €129,245,000 (investment buildings plus car parks). It comprises €82,469,000 of office space, €20,365,000 of commercial premises and €26,296,000 of residential buildings, plus €115,000 of parking space.
Floor areas break down into 9,370 m² of office space, 1,473 m² of commercial premises and 1,803 m² of residential units.

(10) Barnes survey publish in l'Opinion on 20 January 2017

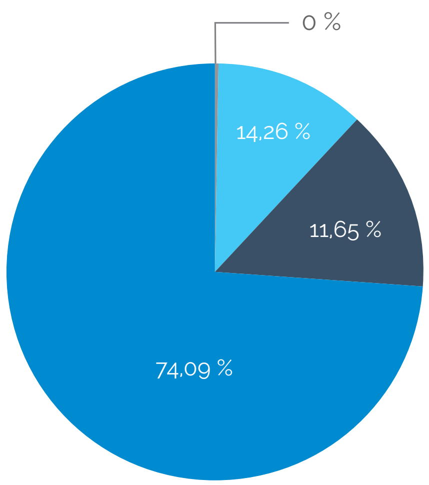
On a like-for-like basis, the expert appraisals of the ACANTHE DEVELOPPEMENT group's assets showed an increase of 14.06% against 31 December 2015.

These expert appraisals show the following average values per m²:

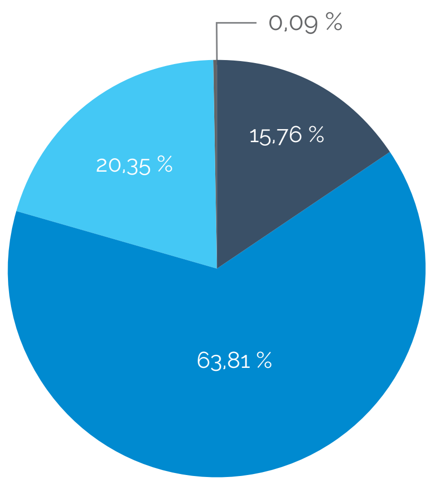
These expert appraisals show the following average values per m2:



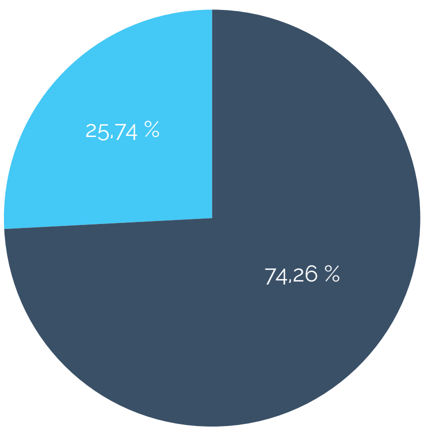
Nature of assets in m²



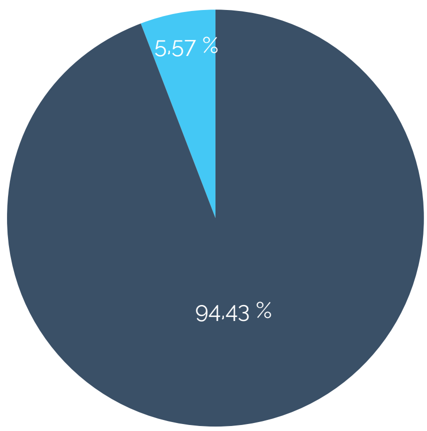
Nature of assets in value



Breakdown of assets by m²



Breakdown of assets by value



Accordingly the Group's net position stands at €170,250,000. To calculate the Adjusted Net Asset Value (ANAV), this value is increased by the treasury shares whose acquisition cost was deducted from consolidated shareholders' equity measured at fair value. Adjusted Net Asset Value excluding rights was as follows as of 31 December 2016:

	In 1,000s of euros
Consolidated shareholders' equity	170,250
Treasury shares:	23
Capital gain on treasury shares	60
Adjusted Net Asset Value at 31/12/16	170,333
Number of shares at 31/12/16	**147,125,260**
- ANAV:	**€1.1577 per share**

Dilutive instruments are not included at 31 December 2016.
At 31 December 2015 there remained 4,896,436 share options (to be exercised by 28 August 2019) awarded in August 2009 at the issue price of €1.24 per share.
The Board of Directors' meeting of 5 April 2016 duly noted Mr Alain Duménil's express and definitive abandonment of the balance of the options.

By way of comparison, the Adjusted Net Asset Value on 31 December 2015 was as follows:

	In 1,000s of euros
Consolidated shareholders' equity	191,890
Treasury shares:	23
Capital gain on treasury shares	70
Adjusted Net Asset Value at 31/12/15	**191,983**
Number of shares at 31/12/16	**147,125,260**
- ANAV:	**€1.3049 per share**

Dilutive instruments are not included on 31 December 2015. There remain 4,896,436 share options (to be exercised by 28 August 2019) awarded in August 2009 at the issue price of €1.24 per share. They have not been taken into account, given that this period is of little interest to the beneficiary with respect to quoted market prices (closing price at 31 December 2015: €0.44).

The fall in Adjusted Net Asset Value between 2015 and 2016 is essentially due to the high interim dividend paid in 2016 (€0.30 per share).

9.2. TAX POSITION

The Group's fiscal deficits relate to the taxable portion of taxable income (non-SIIC).

In thousands of euros	31/12/2016	31/12/2015	31/12/2014
Déficits reportables	48 931	47 963	52 435
TOTAL	**48 931**	**47 963**	**52 435**

The above fiscal deficits do not take into account the proposed tax adjustments received by various Group companies, as explained in the following paragraph. The fiscal deficits were charged to non-SIIC income. The latter is marginal, as the Group's business is primarily property-related. In addition, the government has taken measures to cap the charging of prior deficits on future profits (100% up to €1 million and 50% above €1 million). The fiscal deficits will thus be cleared over a long period. Consequently no deferred tax asset is recognized, as a precautionary measure.

9.3. POTENTIAL DISPUTES AND LIABILITIES

9.3.1. Tax disputes

Following a number of tax audits, the tax authority sent proposed tax reassessments to various Group companies, including ACANTHE DEVELOPPEMENT, leading to the additional tax assessments mentioned below.

In consideration of the information presented below, the arguments put forward by CMS Bureau Francis Lefebvre lawyers and arguments based on legal precedents, the Company considers that it should win most of these cases, which justifies the absence of recognized provisions <u>apart from those recognized in cases that resulted in adverse decisions rendered by the Administrative Court of Appeal or the Council of State.</u>

- ACANTHE DEVELOPPEMENT

The tax authority challenged the applicability of the parent-child regime to the dividends distributed in 2004. An upward adjustment was notified in the same notice as the upward adjustment of the value of AD CAPITAL actions mentioned below. The theoretical amount of additional tax under the parent/child company regime totals €0.8m in principal and €0.3m in interest and penalties.

In the same notice, the tax authority drew conclusions from the two upward adjustments above, and automatically raised the exit tax declared when the SIIC (Real Estate Investment Trust) option was taken up. The theoretical amount of additional tax in this respect totals €3.16m in principal and €2.19m in interest and penalties.

In a ruling on 10 December 2014, the Administrative Court dismissed the Company's appeal on the applicability of the parent-child regime. In a ruling dated 8 November 2016, the Administrative Court of Appeal of Paris, confirmed the decision of the Administrative Court.

An appeal on points of law was filed on 9 January 2017 with the Council of State to challenge the ruling of the Administrative Court of Appeal of Paris on this point. The case is currently being heard by this Court.

At the request of the statutory auditors, the company funded provisions for these upward adjustments.

The recognized provisions (including interest on recoveries) therefore amount to €4.36m in total.

Moreover, the proposals for correction sent to ACANTHE DEVELOPPEMENT questioned the valuation of the AD CAPITAL shares distributed as dividends in kind for a base amount of €15.6m, a portion of which is taxed as long-term capital gains, which results in back taxes of €3.4m in principal. ACANTHE DEVELOPPEMENT had valued these securities on the basis of Adjusted Net Asset Value (ANAV) and the tax authorities has proposed other methods, which have been contested by the Company and its advisors (CMS Bureau Francis Lefebvre) in their response to the proposed adjustment.

On 7 July 2008, the departmental representative of the tax authorities met the company's counsel, CMS Bureau Francis Lefebvre, and after the meeting, the authorities, albeit confirming the principle of the challenge to the initial valuation method, accepted some of the submitted valuation elements and correlatively reduced the amount of the tax adjustment to €11.8m, making a tax adjustment in the principal amount of €2.5m.

Pursuing its challenge of the adjustment, the company specifically requested that it be submitted to the departmental committee of direct taxes and taxes on sales. The committee duly examined the company's case on 30 June 2010 and took into account the elements submitted on behalf of the company to demonstrate the exaggerated nature of the valuation performed by the authorities.

Following this decision, the amount of the adjustment was further reduced to €10.4m, making a tax adjustment of €2.15m (excluding €0.34m of interest and €0.82m of surcharges).

There again, on receiving collection notice for the corresponding tax, the company filed a claim and, following the rejection of the latter, on 7 September 2011 it referred the matter to the Administrative Court of Paris in order to have all the arguments presented taken into consideration. The proceedings are currently underway.

In a ruling of 10 December 2014, the Administrative Court fully upheld the Company's appeal on the valuation of the AD CAPITAL shares distributed as dividends in kind. Similarly, the Administrative Court discharged the upwardly adjusted exit tax in proportion to the exemption on the point above.

The tax authority, without prejudice to an appeal against this decision, pronounced a tax exemption of all sums initially levied further to this raising.

No provision has been recognized in this respect.

ACANTHE DEVELOPPEMENT was the subject of a tax audit in 2014. The audit covered all tax or social security returns in the period from 1st January 2011 to 31 December 2013. The audit did not lead to a reassessment.

ACANTHE DEVELOPPEMENT was again the subject of a tax audit in 2016. The audit covered all tax or social security returns in the period from 1st January 2014 to 31 December 2015. The audit resulted in a notice of reassessment primarily concerning the absence of taxation of a fraction of one of its dividend distributions (the portion resulting from taxable income) on the additional contribution to corporation tax due on the distributed earnings. This point of tax law is indeed the subject of an appeal filed by other companies (and still pending) before the Constitutional Council. ACANTHE DEVELOPPEMENT however has already recognized a provision of €165,000 at 31 December 2016 in respect of the latter notification.

- SIF DEVELOPPEMENT

On the subject of the parent-daughter company regime, the tax authorities have also sent Group subsidiary SIF DEVELOPPEMENT proposed tax adjustments totalling €0.94m (excluding €0.04m of interest and €0.13m of surcharges). These have been contested on the same grounds as those expanded on above.

The Administrative Court of dismissed our subsidiary's applications in a ruling of 28 May 2013.

The company lodged an appeal against this ruling before the Administrative Court of Appeal of Paris, which in a decision dated 17 June 2014 confirmed the unfavourable ruling handed down by the Administrative Court.

On 1st August 2014 the company lodged an appeal against the Court's ruling on points of law before the Council of State. On 27 February 2015 the Council of State ruled that the appeal was inadmissible.

For all the above reasons, the company intends to continue contesting the taxes imposed on it, with the assistance of CMS Bureau Francis Lefebvre, and on 24 August 2015 it filed an appeal with the ECHR to have the position of the French courts recognized as being contrary to the European Convention on Human Rights and Fundamental Freedoms.

Further to these decisions, for the aforesaid considerations and despite observations that may be made to challenge the Court's analysis, the tax expense and penalties have been recognized (€1.14m) and the related provision has been reversed in the same proportions. Recovery interest is still provisioned for €0.47m.

With regard to SIF DEVELOPPEMENT, the tax authorities have also sent proposed tax reassessments as they challenge the transfer price of a current account and a property capital gain on a building under the SIIC option. These were contested and the higher adjustments have been abandoned. This resulted in an additional tax assessment of €0.26m (excluding €0.01m of interest) after appeals to higher courts.

There remained grounds for dispute and the Administrative Court of Paris dismissed our subsidiary's final petitions in two rulings handed down in May and June 2013.

The company lodged an appeal against these rulings before the Administrative Court of Appeal of Paris, which in a decision dated 17 June 2014 confirmed the unfavourable ruling handed down by the Administrative Court regarding the loss of current account transfer.

On 1st August 2014 the company lodged an appeal against the Court's ruling on points of law before the Council of State. On 27 February 2015 the Council of State ruled that the appeal against the challenge of the current account transfer price was inadmissible.

Furthermore, on 27 March 2015 the Administrative Court of Appeal handed down an adverse decision concerning the challenge of the property capital gains. Continuing to contest the corresponding additional tax assessments, in April 2015 the company lodged an appeal in law before the Council of State. This appeal was dismissed in an order of 30 March 2016.

The company filed an application before the European Court of Human Rights. The European Court of Human Rights declared the company's application inadmissible in a decision of 15 December 2016.

Further to these decisions, for the aforesaid considerations and despite observations that may be made to challenge the Court's analysis, the tax expense and penalties have been recognized (€0.24m) and the related provision has been reversed in the same proportions. Recovery interest is still provisioned for €0.097m.

- VOLPAR

The tax authorities have also sent another group subsidiary a proposed adjustment (€0.51m of principal and €21,000 of interest for tax years 2009 and 2010) challenging the subsidiary's application of the SIIC regime and the qualification of this company's business. The tax authorities consider that the company acted as an estate agent, which the company contests in consideration of the conditions of acquisition and management of the buildings concerned and the retention period (between 2 and 10 years depending on the lots) prior to their sale.

The tax demanded in this respect was contested in a contentious claim filed on 26 June 2013. The tax authorities dismissed the company's claim in a decision of 30 December 2013, and this decision was referred to the Administrative Court of Paris in an application to institute proceedings filed on 6 February 2014.

In a ruling dated 16 February 2015, the Administrative Court upheld the company's claim regarding VAT but dismissed its claim regarding corporation tax.

An appeal regarding corporation tax was lodged before the Administrative Court of Appeal of Paris on 16 April 2016. The latter totally discharged the additional tax payable by the company in an order dated 2 February 2016.

The tax authority has not entered an appeal against the judgement of 2 February 2016 handed down by the Administrative Court of Appeal of Paris.

9.3.2. Minority group SOGEB's shares

A settlement agreement dated 9 February 2016 finally brought to an end the two procedures pending in this case.
For the record, this case concerned the following two procedures :

a/ A ruling of the Paris Court of Appeal on 22 January 2013 confirmed a ruling of the Paris Regional Court of 13 October 2011 that annulled the deliberations of SOGEB's general shareholders' meeting of 15 January 2009 deciding on a capital increase, as well as the resolution the same company's general shareholders' meeting of 16 March 2009 that had recorded the realization of the capital increase, annulled the resolution of the same company's general shareholders' meeting of 30 March 2009 concerning the modification of its corporate purpose, and annulled the resolutions of the same company's general shareholders' general meetings of 21 June 2010, 23 June 2011 and 10 July 2012 concerning the appropriation of earnings.

This order was declared inadmissible the minority partner, Mr This judgment declared inadmissible Mr Bergougnan's claim for damages against successive managers and reversed the sentences of three successive managers to pay the minority partner a total of €100,000 in proportion to their terms of office for his personal loss.

Finally, this judgement ordered the dissolution of the Company.
Selarl FHB-Facques Hess Bourbouloux was appointed administrator to proceed with liquidation operations.
An order of the Final Court of Appeal on 8 July 2015 dismissed company BRUXYS's appeal against the order of 22 January 2013.

On 18 March 2014 Selarl FHB filed an asset-freezing order with two banks where BRUXYS (a, ACANTHE DEVELOPPEMENT subsidiary holding 2/3rds of SOGEB's equity) has an account, as well as an asset-freezing order on FONCIERE ROMAINE shares, owned by BRUXYS.

On 10 April 2014 SOGEB, represented by Selarl FHB, summoned BRUXYS before the Commercial Court of Paris with a view to having it ordered to pay €19,145,851.82 in respect of partners' current accounts.

b/ The minority shareholder also summoned SOGEB and LAILA TWO (the buyer of the building in rue Clément Marot) to appear on 8 June 2011 with a view to having the sale of this building annulled, judging that LAILA TWO had no right or title to occupy the building, and having it ordered to vacate the building.

An agreement between SOGEB represented by Selarl FHB, BRUXYS and Mr Bergougnan dated 9 February 2016 finally settled these disputes.

Under the terms of the settlement, the current account of Mr Bergougnan, which totalled roughly €6.23m, was paid to him up to €2,500,000 by SOGEB with sums it had previously received from BRUXYS; the balance, by way of the sale by BRUXYS, paying by order on behalf of SOGEB, of 871 bonds issued by CEDRIANE, a simplified plc with share capital of €232,789.62, listed in the Trade & Companies Register of Paris under number 414 767 046, each with a nominal value of €4,280, numbered 1 to 871.
The term of the debenture loan is 5 years starting on 3 April 2015 and ending on 2 April 2020.
For the duration of the loan, the bonds bear 2% interest per annum and per bond obligation for a full year, payable annually on 30 April.
The bonds are redeemable in fifths on 30 April of every year.

In addition, Mr Mr Bergougnan received a cheque for €2,391.68 in payment of the balance due on sums partially paid in bonds and a cheque for €202,165.21 in respect of various expense accounts, damages et al.

Authorized by a decision of its Board of Directors on 4 December 2015, ACANTHE DEVELOPPEMENT stood surety for Mr Bergougnan for the payment of the 871 bonds transferred to him.

Accordingly, SOGEB withdrew from the proceedings brought by its liquidator against BRUXYS and discharged the preventive attachment of the FONCIERE ROMAINE shares.
For his part, Mr Mr Bergougnan withdrew all claims in this respect filed with the Commercial Court of Paris, as did SOGEB. In addition he withdrew from the proceeding he had brought before the Regional Court of Paris both against SOGEB and against LAILA TWO.

Please note that at the general shareholders' meeting of 9 February 2016, convened exceptionally by the liquidator, after approving the accounts, SOGEB's shareholders unanimously decided to reduce the company's share capital by €514,400, by buying back the shares held by BRUXYS and withdrawal of the latter, for the price of €617,466.81 (€514,400 from the share capital, the balance of €103,066.81 from unappropriated retained earnings, all this paid by way of pro tanto compensation for sums still owed to SOGEB by BRUXYS). So SOGEB is no longer part of the ACANTHE DEVELOPPEMENT Group.

9.3.3. Property-related disputes

Company GERY DUTHEIL was supposed to complete the works at 30 rue Claude Terrasse in July 2008; this was postponed to October 2008. Due to the delays, company VELO requested a firm commitment on the date of completion. Since no such firm commitment had been given, VELO stopped paying GERY DUTHEIL's progress bills. It was under these circumstances that VELO was summoned by GERY DUTHEIL to pay bills totalling €927,000, given that €404,000 392 was paid directly by VELO to subcontractors, and €392,000 was deposited with the Caisse des Dépôts et Consignations (the French sovereign wealth fund).

In a ruling of 12 September 2014, the court pronounced the termination of the contract through the fault of company VELO on 31 March 2009. The Court stated that company DUTHEIL's debt amounted to €631,000 inclusive of tax instead of the €788,000 claimed by DUTHEIL. Company VELO was ordered to pay thus sum, as well as interest at the official rate from 19 January 2009. The Court ordered the release of €392,000 in favour of our Company.

An appeal has been lodged.

In a decision of 11 January 2017, the court of appeal confirmed the decision of 12 September 2014. However, the release of the sum of €392,000 must now be done by the liquidator, Maître Courtoux, not VELO.
VELO has lodged an appeal on points of law.

9.3.4. FIG disputes

a/ Decision of the Final Court of Appeal of 26 April 2017

In a judgement of 26 April 2017, the Final Court of Appeal cancelled and voided all the provisions of the judgement handed down by the Court of Appeal of Paris on 27 February 2014, which had decided to:

- cancel a contribution deed dated 24 November 2009 whereby FIG (formerly a lower-tier subsidiary of ACANTHE DEVELOPPEMENT sold on 19 March 2010) contributed all its property assets (buildings and shares in property investment partnerships) to SNC VENUS, valued by a valuer of contributions in kind at €138,755,688, in exchange for 95,496 SNC VENUS partnership shares,
- cancel a decision dated 9 December 2009 to distribute all FIG's assets (more particularly including VENUS shares) to TAMPICO,
- cancel a decision dated 11 June 2010 to increase FIG's capital from €1,439,50 to €10,221,035.83 and modify the company's share capital allocation.

The Paris Court of Appeal also ordered ACANTHE DEVELOPPEMENT, jointly and severally with companies FIG and VENUS, to pay Mr Barthes €129,552 and Mr Noyer €89,597 as compensation for their loss of shareholders' rights, whereas they were respectively claiming €15.8m and €1.9m.

The Court of Appeal thus reviewed the conclusions of Mr Kling, the expert appointed under the decisions of 14 January 2011 of the Paris Commercial Court to value the rights that FIG's minority groups held in FIG's shareholders' equity and dividends and reserves, after allowing for changes in their ownership interest further to the various transactions affecting FIG's net assets since the ordinary and extraordinary general meeting of 24 February 2004.

The Court of Appeal also ordered ACANTHE DEVELOPPEMENT and VENUS jointly and severally to pay €100,000 each in respect of article 700 of the Code of Civil Procedure.

ACANTHE DEVELOPPEMENT paid Mr Barthes and Mr Noyer in full further to this decision.

The Court of Appeal did not set aside the decision dated 23 February 2010 whereby company TAMPICO distributed dividends totalling €235,064,565.09 (mainly by distributing VENUS shares) to ACANTHE DEVELOPPEMENT.

Further to the decision of 27 February 2014, a communiqué was sent to all shareholders and published on the Company's web site on 6 March 2014.
The order of 27 February 2014 has been posted in its entirety on the Company's web site since that date.

In its judgement of 26 April 2017, the Final Court of Appeal restored the legal grounds and parties to the state they were in before the said judgement, namely that of the two decisions of the Commercial Court of Paris of 14 January 2011, which had stated that there were no grounds for challenging these distributions of December 2009 and had dismissed the pleas in abatement of FIG's former minority shareholders for transactions post-dating FIG's cancelled shareholders' meeting of 24 February 2004, on the same grounds as their pleas against ACANTHE DEVELOPPEMENT.
The Final Court of Appeal committed the case for trial before the Court of Appeal of Paris by a different judge.

It is also worth noting that another judgement of the Final Court of Appeal of 26 April 2017 reversed a judgement of the Court of Appeal of Paris of 20 February 2014, which inter alia ordered Mr Alain Duménil, Chairman of the Board of Directors of Acanthe Développement, to pay €2,851,61 to Mr Barthes and €429,703 to Mr Noyer.

b/ Sums held in escrow

In an ex parte order of 15 June 2010 delivered at the request of Messrs Barthes and Ceuzin, the President of the Commercial Court of Paris ordered the confiscation of 95,496 SNC VENUS partnership shares representing a value of more than 138 million euros, belonging to ACANTHE DEVELOPPEMENT, by a court bailiff.
In an ex parte order dated 16 September 2010 delivered at the request of Messrs Barthes and Ceuzin, the President of the Commercial Court of Paris ordered €15,179,894.85 (the full amount of the dividend voted by the General Meeting of the Shareholders ACANTHE DEVELOPPEMENT on 18 June 2010) placed under compulsory administration by a court bailiff.
A decision of the Paris Court of Appeal on 8 December 2010 confirmed the ex parte order of 8 October 2010, which had limited the amount placed under compulsory administration to €1,700,000.
An ex parte order dated 29 March 2011 dismissed ACANTHE DEVELOPPEMENT's application in respect of the court order of 15 June 2010 and rejected its application in respect of the court orders of 16 September and 8 October 2010.
In a ruling on 30 March 2012, the Paris Court of Appeal confirmed the part of the 29 March 2011 court order in connection with the court order of 15 June 2010. The Court of Appeal in particular held that since the judgements of 14 January 2011 were under appeal, they were not definitive and accordingly did not end the dispute between the parties.
With regard to the appeal against the court order of 29 March 2011 for the part relating to the court orders of 16 September and 8 October 2010, a judgement of the Paris Court of Appeal on 25 October 2012 dismissed ACANTHE DEVELOPPEMENT's appeal.

Further to the aforementioned ruling of 27 February 2014 on the appeals against the rulings of 14 January 2011, ACANTHE DEVELOPPEMENT lodged an appeal with the competent courts with a view to securing the release of the funds held in escrow.

In a judgement dated 24 September 2015, the Court of Appeal of Paris dismiss all ACANTHE DEVELOPPEMENT's claims, considering that it had lodged an appeal in law against the ruling of 27 February 2014, with the result that this ruling was not final.
In a decision of 26 April 2017, the Final Court of Appeal dismissed ACANTHE DEVELOPPEMENT's appeal on points of law.

c/ Proceedings brought to cancel transactions made during the suspect period of FRANCE IMMOBILIER GROUP (FIG):

On 2 May 2012, companies ACANTHE DEVELOPPEMENT, VENUS and TAMPICO were summoned by SCP BECHERET SENECHAL GORRIAS, the liquidators of FRANCE IMMOBILIER GROUP (FIG), with a view to securing the cancellation of FIG's contribution of the building at 15 rue de la Banque – 75002 Paris and equity interests realized on 24 November 2009 in favour of VENUS, as well as the cancellation of the distributions of the advance on dividends and of the distributions of the issue premium in December 2009.
The liquidator of FIG consequently asked VENUS to restore ownership of the building at 15 rue de la Banque – 75002 Paris and the equity securities, on pain of a penalty payment of 10,000 euros a day for each day of delay.
He also asked that VENUS be ordered to reimburse FIG for the rents collected, dividends and the fruits of any nature whatsoever, accessory to the leases relating to the building at 15 rue de la Banque in Paris (2nd) and the aforementioned equity securities that have accrued since 24 November 2009; that ACANTHE DEVELOPPEMENT return to FIG the 95,496 Venus partnership shares with a view to having them cancelled, on pain of a penalty payment of 10,000 euros a day for each day of delay after receiving notification of the forthcoming ruling; that the 95,496 Venus partnership shares be cancelled once they and the property complex at 15 rue de la Banque in Paris (2nd), the related lease contracts and equity securities had been returned to FRANCE IMMOBILIER GROUP; and that ACANTHE DEVELOPPEMENT and TAMPICO be jointly ordered to repay FIG the sum of €4,047,975.50 resulting from the distributions paid in cash, plus interest at the official rate of interest, from 31 December 2009.
These court applications have been challenged.
Further to a ruling of the Commercial Court of Paris on 6 February 2015, a stay of proceedings pending the decision of the Final Court of Appeal following the appeal on points of law against the aforesaid order of 27 February 2014 was pronounced.

d/ Settlement

Further to an application dated 7 September 2015, Maître Gorrias, liquidator of SAS FRANCE IMMOBILIER GROUP (FIG), has lodged an appeal for approval of a settlement with the bankruptcy judge, according to the provisions of articles L642-24 and R642-41 of the Commercial Code and articles 2044 et seq of the Civil Code.
Under the terms of this draft settlement, ongoing civil procedures concerning these insolvency proceedings would be brought to an end (in particular the action to set aside in respect of FIG's doubtful period; order of 27 February 2014) in exchange for a voluntary contribution to the FIG's insolvency liabilities.
The draft Settlement Agreement submitted to the bankruptcy judge for approval provides for the repayment of at least 40% of the claims of creditors other than intercompany creditors.
This draft agreement was initially inseparable from another agreement concluded concomitantly in connection with the judicial liquidation of Alliance Designers, also subject to the authorization of the bankruptcy judge and the approval of the Commercial Court of Paris.

The liquidator has indeed received a proposal for payment of 3,825,172 euros from ACANTHE DEVELOPPEMENT, TAMPICO and VENUS, and Messrs Mamez and Bensimon by way of full and final lump-sum compensation.
The legal costs that form part of the proposed compensation have not yet been definitively fixed, but ACANTHE DEVELOPPEMENT has agreed to contribute to legal costs and lawyer's fees and has undertake to pat the liquidator 500,000 euros as part payment thereof.

An order of the bankruptcy judge dated 26 February 2016 and notified on 1st March 2016 has authorized SCP BTSG, liquidator of company FIG, to sign a draft agreement providing for Messrs Mamez and Bensimon and ACANTHE DEVELOPPEMENT, TAMPICO and VENUS paying a total amount of €4,325,172 that, after payment of legal costs and the estimated fees of the custodian pendente lite, would be immediately distributed equally among the registered creditors, apart from a debt in escrow; pending the final outcome of the procedure concerning the identity of the holder of the said debt in escrow.

The State prosecutor and Mr Barthes appealed against the decision of the bankruptcy judge. Companies FINANCIERE MEDICIS, SOZAN Holding and Portugal Luxembourg filed a petition.

In decisions dated 18 October 2016, the Court declared inadmissible the appeals of Mr Barthes, FINANCIERE MEDICIS, SOZAN Holding, Portugal Luxembourg and the Prosecution, and decided to reopen the proceedings at a hearing dated 7 November 2016.

Mr Barthes, FINANCIERE MEDICIS, SOZAN Holding and Portugal Luxembourg lodged an appeal against these decisions on 18 October 2016.

On 13 December 2016, the commercial court that had decided to reopen the proceedings declared a stay of proceedings pending the judgement of the court of appeal. The proceedings on appeal are ongoing.

When the draft agreement is signed by SCP BTSG, liquidator of company FIG, it will be referred to the Commercial Court of Paris for approval.

Apart from these disputes, the group has not identified any other potential liabilities.

9.4. RELATED PARTIES

The ACANTHE DEVELOPPEMENT Group has made transactions with ARDOR CAPITAL, a company indirectly controlled by Mr Alain Dumenil.

Current related transactions were as follows:

a) the parent company:

In 1,000s of euros Nature of the service	Related party Appointment	Related party Links	Balance on balance sheet (1)	Impact on P&L (2)
Management fees paid to	ARDOR CAPITAL	Reference shareholder of ACANTHE DEVELOPPEMENT	0	-200
Employee leasing agreement	ARDOR CAPITAL	Reference shareholder of ACANTHE DEVELOPPEMENT	105	105

(1) a positive amount indicates a receivable and a negative amount a debt

(2) a positive amount indicates income and a negative amount an expense

The above transactions gave rise neither to recognition of a provision for doubtful accounts nor any expenses in this respect for the period other than those mentioned. They are not accompanied by any specific guarantees.

b) Entities that exercise joint control or a significant influence on the entity:None

c) the subsidiaries:

All transactions between ACANTHE DÉVELOPPEMENT Group companies (including €4,025,000 of interest on current accounts, €1,555,000 of salaries and €1,168,000 of rents and occupancy expenses) were cancelled by consolidation restatements.

d) Affiliates: None

e) Joint ventures in which the entity is a partner: None

f) The main managers of the entity or its parent company:

In 1,000s of euros Nature of the service	Related counterparty Name	Related counterparty Links	Balance on balance shee [1]	Impact on P&L [2]
Employee leasing agreement	ADC SIIC	Common Managers/Directors	241	216
Rents and occupancy expenses	ADC SIIC	Common Managers/Directors		148
Security deposit	SIIC	Common Managers/Directors	-29	
Employee leasing agreement	DUAL HOLDING	Common Managers/Directors	36	37
Management fees	MEP	Common directors		-8
Rents and occupancy expenses	FIPP	Common directors		146
Employee leasing agreement	FIPP	Common directors	299	268
Avance de trésorerie	FIPP	Common directors	601	1
Charges de personnel	FIPP	Common directors	-79	95
Security deposit	FIPP	Common directors	-27	
Rents and occupancy expenses	SMALTO	Common Managers/Directors	-3	962
Security deposit	SMALTO	Common Managers/Directors	-173	
Employee leasing agreement	SMALTO	Common Managers/Directors		29
Bonds	SMALTO	Common Managers/Directors	685	20
Miscellaneous liabilities	EK BOUTIQUES	Shared indirect shareholder		-4
Employee leasing agreement	INGEFIN	Shared indirect shareholder	130	110
Rents and occupancy expenses	INGEFIN	Shared indirect shareholder	18	34
Security deposit	INGEFIN	Shared indirect shareholder	-5	
Employee leasing agreement	FONCIERE 7 INVESTISSEMENT	Common Managers/Directors	5	4
Rents and occupancy expenses	FONCIERE PARIS NORD	Common Managers/Directors		9
Employee leasing agreement	FONCIERE PARIS NORD	Common Managers/Directors	49	41
Rents and occupancy expenses	AD INDUSTRIE	Common Managers/Directors	226	176
Equity interests [3]	BASSANO DEVELOPPEMENT	Common Managers/Directors	4 846	

(1) a positive amount indicates a receivable and a negative amount a debt

(2) a positive amount indicates income and a negative amount an expense

(3) the equity interests are net amounts. The gross value is Titres BASSANO DEVELOPPEMENT securities is €5,172,000; it is impaired by €326,000.

The above transactions gave rise neither to recognition of a provision for doubtful accounts (apart from the AD INDUSTRIE debt, impaired by €185,000) nor any expenses in this respect for the period. They are not accompanied by any specific guarantees.
Since 15 December 2016 GIE AD INDUSTRIE is no longer a related party.

g) other related parties : None

9.5. HEADCOUNT

The Group's headcount excluding employees in buildings is as follows:

Category	31/12/2016	31/12/2015
Executives	9.5	9.5
Non-executives	11.5	11.5
TOTAL	**21**	**21**

Certain employees are also managers of subsidiaries. They have an employment contract in respect of their salaried activities.

9.6. COMPENSATION PACKAGES

All the information on the compensation of corporate officers is available in the management report.

Gross remuneration packages and benefits in kind of directors and management committee members recognized by the group totalled €496,000:

a) Short-term benefits €452,000
b) Post-employment benefits.................... €45,000
c) Other long-term benefits .... None
d) Termination benefits... None
e) Payments in shares.. None

No advances or loans were granted to individual managers over the period.

The gross compensation paid to other managers (not corporate officers of ACANTHE DEVELOPPEMENT) total €18,000 in respect of management duties in subsidiaries.

In addition, the Annual General Meeting set directors fees at €150,000 (gross) to be shared out among the directors. They were awarded to the directors as follows:

Mr Alain Duménil:...€40,000
Mr Patrick Engler: €73,000
Miss Valérie Duménil:...................................... €20,000
Mr Jean Fournier:..€27,000
Mr Philippe Mamez:..€7,000

9.7. PAYMENT IN SHARES

The combined shareholders' meeting of 21 March 2007 had approved 9,936,436 share subscription or purchase options to be awarded to Mr Dumenil at the price of €1.24 per option.

The Board of Directors' meeting of 5 April 2016 duly noted Mr Alain Duménil's express and definitive abandonment of the balance of the options awarded (4,896,436 options remaining on that date).

9.8. PENSION PROVISION

The valuation of the pension provision is based on the following assumptions:
Rate of pay increases: 2% per annum;
Discount rate: 1.051% (average bond yield for 1st half of 2016: +0,25%);

The turnover rate used is calculated on the basis of resignations and compared with the number of employees present on 1st January of the year; the rate adopted is the average of the last three years, adjusted for any statistical anomalies. The workforce is broken down into three age brackets under 40, under 55, and over 55) and two occupational categories (non-executives, and executives);
Life expectancy calculations are based on INSEE's new mortality tables for years 2012 to 2014.
As of 31 December 2016, the provision stood at €445,000, against €398,000 on 31 December 2015.

The entire variation is recognized in profit or loss.

in thousands of euros	31/12/2016	31/12/2015
Provision for severance benefits	-398	-234
Changes		
Expensed in the period	41	-86
Actuarial gains and losses (Other comprehensive income)	-88	-78
Provision for severance benefits at closing	**-445**	**-398**

The provision for retirement benefits has increased significantly this year, reflecting both the ageing of the workforce and its greater length of service, the increase in the wages bill and more particularly the great stability of the workforce, as there was no staff turnover at all in the large "40-55 year-old" category.

9.9. EARNINGS PER SHARE

Basic earnings per share stood at -€0.2716 on 31 December 2016 (for a weighted average number of 147,125,260 shares).
The diluted earnings per share are the same as the basic earnings per share. Indeed, there are no more dilutive instruments since the Board of Directors' meeting of 5 April 2016 duly noted Mr Alain Duménil's express and definitive abandonment of the balance of the options (4,896,436 options remaining to date) awarded by the Board of Directors during its meeting of 28 August 2009 pursuant to the first resolution of the Combined Shareholders' Meeting of 21 March 2007.

Numerator	
Net income group share at 31 December 2016 (in K€)	39 955
Denominator	
Weighted-average number of shares before dilutive effect	147 125 260
Group net profit per undiluted share (in euros)	**0,2716 €**

9.10. DISCLOSURES OF RENT PAYMENTS AS OF 31 DECEMBER 2016

Rentals invoiced to Group customers
The minimum future amounts of payments receivable under signed and firm operating leases in total and for each of the following periods are presented below:

In 1,000s of euros	Total	Due in one year at the most	Due in between one and 5 years	Due in over 5 years
Future rents receivable	18 442	3 420	10 512	4 510
	18 442	**3 420**	**10 512**	**4 510**

The table shows the provisional periods for collection of rents, on the assumption that the leases continue until their term; however as this concerns commercial leases, they can be interrupted by the lessee at the end of every three-year period.
The Group has not recognized contingent rental payments for period 2016.

A general description of the recognition methods for leasing contracts is provided in note 2.16.

Rentals invoiced by the Group's suppliers
ACANTHE DEVELOPPEMENT signed a fixed-term lease for 12 years to rent the building at 2 rue Bassano in Paris 16th, which the Group sold at the end of December 2015.

The minimum future payments payable under this signed and firm operating lease are presented below in aggregate and for each of the following periods:

In 1,000s of euros	Total	Due in one year at the most	Due in between one and 5 years	Due in over 5 years
Rents payable	29 689	2 699	10 796 16 194	
	29 689	**2 699**	**10 796 16 194**	

The table lists the estimated scheduled payments of rent based on the lease continuing to its term.

The Group does not use all the building's floor area. Subleases have been arranged and sub-lessees are being sought for the vacant areas. The rent from these subleases will lower the cost of the lease.

A general description of the recognition methods for leasing contracts is provided in note 2.16.

9.11. SIGNIFICANT DEVELOPMENTS SINCE 31 DECEMBER 2016

Apart from the decisions of the Final Court of Appeal of 26 April 2017 referred to in the paragraph concerning the FIG dispute herein, there have been no other significant events since 31 December 2016 that have not been included in the above financial disclosures.

AUDITOR'S REPORT ON THE ANNUAL FINANCIAL STATEMENTS

PERIOD ENDING 31 DECEMBER 2016

EXCO PARIS ACE
DELOITTE ASSOCIÉS
ACANTHE DÉVELOPPEMENT

AUDITOR'S REPORT
ON THE ANNUAL FINANCIAL STATEMENTS

PERIOD ENDING 31 DECEMBER 2016

To the shareholders,

Further to our engagement by your general shareholders' meeting, we hereby submit our report for period ending 31 December 2016, on:

- our audit of the financial statements of ACANTHE DEVELOPPEMENT, as appended hereto

- the evidence supporting our opinion;

- specific auditing and disclosures as required by law.

The annual financial statements were approved by the Board of Directors. It is our duty to express an opinion on them on the basis of our audit..

I. OPINION ON THE FINANCIAL STATEMENTS

We have conducted our audit according to the professional standards applicable in France; these standards require us to provide reasonable assurance that the annual financial statements do not contain any significant misrepresentations. An audit consists in examining, on a test basis, the evidence supporting the amounts and disclosures in the annual financial statements. It also consists in assessing the accounting policies adopted and evaluating the significant estimates in the annual financial statements and the overall presentation thereof. We consider that our audit provides a reasonable and sufficient basis for our opinion.

We certify that the annual financial statements, with regard to French accounting standards, give a true and fair view of the company's asset base, financial position and earnings at the end of the said period.

Without altering our opinion as expressed above, we would draw your attention to note 6 to the financial statements, which presents the disputes and contingent liabilities to which the Group and its subsidiaries are party.

II. EVIDENCE SUPPORTING OUR OPINIONS

In pursuance of article L. 823-9 of the French Commercial Code on the evidence for our opinions, please be apprised of the following elements:

- Note 3.3 «Long-term investments» describes the principles and methods used to measure ownership interests and related receivables. Our work consisted in ascertaining that the said ownership interests and related receivables were correctly measured with respect to the value of the properties held by these companies, on the basis of expert appraisals and of the companies' financial positions, in accordance with current accounting principles, and that the said note provides adequate disclosure.

The opinions thus expressed are based on our overall audit of the annual financial statements as a whole, and therefore form the basis for our opinion as stated in the first part of this report.

III. SPECIFIC VERIFICATIONS AND DISCLOSURES

We have also carried out the special verifications required by law, in accordance with the professional standards applicable in France.

In our view, the information provided in the Board's management report and the documents on the financial position and the annual financial statements gives a true and fair view and is consistent with the said annual financial statements.
With regard to the disclosures required under Article L.225-102-1 of the (French) Commercial Code on remuneration packages and benefits paid to corporate officers as well as commitments given in their favour, we have verified that they are consistent with the accounts or the data used to draw up the accounts and, where applicable, with data your company has collected from companies controlling your company or controlled by it. On the basis of the above, we hereby certify the accuracy and fairness of the said information.

As required by law, we have ascertained that the disclosures on the identity of holders of capital and voting rights have been communicated to you in the management report.

Paris and Neuilly-sur-Seine, 27 April 2016
The statutory auditors

Exco Paris Ace
Arnaud DIEUMEGARD

Deloitte & Associés
Benoît PIMONT

AUDITOR'S REPORT
ON THE CONSOLIDATED FINANCIAL STATEMENTS

PERIOD ENDING 31 DECEMBER 2016

EXCO PARIS ACE - DELOITTE ASSOCIÉS - ACANTHE DÉVELOPPEMENT

Aux actionnaires,

To the shareholders,

Further to our engagement by your general shareholders' meeting, we hereby submit our report for period ending 31 December 2016, on:

- our audit of the consolidated financial statements of ACANTHE DEVELOPPEMENT, as appended hereto;

- the evidence supporting our opinion;

- specific auditing as required by law.

The consolidated financial statements have been approved by the Board of Directors. It is our duty to express an opinion on them on the basis of our audit.

I. OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have conducted our audit according to the professional standards applicable in France; these standards require us to provide reasonable assurance that the annual financial statements do not contain any significant misrepresentations. An audit consists in examining, on a test basis, the evidence supporting the amounts and disclosures in the financial statements. It also consists in assessing the accounting policies adopted and evaluating the significant estimates in the financial statements and the overall presentation thereof. We consider that our audit provides a reasonable and sufficient basis for our opinion.

We hereby certify that the consolidated financial statements, with regard to the IFRS reporting framework as adopted by the European Union, give a true and fair view of the asset base, financial position and earnings of all the reporting entities.

Without altering our opinion as expressed above, we would draw your attention to note 9.3 to the financial statements, which presents the disputes and contingent liabilities to which the Group and its subsidiaries are party.

II. EVIDENCE SUPPORTING OUR OPINIONS

In pursuance of article L. 823-9 of the French Commercial Code on the evidence for our opinions, please be apprised of the following elements:

- Note 2.4 "Investment properties" describes the principles and methods used to value the Group's real estate assets. We have examined the measurement basis used by the experts and have ascertained that the fair value measurement for investment properties is based on these independent appraisals and that the said note provides adequate information.

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

III. SPECIFIC AUDITING REQUIREMENTS

As required by law and in accordance with professional standards applicable in France, we have also carried out the special audit of the information presented in the Group's management report.
In our view, it provides a true and fair view and is consistent with the consolidated financial statements.

Paris and Neuilly-sur-Seine, 27 April 2017
The statutory auditors

Exco Paris Ace
Arnaud DIEUMEGARD

Deloitte & Associés
Benoît PIMONT

SPECIAL REPORT STATUTORY AUDITORS' REPORT ON REGULATED AGREEMENTS AND COMMITMENTS

GENERAL SHAREHOLDERS' MEETING APPROVING THE ACCOUNTS FOR FINANCIAL YEAR ENDING 31 DECEMBER 2016

EXCO PARIS ACE
DELOITTE ASSOCIÉS
ACANTHE DÉVELOPPEMENT

AUDITOR'S SPECIAL REPORT ON REGULATED AGREEMENTS AND COMMITMENTS

GENERAL SHAREHOLDERS' MEETING APPROVING THE ACCOUNTS FOR FINANCIAL YEAR ENDING 31 DECEMBER 2016

To the shareholders,

In our capacity as your company's auditor, we hereby submit our report on regulated agreements and commitments.

Our remit consists in apprising you, on the basis of the information provided, of the essential characteristics and terms and conditions of the agreements and commitments that have been disclosed to us or that we discovered during our audit, without commenting on their relevance or substance or requiring us to ascertain the existence of any other agreements and commitments. Pursuant to the provisions of article R. 225-31 of the Commercial Code, it is your duty to assess the relevance of such agreements and commitments with a view to approving them.

Furthermore, and where applicable, it is our duty apprise you of the information required under article R. 225-31 of the Commercial Code regarding the performance, during the past financial year, of agreements and commitments already approved by the general shareholders' meeting.

In fulfilling this engagement, we have carried out our work with all the due care we believe is necessary with regard to the authoritative accounting literature of the Compagnie nationale des commissaires aux comptes. These standards require us to verify that the information given to us agrees with the underlying documents.

AGREEMENTS AND COMMITMENTS SUBJECT TO THE APPROVAL OF THE GENERAL SHAREHOLDERS' MEETING

Commitments and agreements authorized during the period

Pursuant to Article L. 225-40 of the Commercial Code, we have been duly apprised of the agreements that were previously approved by your Board of Directors.

1. On 21 December 2016 the Board of Directors authorized the third amendment to the temporary staff leasing agreement entered into on 1st March 2013 by the Company with four of its subsidiaries, Basno, Société Civile Charron, Sauman Finance and Vénus in favour of Alliance Développement Capital S.I.I.C.-ADC S.I.I.C., subject to reinvoicing, extending the initial contract for a further period of 12 months (until 27 March 2017), excluding Sauman Finance, which no longer wishes to be party to the agreement, and redefining the volumes of working hours of certain leased employees.

Persons concerned: Mr Alain Dumenil, the Company's Chair of the Board of Directors, is also Chair of the Board of Directors and Managing Director of ADC S.I.I.C, and Mr Patrick Engler, a Director and the Managing Director of the company, Miss Valérie Dumenil and Mr Jean Fournier, Company Directors, are also Directors of company ADC S.I.I.C.

The reason why the agreement benefits the company: The Company and its subsidiaries have well-staffed support services, a management team and field staff, which it puts at the disposal of ADC S.I.I.C for a fee.

Amount: For financial year 2016, the Company and its subsidiaries invoiced ADC S.I.I.C €216,200 in total.

2. On 5 January 2016 the Board of Directors du authorized the signing of subleasing agreements with AD Industrie, Alliance Développement Capital SIIC, FIPP and Smalto, concerning part of the premises at 2 rue de Bassano and 26 rue Georges Bizet – 75116 Paris, under a commercial lease signed on 29 December 2015.

Reasons why the agreement benefits the company: These agreements enable the Company to pass on some of the rent due under the commercial lease of 29 December 2015.

- The Company and AD Industrie entered into a subleasing agreement for roughly 450 m² on the 1st and 2nd floors of building C, subject to an annual rent of 128,447.40 euros excluding tax and occupancy charges, for a term of 12 years backdated to 29 December 2015.
Person concerned: Mr Alain Duménil, Chairman of the Company's Board of Directors, was member of AD Industrie's Committee and indirectly held more than 10% of the voting rights of these two companies.

- The Company also entered into a subleasing agreement with Alliance Développement Capital SIIC for roughly 77 m² on the 1st floor of building B, subject to an annual rent of 50,359.92 euros excluding tax and occupancy charges, for a term of 12 years backdated to 29 December 2015.

Persons concerned: Mr Alain Duménil is both Chairman of the Company's Board of Directors and Managing Director of Alliance Développement Capital SIIC, and indirectly holds more than 10% of the two companies' voting rights.
Miss Valérie Duménil, Messrs Patrick Engler and Jean Fournier are Directors of the two companies.

- The Company and FIPP entered into a subleasing agreement for roughly 150 m² on the lower ground floor, the ground floor, the 1st and 3rd floors of building A, subject to an annual rent of 108,992.84 euros excluding tax and occupancy charges, for a term of 12 years backdated to 29 December 2015.

Persons concerned: Mr Alain Duménil indirectly holds more than 10% of the voting rights of these two companies. Miss Valérie Duménil and Mr Patrick Engler are Directors of the two companies.

- Finally, the Company and Smalto entered into a subleasing agreement for roughly 1,206 m² on the ground floor, the 2nd and 4th floors of building A, subject to an annual rent of 694,460.92 euros excluding tax and occupancy charges, for a term of 12 years backdated to 29 December 2015.

Persons concerned: Mr Alain Duménil indirectly holds more than 10% of the voting rights of these two companies. Messrs Alain Duménil and Patrick Engler are Directors of these two companies.

AGREEMENTS AND COMMITMENTS ALREADY APPROVED BY THE GENERAL SHAREHOLDERS' MEETING

Agreements and commitments approved during prior periods and still in force in the current period

Pursuant to Article L. 225-30 of the Commercial Code, we have been informed that the following agreements, already approve by the general shareholders' meeting in prior periods, continued to apply during the past financial year.

1- The Board of Directors meeting on 3 April 2015 approved the second clause amending the temporary staff leasing agreement singed on 1st March 2013 by the Company and four of its subsidiaries, Basno, non-trading company Charron, Sauman Finance and Vénus in favour of Alliance Développement Capital S.I.I.C – ADC S.I.I.C, subject to reinvoicing, extending the initial contract for another 12-month period, which ends on 27 March 2016.

Persons concerned: Mr Alain Dumenil, the Company's Chairman of the Board of Directors, is also Chairman of the Board of Directors and Managing Director of ADC S.I.I.C, Mr Patrick Engler, a Director and

the Managing Director of the company, Miss Valérie Dumenil and Mr Jean Fournier, Directors, are also Directors of company ADC S.I.I.C.

The reason why the agreement benefits the company: The company and its subsidiaries have well-staffed support services, a management team and fields workers, which it puts at the disposal of ADC S.I.I.C for a consideration.

2- The Board of Directors' meeting of 5 February 2014 approved the temporary staff leasing agreement whereby the Company and three of its subsidiaries (Basno, Company Civile Charron, Sauman Finance) leased staff to Alliance Développement Capital S.I.I.C ADC S.I.I.C, subject to reinvoicing, for 12 months from the time of registration of ADC S.2013.I.C in the Trade and Companies Register of Brussels on 1st March 2013. The said amendment extends the agreement to allow Vénus, a subsidiary of the company, to take on three additional staff and it extends the contract for a further 12 months, namely until 27 March 2015.

Amount: 230,000 euros

Persons concerned: Mr Alain Dumenil, the Company's Chairman of the Board of Directors, is also Chairman of the Board of Directors and Managing Director of ADC S.I.I.C, Mr Patrick Engler, a Director and the Managing Director of the company, Miss Valérie Dumenil and Mr Jean Fournier, Directors, are also Directors of company ADC S.I.I.C. Mr Pierre Berneau, deceased, was a Director of both companies.

The reason why the agreement benefits the company: The company and its subsidiaries have well-staffed support services, a management team and fields workers, which it puts at the disposal of ADC S.I.I.C for a consideration.

3- Further to a Board meeting on 26 July 2013, the Company approved the signing of a clause amending the service contract signed on 1st September 2005 with MEP Consultants, extending the said contract and amending the 1st clause of the said contract, the terms and conditions of which henceforth specified assistance and consulting in negotiations with financial partners, optimizing financial debt, supervision of the asset management team, monitoring acquisitions and disposals of buildings, and a monthly fee of 10,000 euros excluding tax. This contract expired on 29 January 2016.

Amount: €12,000

Person concerned: Philippe Mamez, Deputy Managing Director until 29 February 2016 and manager of MEP Consultants.

The reason why the agreement benefits the company: The contract enabled the company to benefit form the property expertise of Philippe Mamez.

4- Further to a Board meeting on 12 May 2011, the Company provided a co-surety for 15,000,000 euros in favour of Baldavine SA, with MUNCHENER HYPOTHEKEN BANK eE.

Person concerned: Agreement between Acanthe Développement and Baldavine, a subsidiary of Acanthe Développement.

The reason why the agreement benefits the company: The surety granted by the company enabled its subsidiary to secure the loan.

The loan was repaid on 8 March 2016.

5- Further to a Board meeting on 6 July 2010, the company stood as first-call guarantor for ANTHURIUM, acquirer of the building at 3 rue d'Edimbourg - 75009 Paris, belonging to LORGA, for a total of 250,000 euros, for a period of 6 years from the date of the building's contract of sale.

Person concerned: Agreement between Acanthe Développement and Lorga, a subsidiary of Acanthe Développement.

The reason why the agreement benefits the company: The guarantee granted by the company enabled its subsidiary to complete the sale of a building.

Paris and Neuilly-sur-Seine, 27 April 2017
The statutory auditors

Exco Paris Ace
Arnaud DIEUMEGARD

Deloitte & Associés
Benoît PIMONT