AGENCE FRANCE LOCALE – Financial Statements (IFRS) as at 31 December 2014

1.1. Assets

ASSETS	Note	31/12/2014 (€K)
Customer loans and receivables		5 919
Financial assets held-to-maturity	1	30 755
Deferred tax assets	6	3 242
Accruals and miscellaneous assets	3	1 562
Tangible fixed assets	5	649
Intangible fixed assets	5	4 148
TOTAL ASSETS		**46 275**

1.2. Liabilities

LIABILITIES	Note	31/12/2014 (€K)
Debts owed to credit institutions	2	15 800
Accruals and miscellaneous assets	4	1 156
Provisions	11	3
Shareholders' equity		**29 316**
Shareholders' equity		29 316
Capital and associated reserves		35 800
Reserves		-
Loss for the financial year		-6 484
TOTAL LIABILITIES		**46 275**

1.3. Income statement

INCOME STATEMENT	Note	31/12/2014 (€K)
Interest and related income	7	425
Interest payable and similar charges	7	-63
Fees (expenses)	8	-53
Net profit or loss on financial assets available for sale		1
Net banking proceeds		**311**
Miscellaneous operating proceeds and expenses	9	-9 920
Depreciation, impairment and provisions for intangible and tangible fixed assets		-117
Gross operating income (loss)		**-9 726**
Operating income (loss)		**-9 726**
Pre-tax results		**-9 726**
Income taxes		3 242
Net income (loss)		**-6 484**
Earnings per share		-0.02
Diluted earnings per share		-0.02

1.4. Statement of comprehensive income

Statement of comprehensive income	**Note**	**31/12/2014 (€K)**
Net income		**-6 484**
Items reclassified [or recycled] in net income:		
Conversion adjustments		
Revaluation of financial assets classified as available for sale		
Fair value adjustments to hedging instruments		
Items from the share of other comprehensive income items		
Related taxes		
Items not reclassified [or recycled] in net income:		
Revaluation of the fixed assets		
Revaluations [or actuarial adjustments] with regard to defined benefit schemes		
Items from the share of other comprehensive income items		
Related taxes		
Other comprehensive income		
Total net income (loss) and other comprehensive income		**-6 484**

1.5. Statement of changes in shareholders' equity

Items	Capital and associated reserves			Reserves	Total profit or loss directly recognised under equity	Net income	Total equity
	Capital	Capital reserves	Treasury shares				
Opening shareholders' equity							
Capital increase	35 800						35 800
Cancellation of treasury shares							
Issue of preference shares							
Equity portion of hybrid instruments							
Share-based payment transactions							
Appropriation of N-1 income							
N distribution under N-1 income							
Changes in interests in subsidiaries without loss of control							
Subtotal of movements linked to relations with shareholders	**35 800**						**35 800**
Change in profit or loss directly accounted under equity							
Net income as at 31.12.2014						-6 484	-6 484
Sub-total	**35 800**					**-6 484**	**29 316**
Effect of acquisitions and the transfers of non-controlling shares							
Share of the change in equity of joint ventures and associates							
Other variations							
Shareholder's equity as at 31 December 2014	**35 800**					**-6 484**	**29 316**

Share capital is made up of 358 000 ordinary shares with a face value of 100 Euros per share. None of the Issuer's shares is held by it or by a subsidiary.

1.6. Cash flow statement

Items	31/12/2014 (€K)
Pre-tax results	**-9 726**
+/- Net depreciation on intangible and tangible fixed assets	117
- Depreciation of Goodwill and other fixed assets	-
+/- Net provisions and impairment	3
+/- Income share related to equity-consolidated companies	-
+/- Net profit/loss from investment activities	-88
+/- Finance activity expenses	63
+/- Other changes	-414
= Total of the non-monetary elements included in the net income before tax and other adjustments	**-320**
+/- Flow linked to transactions with credit institutions	-
+/- Flows linked to transactions with customers	-
+/- Flows related to the other transactions affecting financial assets or liabilities	9
+/- Flows related to the other transactions affecting non-financial assets or liabilities	-
- Taxes paid	-
= TOTAL NET CASH FLOWS FROM TRANSACTION ACTIVITY (A)	**-10 037**
+/- Flows related to financial assets and shareholdings	-30 667
+/- Flows related to investment property	-
+/- Flows related to tangible and intangible fixed assets	-4 914
= TOTAL CASH FLOWS RELATED TO INVESTMENT ACTIVITIES (B)	**-35 581**
+/- Cash flow from or to shareholders	35 800
+/- Other cash flows from financing activities	15 737
= TOTAL CASH FLOW RELATED TO FINANCING ACTIVITIES (C)	**51 737**

Items	31/12/2014 (€K)
EFFECT OF EXCHANGE RATE VARIATION ON CASH AND CASH EQUIVALENTS (D)	
Increase/Decrease in net cash and cash equivalents (A+B+C+D)	**5 919**
Net cash flow generated by operational activity (A)	-10 037
Net cash flow related to investment transactions (B)	-35 581
Net cash flow related to financing activities (C)	51 537
Effect of exchange rate variation on cash and cash equivalents (D)	-
Opening cash and cash equivalents	**-**
Cash, central banks (assets and liabilities)	-
Call accounts (assets and liabilities) and loans/borrowing from credit institutions	-
Closing cash and cash equivalents	**5 919**
Cash, central banks (assets and liabilities)	-
Call accounts (assets and liabilities) and loans/borrowing from credit institutions	5 919
VARIATION IN NET CASH FLOW	**5 919**

The cash flow statement is presented according to the indirect method model.

Investment activities represent cash flows due to the acquisition and transfer of financial assets held to maturity and tangible and intangible fixed assets.

Financing activities are the result of changes related to financial transactions with equity and subordinated debt.

Operational activities include cash flows that are not included in the other two categories.

The concept of net cash flow includes cash, receivables and debts from central banks, and call accounts (assets and liabilities) of credit institutions.

2. Notes to the financial statements

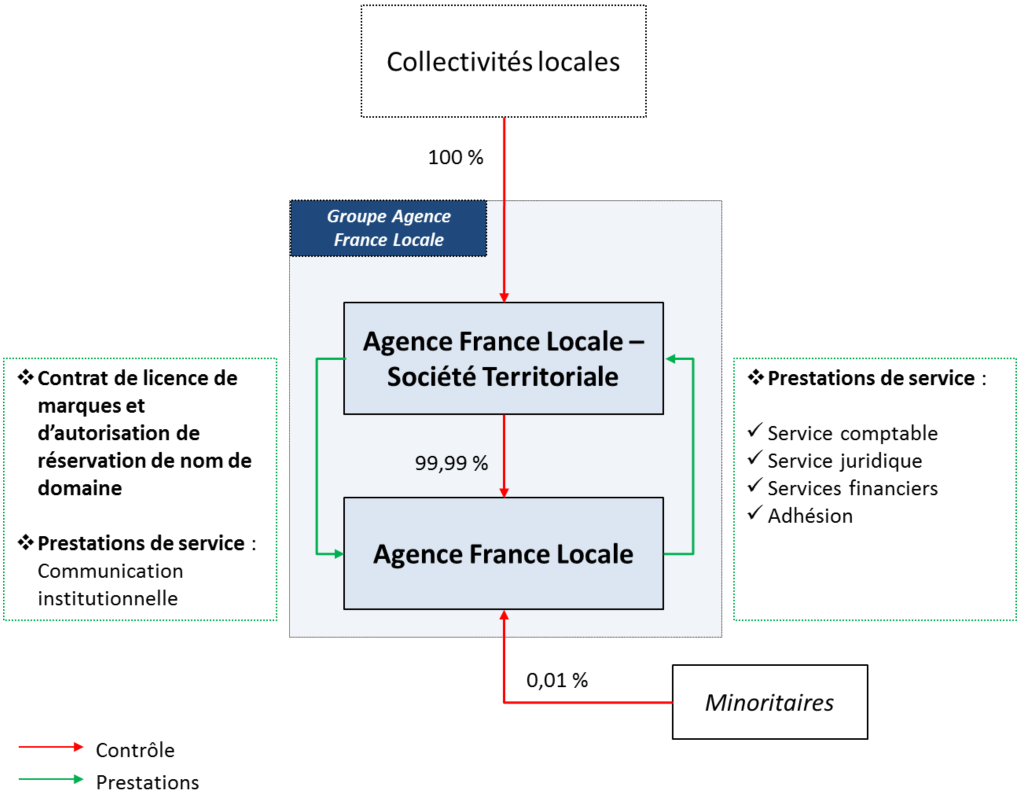
2.1. General background

2.1.1. Presentation of AFL (“the Issuer”)

AFL (“the Issuer”) is the subsidiary company of the Agence France Locale - Société Territoriale (“ST”).

ST is a limited liability company (*Société Anonyme*) with a Board of directors, of which the shareholding is made up exclusively of Local Authorities that are members of AFL Group. ST is the majority shareholder of the Issuer. The Issuer is a limited company with Executive and Supervisory Boards.

The diagram below shows the structure of AFL Group:



Upon the Issuer's establishment, capital amounted to €50K. Following the extraordinary general meeting on 17 February 2014, a decision was made to increase the share capital by €16,950K. A second increase in share capital of €13 200K was decided on 24 June 2014. A third new issue of capital of €5 600K was decided on 25 November 2014.

As at 31 December 2014 share capital therefore amounted to €35 800K.

2.1.2. Operations

AFL Group aims to allow Local Authorities to be more financially independent, in particular by contributing to the diversification of their sources of finance.

The Issuer will finance its activities by raising funds on financial markets, thereby positioning itself as the ideal link between financial markets and the member authorities. The first loans to Local Authorities are scheduled for the first quarter 2015.

On 22 December 2014, the *Autorité de Contrôle Prudentiel et de Résolution* (ACPR) issued an approval to the Issuer certifying its status as a credit institution specialising in lending to French Local Authorities under the banking law of 24 March 1984. This approval will take effect following various administrative steps, including publication in a newspaper of a legal notice regarding the Issuer's new status.

2.1.3. Post-closing events

No major event occurred at the beginning of the 2015 financial year which is likely to have an impact on these accounts.

2.2. Rules and accounting methods

In accordance with IFRS 1 *First adoption of the international financial information standards* and pursuant to European regulation 1606/2002 adopted on 19 July 2002 by the European Parliament and the European Council the Issuer has prepared its first financial statements in accordance with IFRS (International Financial Reporting Standards) published by the IASB (International Accounting Standards Board) at 31 December 2014 and such as adopted by the European Union and whose application was mandatory at that date. IFRS includes IFRS and IAS (International Accounting Standards), and their IFRIC (International Financial Reporting Committee Interpretations) and SIC (Standing Committee Interpretations) interpretations.

As at 31 December 2014, the Issuer has applied the following standards:

Standards	
IFRS 1	*First adoption of the international financial information standards*
IAS 1	*Presentation of the financial statements*
IAS 32	*Financial instruments: Presentation*
IAS 39	*Financial instruments: Accounting and evaluation*
IFRS 7	*Financial instruments: Information required*
IFRS 13	*Fair value measurement*
IAS 19R	*Employee benefits*
IAS 17	*Leases*
IAS 24	*Related party disclosures*
IAS 38	*Intangible fixed assets*
IAS 12	*Income taxes*

In addition, the Issuer decided to apply in advance, on a voluntary basis, the following provisions published in the Official Journal of the European Union and whose application is compulsory only from the financial year beginning 1 January 2014.

- IFRS 10 *Consolidated financial statements* introduces a new definition of control based on power, exposure (and rights) to variable yields and the capacity to exercise this power to influence the yields. Consolidation principles and methods adopted by the Group are set out in paragraph 3.3.

- IFRS 12 *Disclosure of interests in other entities* includes all of the information to be provided in the notes with regard to subsidiaries, partnerships, associates and non-consolidated structured companies.

The summary financial statements are prepared in accordance with the format proposed by the French accounting standards authority (*Autorité des normes comptables*) in its recommendation no. 2013-04 of 7 November 2013 relating to the format of the accounts of banking institutions drawn up in accordance with international accounting standards.

2.3. Principles and methods

2.3.1. Financial assets and liabilities

When first recorded in accounts, financial assets and liabilities are measured at fair value net of costs directly attributable to acquisition (with the exception of financial instruments recognised at fair value through profit or loss).

Assets and liabilities are classified in the following categories:

2.3.1.1. Financial assets held-to-maturity

Financial assets held to maturity are fixed or determinable income or maturity financial assets that the company intends and is able to hold until maturity. IAS 39 prohibits, except in limited cases, the disposal or transfer of these securities before maturity. Contravention of this standard is subject to a penalty barring the company from classifying securities in this category for two years.

Interest rate hedging transactions for this category of security do not qualify for hedge accounting as defined in IAS 39.

On the reporting date, the securities are valued at their amortised cost in accordance with the effective interest rate method, which includes amortisation of premiums and discounts corresponding to the difference between the acquisition value and the redemption value of these securities.

The income received from these securities is presented under the heading "Interest and similar income" in the financial statements.

In the event of an objective sign of depreciation, the depreciation is measured as the difference between the recorded amount and the estimated recoverable amount, discounted at the original effective interest rate. This depreciation is recorded in terms of the cost of risk. In case of subsequent improvement, the excess provision becomes unfounded and is written-back.

2.3.1.2. Financial assets available for sale

Pursuant to IAS 39, the Issuer classifies the following as “Financial assets available for sale”:

- non-consolidated equity holdings

- marketable securities

These securities are recorded initially at their purchase price and fair value measurements and depreciation tests are carried out at the end of each reporting period.

If these securities are listed on an active market, the fair value recorded is equal to the market value of such securities. In the absence of listing on an active market, the fair value is determined by using the most appropriate valuation techniques: discounted cash flows, multiples of financial ratios (net positions, net customer exposures), net assets at adjusted book value, among others.

The difference between the fair value of securities on the period closing date and their net book value is accounted in equity, with the exception of depreciation.

The securities may depreciate if criteria for prolonged or significant loss in value are met. Meeting these criteria leads to a complementary individual qualitative analysis which can lead to a depreciation.

Depreciations are irreversible for capital securities. They are recorded in the statements within the net banking income in the section "Net losses or gains on financial assets available for sale". Once a security has been depreciated, any further depreciation must also be recorded in the statements.

2.3.1.3. Recording dates

AFL Group records securities held-to-maturity on the settlement date. Other securities, regardless of their type or category, are recorded on the trade date.

2.3.2. Tangible fixed assets

Tangible fixed assets are amortised on a straight-line basis over their estimated useful lives.

Fixed asset	Amortisation period
Premises and fixtures	10 years
Computer equipment	3 years
Furniture	9 years

2.3.3. Intangible fixed assets

Computer software was recorded as an intangible fixed asset because it meets the following three criteria, pursuant to IAS 38:

- it is identifiable,
- it is controlled by the entity,
- it gives future economic advantages.

Intangible fixed assets are amortised on a straight-line basis over their estimated useful lives.

Fixed asset	Amortisation period
Software	5 years
Premises and fixtures	10 years
Computer equipment	3 years
Furniture	9 years
Development expenses	5 years
Website	3 years

2.3.4. Financial debts

Debts, which are not classified as fair value financial liabilities, are initially booked at cost, corresponding to the fair value of borrowed amounts net of transaction costs. At the financial year end they are recorded at their amortised cost in accordance with the effective interest rate method and booked under "Debts owed to credit institutions", "Debts owed to customers", "Debts represented by a security" or "Subordinated debts".

Debts to credit institutions are broken down according to their initial duration or their type: demand (demand deposits, current accounts) and term borrowings (special savings account).

2.3.5. Guarantee commitments

According to IAS 39 a contract meets the definition of a financial guarantee if it includes an indemnity principle under which the issuer will reimburse the beneficiary for losses suffered as a result of a payment default by a specified debtor on a debt instrument.

2.3.6. Determination of fair value or market value

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

At the time of the initial accounting of an instrument, its fair value is generally the transaction price.

IFRS 13 primarily recommends the use of a price quoted on an active market to determine the fair value of a financial asset or liability. A market is considered to be active if the prices are easily and regularly available from a stock market, broker (multi-contribution), trader, price evaluation service or regulatory agency, and if these prices represent actual transactions (in terms of volume, price) on the market under normal conditions of competition.

In the absence of an active market fair value must be determined using valuation techniques.

These techniques include the use of recent transactions in a context of normal competition. They are based on observable market data, the fair values of substantially identical instruments, cash flow discounting or option valuation models and use recognised valuation methods.

The aim of a valuation technique is to establish what the price of the instrument would have been in a normal market.

The quoted market price for an asset held or liability to be issued is usually the current bid price and, for an asset to be acquired or liability held, the asking price.

The fair value of the booked financial instruments in the statement at amortised cost is set out in an appendix.

2.3.7. Interest income and expense

Interest income and expense is included in the financial statements for all financial instruments measured at amortised cost using the effective interest rate method. This interest income and expense is accounted net of the difference between the acquisition and redemption price, which is spread over the remaining life of the securities on a discounted basis.

The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument so as to obtain the net accounting value of the financial asset or liability. The calculation of this rate includes commissions received or paid and forming by their nature part of the effective rate of the contract.

2.3.8. Corporation taxes

The relevant rate to determine the taxes payable is 33.1/3%, legal rate in force as at 31 December 2014.

2.3.9. Deferred taxes

In accordance with IAS 12, the income tax includes all taxes based on income, regardless of whether they are payable or deferred.

Adjustments due to the application of international standards, together with the differences between company and tax statements or between the values of assets and liabilities for tax or accounting purposes are temporary differences. Deferred taxes are assessed according to the "variable carry forward" method.

The active deferred taxes are booked when their chances of recovery are considered probable.

IAS 12 prohibits the discounting of deferred taxes.

2.3.10. Use of estimates in the preparation of the financial statements

The preparation of the financial statements requires assumptions and estimates to be made which imply uncertainties regarding their future updating. These estimates, on the basis of information available on the closing date, call for the exercise of judgement by those preparing and managing particularly during the fair value measurement of financial instruments.

Future updates depend on a number of factors: interest and exchange rate fluctuations, economic situation, changes to regulation or legislation, etc. This means that the definitive results from relevant activities mat be different from these estimate and have an effect on the accounts.

Valuation of financial instruments that are not listed on organised markets is based on models of market data available for most over-the-counter instruments. Measuring some complex instruments that are not listed on an active market is based on valuation techniques which in some cases include non-observable parameters.

Information on the fair value of financial assets and liabilities booked at cost is set out in the appendix.

2.3.11. Retirement benefits and other employment liabilities

In accordance with IAS 19 - *Employee benefits*, in the context of defined benefit schemes, retirement and other related liabilities are evaluated by independent actuaries, according to the projected unit credit method.

Under this method, each period of service gives an additional unit of rights to benefits and each of these units is evaluated to obtain the final obligation. This final obligation is then discounted. These calculations mainly include:

- an assumption as to retirement start date,
- a financial discounting rate,
- a rate of inflation,
- assumptions on salary increases and staff turnover.

Actuarial profit and loss are generated by changes in assumptions or experience variances (difference between projected and actual) in respect of commitments or financial assets. These actuarial variations are booked under “Income and expenses recognised directly through equity”, which are non-recyclable in the financial statements.

Therefore the net expense in relation to defined benefit retirement schemes corresponds to the sum of:

- the cost of past and performed services (in Operating income, under "General operating expenses - Staff"),

- the expense in relation to the accretion of the net obligation of the return on plan assets (in "Non-operating expenses", under "Return or expenses on employment liabilities").

These two components (accretion and return on assets) are determined on the basis of the discounting rate of the liabilities.

2.4. Notes on the balance sheet

2.4.1. Note 1: Financial assets

At 31 December 2014, the Issuer's financial assets comprise the following items (in €K):

Accounting category IAS 39	Fair value	Balance sheet value	Variation
Financial assets available for sale			0
Financial assets held-to-maturity*(1)	33 487	30 320	3 168

**Interest incurred on liabilities of €435k are excluded in determining the fair value.*

(1) Level 1 liabilities according to the IFRS 13 hierarchy:

- UNEDIC, rate: 2.375%, 10 year term
- AFD, rate: 2.25%, 12 year term
- OAT, rate: 3.5%, 12 year term

The 3 level hierarchy for fair value accounting of financial instruments on the balance sheet as defined by IFRS 13 is as follows:

- Level 1: Inputs are quoted prices in active markets for identical financial instruments

- Level 2: Inputs are quoted priced on active markets for similar financial instruments or inputs for which all significant data is based on observable market data.

- Level 3: Valuation techniques for which meaningful data is not based on observable market data.

The estimated fair values have been determined on the basis of available market information and appropriate valuation methods according to the type of instrument.

The fair values were determined on the basis of information available at the financial year end date and do not therefore take into account the effect of any subsequent variations.

At 31 December 2014, the primary assumption and valuation method used is the valuation of bond securities obtained from renowned financial institutions.

2.4.2. Note 2: Debts owed to banks and commitments received

The banks HSBC France and Natixis opened a bridging loan in the form of a revolving credit line of up to €25 000K. This credit revolving facility allows the Issuer (the borrower) to have a continuous reserve in an account.

The amount of commitments is spread as follows:

- HSBC France - up to €12 500K
- Natixis - up to €12 500K

As at 31 December 2014, €15 800 has been drawn down and is thus recorded as a financial debt. The Issuer has a permanent option to extend the term of the revolving credit facility to a maximum repayment date of 24 February 2016. The remaining amount of the facility is €9,200K. Interest accrued in respect of these debts is booked as related payables through profit or loss.

2.4.3. Note 3: Accruals and miscellaneous assets

Items	Amounts at 31/12/2014 (€K)	Term < 12 months (€K)	Term > 12 months (€K)
Guarantees and deposits paid	62	-	62
Trade payables - advances and instalments	35	35	-
Deductible VAT on goods and services	54	54	-
Carry forward VAT input credit	693	693	-
VAT refund	652	652	-
VAT on accrued invoices	40	40	-
Prepaid expenses	26	26	-
Total	**1 562**	**1 500**	**62**

2.4.4. Note 4: Accruals and miscellaneous assets

Items	Amounts at 31/12/2014 (€K)	Term < 12 months (€K)	Term > 12 months (€K)
Social welfare organisations	318	318	-
Suppliers	369	369	-
Suppliers - invoices not received	241	241	-
Staff - Salaries payable	5	5	-
Personnel - Paid-leave and compensatory time-off	25	25	-
Staff expenses payable	198	198	-
Total	**1 156**	**1 156**	**-**

2.4.5. Note 5: Tangible and intangible fixed assets

At 31 December 2014, tangible fixed assets comprise computer equipment, furniture, expenses for furnishing premises and depreciations, detailed as follows:

Fixed assets	Amount (in €K)
Tangible fixed assets	660
Tangible fixed assets in course of construction	3
Gross value of the tangible fixed assets	**663**
Depreciation of tangible fixed assets	-14
Net value of the tangible fixed assets	**649**

At 31 December 2014, intangible fixed assets comprise computer software and depreciation, detailed as follows:

Fixed assets	Amount (in €K)
Intangible fixed assets	4 129
Intangible fixed assets in progress	122
Gross value of the intangible fixed assets	**4 251**

Depreciation, impairment and provisions for intangible fixed assets	-103
Net value of the intangible fixed assets	**4 148**

2.4.6. Note 6: Deferred taxes

Deferred taxes comprise the following:

Type	Deferred tax asset	Deferred tax liability
Tax losses	2 682	-
Deferred taxes due to IFRS adjustments	560	-
Total	**3 242**	-

At 31 December 2014, the Group noted deferred tax assets corresponding to carry forward tax losses. At the end of the financial year, the Group considered it likely to recover these deficits. Projections of results prepared on the basis of the most recent forecasts indicate that the issuer's activities should generate sufficient taxable results to absorb all of the carry forward tax losses over a period of 3 years.

1.1 Notes relating to the income statement

2.4.7. Note 7: Interest payable, proceeds and similar charges

Items	Amounts at 31/12/2014	
	Proceeds	**Expenses**
Interest and similar income on treasury and interbank transactions	-	63
Interest and similar income on transactions with customers	-	-
Interest on hedging transactions	-	-
Interests on assets available for sale and held-to-maturity	425	-
Total	**425**	**63**

2.4.8. Note 8: Commissions

Items	Amounts at 31/12/2014	
	Proceeds	Expenses
Commissions on treasury and interbank transactions	-	53
Commissions on the provision of financial services	-	-
Commissions on securities transactions	-	-
Commissions on insurance services	-	-
Commissions on financial instruments	-	-
Other commissions	-	-
Total	**-**	**53**

2.4.9. Note 9: Operating proceeds and expenses

At 31 December 2014, the Issuer has 18 paid staff.

Items	Amounts
Staff costs	
Salaries	1 359
Retirement and similar expenses	142
Other employment expenses	485
Total Staff Expenses	**1 986**
Administrative expenses	
Taxes	19
External services	12 232
Total Administrative Charges	**12 250**
Chargeback and transfers administrative expenses	-4 317
Total General Operating Expenses	**9 920**

The section "External services" mainly comprises legal fees, expenses incurred in setting up the Issuer and establishing the target IT tool.

The charge backs and transfers of administrative expenses include €3 983K of expenses transferred in intangible fixed assets, representing, essentially, the amount of expenses related to IT systems.

2.4.10. Note 10: Staff-related liabilities: short-term benefits

At 31 December 2014, short-term staff benefits comprise:

Items	Amounts (€K)
Allowance and expenses for variable remuneration	188
Other staff benefits	36
Total short-term benefits	**224**

2.4.11. Note 11: Staff-related liabilities: post-employment benefits

For each defined benefit scheme, the Group makes an allowance equal to the liabilities, net of fair value of the scheme's financial assets.

At 31 December 2014, post-employment benefits for staff comprise:

Items	Amounts (€K)
Post-employment benefits (1)	**3**
Provision for retirement indemnities	3
Total post-employment benefits	**3**

(1) The valuation method used is the "Projected Unit Credit Method".

2.4.12. Note 12: Related party transactions

The Issuer's main managers are the Members of the Executive Board. The amount of remuneration to them was €582k during the financial year 2014. This amount corresponds only to short-term benefits and includes all forms of consideration paid by the Group, in exchange for services.

The total amount of directors' fees will be set at the Annual general meeting of the Issuer's shareholders convened to approve the 2014 company accounts.

AGENCE FRANCE LOCALE

STATUTORY AUDITORS' REPORT
ON THE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRSs

Year ended December 31, 2014

This is a free translation into English of a report on the financial statements in accordance with IFRSs issued in French and is provided solely for the convenience of English-speaking readers.

This report should be read in conjunction with, and is construed in accordance with, professional auditing standards applicable in France.

KPMG AUDIT FS I
3, cours du Triangle
92939 Paris La Défense

Cailliau Dedouit et Associés
19, rue Clément Marot
75008 Paris

STATUTORY AUDITORS' REPORT ON THE FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRSs

Year ended December 31, 2014

AGENCE FRANCE LOCALE
Tour Oxygène
10-12, boulevard Marius Vivier-Merle
69393 LYON CEDEX

Ladies and gentlemen,

In our capacity as Statutory Auditors of Agence France Locale S.A. and pursuant to your request, within the framework of a communication of a larger piece of financial information to investors, we have audited the accompanying financial statements of Agence France Locale S.A. in accordance with IFRSs as adopted by the European Union, for the year ended December 31, 2014.

These financial statements are the responsibility of the Management Board. Our role is to express a conclusion on these financial statements based on our audit.

We conducted our audit in accordance with the professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In our opinion, the financial statements give a true and fair view, in all material respects, of the assets and liabilities and of the financial position of the Company as at December 31, 2014 and of the results of its operations for the year then ended, in accordance with IFRSs as adopted by the European Union.

This report is not the legal report relating to the financial statements in accordance with French accounting principles, issued within the requirements of article L.823-9 of the French Commercial Code ("Code de commerce").

This report is addressed to your attention in the context described above and is not to be used, circulated, quoted or otherwise referred to for any other purposes. We accept no liability with regard to any third party to whom this report is distributed or into whose hands it may fall.

This report shall be governed by, and construed in accordance with French law. The Courts of France shall have exclusive jurisdiction in relation to any claim, dispute or difference concerning the engagement letter or this report, and any matter arising from them. Each party irrevocably waives any right it may have to object to an action being brought in any of those Courts, to claim that the action has been brought in an inconvenient forum or to claim that those Courts do not have jurisdiction.

Paris la Défense and Paris, February 3, 2015

French original signed by

KPMG Audit FS 1	**Cailliau Dedouit et Associés**
Fabrice Odent	Laurent Brun