

2017 FINANCIAL REPORT

Today and tomorrow,

experience
at our clients' service

Today and tomorrow,
experience
 at our clients' service

Contents

Chairwoman's management report to the Supervisory Board and for the attention of the General Meeting	2
2017 Report on the Covéa Finance remuneration policy	14
Report on intermediation fees	16
Execution policy	17
Report on the exercise of voting rights	18
Report on anti-money laundering and combatting the financing of terrorism	21
Balance Sheet at 31 December 2017	22
Income Statement (in list form) 2017	24
Statutory auditors' report on the financial statements (for the year ended 31 December 2017)	26
Statutory auditors' special report on regulated agreements	28
General Shareholders' Meeting	29
Notes to the annual accounts	31
Company results for the last 5 financial years	38
Notes on the performance of mutual funds at 31 December 2017 (source: Morningstar)	39

Chairwoman's management report to the Supervisory Board and for the attention of the General Meeting

(French Commercial Code – L. 232-1 et seq.)



Financial year 2017

— I hereby present to you the report on your company's activity for the financial year ended 31 December 2017 and submit for your approval the annual accounts for this financial year.

The Statutory Auditors will provide in their reports all necessary information on the fairness and accuracy of the annual accounts presented to you.

The financial statements and the notes thereto are enclosed with this report. Please refer to the notes for further information on the accounting principles used.

I/ Economic environment of Covéa Finance

2017 was marked by a synchronised recovery in the global economy. However, this economic upturn, which was particularly strong in the eurozone, must not mask ongoing structural weaknesses, specifically with regard to public debt. Furthermore, the year was full of political events. In Europe, the election of Emmanuel Macron dispelled the risk of the eurozone breaking up, but uncertainty remains with regard to Brexit. In the United States, the reforms promised by President Trump have been somewhat curbed by disagreements within the Republican party. Finally, international tensions in relation to North Korea intensified. In terms of monetary policy, the US Federal Reserve (Fed) continued to pursue its rate-hike policy, while the European Central Bank (ECB) has begun its monetary policy normalisation. The Bank of Japan remains on an accommodative path and the Bank of England increased its base rate. The US dollar fell 14% against the euro, trading at \$1.20 to €1.00 at 31 December. Over the year, the price of Brent oil rose 18%, to reach US\$66.90/barrel.

Business stepped up in **the United States**, driven by consumption and investment. Annual GDP growth reached an average of 2.2% over the first three quarters of the year. Business and consumer confidence indicators improved markedly and the unemployment rate continued to decline, falling as low as 4.1%. Despite the increase in economic activity, inflation remained modest. In this context, the Fed continued the gradual increase in its base rate and began normalising its balance sheet in October. In politics, the year was marked by difficulties encountered by the Trump administration in implementing its reforms, as it faced opposition from certain members of the Republican party. After the failed healthcare system reforms, the Republicans finally passed tax reforms at the end of the year. The bill provides for approximately \$1.5 trillion in tax cuts for households and businesses over the next ten years.

In the **eurozone**, economic growth increased to an average of 2.5% from the beginning of the year. Confidence indicators remained on track, reaching pre-financial crisis levels. In terms of the labour market, the unemployment rate is in decline. Inflation is stable at around 1.5% – an insufficient level according to the ECB. The ECB decided to extend its asset purchase programme by nine months, but to reduce the intensity by half as of January 2018. Politically, the year was marked by the election of Emmanuel Macron as President of France in May, as well as the political unrest surrounding the independence referendum in Catalonia. In Germany, Angela Merkel faced difficulties in forming a coalition in the elected parliament last September.

In the **United Kingdom**, activity slowed slightly, contrary to regional dynamics. The country is now recording growth lower than that of the eurozone, amidst uncertainty surrounding Brexit. Annual consumer price inflation reached an average of 2.6% on the back of a decline in the pound sterling. In this context, and for the first time since 2007, the Bank of England increased its base rate by 25 basis points to 0.50%. Brexit negotiations took a positive turn at the end of the year with the European Commission's decision to move on to the second phase of negotiations on post-Brexit relations between the two zones. However, Theresa May appears to be in a fragile position within her own party, following the early general election in June.

In **Japan**, activity is picking up with average annual growth of 1.7%. The business environment, which is well positioned, is contributing to an increase in industrial activity, while household consumption remains modest despite the lowest unemployment rate since 1994. Inflation remains low at an annual rate of 0.7%, while the Bank of Japan's (BoJ) monetary policy remains extremely accommodative. On the political level, Shinzo Abe was re-elected as Prime Minister of Japan in October.

In **China**, GDP growth, although lower than the average over the last few years, has stabilised at 6.9% on average. This was mainly driven by consumption and public investment. Finally, capital outflow has declined, contributing to the stabilisation of foreign exchange reserves. Nevertheless, financial risks persist, specifically with regard to over-indebtedness of economic agents. Following the Communist Party National Congress, Xi Jinping was re-elected General Secretary of the Party for the next five years, and has considerably strengthened his position. ■

Principal market indexes and indicators – values and changes



MARKET INDICATORS (1/2)			30/12/2016	29/12/2017	CHANGE SINCE 29/12/2017 (% OR BPS)*
Bond markets	Base rates (%)	FED	0.75	1.50	0.75
		ECB	0.00	0.00	0.00
		BOE	0.25	0.50	0.25
		BoJ	0.10	0.10	0.00
		Bank of Korea	1.25	1.50	0.25
		Brazil	13.75	7.00	-6.75
		Russia	10.00	7.75	-2.25
		India	6.25	6.00	-0.25
		China	4.35	4.35	0.00
	10-year sovereign yields (%)	United States	2.44	2.41	-0.04
		France OAT	0.69	0.79	0.10
		Germany	0.21	0.43	0.22
		Italy	1.82	2.02	0.20
		United Kingdom	1.24	1.19	-0.05
		Japan	0.05	0.05	0.00
South Korea		2.09	2.49	0.40	
Brazil		11.45	10.26	-1.19	
Russia		8.29	7.43	-0.86	
Loan index	IBOXX Eur Global Index	228.0	229.3	0.58	
Foreign exchange markets	Against the euro (€1 = ... currencies)	Dollar	1.05	1.20	14.1
		Sterling	0.85	0.89	4.05
		Yen	123.0	135.3	10.0
	Against the dollar (\$1 = ... currencies)	Won	1,206	1,067	-11.5
		Brazilian real	3.3	3.3	1.8
		Rouble	61.5	57.7	-6.3
		Indian rupee	67.9	63.9	-6.0
		Yuan	6.9	6.5	-6.3

MARKET INDICATORS (2/2)			30/12/2016	29/12/2017	CHANGE SINCE 29/12/2017 (% OR BPS)*
Equity markets	Local currencies	United States - S&P	2,239	2,674	19.4
		Japan - Nikkei 300	304	357	17.6
		France - CAC 40	4,862	5,313	9.3
		Germany - DAX	11,481	12,918	12.5
		Eurozone - MSCI EMU	115	126	10.1
		United Kingdom - FTSE 100	7,143	7,688	7.6
		South Korea - KOSPI	2,024	2,467	21.9
		Brazil - Bovespa	59,782	76,402	27.8
		Russia - MICEX	2,206	2,110	-4.4
		India - SENSEX	26,626	34,057	27.9
		China - Shanghai	3,104	3,307	6.6
		Hong Kong - Hang Seng	22,001	29,919	36.0
	MSCI - BRIC	814	1,128	38.6	
	Euro	S&P (€)			4.8
		Nikkei 300 (€)			6.9
FTSE 100 (€)				3.5	
Raw materials	Farming	Corn (dollar cents per bushel)	352	351	-0.4
		CRB index**	422	432	2.3
	Energy	Oil (Brent, \$ per barrel)	56	67	19.1
	Precious metals	Price per ounce of gold	1,152	1,309	13.7
Price per tonne of copper		5,536	7,247	30.9	

* Change in basis points (bps) in sovereign yields and base rates.

** CRB: price index for 22 industrial raw materials (59.1%) and food commodities (40.9%). This index does not include energy prices.
Sources: Covéa Finance, Bloomberg.

2/ Position and activity of the company

2.1 DEVELOPMENT OF THE COMPANY'S POSITION

At 31 December 2017, Covéa Finance had a headcount of 155 employees – up by almost 10%.

Meanwhile, the surface area of rented premises increased by around 13% in order to meet current and future needs.

The transformation of the IT and production systems was completed during Q4 2017.

Communication and marketing initiatives were stepped up, enabling a significant increase in net external and unit-linked inflows into our mutual funds.

Finally, the procedure for liquidating the MMA Alternative Fund (a Luxembourg SICAV) that began in December 2015, is ongoing and should be completed by 2018.

2.2 ASSETS MANAGED

As at 31 December 2017, the amount of assets under management came to €97.9 billion and breaks down as follows:

- 24 management mandates on behalf of the companies of the MAAF - MMA - GMF groups, or partner mutual insurers, totalling €85.6bn;
- 42 mutual funds totalling €12.3bn.

Variations in assets under management in relation to the previous financial year are presented below:

ASSETS UNDER MANAGEMENT IN BILLIONS OF EUROS	31/12/2016	31/12/2017	VARIATIONS
Mandates	82.1	85.6	+4.3%
Mutual funds	11.2	12.3	+9.8%
TOTAL	93.3	97.9	+4.9%

Readers will find in the notes a detailed statement on the mutual funds managed and their performance.

In 2017 Covéa Finance received a number of awards for the quality and performance of its fund management, the most noteworthy of which are:

Le Revenu awards:

- **Gold Trophy** winner in the Best Range category for diversified funds over three years
- **Bronze Trophy** in the best fund category for International Equities over 10 years for Covéa Actions Investissement.

2.3 ACTIVITY OF THE COMPANY

Highly sensitive to market changes and changes in assets under management and equity assets in particular, the operating income of Covéa Finance increased in 2017 by 7% in relation to the previous year, mainly boosted by the solid performance, inflows and market effects of the assets invested in equities.

Equity and similar assets under management, mutual funds and mandates included, amounted to €17.6bn at the end of 2017, representing an increase of 2.3% over 2016.

Bond assets and other fixed-income products amounted to €80.3bn, an increase of 5.5% over 2016.

Operating costs rose 12.1% during the financial year.

This increase is mainly due to business expenses based on assets under management (including marketing retrocessions) which increased, costs relating to the outsourcing of our IT production to an external IT provider, and the increase in personnel costs following new hires.

2017 operating income therefore fell 3.1% compared to the previous year. It fell from €30,917,000 in 2016 to €29,969,000 in 2017, however remains higher than our budget targets.

Accounting income, after taking financial and extraordinary income, taxes and profit-sharing into account, amounted to €15,906,000 in 2017, down from €19,832,000 in 2016.

3/ Results of the activity

3.1 OPERATING INCOME

2017 operating income amounted to €98,247,000, up from €91,800,000 in 2016, representing an increase of 7%.

Operating income breaks down as follows:

(IN €000S)	2016	2017	VARIATIONS
Management fees (mandates)	10,103	10,543	+4.4%
Management fees (mutual funds)	78,243	83,995	+7.4%
Incidental income	3,454	3,709	+7.4%

This increase in income stems from management fees received on mandates and mutual funds, following the rise in the average value of assets managed between the two periods, particularly equities.

3.2 PERSONNEL COSTS

Personnel costs stood at €16,984,000 – an increase of 7.9% over the previous period.

This increase is mainly due to a 10% increase in the company's workforce, which stands at 155 employees as at 31 December 2017 over two sites, compared to 141 in 2016.

In accordance with the Covéa Group profit-sharing agreement signed on 18 March 2016 entitling all employees to a share of Group income, an expense of €156,000 was recognised in the accounts.

Similarly, in accordance with the Covéa Finance profit-sharing agreement dated 14 June 2017, a €393,000 charge was recognised under personnel costs.

Furthermore, Covéa Finance benefited from the French competitiveness and employment tax credit (CICE) that reduced personnel costs.

3.3 GENERAL OPERATING COSTS

Business expenses and other operating costs, excluding taxes, depreciation and amortisation and compensation costs, amounted to €46,125,000 in 2017, an increase of 12.7% between the two financial years.

This increase in expenses mainly results from higher indexed expenses on assets under management and the change in the costs inherent to the information system.

The most significant operating cost items are:

- Retrocessions amounting to €18,228,000, up 17.9%;
- IT operating costs of €16,549,000, up 11.6%;
- Rents totalling €3,892,000 rose 14.8% following the extension of the premises;
- Expenses inherent to mutual funds, valuers, and depositaries amounted to €2,861,000, up 6.9%;
- Fees (professional and statutory auditors, including mutual funds) fell 9.7% to €921,000.

3.4 FINANCIAL AND EXTRAORDINARY RESULTS

The result was a net financial expense, which amounted to €-474,000, consisting mainly of unrealised losses on the portfolio resulting from investing the company's own funds. As a reminder, unrealised gains are not recognised.

It should be noted that the company has no long-term debt.

Extraordinary income of €158,000 resulted from reversals of provisions for past liabilities in previous years.

3.5 TAXES AND DUTIES

Taxes and duties, excluding corporate income tax, amounted to €3,671,000.

Taxable income amounted to €27,643,000.

Corporation tax amounted to €12,257,000.

3.6 NET PROFITS

The profit for 2017 amounted to €15,906,000, down 19.8% compared to 2016.

3.7 EMPLOYEE PROFIT-SHARING

The legal reserve for distributable profit for the 2017 financial year amounted to €1,494,000.

3.8 EMPLOYEE INCENTIVE SCHEME

The calculation criteria as defined in the Covéa Finance incentive scheme agreement of 14 June 2017 were met. An amount of €393,000 was recognised at year-end.

3.9 INFORMATION ON THE PAYMENT TERMS OF TRADE ACCOUNTS PAYABLE AND RECEIVABLE

Pursuant to Articles L. 441-6-1, D. 441-4 and A. 441-2 of the French Commercial Code, the amounts of invoices received and issued, overdue but not settled at year-end, are presented below by days overdue.

	ARTICLE D. 441 I.-1: INVOICES RECEIVED, OVERDUE BUT NOT SETTLED AT YEAR-END						ARTICLE D. 441 I.-2: INVOICES ISSUED, OVERDUE BUT NOT SETTLED AT YEAR-END					
	0 days (guide)	1 - 30 days	31 - 60 days	61 - 90 days	91 days and over	Total (1 day and over)	0 days (guide)	1 - 30 days	31 - 60 days	61 - 90 days	91 days and over	Total (1 day and over)
(A) Days overdue												
Number of invoices concerned	-					12	-					12
Total amount of invoices concerned <i>(state: excl. tax or incl. tax)</i>	-	57,129.75	8,683.66	-	40.00	65,853.41	-	608,987.01	-	-	557.81	609,544.82
Percentage of total purchases for the year <i>(state: excl. tax or incl. tax)</i>	-	0.12%	0.02%	-	0.00%	0.13%						
Percentage of revenues for the year <i>(state: excl. tax or incl. tax)</i>							-	0.62%	-	-	0.00%	0.62%
(B) Invoices excluded from (A) relating to disputed or unrecognised payables and receivables												
Number of invoices excluded												
Total amount of invoices excluded <i>(state: excl. or incl. tax)</i>												
(C) Reference payment terms used (contractual or statutory payment terms - Article L. 441-6 or Article L. 443-1 of the French Commercial Code)												
Payment terms used to determine late payments	<input checked="" type="checkbox"/> Contractual terms: UPON receipt <input checked="" type="checkbox"/> Statutory terms: 60 days						<input checked="" type="checkbox"/> Contractual terms: UPON receipt <input type="checkbox"/> Statutory terms: (specify)					

3.10 RESEARCH AND DEVELOPMENT ACTIVITIES (ART. L. 232-1 FRENCH COMMERCIAL CODE)

The company performed no research and development activity during the period.

3.11 DISCLOSURE OF CHARGES AND EXPENSES ON LUXURIES (ART. 223 QUATER AND 39-4 OF THE FRENCH GENERAL TAX CODE)

The company incurred no expenditures or costs that are non-tax deductible under Article 39-4 of the French General Tax Code.

3.12 SIGNIFICANT POST-BALANCE SHEET EVENTS

No significant events occurred since the balance sheet date likely to materially affect the financial statements.

4/ Allocation of earnings

I request that the Supervisory Board propose to the shareholders the following allocation of net profits:

• Profits for the financial year	€15,906,360.53
• Retained earnings from the previous financial year	€32,901,868.52
• Total	€48,808,229.05
• Allowance for the statutory reserve	€0.00
• Dividends	€11,146,275.60
• Retained earnings after allocation	€37,661,953.45
• Total	€48,808,229.05

Corresponding to a dividend of €18.80 per share.

For the financial year 2016, Covéa Finance distributed a total dividend of €15,859,727.

For the financial year 2015, Covéa Finance distributed a total dividend of €17,193,723.

For the financial year 2014, Covéa Finance distributed a total dividend of €13,932,844.

5/ Breakdown of share capital

As at 31 December 2017, the company's capital remained unchanged and amounted to €7,114,644 divided into 592,887 shares, as follows:

SHAREHOLDERS	NUMBER OF SHARES	PERCENTAGE HELD
COVÉA COOPÉRATIONS	431,114	72.71%
GMF Assurances	40,425	6.82%
MMA IARD	40,425	6.82%
MMA Vie	40,422	6.82%
GMF Vie	40,418	6.82%
MAAF Assurances SA	81	0.01%
Miscellaneous	2	0.00%

6/ The internal control and risk management system

At Covéa Finance, the internal control and risk management system is defined and coordinated by the Executive Committee and is part of the everyday work of each employee. It is based on three levels of control and two main areas of focus:

- Control of market risks, under the responsibility of Mr Franck Ibalot, Director, member of the Executive Committee;
- Internal control and compliance, under the responsibility of Mr Ludovic Jacquier, Director, member of the Executive Committee and Compliance Officer in charge of periodic control (or Internal Audit) and Mr Sébastien Desbois, Compliance Officer, in charge of compliance and permanent control.

The first of the three control levels consists of permanent and operational controls carried out as part of transaction processing. It focuses on the processing and management of transactions during the day, on their satisfactory completion, and their correct incorporation into the accounting and summary systems at the end of the day. These first-level controls are performed by the operational personnel within the normal course of their duties, as well as by the Front Office, Middle Office, Back Office, other support offices, and processors.

At the second level, Permanent Internal Control and Risk Management perform controls not integrated within the "production processes" and therefore carried out subsequently, on a periodic or random basis, by an entity not operationally involved. Verification by Permanent Internal Control consists of controls on both substance and form in order to validate compliance of the process and the processing methods related to a transaction or application and to evaluate the operational risks. Each control produces a summary report and supporting documentation is retained in a separate file for each control. A quarterly summary of the permanent control activity, including the follow-up of any recommendations issued, is forwarded to the Executive Committee. Verification by risk management consist of evaluating market risks and complex asset pricing, and specifically monitoring the various risks inherent in the portfolios.

Each team checks, within its area of responsibility, the compliance (regulatory and in terms of operational or financial risk) of the transactions carried out by the portfolio management company, of its organisation, and of its internal procedures with the professional obligations defined by the laws, regulations, and professional rules applicable to the performance of its activities in addition to all the decisions made by its senior managers and the contractual commitments related to management activities for third parties.

There are a number of participants at the third level:

- The compliance and periodic control (or Internal Audit) office evaluates the effectiveness of the permanent control system, and carries out or delegates audits requested by the Executive Committee or risk surveys.
- The executive officers of the company, members of the Executive Committee and employees of the company, define the company's management strategy. The Executive Committee defines the action plan of the Compliance Officer and of the Internal Control Officer and monitors its achievement. It receives reports on the permanent and periodic controls performed, of any alerts concerning shortcomings or malfunctions, and of the annual reports on the status of the control system and participates in the risk committee coordinated by Risk Management.
- The Covéa Finance Supervisory Board which examines the company's management strategy, investments, performance, regulatory changes submitted for approval, budgets and the internal control mechanism. To this end, it receives the report on the status of the internal control system produced annually by the Compliance Officer as well as any specific report requested by the Financial Markets Authority (Autorité des Marchés Financiers, AMF).
- Group Internal Audit carries out the Control of Controls duties at the Group level. Its mission is to ensure that the risks associated with the Group's activities are controlled in compliance with the rules. It performs annual audits on all or part of the company's activities, and therefore its risks.

In 2017, Risk Management continued to expand its human and technical resources, while remaining detached from the Reporting teams. It held four risk management meetings. Among other things, it worked on improving its risk management policy and developing its validation processes for valuation models.

For their part, the compliance officers updated their respective action plans (internal audit and permanent internal control).

At the same time as the permanent control plan, the team in charge of internal audit carried out or coordinated the following assignments: audit of the quality of market data and usage compliance, audit of the compliance of the preparation and publication of regulatory financial statements and reports relating to our activities, audit of subcontracting and professional service providers, compliance audit of the risk management system of one of our two depositaries. The Group Audit management conducted an audit of the management company's governance and economic performance.

These assignments have allowed to define priorities for continuous improvement, which are currently being addressed, all whilst obtaining satisfactory audit results.

Similarly, no problems were identified during the various supervisory or audit assignments conducted by the AMF.

7/ Progress made and difficulties encountered

Following the reorganisation launched in 2015, Covéa Finance finalised the adaptation of its governance structure, and revised and published around a dozen policies confirming its commitments to its customers and partners. Through its involvement with a number of professional bodies, Covéa Finance was once again one of the major players in the most recent regulatory changes and ESG market considerations.

Meanwhile, Covéa Finance hired an experienced head of sales, expanded its marketing teams and increased its presence in various media and at various events. These actions have taken shape by stepping up mutual fund inflow in 2017, with the year ending with the preparation for the launch of a promising new line of mutual funds.

We have withdrawn from the financial management of employee savings plans, a sector in which our size was insufficient to ensure profitability, by transferring this business to a leading national establishment, purely in the interests of members who have placed their trust in us.

We also devoted considerable efforts to adapt the fund management company and funds to the growing number of regulations affecting our business, as well as that of our customers, with the arrival of new requirements as set out in ESG, FROG, PRIIPs, MiFID 2, UCITS V, etc. texts.

Maintaining decent returns under adequate risk management while meeting the new regulations requiring the development of our policies was not easy. As well as being a regulatory challenge, it is also an IT and organisational one, but we have successfully overcome the first obstacles, and will continue step up to the plate in 2018.

In this respect, Covéa Finance was one of the first fund management companies to decide not to pass research costs (as defined by the MiFID II Directive) on to its customers and unitholders both for mutual funds and mandates that we manage. This decision, costing around four million euros as recorded on the company's 2018 income statement, required us to adapt our order-placing procedures and tools in 2017 and to review the contractual framework governing our relations with all of our financial partners.

In this same spirit, we continued to strengthen our skills in all business areas through an active recruitment policy combined with a policy encouraging loyalty, and continued investment in training at our in-house university. The transfer of know-how and life skills remains at the heart of Covéa Finance's concerns; management feels it is essential for the company's sustainability and performance. At the same time, negotiations have begun for the next two years with management and employee representatives to simplify and adapt our collective bargaining agreement and main company agreements to the company's future needs and employee expectations.

In the information technology field, Covéa Finance finalised a serious security project to transform its IT production, launched in 2016 with the establishment of a new production centre entrusted to a specialised service provider.

Furthermore, faced with rising costs of market data, ratings and benchmark index providers (costs borne by the fund management company and not passed on to customers), and the growing need for data often imposed by regulations, the company conducted an audit, before hiring a market data specialist, in order to justify the use of this data and to renegotiate all existing contracts with partners who too often benefit from very little competition or unfair practices.

Finally, the accounting teams continued their investments and efforts, including personal efforts, in order to meet the expectations of their clients in their ever-increasing need to reduce accounting close times and enhance regulatory reporting data (Solvency 2).

All of the guidelines enabled Covéa Finance to adjust to regulatory and strategic changes in a world in motion, leading us to prepare and file a major update to our AMF file at the end of the year.

8/ 2018 outlook

Four issues seem to encapsulate the concerns of market specialists:

- a potential or actual slowdown in the Chinese economy and the threat that this may pose to the global economy and raw material markets;
- the end of exceptional monetary policies;
- inflation;
- shadow finance, also called unregulated finance, which in recent years has been largely fuelled by increased regulations in the traditional financial sector.

These four issues may lead to equity investments being called into question. We are aware of the short-term risks underlying these issues. However, it seems important to adjust our investments and asset allocation choices to our investment horizon.

In the long term, we believe that this is a pivotal era for the world, one that has seen:

- the normalisation of the status of emerging countries, reflected in greater differentiation between countries according to their level of development and political situation;
- the spread of technological disruption not only to traditional patterns of consumption and distribution, but also to production methods;
- an economic transition involving either a return to fundamental economic values, or a more uncertain change of model based on the energy transition and the priority given to protecting the planet.

If this analysis is to be believed, equities must remain a priority in portfolios, the choice of security again becoming fundamental and requiring the involvement of a diverse range of skills and expertise, which we employ at Covéa Finance. Of course, the moment of intervention based on the value of indices remains important, in order to take advantage of market moods. Whether the slowdown in China is real or perceived, the acceleration of inflation remains premature, as income deflation has not yet had its full impact. The end of monetary policies will therefore be smooth, however will also be due to risks present in central banks' portfolios, as well as risks relating to unregulated finance, which is not immune to the cost of money driven by central banks.

This context will also be an opportunity to boost our line of mutual funds by creating funds dedicated to matters in line with our beliefs and values, and responding to the new expectations of our customers:

- a range of green funds in line with our ESG policy;
- an inflation-based fund;
- and a disruption-based fund.

Furthermore, the first part of 2018 saw all of the regulations (ESG, FROG, Sapin 2, PRIIPs, MiFID II, UCITS V, index regulation, money market funds, etc.), for which we had prepared, enter into force. Our strategic and organisational choices will therefore be challenged, with choices made by the competition on both a European and global scale. Maintaining reputable performances under adequate risk management, while responding to these changes and keeping costs under control, remains a challenge already set out in our three-year objectives for 2017-2019.

In the first quarter of 2018, we are therefore finalising the major organisational projects launched in 2016, with the completion of the takeover of the entire IT chain and outsourced business lines, in order to continue cultivating independent decision-making and adaptability.

With these goals in mind, in 2018 we are continuing to translate our two three-year objectives for 2017-2019 into projects over the coming years:

- Be a driver of sustainable growth;
- Capitalise on teamwork.

In 2018, we are focusing on three main areas:

- Combine regulatory requirements and our ESG commitments, while informing interested parties of our choices in terms of ESG (Environmental, Social, Governance) matters;
- Adapt fund management to a broader investment universe, by revising portfolio construction and modernising risk management;
- Continue our business development initiatives in France and Europe more generally without compromising the quality of services provided to our customer shareholders and without damaging our financial structure.

9/ Statutory Auditors' fees

In fiscal 2017, the amount of the two Statutory Auditors' fees recorded for auditing the company accounts amounted to €82,000.

No task other than auditing was entrusted to the Statutory Auditors over the period. ■

2017 Report on the Covéa Finance remuneration policy



As a fund manager, Covéa Finance places particular importance on complying with all of the provisions covering remuneration as set out in Directive 2011/61/UE of the European Parliament and the Council of 8 June 2011, as applied to alternative investment fund managers, (hereinafter the "AIFM Directive") and in the 2014/91/EU Directive of 23 July 2014 on mutual fund managers (hereinafter the "UCITS V Directive"). The objective of these rules, covering the fund manager's structures, practices, and remuneration policy, is to solidify healthy and effective fund management against the risks faced by both the fund management company and the fund.

1/ Remuneration paid by the fund management company to its personnel

During 2017, the total amount of remuneration paid by Covéa Finance to all its personnel, (155 employees at 31/12/2017), amounted to €9,814,980. This amount breaks down as follows:

- €8,751,388, or 89.2% of the total remuneration paid by the company to all its personnel, was fixed compensation.
- €1,063,592, or 10.8% of the total remuneration paid by the management company to all of its staff, was in the form of total variable compensation. The payment of variable compensation for the 2016 financial year, payable in 2017, concerned 92 people. Deferred variable compensation over three years applied to a single employee.

Of the total remuneration announced by the fund management company for the period, €4,324,429 concerned senior managers and employee executives of Covéa Finance whose activities had a significant impact on the funds' risk profile, as defined in our 2017 remuneration policy.

2/ Amount paid by the fund to the personnel of the fund management company

Covéa Finance does not operate any incentive scheme for realised capital gains or carried interest, nor is any remuneration, fixed or variable, paid by the funds to the fund managers.

3/ Impact of the remuneration policy and practices on the risk profile of the fund and on managing conflicts of interest

In February 2017, Covéa Finance brought its existing remuneration policy into compliance with the 2014/91/EU Directive of 23 July 2014 (UCITS V Directive), reviewed the internal regulations of its Remuneration Committee and implemented practices that comply with the latest statutory, regulatory, and doctrinal developments issued by the regulatory authorities while conducting a project to identify which of its employees are affected by the new remuneration provisions as set out in the AIFM and UCITS V Directives and their implementing texts (the "Identified Population"). This process covers employees who meet both of the following conditions:

- They belong to a category of personnel benefiting from variable remuneration and likely to have an impact on the risk profile of the fund management company or the managed fund;
- They receive variable remuneration in excess of a given amount as a result of their level of responsibility over the risk profile.

If the remuneration of the Identified Population varies in line with performance, the total amount, which is capped at a level below one's fixed remuneration is determined by the fund management company by combining the assessment of the performance of the employee concerned, that of the operational unit to which he or she belongs, and/or that of the portfolio basket (mutual fund, AIF, and mandate) with the performance of the fund manager as a whole. This individual performance assessment also takes into account both financial and non-financial criteria.

The set of principles is described in the Covéa Finance remuneration policy available on its website.

4/ Governance and control of the remuneration policy

The remuneration policy is reviewed annually by the Remuneration Committee as defined in the articles of association of Covéa Finance, comprising:

- a representative of the Covéa Finance SAS Supervisory Board;
- two representatives from the Covéa group, independent of Covéa Finance SAS, at least one of whom attends Covéa group Remuneration Committee meetings, and;
- the Chairwoman of Covéa Finance SAS.

In accordance with regulations, most of the members of the Remuneration Committee do not hold executive positions nor are employed within Covéa Finance.

A regulatory review of the remuneration governance system was assigned to an independent firm in June 2016 and the recommendations issued were taken into account during the 2017 update to our policy. ■

Report on intermediation fees



Financial year 2017

— In accordance with Articles 319-18 and 321-122 of the General Regulations of the AMF dated 29 December 2017, Covéa Finance is required to report on the intermediation fees paid during the financial year 2017 if the total exceeds €500,000.

Intermediation fees are the fees including tax received directly or indirectly by the investment service providers working for Covéa Finance:

- fees associated with order execution services;
- costs associated with investment decision-making services.

The selection of intermediaries for the execution of orders on the organised or over-the-counter markets is made by an *ad hoc* committee composed of the head of asset management, fund managers, traders, a lawyer, an internal auditor and the head of the Middle Office unit or one of his or her deputies. Once a year, this committee examines the ratings established in an objective manner of the investment service providers regarding the quality of the research and advice, and the quality of execution, and validates the quality of settlement-delivery. Meetings are arranged in accordance with the provisions set out in the intermediary selection procedure.

For the equity markets including ETFs and programme trading, the intermediation fees related to order execution and decision-making support services are mainly included in the brokerage allocated to each intermediary on the list. Based on the responses received to our independent circular to the intermediaries concerned, intermediation fees related to the order execution service in 2017 represented an average of approximately 46% of the total commission excluding tax.

The shared commissions paid to investment assistance service providers, pursuant to Articles 319-17 and 321-122 of the General Regulations of the AMF dated 29 December 2017, represented at most 3.15% of the total amount of intermediation fees for the year 2017.

The objective of the intermediary selection procedure is also to prevent and manage any potential conflicts of interest. To this end Covéa Finance applies a single intermediation fee schedule structured by asset class and geographical region, regardless of the volumes handled.

Our selection of investment service providers and enforcement policies were reviewed this year. These policies are available on our website under the "Publications", "Our Policies" section, or upon request.

As part of our business activities, our policy for selecting intermediaries was amended at the end of 2017, in accordance with the requirements of the MiFID 2 directive. ■

Execution policy



Financial year 2017

BACKGROUND

Intermediaries are selected for execution activities from among the investment service providers chosen during half-yearly assessments in line with the criteria set out in the intermediary selection procedure. The Covéa Finance selection policy for investment service providers was reviewed in 2017 and a new draft was proposed in line with the application of the MiFID 2 directive on 3 January 2018.

Article 321-114 paragraph 5 of the General Regulations of the AMF (version dated 29/12/2017) sets out that "The portfolio management company shall regularly verify the effectiveness of the policy established in accordance with IV, and notably the quality of execution of the entities selected within the context of the said policy. Where applicable, it corrects all deficiencies identified. Furthermore, the portfolio management company must conduct an annual review of its policy. This review must also be completed every time that a significant change is made having an impact on the company's ability to continue obtaining the best result possible for the mutual fund that it manages".

MONITORING THE ORDER EXECUTION POLICY

No regulatory changes have taken place since the execution policy was last verified and implemented.

Since the implementation of the execution policy there have been no changes to the financial instruments employed.

Interest rate trading executed 3,868 tickets, 532 of which were executed orally, and 3,336 via an electronic platform.

Equities trading executed 4,779 orders, mainly on electronic platforms.

All executions were made with counterparties appearing on the list of eligible Interest Rate or equities intermediaries. It should be noted that, as a result of the changes made under MiFID 2, and with the separation of decision-support services from enforcement services, these intermediaries have been evaluated every year since 2017.

All execution contracts complied with our execution policy.

Verifications performed by Internal Control on the transaction execution prices did not reveal any anomalies.

As part of monitoring compliance with pre-allocation orders, tests are carried out on the position-keeping tool in order to ensure that it is not technically possible to modify the pre-allocation of orders once transmitted to the market.

A full report on execution policy is available on request. ■

Report on the exercise of voting rights



Financial year 2017

Pursuant to the provisions of Article L. 533-22 of the French Monetary and Financial Code and Articles 314-100 to 314-102 and 319-21 to 319-23 of the General Regulations of the French Financial Markets Authority (*Autorité des Marchés Financiers* or AMF) applicable as of 29/12/2017, we hereby present our report for the financial year 2017 on the conditions under which Covéa Finance decided to exercise the voting rights attached to the securities held in the UCITS and AIF portfolios and mandates managed by it.

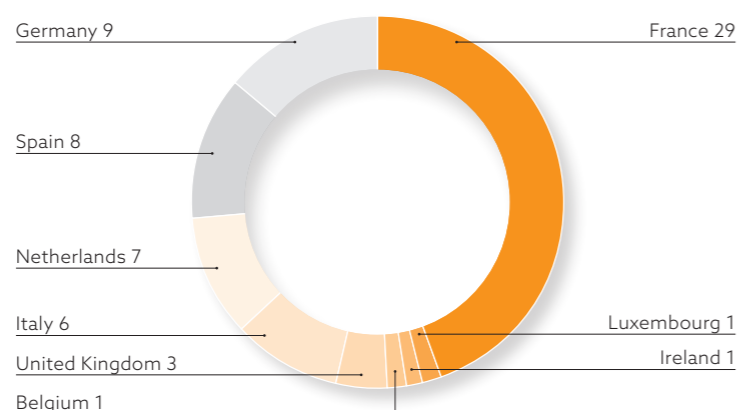
Within the framework of its "voting policy" document, Covéa Finance committed for the twelfth year to mandatory voting for portfolio management companies in accordance with the following criteria:

- To vote in the meetings of its twenty largest positions accumulated in companies of the European Union in UCITS, AIF and mandate portfolios as at 31 December 2016 (unless these securities were sold as of the date of the General Meeting);
- To only take into account registered securities;
- To make every effort to exercise voting rights in listed European companies supported by Covéa Finance on a long-term basis and notably mid-cap companies in which it has a significant holding of over 1.5% of the capital and voting rights.

General Meetings voted:

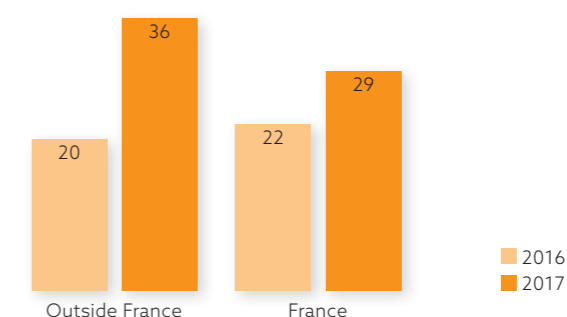
As of 31 December 2017, Covéa Finance exercised its voting right in 65 European General Meetings, of which 29 were in France and 36 outside France.

GENERAL MEETINGS VOTED IN 2017, BY COUNTRY



As part of the redesign of Covéa Finance's voting policy initiated in 2016 and implemented in 2017, the company decided to set up an in-depth and personalised shareholder dialogue with the various companies it votes in. Moreover, as part of the standardisation of procedures, Covéa Finance decided not to vote at General Meetings concerning lock-up periods on the securities.

CHANGES IN THE EXERCISE OF VOTING RIGHTS - 2016/2017



On 31 December 2016, the total number of companies in which Covéa Finance had voting rights stood at 420, representing a volume of listed shares of €9,890,002,092, provided that the shares on the date of the General Meeting scheduled in 2017 were included in a mandate, AIF, or UCITS portfolio.

Participation rate 65/420
Rate restricted to the scope defined by the fund management company 65/20

Breakdown of votes:

Resolutions for 768
Resolutions against 190
Abstentions 0
Total number of resolutions voted 958
Out of a total number of approved resolutions of 944
Resolutions not approved by the Board - vote for 7
Resolutions not approved by the Board - vote against 7

N.B.

Resolutions approved = resolutions previously validated by the Board of Directors.

Resolutions not approved = resolutions for which the Board of Directors issued a negative recommendation or did not issue a prior opinion.

Reasons for negative votes, including the votes "against" the approved resolutions and the votes "for" resolutions not approved.

SUBJECT OF RESOLUTION	FRANCE	EUROPEAN UNION	EUROPE OUTSIDE EUROPEAN UNION
Appointment of the members of the Board of Directors or Supervisory Board	31	13	-
Appointment and remuneration of statutory auditors	2	-	-
Amendments to the Articles of Association having a negative impact on the rights of shareholders	8	1	-
Approval of statutory agreements	2	-	-
Capital transactions considered an anti-takeover* mechanism	11	-	-
Financial transactions/mergers	49	12	-
Remuneration of directors and employee share ownership	37	17	-
Employee shareholding	1	-	-
Approval of financial statements and allocation of earnings	-	-	-
External resolutions (not approved by the Board)	-	6	-

* The transactions taken into account are the following: delegations to the Board to issue warrant subscriptions; authorisations concerning the share redemptions up to 10%; amendment to the Articles of Association concerning the double voting right, etc.

Cases where Covéa Finance was unable to comply with the principles set out in its Voting Policy: Covéa Finance had to vote contrary to its Voting Policy in three resolutions for a total of 958, broken down as follows:

SUBJECT OF RESOLUTION	FRANCE	EUROPEAN UNION	EUROPE OUTSIDE EUROPEAN UNION
Appointment of the members of the Board of Directors or Supervisory Board	-	-	-
Appointment and remuneration of statutory auditors	-	-	-
Amendments to the Articles of Association having a negative impact on the rights of shareholders	-	-	-
Approval of statutory agreements	-	-	-
Capital transactions considered an anti-takeover mechanism	-	-	-
Financial transactions/mergers	2	-	-
Remuneration of directors and employee share ownership	1	-	-
Approval of accounts and allocation of earnings	-	-	-
Other	-	-	-

Details of the General Meetings concerned:

COMPANY	DATE
Air Liquide	3 May 2017
Eos Imaging	1 December 2017

Covéa Finance reconsidered its vote on the three resolutions mentioned above in light of constructive discussions with the issuers.

Covéa Finance will provide shareholders with details of the votes on request.

Cases where Covéa Finance found itself in a conflict of interest:
None

N.B. This report does not cover strategic Covéa Group holdings. ■

Report on anti-money laundering and combatting the financing of terrorism



Financial year 2017

— This report covers the provisions made by Covéa Finance in terms of anti-money laundering and combatting the financing of terrorism (AML/CFT), pursuant to Section 6, Chapter V of Book III of the General Regulation of the French Financial Markets Authority and Title VI of Book V, Chapters I to III of the French Monetary and Financial Code and European Directives 2005/60/EC and 2015/849/EC transposed into French law by Order no. 2009-104 and their various implementing texts applicable as of 29 December 2017.

The role of the AML/CFT compliance officer

Maxime PERRON is responsible for AML/CFT compliance, and is the appointed Tracfin informant. He is in charge of the entire anti-money laundering mechanism, including legal watch and the training of personnel, and also for the analysis of any suspicious transaction reports made by employees before forwarding them to Tracfin.

Risks at Covéa Finance

Covéa Finance is a portfolio management company that neither keeps accounts nor receives or sends orders on behalf of third parties. Similarly, Covéa Finance does not have direct contact with the unitholders of the UCITS and does not directly market or sell these UCITS to private individuals.

The third parties with which Covéa Finance is in contact are mainly experienced institutional players based in OECD countries and its partners:

- The companies of SGAM Covéa (mutual insurance group consisting of MAAF, MMA, and GMF) for which Covéa Finance manages an asset portfolio under formal mandate;
- Companies external to SGAM but which have preferred relationships with one of the mutual insurers of the Group for which Covéa Finance also manages a portfolio of assets under mandate;
- Mutual funds that have delegated financial management to Covéa Finance for which the companies of SGAM Covéa, with their own anti-money laundering mechanism, are promoters, with CACEIS as the main depository;
- Investment or trading platforms, in order to develop the marketing of Covéa Finance mutual funds to the public;
- Investment services providers approved by the AMF that are intermediaries, counterparties or fund management companies in the various market transactions, including in multi-management.

Given the procedures in force, no fund manager can work with a third party that has not previously undergone internal accreditation. This accreditation may only be obtained after the formal compilation of a third-party information file. To date, the risks related to clients' lack of awareness or of the origin of funds are low.

Covéa Finance's investments are placed in assets of listed companies having their headquarters in OECD countries and its partners, mainly in countries in the European Union and North America.

The AML/CFT procedure was amended in 2017 in order to include the updated list of countries under close monitoring, and to integrate updated inspection points. Controls performed on transactions did not reveal any notable anomalies and did not therefore lead to any declarations of suspicious activity to Tracfin.

Informing and training personnel

Training is given to all new employees (salaried, temporary, and trainees) on arrival. On this occasion, they receive a copy of the AML/CFT procedure. In 2017, thirty-five employees (including five trainees) received such training. At the same time, these procedures are also available to all personnel through the document management system, the suspicious transaction alert, and the reporting process modelled on the procedures intranet. ■

Balance Sheet

(as at 31 December 2017)



ASSETS	NOTES	31/12/2017			31/12/2016
		GROSS AMOUNT	AMORTISATION OR PROVISION	NET AMOUNT	
Intangible fixed assets	A1	797,872.83	797,872.83	0.00	0.00
Tangible fixed assets	A1	6,968,073.39	2,969,061.16	3,999,012.23	3,328,946.12
Financial fixed assets	A3	6,386,354.23	7,604.04	6,378,750.19	4,886,190.50
TOTAL 1		14,152,300.45	3,774,538.03	10,377,762.42	8,215,136.62
Trade accounts receivable	A2	7,812,223.65	0.00	7,812,223.65	6,928,442.43
Other receivables	A2	1,806,971.52	0.00	1,806,971.52	1,850,089.42
Marketable securities	A3	61,560,154.15	748,516.09	60,811,638.06	63,796,857.64
Liquid assets	A4	3,629,493.33	0.00	3,629,493.33	1,573,896.06
Prepaid expenses		3,323,961.74	0.00	3,323,961.74	2,636,237.37
Accrued interest		254,652.95	0.00	254,652.95	107,119.27
Cost differences – Assets		0.00	0.00	0.00	0.00
TOTAL 2		78,387,457.34	748,516.09	77,638,941.25	76,892,642.19
GRAND TOTAL		92,539,757.79	4,523,054.12	88,016,703.67	85,107,778.81

LIABILITIES	NOTES	31/12/2017	31/12/2016
Capital		7,114,644.00	7,114,644.00
Statutory reserve		711,464.40	711,464.40
Unavailable reserve		28,163.70	28,163.70
Carry forward		32,901,868.52	28,929,113.48
Other reserves		946,484.70	946,484.70
Merger premium		4,296,781.71	4,296,781.71
Contribution premium		454,202.98	454,202.98
Earnings for the period	A7	15,906,360.53	19,832,482.29
Investment provisions		0.00	0.00
TOTAL 1		62,359,970.54	62,313,337.26
Provisions for risks		400,000.00	562,000.00
Provisions for charges		0.00	0.00
TOTAL 2		400,000.00	562,000.00
Loans and debts with credit institutions	A4	50,763.78	11,925.56
Equities, dividends to be distributed			
Debts	A5	25,205,969.35	22,220,515.99
Translation difference liabilities		0.00	0.00
TOTAL 3		25,256,733.13	22,232,441.55
GRAND TOTAL		88,016,703.67	85,107,778.81

Income Statement (in list form) 2017



DEBIT	NOTES	FINANCIAL YEAR 2017	FINANCIAL YEAR 2016
Operating income	B1		
Management fees on mandates		10,543,213.25	10,102,618.56
Management fees on mutual funds		83,995,246.10	78,242,839.98
ESU/FCPE invoicing		366,744.77	371,461.32
Administrative and accounting fees		3,232,934.45	2,908,090.85
Ancillary income		101,604.28	169,547.21
Other incidental income		6,480.12	4,994.37
TOTAL I		98,246,222.97	91,799,552.29
Operating costs			
Other external costs	B3	46,125,308.99	40,936,298.27
Taxes, duties and related payments	B4	3,670,926.33	3,414,045.71
Personnel costs		16,984,374.13	15,744,796.76
Other costs	B3	52.32	9.90
Allocations to depreciation		1,490,285.11	782,594.51
Directors' fees		6,480.00	4,991.00
TOTAL II		68,277,426.88	60,882,736.15
OPERATING RESULT (I - II)		29,968,796.09	30,916,816.14
Financial income			
Other income and interest	B2	323,114.09	225,086.93
Capital gains from sales of marketable securities	B2-1	270,029.40	239,514.98
Foreign exchange gains		0.00	146,889.98
Reversals of provisions for fixed financial asset imp.		8.59	289,897.17
Reversals of provisions for imp. of marketable securities		118,598.02	0.00
TOTAL III		711,750.10	901,389.06
Financial expenses			
Other interest	B2	1,944.78	369.68
Capital losses on sales of securities	B2-1	101,570.44	618,938.42
Provisions for financial fixed asset impairment		7,604.04	2.35
Provisions for impairment of marketable securities		748,516.09	0.00
Foreign exchange losses		325,644.99	11,196.41
TOTAL IV		1,185,280.34	630,506.86
NET FINANCIAL RESULT (III - IV)		-473,530.24	270,882.20

DEBIT	NOTES	FINANCIAL YEAR 2017	FINANCIAL YEAR 2016
Extraordinary income			
Reversals of provisions for risks		162,000.00	736,232.00
Other extraordinary income		83.97	4.75
Earnings from assets sold - financial fixed assets	B2-1	288.03	2,140.72
TOTAL V		162,372.00	738,377.47
Extraordinary costs			
Extraordinary costs on management transactions		4,346.69	15,463.89
Book value of capital assets sold		288.03	0.00
Book value of financial fixed assets sold		0.00	202.60
Provisions for extraordinary risks and charges		0.00	64,000.00
TOTAL VI		4,634.72	79,666.49
EXTRAORDINARY RESULT (V - VI)		157,737.28	658,710.98
EARNINGS BEFORE TAX (I - II + III - IV + V - VI)	B7	29,653,003.13	31,846,409.32
Tax on profits (VII)	B7	12,257,326.00	10,329,484.00
Employee profit-sharing (VIII)		1,494,342.00	1,691,773.00
Gains from tax consolidation		0.00	95.00
Expense transfers (IX)		5,025.40	7,234.97
TOTAL INCOME (I + III + V)		99,125,370.47	93,446,648.79
TOTAL COSTS (II + IV + VI + VII + VIII - IX)		83,219,009.94	73,614,166.50
PROFIT		15,906,360.53	19,832,482.29

Statutory auditors' report on the financial statements

For the year ended 31 december 2017



This is a translation into English of the statutory auditors' report on the financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.

This statutory auditors' report includes information required by French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to shareholders.

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

To the Shareholders,

Opinion

In compliance with the engagement entrusted to us by your annual general meeting, we have audited the accompanying financial statements of Covea Finance for the year ended 31 december 2017.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at 31 december 2017 and of the results of its operations for the year then ended in accordance with French accounting principles.

Basis for Opinion

AUDIT FRAMEWORK

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the "Statutory Auditors' Responsibilities for the Audit of the Financial Statements" section of our report.

INDEPENDENCE

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from 1st January 2017 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in the French Code of ethics (code de déontologie) for statutory auditors.

Justification of Assessments

In accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we inform you of the following assessments that, in our professional judgment, were of most significance in our audit of the financial statements of the current period.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the financial statements.

Verification of the Management Report and of the Other Documents Provided to the Shareholders

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Chairwoman and in the other documents provided to the Shareholders with respect to the financial position and the financial statements.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with French accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The financial statements were approved by the Chairwoman.

Statutory Auditors' Responsibilities for the Audit of the Financial Statements

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in Article L. 823-10-1 of the French Commercial Code (*Code de commerce*), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the financial statements.
- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.
- Evaluates the overall presentation of the financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation. ■

Neuilly-sur-Seine, 29 march 2018

The Statutory Auditors

PricewaterhouseCoopers Audit

Philippe Chevalier

Deloitte & Associés

Olivier Galienne

Statutory auditors' special report on regulated agreements



This is a free translation into English of the Statutory Auditors' special report issued in the French language and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Shareholders' meeting to approve annual accounts for the year ended December 31, 2017

To the Shareholders,

In our capacity as statutory auditors of your Company, we hereby report on regulated agreements with third parties.

It is our responsibility to communicate to you, based on information provided to us, the principal terms and conditions of these agreements brought to our attention which we or may have identified as part of our engagement, without expressing an opinion on their usefulness or their merit or searching for other agreements. It is your responsibility to assess the interest of entering into these agreements with a view to approving them.

We conducted the procedures we deemed necessary in accordance with professional standards applicable in France.

Agreements to be authorized by the shareholders' meeting

Conventions intervenues au cours de l'exercice écoulé.

We inform you that we were not advised of any regulated agreements covered by the article L. 227-10 of the French Commercial Code (*Code de commerce*).■

Neuilly-sur-Seine, 29 March 2018

The Statutory Auditors

PricewaterhouseCoopers Audit

Philippe CHEVALIER

Deloitte & Associés

Olivier GALIENNE

General Shareholders' Meeting



Text of the resolutions

DECISIONS TAKEN BY SIMPLE MAJORITY

First resolution

The General Meeting, after being read the Chairman's management report and observations made on this report by the Supervisory Board giving its opinion on the annual accounts for the year ended 31 December 2017, and on the business of the company during this period, and after being read the Statutory Auditors' report on the performance of their audit during this financial year, approves the annual accounts as they are presented, in addition to the transactions recognised in these accounts and summarised in these reports.

Accordingly, it grants discharge to the Chairman and to the members of the Supervisory Board for the performance of their duties for this financial year.

Second resolution

The General Meeting, after being read the special report of the Statutory Auditors on the agreements provided in Article L. 227-10 et seq. of the French Commercial Code, approves the conclusions of this report.

Third resolution

On the proposal of the Supervisory Board, the General Meeting decides to allocate the profits of the financial year as follows:

Profits for the financial year	€15,906,360.53
Retained earnings from the previous financial year	€32,901,868.52
Total to be allocated	€48,808,229.05

Allowance for the statutory reserve	€0.00
Dividends (€18.80 per share)	€11,146,275.60
Retained earnings after allocation	€37,661,953.45
TOTAL	€48,808,229.05

For information, the dividends paid in respect of the last three financial years were as follows:

2016:	€15,859,727
2015:	€17,193,723
2014:	€13,932,844

Fourth resolution

The General Meeting, having read the management report, and noting that the share capital of the company is fully paid-up, decides in accordance with Article 19 of the Articles of Association that in the event of a distribution of interim dividends during the current financial year to offer the option of payment in cash or in company shares. The issue price of newly created shares, as payment of interim dividends, equals the amount of equity divided by the number of shares.

Fifth resolution

The General Meeting, noting that the term of office of Mr Laurent Tollié, member of the Supervisory Board, is scheduled to expire, decides to reappoint him in this capacity for a term of six years, i.e. until the General Meeting called to approve the financial statements for the year ended 31 December 2023.

Sixth resolution

The General Meeting, noting that the term of office of Assistance Protection Juridique, member of the Supervisory Board, is scheduled to expire, decides to reappoint it in this capacity for a term of six years, i.e. until the General Meeting called to approve the financial statements for the year ended 31 December 2023.

Seventh resolution

The General Meeting, noting that the term of office of GMF Assurances, member of the Supervisory Board, is scheduled to expire, decides to reappoint it in this capacity for a term of six years, i.e. until the General Meeting called to approve the financial statements for the year ended 31 December 2023.

Eighth resolution

The General Meeting, noting that the term of office of MAAF Assurance, member of the Supervisory Board, is scheduled to expire, decides to reappoint it in this capacity for a term of six years, i.e. until the General Meeting called to approve the financial statements for the year ended 31 December 2023.

Ninth resolution

The General Meeting, noting that the term of office of MAAF Assurance SA, member of the Supervisory Board, is scheduled to expire, decides to reappoint it in this capacity for a term of six years, i.e. until the General Meeting called to approve the financial statements for the year ended 31 December 2023.

Tenth resolution

The General Meeting, noting that the term of office of MAAF Vie, member of the Supervisory Board, is scheduled to expire, decides to reappoint it in this capacity for a term of six years, i.e. until the General Meeting called to approve the financial statements for the year ended 31 December 2023.

Eleventh resolution

The General Meeting, noting that the term of office of PRICEWATERHOUSECOOPERS AUDIT, joint regular Statutory Auditor, is scheduled to expire, decides to reappoint it in this capacity for a term of six financial years, i.e. until the General Meeting called to approve the financial statements for the year ended 31 December 2023.

Twelfth resolution

The General Meeting, noting that the term of office of Mr Yves Nicolas, joint alternate Statutory Auditor, is scheduled to expire, decides to reappoint him in this capacity for a term of six financial years, i.e. until the General Meeting called to approve the financial statements for the year ended 31 December 2023.

DECISIONS TAKEN BY QUALIFIED MAJORITY**Thirteenth resolution**

Having heard the reports from the Supervisory Board and Statutory Auditors, the General Meeting decided in accordance with Articles L. 227-1 and L. 225-129-6 of the Commercial Code to propose to the company's employees a cash capital increase under the terms set out in Article L. 3332-18 et seq. of the Labour Code, this decision giving rise to the elimination of shareholders' pre-emptive subscription rights.

All necessary powers are given to the Chairman to decide on the terms and amount, which may not exceed 3% of the company's share capital, and to modify the Articles of Association accordingly.

DECISIONS TAKEN BY SIMPLE MAJORITY**Fourteenth resolution**

The General Meeting grants all powers to the bearer of an original, copy or extract of the different documents submitted to this meeting and its minutes of proceedings for the completion of all legal formalities. ■

Notes to the annual accounts



— The balance sheet before distribution of the financial year ended 31 December 2017 totalling €88,016,703.67 and the income statement totalling earnings of €99,125,370.47 resulted in a profit of €15,906,360.53.

The notes and the tables hereinafter constitute the NOTES. They are an integral part of the financial statements. Only significant information is produced.

1. Highlights of the financial year

Covéa Finance benefited from a tax credit for competitiveness and employment (CICE). This resulted in a reduction in personnel costs and a reduction in corporation tax to be paid totalling €142,837.00.

The French Finance Act for 2018 repealed the 3% tax on dividends paid outside the tax consolidation group, after it was declared unconstitutional by decision of the Constitutional Council on 6 October 2017.

Given that Covéa Finance has never been subject to this tax, it is not eligible for any reimbursement in this respect.

Meanwhile, the Amending French Finance Act for 2017 introduced two one-off contributions to corporation tax of 15% and 30%, applicable when the entity's revenues or, where applicable, the tax consolidation group's revenues, exceed one to three billion euros respectively.

In respect of the 2017 financial year, Covéa Finance is required to pay the 30% contribution totalling €2,764,255 under the terms and conditions of the SGAM Covéa tax consolidation agreement as amended.

2. Post-balance sheet events

None.

3. Accounting principles and methods used

3.1 GENERAL PRINCIPLES

This balance sheet and the income statement were prepared in accordance with the provisions of Articles L.123-12 and L.123-13 of the French Commercial Code and pursuant to the general rules of preparation and presentation of annual accounts.

The general rules for preparing and presenting the annual accounts were established in accordance with the new chart of accounts as per ANC Regulation no. 2016-07 of 4 November 2016.

The general principles of prudence, lawfulness, and of a fair and accurate representation have been complied with based on the following assumptions:

- Going concern;
- Consistency of accounting methods from one year to another;
- Independence of financial years.

3.2 ACCOUNTING METHODS USED

The base method retained to evaluate items written in the accounts is the historic costs method.
For marketable securities, the gross value is made up of the purchase cost excluding additional expenses.

4. Additional information concerning the balance sheet

4.1. STATEMENT OF FIXED ASSETS

A - Intangible and tangible fixed assets

DESCRIPTION	GROSS VALUE OF FIXED ASSETS AT THE START OF THE YEAR	ACQUISITIONS	DISPOSALS	GROSS VALUE OF FIXED ASSETS AT THE END OF THE YEAR
Tangible fixed assets	4,807,797.96	2,160,639.25	363.82	6,968,073.39
Installations	3,374,510.74	167,089.55	0.00	3,541,600.29
Equipment	355,443.21	1,946,291.93	0.00	2,301,735.14
Telephones	0.00	13,344.99	363.82	12,981.17
Fixtures and fittings	438,384.63	0.00	0.00	438,384.63
Furniture	624,956.57	33,912.78	0.00	658,869.35
Prints	14,502.81	0.00	0.00	14,502.81
Intangible fixed assets	797,872.83	0.00	0.00	797,872.83
Software	797,872.83	0.00	0.00	797,872.83
TOTAL	5,605,670.79	2,160,639.25	363.82	7,765,946.22

Amortisation and depreciation

DESCRIPTION	VALUE OF AMORTISATION & DEPRECIATION AT THE START OF THE YEAR	ALLOWANCES FOR THE PERIOD	REVERSALS FOR THE PERIOD	VALUE OF AMORTISATION & DEPRECIATION AT THE END OF THE YEAR
Tangible fixed assets	1,478,851.84	1,490,285.11	75.79	2,969,061.16
Installations	693,754.66	692,086.46	0.00	1,385,841.12
Equipment	315,775.48	624,023.68	0.00	939,799.16
Telephones	0.00	4,881.46	75.79	4,805.67
Fixtures and fittings	251,363.87	58,753.26	0.00	310,117.13
Furniture	217,957.83	110,540.25	0.00	328,498.08
Intangible fixed assets	797,872.83	0.00	0.00	797,872.83
Software	797,872.83	0.00	0.00	797,872.83
TOTAL	2,276,724.67	1,490,285.11	75.79	3,766,933.99

Fixed asset entry values are recognised at historic cost.

Acquisitions at Covéa Finance:

- Software is amortised over 12 months using the declining balance method.
- Installations, furniture, and fixtures are depreciated over five years on a straight-line basis.
- Equipment is depreciated over five years using the accelerated method. The fixed assets acquired since 2001 are depreciated/amortised using the declining balance method at 35% instead of 40% in accordance with the new tax regulations. Depreciation and amortisation is recorded in the income statement under "Depreciation and amortisation".

B - Financial fixed assets

DESCRIPTION OF SECURITIES	COST PRICE 31/12/2016	INVESTMENTS 2017	DISPOSALS 2017	COST PRICE 31/12/2017	+/- UNREALISED GAINS/LOSSES ON 31/12/2017
COVÉA PROFIL OFFENSIF 4DEC	58,052.04	0.00	0.00	58,052.04	32,859.72
COVÉA HORIZON DURABLE	49,881.00	0.00	0.00	49,881.00	39,623.81
COVÉA ACTIONS INVESTISSEMENT	1,500,027.36	0.00	0.00	1,500,027.36	965,753.24
COVÉA ACTIONS FRANCE	199,660.86	0.00	0.00	199,660.86	85,986.72
COVÉA MULTI EMER I 4D	133.62	0.00	0.00	133.62	41.54
COVÉA PATRIMOINE I4D	1,000,000.00	0.00	0.00	1,000,000.00	122,600.00
COVÉA TRÉSOR A 4D	166.44	0.00	0.00	166.44	-0.62
COVÉA ACT RENDEMENT D FCP 4 DEC	100.00	0.00	0.00	100.00	-3.42
COVÉA ACTIONS RDM C FCP 4 DEC	1,974,139.66		0.00	1,974,139.66	363,692.39
COVÉA ULTRA FLEXIBLE	0.00	1,000,000.00	0.00	1,000,000.00	-7,600.00
COVÉA ACTIONS EURO	0.00	500,155.14	0.00	500,155.14	20,079.60
SECURITY DEPOSIT (Drinks machine)	38.11	0.00	0.00	38.11	0.00
AGSI WORKING CAPITAL	104,000.00	0.00	0.00	104,000.00	0.00
TOTAL FINANCIAL FIXED ASSETS	4,886,199.09	1,500,155.14	0.00	6,386,354.23	1,623,032.98

Financial fixed assets mainly comprise the investments in Covéa Actions Investissement totalling €1,500,027.36, in Covéa Actions France totalling €199,660.86, in Covéa Patrimoine totalling €1,000,000 and Covéa Actions Rendement 4D for €1,974,139.66 and AGSI working capital totalling €104,000. Provisions are recorded under "Provisions" in the income statement.

4.2 RECEIVABLES BY SENIORITY

DESCRIPTION	GROSS AMOUNT	ONE YEAR AND LESS	1 TO 5 YEARS	OVER 5 YEARS
Trade accounts receivable	7,812,223.65	7,812,223.65	-	-
Supplier receivables	25,559.95	25,559.95	-	-
Personnel - Advances and prepayments	648.09	-	648.09	-
Personnel - Opposition on salaries	0.00	0.00	-	-
Personnel - Salaries	0.00	0.00	-	-
Personnel - Travel expenses	0.00	0.00	-	-
Works Council	0.00	-	-	-
Social welfare agencies	2,905.04	2,905.04	-	-
Deductible VAT	0.00	-	-	-
VAT collected	0.00	-	-	-
VAT to be paid	0.00	0.00	-	-
Value Added Tax	0.00	0.00	-	-
Corporate income tax statement - CICE	142,836.04	142,836.04	-	-
Current accounts	0.00	0.00	-	-
Other receivables	93.19	93.19	-	-
Suspense accounts	0.00	-	-	-
Accrued income	1,634,929.21	1,634,929.21	-	-
TOTAL RECEIVABLES	9,619,195.17	9,618,547.08	648.09	0.00

4.3 MARKETABLE SECURITIES

DESCRIPTION	COST PRICE 31/12/2016	INVESTMENTS 2017	DISPOSALS 2017	COST PRICE 31/12/2017	UNREALISED GAINS AT 31/12/2017	UNREALISED LOSSES AT 31/12/2017
ENGIE bonds	0.00	2,085,000.00	0.00	2,085,000.00	0.00	17,320.02
SODEXO Bonds 1.75%	2,141,580.00	0.00	0.00	2,141,580.00	0.00	30,060.10
SAINT GOBAIN Bonds	0.00	2,321,000.00	0.00	2,321,000.00	0.00	49,920.07
SUEZ Bonds 4.078%	0.00	2,318,900.00	0.00	2,318,900.00	0.00	50,140.02
DEUTSCHE TEL Bonds	3,097,500.00	0.00	0.00	3,097,500.00	0.00	70,260.01
SCHNEIDER Bonds	0.00	2,198,000.00	0.00	2,198,000.00	0.00	27,760.17
UNILEVER Bonds	0.00	2,110,800.00	0.00	2,110,800.00	0.00	13,760.05
NESTLE Bonds 2.125%	1,923,055.10	0.00	0.00	1,923,055.10	0.00	258,217.43
LINDE Bonds 1.50%	1,879,741.50	0.00	0.00	1,879,741.50	0.00	214,136.56
COVÉA SÉCURITÉ C 4D	41,834,922.34	93,072,193.60	106,230,034.55	28,677,081.39	0.00	16,940.80
COVÉA ACTIONS AMÉRIQUE	1,005,516.00	0.00	231,160.56	774,355.44	972,026.64	0.00
COVÉA MOYEN TERME C 4D	11,624,828.68	0.00	0.00	11,624,828.68	629,780.49	0.00
COVÉA OBLIGATIONS C 4D	408,157.20	0.00	0.00	408,157.20	190,501.80	0.00
COVÉA SÉCURITÉ AD 4D	154.84	0.00	0.00	154.84	0.00	0.86
TOTAL MARKETABLE SECURITIES	63,915,455.66	104,105,893.60	106,461,195.11	61,560,154.15	1,792,308.93	748,516.09

At the end of the financial year, the subscription value is compared to the liquidation value. If there are any losses, a provision would be made.

Unrealised gains are not recognised.

Liquid assets

Any liquid assets in foreign currencies at the end of the financial year are converted into national currency at the spot rate. Any currency exchange differences are recognised in the income statement.

4.4 INFORMATION ON EQUITY

	31/12/2016	INCREASES	DECREASES	31/12/2017
Share capital	7,114,644.00	0.00	0.00	7,114,644.00
Merger premium	4,296,781.71	0.00	0.00	4,296,781.71
Contribution premium	454,202.98	0.00	0.00	454,202.98
Legal reserve	711,464.40	0.00	0.00	711,464.40
Unavailable reserve	28,163.70	0.00	0.00	28,163.70
Other reserves	946,484.70	0.00	0.00	946,484.70
Retained earnings	28,929,113.48	3,972,755.04	0.00	32,901,868.52
Earnings for the period	19,832,482.29	15,906,360.53	19,832,482.29	15,906,360.53
TOTAL	62,313,337.26	19,879,115.57	19,832,482.29	62,359,970.54

4.5 STATEMENT OF PROVISIONS

DESCRIPTION	01/01/2017	ALLOWANCES	REVERSALS	31/12/2017	COMMENTS
Provision for disputes on valuation methods	400,000.00	0.00	0.00	400,000.00	
Provision for industrial tribunals or labour disputes	162,000.00	0.00	162,000.00	0.00	
TOTAL	562,000.00	0.00	162,000.00	400,000.00	

4.6 DEBTS BY SENIORITY

	GROSS AMOUNT	ONE YEAR AND LESS	1 TO 5 YEARS	OVER 5 YEARS
Suppliers	9,384,719.73	9,384,719.73	-	-
Debts with clients	0.00	-	-	-
Current accounts	3,399,378.00	3,399,378.00	-	-
Miscellaneous accrued expenses	196,988.50	196,988.50	-	-
Personnel - Salaries	0.00	-	-	-
Personnel - Travel expenses	1,019.10	1,019.10	-	-
Personnel - Profit-sharing	1,494,342.00	1,494,342.00	-	-
Personnel - Incentive scheme bonus	548,373.00	548,373.00	-	-
Personnel - Advances and prepayments	0.00	-	-	-
Works Council	8,359.06	8,359.06	-	-
Other payables	94,993.77	94,993.77	-	-
Suspense accounts	3,747.40	-	1,247.40	2,500.00
Provisions on salaries	8,541,292.02	8,541,292.02	-	-
Social welfare agencies	774,173.77	774,173.77	543.08	8,728.00
VAT to be paid	268,120.00	268,120.00	-	-
Payroll tax	490,463.00	490,463.00	-	-
TOTAL DEBTS	25,205,969.35	25,202,221.95	1,790.48	11,228.00

4.7 PREPAYMENTS AND ACCRUALS

The balance of prepayments and accruals breaks down as follows:

- Prepaid expenses: €3,323,961.74
- Accrued income: €1,634,929.21, corresponding to invoices issued during the second half of the year of administration and accounting fees, FCPE (employee mutual fund) management fees and proceeds from related activities.

5. Additional information on the income statement

5.1 OPERATING INCOME

This item amounted to €98,246,222.97 and represents:

- Management fees on mandates €10,543,213.25
- Fees on mutual funds €83,995,246.10
- ESU/FCPE invoicing €366,744.77
- Administrative and accounting fees €3,232,934.45
- Related income €101,604.28
- Other ancillary income €6,480.12

5.2 INCOME AND INTEREST

This item amounted to €711,750.10 and represents:

- Bank interest €15,347.52
- Capital gains from sales of marketable securities €270,029.40
- Accrued bond coupon €305,358.37
- Other financial income €2,408.20
- Reversal of provision for imp. of marketable securities €118,598.02

5.3 NET INCOME FROM SALES OF MARKETABLE SECURITIES

The item amounted to €270,029.40 and represents realised capital gains.

5.4 EXTRAORDINARY INCOME

This item amounted to €162,372.00 and represents:

• Extraordinary income on management transactions	€83.97
• Reversal of provision for risks	€162,000.00
• Proceeds on asset disposal – tangible fixed assets	€288.03

5.5 PERSONNEL COSTS

Salaries and social security contributions amounted to €16,984,374.13.

5.6 FINANCIAL COSTS

This item amounted to €1,185,280.34 and breaks down as follows:

• Provision for imp. of marketable securities	€748,516.09
• Foreign exchange losses	€325,644.99
• Other interest	€1,944.78
• Provisions on financial fixed assets	€7,604.04

5.7 EXTRAORDINARY COSTS

This item amounted to €4,634.72 and breaks down as follows:

• Other extraordinary expenses	€4,346.69
• Net book value of disposed assets – tangible fixed assets	€288.03

5.8 TAX AND TAX CONSOLIDATION

The tax recognised in the income statement for the financial year corresponds to the tax payable for the period according to the tax regulations in force.

On 1 January 2008, Covéa Finance joined the tax consolidation group of which SGAM Covéa is the consolidating company.

Current income tax	€9,161,604
Extraordinary income tax	€52,579

5.9 EMPLOYEE PROFIT-SHARING

Profit-sharing amounted to €1,494,342.

5.10 INCENTIVE BONUS

The Profit sharing/Salary ratio is less than 0.16. A provision is recorded for an incentive bonus payment.

5.11 ALLOCATION OF EARNINGS FOR THE FINANCIAL YEAR

The Board of Directors proposed allocating net profits as follows:

• Profits for the financial year	€15,906,360.53
• Retained earnings from the previous financial year	€32,901,868.52
• Total to be allocated	€48,808,229.05
• Allowance for the statutory reserve	€0.00
• Dividends	€11,146,275.60
• Retained earnings after allocation	€37,661,953.45
• Total	€48,808,229.05

5.12 WORKFORCE

Covéa Finance has 155 employees:

- 18 non-executive grade
- 137 executive grade

5.13 REMUNERATION OF SENIOR MANAGEMENT

The disclosure of senior management and risk taker remuneration is the subject of an ad hoc report, appended to the management report, in accordance with European AIFM and UCITS V directives to which Covéa Finance subject as a fund management company.

6. Off-balance sheet commitments

• Pension commitments	€302,463.00
• Funded (Cité Européenne policy)	€323,536.00
• Surplus	€21,073.00

The company's commitments are valued using an actuarial method which takes account of the turnover and salary increase rate. The discount rate used is the benchmark iBoxx eurocorporate AA 10 and +, which went from 1.07% in 2016 to 1.55% in 2017.

The preferential method recommended by the CNC recommendation no. 20036-R-01 is not applied.

The company's commitments are partially covered by an insurance policy taken out with GMF-VIE (formerly Cité Européenne).

In the off-balance sheet commitments table attached, the actuarial commitments plus social security contributions are compared to the fund constituted of the insurance premiums paid. The resulting shortfall is covered by a provision in the contributory accounts.

7. Other significant information

7.1 BREAKDOWN OF SHARE CAPITAL

	NUMBER OF SHARES	NOMINAL VALUE	TOTAL VALUE
Covéa Coopérations	431,114	12	5,173,368.00
GMF Assurances	40,425	12	485,100.00
MMA IARD SA	40,425	12	485,100.00
MMA Vie SA	40,422	12	485,064.00
GMF Vie	40,418	12	485,016.00
MAAF Assurances SA	81	12	972.00
Miscellaneous	2	12	24.00
TOTAL	592,887	12	7,114,644.00

7.2 CONSOLIDATION

The accounts of Covéa Finance are included using the full consolidation method in the combined accounts of SGAM COVÉA, SIRET no. 450527916 00016 (86-90, Rue Saint-Lazare, 75009 Paris, France).

7.3 STATUTORY AUDITORS' FEES

The impact of the statutory auditors' fees on the income statement was €321,552.67 broken down as follows:

• Audit of Covéa Finance's accounts:	€82,265.35
• Audit of the mutual funds:	€239,287.32

Company results for the last 5 financial years



NATURE OF INFORMATION	2013	2014	2015	2016	2017
Capital at the end of the financial year					
Share capital	7,114,644.00	7,114,644.00	7,114,644.00	7,114,644.00	7,114,644.00
Number of existing ordinary shares	592,887	592,887	592,887	592,887	592,887
Number of existing priority dividend shares (without voting rights)	0.00	0.00	0.00	0.00	0.00
Maximum number of future shares to be created	0.00	0.00	0.00	0.00	0.00
By conversion of bonds	0.00	0.00	0.00	0.00	0.00
By exercising subscription rights	0.00	0.00	0.00	0.00	0.00
By distribution of dividends in shares	0.00	0.00	0.00	0.00	0.00
Transactions and results of the financial year					
Revenue before tax	78,287,375.47	79,345,846.96	89,883,655.67	91,794,557.92	98,239,742.85
Earnings before tax, employee profit-sharing, and allowances for amortisation/depreciation and provisions	39,190,512.93	28,323,608.37	35,042,563.10	31,674,206.98	31,623,835.75
Tax on profits	12,825,924.00	9,361,248.00	11,104,628.00	10,329,484.00	12,257,326.00
Employee profit-sharing due for the financial year	1,840,048.00	1,460,266.00	1,618,398.00	1,691,773.00	1,494,342.00
Earnings after tax, employee profit-sharing, and allowances for amortisation/depreciation and provisions	23,860,169.22	17,426,551.86	20,971,801.47	19,832,482.29	15,906,360.53
Earnings distributed in cash	18,972,384.00	13,932,844.50	17,193,723.00	15,859,727.25	11,146,275.60
Earnings distributed in shares	0.00	0.00	0.00	0.00	0.00
Earnings per share					
Earnings after tax, employee profit-sharing, but before allowances for amortisation/depreciation and provisions	41.36	29.52	37.65	32.99	30.14
Earnings after tax, employee profit-sharing, and allowances for amortisation/depreciation and provisions	40.24	29.39	35.37	33.45	26.83
Dividend allocated to each share (in cash)	32.00	23.50	29.00	26.75	18.80
Dividend allocated to each share (in shares)	0.00	0.00	0.00	0.00	0.00
Personnel					
Average workforce during the year	123	133	142	142	155
Payroll for the financial year	8,059,544.99	8,661,732.38	8,921,526.99	10,523,705.53	11,370,318.29
Amount of sums paid as social benefits during the financial year (social security, social works, etc.)	4,200,898.69	4,319,938.88	4,575,393.24	5,221,091.23	5,614,055.84

Notes on the performance of mutual funds at 31 December 2017

(source: Morningstar)



	Morningstar classification	Benchmark index	Morningstar stars	Mutual fund 52-week volatility	Morningstar category 52-week volatility	PERFORMANCE OVER THE YEAR 2017		
						Mutual funds	Morningstar category	Benchmark index
FIXED INCOME MUTUAL FUND								
UCITS								
COVÉA EURO SOUVERAIN (AC)	EUR Government bonds	FTSE MTS (ex-EuroMTS) Global 16:00 net coupons reinvested	***	2.44%	2.47%	-0.02%	-0.34%	0.43%
COVÉA EURO SOUVERAIN (AD)	EUR Government bonds	FTSE MTS (ex-EuroMTS) Global 16:00 net coupons reinvested	***	2.46%	2.47%	-0.05%	-0.34%	0.43%
COVÉA EURO SPREAD (AC)	Bonds EUR private loans	IBOXX Corp net coupons reinvested	**	1.68%	1.69%	0.50%	2.46%	2.37%
COVÉA EURO SPREAD (AD)	Bonds EUR private loans	IBOXX Corp net coupons reinvested	**	1.64%	1.69%	0.53%	2.46%	2.37%
COVÉA HAUT RENDEMENT (IC)	Bonds EUR High Yield	IBOXX Euro High Yield Fixed Rate reinvested coupons	*	1.16%	1.38%	0.28%	5.77%	5.66%
COVÉA MOYEN TERME (AC)	Bonds EUR Short-Term Diversified	FTSE MTS (ex-EuroMTS) 1-3 years 16:00 net coupons reinvested	***	0.69%	0.37%	-0.21%	0.26%	-0.39%
COVÉA OBLIGATIONS (AC)	Bonds EUR Diversified	FTSE MTS (ex-EuroMTS) 5-7 years 16:00 net coupons reinvested	***	1.79%	1.62%	0.24%	0.56%	0.82%
COVÉA OBLIGATIONS (AD)	Bonds EUR Diversified	FTSE MTS (ex-EuroMTS) 5-7 years 16:00 net coupons reinvested	***	1.79%	1.62%	0.24%	0.56%	0.82%
COVÉA OBLIG INTER (AD)	International Bonds	Merrill Lynch Global Gvt Bond Index (hedged in euros) net coupons reinvested	***	2.31%	3.66%	-2.52%	-5.06%	0.24%
AIF								
MAAF OBLIGATIONS 4 (AD)	International Bonds	FTSE MTS (ex-EuroMTS) 3-5 year 16:00 reinvested net coupons		1.18%		-0.09%		0.14%
MAAF STRATÉGIE TAUX (AC)	International Bonds	FTSE MTS (ex-EuroMTS) 1-3 years 16:00 net coupons reinvested		0.73%		-0.12%		-0.39%

						PERFORMANCE OVER THE YEAR 2017		
	Morningstar classification	Benchmark index	Morningstar stars	Mutual fund 52-week volatility	Morningstar category 52-week volatility	Mutual funds	Morningstar category	Benchmark index
MONEY MARKET MUTUAL FUNDS								
UCITS								
COVÉA SÉCURITÉ (AC)	EUR money market	EONIA Capitalised		0.01%	0.10%	-0.32%	-0.45%	-0.36%
COVÉA SÉCURITÉ (AD)	EUR money market	EONIA Capitalised		0.02%	0.10%	-0.28%	-0.45%	-0.36%
COVÉA SÉCURITÉ (GC)	EUR money market	EONIA Capitalised		0.02%	0.10%	-0.33%	-0.45%	-0.36%
CONVERTIBLE MUTUAL FUNDS								
UCITS								
COVÉA OBLIGATIONS CONVERTIBLES (AC)	Europe convertibles	Exane ECI Europe net coupons reinvested	★★★★	4.52%	3.57%	3.75%	3.43%	3.53%
COVÉA OBLIGATIONS CONVERTIBLES (IC)	Europe convertibles	Exane ECI Europe net coupons reinvested	★★★	4.53%	3.57%	4.37%	3.43%	3.53%
FLEXIBLE MUTUAL FUNDS								
UCITS								
COVÉA PATRIMOINE (AC)	Allocation EUR Flexible - International	-	★★★	3.83%	2.84%	1.95%	4.69%	
COVÉA PATRIMOINE (IC)	Allocation EUR Flexible - International	-		3.65%	2.84%	2.98%	4.69%	
COVÉA SÉLECTIF (AC)	Allocation EUR Flexible - International	-	★★★★	8.90%	2.84%	12.18%	4.69%	
AIF								
COVÉA ULTRA FLEXIBLE (GC)	Allocation EUR Flexible - International	-		6.35%	2.84%	-2.05%	4.69%	
EQUITY MUTUAL FUNDS								
UCITS								
COVÉA ACTIONS AMÉRIQUE (AC)	Large Cap US Equities Growth	S&P 500 (in euros) net dividends reinvested	★★★	6.93%	7.09%	5.17%	11.99%	6.44%
COVÉA ACTIONS AMÉRIQUE (IC)	Large Cap US Equities Growth	S&P 500 (in euros) net dividends reinvested	★★★	6.92%	7.09%	6.32%	11.99%	6.44%
COVÉA ACTIONS AMÉRIQUE MID CAP (IC)	Mid Cap US Equities	Russell Midcap (in euros) net dividends reinvested	★★	7.84%	8.85%	3.48%	1.69%	3.65%
COVÉA ACTIONS ASIE (AC)	Asian equities excl. Japan	MSCI Asia ex-Japan (in euros) net dividends reinvested	★★	8.51%	7.01%	7.39%	23.48%	24.56%
COVÉA ACTIONS CROISSANCE (AC)	Large Cap Eurozone Equities	95% DJ Euro Stoxx + 5% CAC Small net dividends reinvested	★★★★★	8.97%	8.12%	20.60%	12.14%	13.03%

						PERFORMANCE OVER THE YEAR 2017		
	Morningstar classification	Benchmark index	Morningstar stars	Mutual fund 52-week volatility	Morningstar category 52-week volatility	Mutual funds	Morningstar category	Benchmark index
COVÉA ACTIONS CROISSANCE (AD)	Large Cap Eurozone Equities	95% DJ Euro Stoxx + 5% CAC Small net dividends reinvested	★★★★★	8.89%	8.12%	22.29%	12.14%	13.03%
COVÉA ACTIONS EURO (AC)	Large Cap Eurozone Equities	DJ Euro Stoxx net dividends reinvested	★★★★	9.19%	8.12%	11.87%	12.14%	12.55%
COVÉA ACTIONS EURO (IC)	Large Cap Eurozone Equities	DJ Euro Stoxx net dividends reinvested	★★★	9.19%	8.12%	12.98%	12.14%	12.55%
COVÉA ACTIONS EUROPE (AC)	European Equities Large Cap Mixed	MSCI Pan-Euro (in euros) net dividends reinvested	★★★	8.44%	6.97%	9.92%	10.03%	9.24%
COVÉA ACTIONS EUROPE (AD)	European Equities Large Cap Mixed	MSCI Pan-Euro (in euros) net dividends reinvested	★★★	8.44%	6.97%	9.92%	10.03%	9.24%
COVÉA ACTIONS EUROPE HORS EURO (AC)	European Equities Large Cap Mixed	DJ Stoxx Excl. Euro net dividends reinvested	★★★	7.32%	6.97%	12.11%	10.03%	8.68%
COVÉA ACTIONS EUROPE OPPORTUNITÉS (AC)	Europe Equities Flex Cap	MSCI Pan-Euro (in euros) net dividends reinvested	★★★	9.41%	6.68%	15.14%	13.61%	9.24%
COVÉA ACTIONS EUROPE OPPORTUNITÉS (IC)	Europe Equities Flex Cap	MSCI Pan-Euro (in euros) net dividends reinvested	★★★★	9.41%	6.68%	16.30%	13.61%	9.24%
COVÉA ACTIONS FRANCE (AC)	French Equities Large Cap.	SBF 120 net dividends reinvested	★★★	9.07%	8.68%	10.26%	12.77%	13.19%
COVÉA ACTIONS FRANCE (AD)	French Equities Large Cap.	SBF 120 net dividends reinvested	★★★	9.06%	8.68%	10.25%	12.77%	13.19%
COVÉA ACTIONS FRANCE (IC)	French Equities Large Cap.	SBF 120 net dividends reinvested	★★★	9.08%	8.68%	11.34%	12.77%	13.19%
COVÉA ACTIONS INVESTISSEMENT (AC)	International Equities Large Cap. Mixed	60% S&P 500 + 40% MSCI Pan-Euro net dividends reinvested	★★★	6.56%	5.98%	6.58%	8.41%	7.63%
COVÉA ACTIONS JAPON (AC)	Japanese Equities Large Cap.	Nikkei 300 (in euro) dividends not reinvested	★★	8.00%	7.46%	12.33%	11.72%	7.45%
COVÉA ACTIONS MONDE (AC)	International Equities Large Cap. Mixed	55% S&P 500 + 30% MSCI Pan-Euro + 15% MSCI Asia (in euros) dividends reinvested	★★★	7.01%	5.98%	8.71%	8.41%	8.92%
COVÉA ACTIONS MONDE (IC)	International Equities Large Cap. Mixed	55% S&P 500 + 30% MSCI Pan-Euro + 15% MSCI Asia (in euros) dividends reinvested	★★★★	7.01%	5.98%	9.91%	8.41%	8.92%
COVÉA ACTIONS RENDEMENT (AC)	European Equities Yield	MSCI Pan-Euro (in euros) net dividends reinvested	★★★	8.87%	6.50%	8.01%	8.03%	9.24%
COVÉA ACTIONS RENDEMENT (AD)	European Equities Yield	MSCI Pan-Euro (in euros) net dividends reinvested		8.85%	6.50%	7.99%	8.03%	9.24%
COVÉA PERSPECTIVES ENTREPRISES (AC)	French Equities Small and Mid Cap	CAC Small & Mid Cap net dividends reinvested	★★★	9.09%	8.10%	18.85%	18.71%	23.80%

	Morningstar classification	Benchmark index	Morningstar stars	Mutual fund 52-week volatility	Morningstar category 52-week volatility	PERFORMANCE OVER THE YEAR 2017		
						Mutual funds	Morningstar category	Benchmark index
AIF								
COVÉA ACTIONS EUROPE INSTIT (AC)	European Equities Large Cap Mixed	MSCI Pan-Euro (in euros) net dividends reinvested		8.71%		12.98%		9.24%
COVÉA ACTIONS EUROPE INSTIT II (AC)	European Equities Large Cap Mixed	MSCI Pan-Euro (in euros) net dividends reinvested		8.60%		14.51%		9.24%
COVÉA ACTIONS EUROPE INSTIT III (AD)	European Equities Large Cap Mixed	MSCI Pan-Euro (in euros) net dividends reinvested		8.60%		13.01%		9.24%
COVÉA ACTIONS SOLIDAIRES (AC)	French Equities Large Cap.	SBF 120 net dividends reinvested	☆☆	8.44%	8.68%	12.71%	12.77%	13.19%
MULTI-MANAGEMENT AND PROFILES MUTUAL FUNDS								
UCITS								
COVÉA MULTI EUROPE (AC)	European Equities Large Cap Mixed	DJ Stoxx 600 net dividends reinvested	☆☆☆	7.69%	6.97%	10.67%	10.03%	10.58%
COVÉA MULTI EUROPE (IC)	European Equities Large Cap Mixed	DJ Stoxx 600 net dividends reinvested		7.59%		11.45%		10.58%
COVÉA MULTI IMMOBILIER (AC)	Property - Indirect eurozone	70% EPRA Eurozone + 30% EPRA Europe dividends reinvested	☆☆☆	4.76%	6.03%	11.58%	14.19%	15.26%
COVÉA MULTI IMMOBILIER (IC)	Property - Indirect eurozone	70% EPRA Eurozone + 30% EPRA Europe dividends reinvested	☆☆☆	4.76%	6.03%	12.48%	14.19%	15.26%
COVÉA MULTI MONDE (AC)	International Equities Large Cap. Mixed	MSCI AC World (in euros) net dividends reinvested	☆☆☆	5.62%	5.98%	5.79%	8.41%	8.96%
COVÉA MULTI MONDE (IC)	International Equities Large Cap Mixed	MSCI AC World (in euros) net dividends reinvested		6.78%		6.53%	8.41%	8.96%
COVÉA MULTI SMALL CAP EUROPE (AC)	European Equities Mid Cap	Euromoney Smaller Europe net dividends reinvested	☆☆☆	7.49%	7.62%	17.02%	18.32%	17.23%
COVÉA MULTI SMALL CAP EUROPE (IC)	European Equities Mid Cap	Euromoney Smaller Europe net dividends reinvested	☆☆☆☆	7.50%	7.62%	17.95%	18.32%	17.23%
COVÉA PROFIL DYNAMIQUE (AC)	Allocation EUR Aggressive - International	60% MSCI World + 40% FTSE MTS Global 16:00 net dividends and coupons reinvested	☆☆☆	5.07%	3.97%	4.44%	7.49%	4.71%
COVÉA PROFIL DYNAMIQUE (AD)	Allocation EUR Aggressive - International	60% MSCI World + 40% FTSE MTS Global 16:00 net dividends and coupons reinvested	☆☆☆	5.08%	3.97%	4.44%	7.49%	4.71%
COVÉA PROFIL ÉQUILIBRE (AC)	Allocation EUR Moderate - International	40% MSCI World + 60% FTSE MTS Global 16:00 net dividends and coupons reinvested	☆☆☆	3.55%	2.62%	2.81%	4.54%	3.28%
COVÉA PROFIL ÉQUILIBRE (AD)	Allocation EUR Moderate - International	40% MSCI World + 60% FTSE MTS Global 16:00 net dividends and coupons reinvested	☆☆☆	3.51%	2.62%	2.83%	4.54%	3.28%

	Morningstar classification	Benchmark index	Morningstar stars	Mutual fund 52-week volatility	Morningstar category 52-week volatility	PERFORMANCE OVER THE YEAR 2017		
						Mutual funds	Morningstar category	Benchmark index
COVÉA PROFIL OFFENSIF (AC)	Allocation EUR Aggressive - International	80% MSCI World + 20% FTSE MTS Global 16:00 net dividends and coupons reinvested	☆☆☆☆	6.44%	3.97%	6.64%	7.49%	6.14%
COVÉA PROFIL OFFENSIF (AD)	Allocation EUR Aggressive - International	80% MSCI World + 20% FTSE MTS Global 16:00 net dividends and coupons reinvested	☆☆☆☆	6.45%	3.97%	6.65%	7.49%	6.14%
AIF								
COVÉA MULTI ABSOLUTE RETURN (ID)	Other	-		0.85%		0.09%		
COVÉA MULTI ÉMERGENTS (AD)	Emerging Market Equities	MSCI Emerging Markets (in euros) net dividends reinvested	☆☆	6.91%	6.64%	10.83%	18.75%	20.66%
COVÉA MULTI ÉMERGENTS (ID)	Emerging Market Equities	MSCI Emerging Markets (in euros) net dividends reinvested	☆☆	6.91%	6.64%	11.61%	18.75%	20.66%
COVÉA MULTI HAUT RENDEMENT (AD)	International High Yield Bonds	Merrill Lynch Global HY & EM Sovereign (hedged in euros) net coupons reinvested	☆☆	2.62%	1.78%	4.92%	4.51%	6.38%

**COVÉA GROUP'S
PORTFOLIO
MANAGEMENT COMPANY**

8-12 rue Boissy d'Anglas
75008 PARIS
Tel. +33(0)1 40 06 51 50
Fax +33(0)1 40 06 52 40

Authorised by the French Financial Markets Authority
GP 97-007 | RCS PARIS 407 625 607

www.covea-finance.com

