ACT 2

TRANS-FOR-MATION

ANF

2016 HALF YEAR FINANCIAL REPORT
ANF IMMOBILIER

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INTERIM FINANCIAL REPORT FOR THE SIX MONTHS ENDED JUNE 30, 2016

Management report

The transformation was materialized thanks to the fast rate in deliveries of rented commercial properties in regional cities, €45 million in the first half-year, and thanks to the implementation of an action plan focused on the heritage portfolio in Marseille. Thus, ANF Immobilier saw its revenue increase by 11% compared with the first half-year 2015 and confirms its annual growth target of 10% of the EPRA Recurring Net Income, Group share. The negative fair value change of €17 million stems from adjustments related to the heritage portfolio in Marseille.

"Firmly established in our strategy and armed with our renewed identity, in this half-year we're securing and continuing our projects in Lyon, Marseille and Bordeaux and we are tackling the challenges inherent to our heritage portfolio" states Renaud Haberkorn, Chief Executive Officer of ANF Immobilier.

Operations

Rental income totaled €25.8 million in the first half-year 2016, a sharp rise of 11% compared with the first half-year 2015 (stable like-for-like). This rise mainly comes from the delivery of 36,000 sq.m. of office space leased to Alstom in Lyon on June 30, 2015 and multiple deliveries of hotels in Marseille, Bordeaux-Bègles and Bobigny. Gross rental income, Group share, amounted to €20.9 million.

Portfolio income mainly stemmed from office leases (55%), commercial leases (17%) and hotels (12%). The residential sector now accounts for only 13% of rental income.

Recurring EBITDA increased 12% to €17.6 million, resulting mainly from new acquisitions and deliveries in the commercial real estate segment.

The adjusted EPRA Recurring Net Income, Group share, stands at €7.9 million, i.e. a rise of 15%. Net income, Group share (IFRS) was -€15.6 million, affected by the declines in value in Marseille.

Recurring consolidated Cash Flow increased 12% to €10.4 million. Group share Cash Flow was €7.5 million in this half-year, i.e. €0.4 per share.

On June 30, 2016, the Triple Net Asset Value was €26.2 per share, based on the EPRA method. Excluding payment of the dividend of €1.24 per share and the adjustment of the fair value of the hedging instruments, this represents a drop of 2% stemming mainly from the negative fair value change of Marseille high street retail assets of €17 million and the impact of the cash flow for the half-year.

CONSOLIDATED DATA (H1 2016/H1 2015)

	H1 2016		H1 2015		
(€ million)	**EPRA**	**IFRS**	**EPRA**	**IFRS**	**Var. EPRA**
Gross rental income	25.8	25.8	23.2	23.2	11%
Group Share	*20.9*		*20.3*		*3%*
Net operating expenses	(2.5)	(3.3)	(1.6)	(2.4)	
Net rental income	**23.3**	**22.5**	**21.6**	**20.8**	**8%**
margin	*90%*	*87%*	*93%*	*89%*	
Administrative expenses	(5.7)	(5.7)	(5.9)	(5.9)	
Recurring EBITDA	**17.6**	**16.8**	**15.7**	**14.9**	**12%**
margin	*68%*	*65%*	*67%*	*64%*	
Financial expenses	(8.3)	(8.3)	(8.3)	(8.3)	
Amortization	-	(0.5)	-	(0.3)	
Change in Fair Value	-	(17.4)	-	13.0	
Other items	0.2	(3.3)	(0.2)	(0.2)	
Taxes	0.1	0.1	(0.2)	(0.2)	
Minority interests	(2.8)	(3.1)	(2.0)	(10.5)	
Recurring Net Income, Group Share	**6.8**	**-15.6**	**5.0**	**8.4**	**37%**
margin	*26%*	*-61%*	*21%*	*36%*	
Adjustment non recurring administrative expenses	-	-	0.6	-	
Adjustment financial expenses	1.1	-	1.4	-	
Recurring Net Income, Group Share adjusted	**7.9**	**-15.6**	**6.9**	**8.4**	**15%**
Recurring EBITDA, Group Share	**13.3**	**17.6**			
Cash flow, Group Share	**7.5**	**10.4**			

Development

1) Succession of deliveries

The first half-year 2016 was marked by the delivery of three hotels with almost 331 rooms and the delivery of 2,500 sq.m. of new high street retail premises in Rue de la République - Lyon, the result of the restructuring of the former Banque de France regional headquarters. All of these operations represent €45 million of investments in commercial assets generating effective yields exceeding 7%.

Details of the hotels are as follows: one hotel in Marseille-Vélodrome with 126 rooms under the AC By Marriott name delivered in January 2016, a second hotel in Marseille-Euromed 2 with 88 rooms under the B&B name delivered in May 2016 and the last hotel in Bobigny with 117 rooms under the B&B name delivered in June 2016. These three assets were acquired through the subsidiary ANF Immobilier Hôtels and generate an additional income of €1.9 million, bringing the number of hotel rooms of the specialized subsidiary to more than 1,300.

The project creating 2,500 sq.m. of commercial premises by restructuring the former Banque de France headquarters in Lyon, was completed and is fully leased. The property is occupied by two major chains: Nike which opened in March 2016 and Maxi Bazar which plans on opening before the end of the year. This Banque de France restructuring operation is a €20 million project. It illustrates the expertise of the ANF Immobilier teams, boasting a return on equity of approximately 75%.

2) The actual launch of the Le Castel project and the Adecco – Adely project

At the end of May 2016, ANF Immobilier signed an agreement with Eiffage Immobilier for the development of almost 6,000 sq.m. of office space, not yet rented, on the Quai de la Joliette: Le Castel. This operation will take the form of a forward purchase agreement which should start in 2017 for a delivery at the end of 2018/early 2019. This €19 million operation shows a conservative yield/rental value combination.

The year 2016 will be known as the year of the Adecco-Adely project, an investment of €34 million and a development of 13,100 sq.m. of offices leased to Adecco in the Quartier du Carré de Soie, in Lyon. The investment will be made in partnership with Crédit Agricole Assurances and DCB International. Its delivery is planned for the third quarter with an additional rental income of €2.5 million. As of June 30, 2016 the rate of building construction is in line with the expectations.

3) Impending launch of the Quai 8.2 project in Bordeaux

The final deeds for the Quai 8.2 transaction in Bordeaux (formerly Armagnac) will be signed in September 2016. As a reminder, this project represents 29,500 sq.m. of office space and 2,000 sq.m. of retail premises in the immediate vicinity of the future high-speed train line, for an amount of €90 million. The offices are currently 31% leased to Orange and Allianz by means of 9-year fixed-term leases. ANF Immobilier shall retain 65% of the investment. In parallel, ANF Immobilier, in its capacity as developer and in partnership with Vinci, will purchase the land and start the construction.

Heritage portfolio in Marseille

During the first half-year 2016, the shops in the Rue de la République faced an environment that was difficult for their retail businesses. This arose from factors internal or external to the city of Marseille. On the one hand, locally, the almost simultaneous opening of all the retail premises and shopping malls in the immediate vicinity (such as the Terrasses du Port, the Centre Bourse, the Docks or the Voûtes) created oversupply, particularly in the clothing and personal goods sectors. On the other hand, retailers throughout France, particularly those working on the ground floor, had a generalized drop in their income due to the sluggish French economic climate.

Anticipating this downturn at the start of 2016, ANF Immobilier decided to adapt its strategy through identifying two separate segments: the first, linked to the Vieux-Port, will group together retail premises intended specifically for the families and tourists, and the second, linked to the Place de la Joliette, will have an offer complementary to the expansion of the Euromed commercial sector.

This strategy, crucial for the development of the Rue de la République, is already bearing fruit with new establishments during the first half-year 2016: King Jouet, a leader in the toys field, has leased 600 sq.m., the Musée du Savon, symbolic of Marseille, has decided to occupy 800 sq.m., Copy Top has taken more than 100 sq.m. However, this new dynamism is not enough to curb the decline in rental values stemming from the drop in the revenues of the retail businesses in the city center. The resulting adjustment in the value of our Marseille retail premises is close to €15 million. Nevertheless, these new chains are signs of the resurgence and the adaptation of the Rue de la République, with a target for growth and pedestrian flow and a dynamism that is once again on the move.

Disposals

The volume of disposals in the first half-year 2016 was mainly composed of residential assets and shops in the Rue de la République in Lyon. It represents €21 million bringing the so-called "heritage" portfolio down from 46% at the end of 2015 to 44%. In mid-2016, ANF Immobilier secured the disposal of several retail premises at 2, 3, and 4 Rue de la République for an amount of €13 million and plans on signing the final deed before the end of the year. Caisse Primaire d'Assurances Maladie, a tenant in Marseille, expressed its intent to exercise an option to buy its offices for a price of €17 million which is in line with the appraisal values.

Portfolio value

The real estate value of ANF Immobilier's portfolio, determined by two independent appraisers, stood at €1,082 million as of June 30, 2016. The real estate market was stable for most asset classes, with interest still being shown in prime assets, in particular commercial properties except for retail units in Marseille (see paragraph above).

NNNAV amounted to €26.2 per share on June 30, 2016.

Debt

The Loan-To-Value ratio was 45.5% on June 30, 2016 compared with 43.0% at December 31, 2015. The cost of debt came to 2.7% in the first half-year. During the first half-year, the Company restructured old hedging instruments in an amount of almost €5 million. At the end of the first half-year, the debt hedging rose to 86%, mainly through caps.

Outlook

The strategy and identity of ANF Immobilier are based on three pillars: investment in regional cities with strong potential where the real estate compliments its development, the shift of its portfolio to the commercial real estate sector and a recognized capacity to operate as investor, developer and asset manager at an early stage in all of its projects.

Right now, the Company is sowing the seeds of its future development. Accordingly, it has filed a building permit for the Park View project (formerly known as "Future Way – Tête d'Or") in Lyon and has cleaned out the one for the Rive Neuve project in Marseille, strengthening and extending its pipeline beyond 2019. These two transactions represent a supplementary amount of €63 million, i.e. almost 26,000 sq.m. of additional new office space and ideally situated.

For the year 2016, ANF Immobilier reasserts its target and anticipates a growth of 10% in its EPRA Recurring Net Income, Group share.

Declaration by management

"To the best of my knowledge, the consolidated financial statements for the six months ended June 30, 2016 have been prepared in accordance with the applicable accounting standards and give a true and fair view of the assets, liabilities and financial position of the ANF Immobilier Group as of June 30, 2016, and of the results of its operations for the period then ended, and the interim management report presents a true and fair view of the information mentioned in Article 222-6 of the AMF General Regulation."

Renaud Haberkorn

Chairman of the Executive Board

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CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2016

Consolidated statement of financial position

Consolidated balance sheet – Assets

(€ thousands)	Note	06/30/2016	12/31/2015	Changes	12/31/2014
Non-current assets					
Investment property	1	1,049,331	1,078,480	(29,149)	1,057,159
Operating properties	1	2,212	1,649	564	1,629
Intangible assets	1	220	175	45	106
Property, plant and equipment	1	4,208	4,596	(388)	1,254
Non-current financial assets	1	3,909	10,776	(6,868)	6,707
Investments in equity-accounted entities		316	743	(427)	595
Financial derivatives	9	106	298	(192)	210
Total non-current assets		**1,060,302**	**1,096,716**	**(36,414)**	**1,067,660**
Current assets					
Trade receivables	2	8,415	3,481	4,934	4,559
Other receivables	2	10,859	6,570	4,289	4,177
Prepaid expenses	5	362	103	259	81
Financial derivatives	9	0	0	0	
Cash and cash equivalents	4	14,512	23,448	(8,936)	10,352
Total current assets		**34,148**	**33,602**	**546**	**19,169**
Property held for sale	1	29,841	19,760	10,081	47,562
TOTAL ASSETS		**1,124,292**	**1,150,078**	**(25,787)**	**1,134,391**

Consolidated balance sheet – Equity and liabilities

(€ thousands)	Note	06/30/2016	12/31/2015	Changes	12/31/2014
Shareholders' equity					
Capital stock	12	19,009	19,009	0	18,350
Additional paid-in capital		39,029	39,029	0	25,271
Treasury shares	8	(23,037)	(23,713)	676	(23,189)
Hedging reserve on financial instruments		(28,406)	(24,802)	(3,605)	(31,133)
Company reserves		203,797	183,774	20,023	205,681
Consolidated reserves		278,957	302,476	(23,519)	319,789
Net income (loss) for the year		(15,641)	18,556	(34,198)	(20,288)
Total shareholders' equity attributable to equity holders of the parent		**473,707**	**514,330**	**(40,623)**	**494,481**
Minority interests		15,562	14,575	987	3
Total shareholders' equity		**489,269**	**528,905**	**(39,636)**	**494,484**
Non-current liabilities					
Financial liabilities	3	556,855	549,314	7,541	574,762
Financial derivatives	5	25,981	22,501	3,480	28,252
Provisions for pensions	7	57	57	0	57
Tax and social security liabilities	3	0	0	0	0
Deferred tax liabilities	13	0	0	0	0
Total non-current liabilities		**582,893**	**571,871**	**11,022**	**603,071**
Current liabilities					
Trade payables	3	14,339	22,858	(8,519)	11,359
Current financial liabilities	3	17,392	10,914	6,478	6,711
Financial derivatives	9	0	0	0	114
Security deposits	3	6,943	6,497	446	6,139
Short-term provisions	7	744	1,108	(364)	1,387
Tax and social security liabilities	3	10,331	6,235	4,096	10,108
Other liabilities	3	1,938	1,324	615	698
Deferred income	6	443	367	76	319
Total current liabilities		**52,129**	**49,302**	**2,827**	**36,836**
Liabilities on properties held for sale		0	0	0	0
TOTAL LIABILITIES		**1,124,292**	**1,150,078**	**(25,787)**	**1,134,391**

Consolidated income statement

(€ thousands)	06/30/2016	06/30/2015	Changes	06/30/2014
Revenues: rental income	25,770	23,238	2,532	19,203
Other operating income	4,954	4,973	(19)	1,995
Total operating income	**30,724**	**28,211**	**2,513**	**21,198**
Property expenses	(6,709)	(6,773)	64	(3,362)
Other operating expenses	(816)	(451)	(365)	(415)
Total operating expenses	**(7,525)**	**(7,224)**	**(302)**	**(3,776)**
Gross operating income (loss) from property	**23,199**	**20,988**	**2,211**	**17,422**
Gains (losses) on disposals of assets	276	335	(59)	190
Gross operating income (loss) from property after disposals	**23,475**	**21,323**	**2,152**	**17,611**
Employee benefits expenses	(3,345)	(3,311)	(34)	(3,635)
Other management expenses	(2,033)	(1,760)	(273)	(1,630)
Other income and transfers of expenses	0	262	(262)	753
Other expenses	(404)	(1,209)	805	(507)
Depreciation and amortization	(468)	(277)	(191)	(327)
Other operating provisions (net of reversals)	(712)	(198)	(514)	242
Net operating income (loss) before changes in fair value of property	**16,514**	**14,830**	**1,684**	**12,508**
Changes in fair value of property	(17,659)	12,641	(30,300)	(18,723)
Net operating income (loss) after changes in fair value of property	**(1,145)**	**27,471**	**(28,616)**	**(6,215)**
Net financial expense	(8,274)	(8,325)	51	(6,267)
Financial amortization and provisions	318	82	236	(21)
Gains (losses) on financial instruments	(3,602)	(1)	(3,600)	3,085
Share of net income (loss) of equity-accounted entities	91	(153)	245	(172)
Net income (loss) before tax	**(12,611)**	**19,073**	**(31,684)**	**(9,589)**
Current taxes	86	(183)	269	(4,072)
Deferred taxes	0	0	0	0
Net consolidated income (loss)	**(12,525)**	**18,891**	**(31,415)**	**(13,661)**
Of which minority interests	3,117	10,512	(7,395)	(227)
Of which attributable to equity holders of the parent	(15,641)	8,379	(24,020)	(13,434)
Basic earnings per share	**(0.85)**	**0.46**		**(0.73)**
Diluted earnings per share	**(0.85)**	**0.46**		**(0.73)**

Basic earnings per share are calculated on the basis of the weighted average number of common shares.

Consolidated statement of comprehensive income

(€ thousands)	06/30/2016	06/30/2015	Changes	06/30/2014
Net consolidated income (loss)	**(12,525)**	**18,891**	**(31,415)**	**(13,661)**
Impact from financial instruments	(3,605)	6,735	(10,340)	(10,582)
Total gains and losses recognized directly in equity	**(3,605)**	**6,735**	**(10,340)**	**(10,582)**
Total comprehensive income (loss)	**(16,130)**	**25,626**	**(41,755)**	**(24,243)**
Of which minority interests	2,653	10,902	(8,249)	(227)
Of which attributable to equity holders of the parent	(18,782)	14,724	(33,506)	(24,016)

Consolidated statement of changes in shareholders' equity

Changes in shareholders' equity attributable to equity holders of the parent	Capital stock	Additional paid-in capital	Treasury shares	Consolidated reserves	Company reserves	Financial instrument reserves	Consolidated net income	Total
Shareholders' equity at December 31, 2014	**18,350**	**25,271**	**(23,189)**	**319,789**	**205,681**	**(31,133)**	**(20,288)**	**494,481**
Appropriation of net income				(17,574)	(2,715)		20,288	0
Dividends	658	13,052			(19,205)			(5,495)
Capital increase	1	706	0					707
Treasury shares			(524)					(524)
Changes in fair value of hedging instruments						6,331		6,331
Stock options, warrants, bonus shares				304				304
Other adjustments and restatements				(44)	13			(31)
Net income (loss) for the period (excl. appropriation to reserves)							18,556	18,556
Shareholders' equity at December 31, 2015	**19,009**	**39,029**	**(23,713)**	**302,476**	**183,774**	**(24,802)**	**18,556**	**514,330**

Changes in shareholders' equity attributable to equity holders of the parent	Capital stock	Additional paid-in capital	Treasury shares	Consolidated reserves	Company reserves	Financial instrument reserves	Consolidated net income	Total
Shareholders' equity at December 31, 2015	**19,009**	**39,029**	**(23,713)**	**302,476**	**183,774**	**(24,802)**	**18,556**	**514,330**
Appropriation of net income					18,556		(18,556)	0
Dividends				(23,630)	1,467			(22,163)
Capital increase								0
Treasury shares			676					676
Changes in fair value of hedging instruments						(3,605)		(3,605)
Stock options, warrants, bonus shares				111				111
Other adjustments and restatements								0
Net income (loss) for the period (excl. appropriation to reserves)							(15,641)	(15,641)
Shareholders' equity at June 30, 2016	**19,009**	**39,029**	**(23,037)**	**278,957**	**203,797**	**(28,407)**	**(15,641)**	**473,707**

Consolidated statement of cash flows

(€ thousands)	06/30/2016	12/31/2015	12/31/2014
Cash flows from operating activities			
Net income (loss)	**(12,525)**	**33,241**	**(20,507)**
Depreciation allowances & provisions	862	116	1,216
Gains (losses) on disposals of assets	(467)	(7,329)	(214)
Changes in value of properties	17,659	(18,151)	29,382
Changes in fair value of financial instruments	3,602	615	(13,515)
Share of net income (loss) of subsidiaries (non tax)	(91)	553	0
(Income) expense related to stock options	111	304	271
Taxes and expenses related to distribution	(86)	598	2,903
Spread debt issue costs	16	1,884	0
Operating cash flows before changes in working capital requirements	**9,079**	**11,832**	**(465)**
Changes in working capital requirements			
Operating receivables	(11,802)	(1,417)	(3,349)
Operating liabilities excluding SIIC option liabilities	6,175	(2,236)	(1,721)
Cash flows from operating activities	**3,451**	**8,179**	**(5,535)**
Cash flows from investing activities			
Acquisition of non-current assets	(29,879)	(94,303)	(190,416)
Disposal of property	21,409	132,740	31,448
Payment of exit tax	0	0	0
Changes in non-current financial assets	4,978	(4,120)	(2,295)
Cash flows from investing activities	**(3,492)**	**34,316**	**(161,263)**
Cash flows from financing activities			
Dividends paid	(22,606)	(5,495)	(5,044)
Changes in capital stock	0	707	554
Taxes and expenses related to distribution	0	(598)	(2,903)
Purchase of treasury shares	565	(884)	(5,120)
Proceeds from new loans and other borrowings	26,293	59,100	510,249
Repayments of loans and other borrowings	(13,148)	(82,229)	(323,104)
Net cash provided by (used in) financing activities	**(8,896)**	**(29,399)**	**174,632**
Net increase (decrease) in cash and cash equivalents	**(8,936)**	**13,096**	**7,834**
Net cash and cash equivalents at beginning of period	**22,993**	**9,897**	**2,062**
Net cash and cash equivalents at end of period	**9,006**	**22,993**	**9,897**

Notes to the consolidated financial statements

Detailed summary

Significant events of the period

Investments

City-center portfolio

Work performed on and investments in city-center real estate assets totaled €1.2 million, and essentially comprise the renovation of lobbies and the preparation of the retail structures of Segment 1 of Rue de la République, in Marseille.

In Lyon, the Banque de France project continued with investments totaling a little under €2.6 million.

SCI New Way & SCI Future Way

SCI New Way continued its investment in a 13,000 sq.m. office building. This investment represented €11.7 million in the first half, for a total investment of €33 million. The building is fully leased off-plan to Adecco France, which will move out of its current headquarters owned by SCI Future Way. SCI Future Way will redevelop its property after demolition and reconstruction. This phase will involve the carrying amount of the asset being remeasured at cost instead of fair value.

SCI ANF Immobilier Hôtels

ANF Immobilier completed its investment, in partnership, in the two Hotels of the Stade Vélodrome in Marseille for an amount of €1.4 million in the first half. It also continued its investment in a B&B hotel in the Allar eco-district in Marseille and a B&B hotel in Bobigny for €2.4 million.

SAS JDML

On May 31, 2016, ANF Immobilier ceased its partnership with the Eiffage Group within SAS JDML. This company, 50%-owned by ANF Immobilier, had been formed to redevelop the block of the former headquarters of SNCM in Marseille. At its exit from the joint development company, ANF Immobilier, as an investor, signed an off-plan sale agreement for the new office building located in the heart of this block. This investment will represent an amount of nearly €20 million upon delivery. Work is scheduled to start in 2016, with delivery expected in 2019.

Disposals

ANF Immobilier disposed of various properties in Marseille and Lyon.

In Lyon, it sold the so-called "TAT" block for a price of €18.6 million. This block includes the buildings behind the Printemps de Lyon buildings, between the Place de la République, Rue Thomassin and Rue Jean de Tourne.

The Company also continued its sales by lot in the "Pavillon Vacon" city-center block in Marseille, and of 2, 3, and 4 Rue de la République in Lyon, for €2.6 million.

Operations

Rental income amounted to €25.8 million.

Growth in rental income on property assets was 11%. It breaks down as 19% for the Company's acquisitions and new developments, with an 8% negative impact from disposals and slightly negative organic growth.

EBITDA was €16.8 million, an increase of 12.7%. Recurring EBITDA totaled €17.6 million, an increase of 11.9%.

After deducting net financial expenses, current cash flow was €8.5 million, and recurring net cash was €10.4 million.

Property appraisal

A strong appetite in the market for commercial real estate benefited the ANF Immobilier Group's portfolio in first-half 2016, reflected in the slight compression of yields on core assets.

However, the portfolio was strongly affected by the departure of retail chains and rent renegotiation requests, which led to lower average rental values.

Accordingly, the fair value of properties fell by €17.6 million.

Financing

The amount of undrawn credit lines was €73.7 million.

The IFRS average cost of debt was 2.99%. Gross debt was €500.7 million; no significant repayments are due before May 2021. The LTV ratio stood at 45.5% and the Interest Cover Ratio at 2.42.

The Group did not set up new lines of credit in the first half of 2016.

It continued to draw down against specific credit lines for property development projects and repaid amounts linked to assets sold or to regular credit line amortization.

In addition to using bank debt, the Group has financed its development projects through current accounts, totaling €68 million as of June 30, 2016.

With respect to its financial instruments and hedging policy, the ANF Immobilier Group had a portfolio of 12 interest rate hedging agreements to swap 3-month Euribor variable rates for fixed rates. These hedging instruments are measured in the Group's financial statements using the hedge accounting method.

In view of a lasting negative interest rate environment, the efficiency tests carried out by the Group revealed that ten such instruments no longer qualified for hedge accounting. The Group therefore reclassified those swap agreements into trading instruments (see Note 5 to the consolidated financial statements).

Events after the reporting period

No significant events have occurred after the reporting period.

Change in accounting policies

All accounting policies and methods used for the fiscal year are identical to those used for the two previous years. They are described in detail in the financial statements published for the year ended December 31, 2015. Only specific cases and information requiring an update are given in the Note "Basis of consolidation".

The new standards and interpretations applicable from January 1, 2016 did not have a material impact on ANF Immobilier's consolidated financial statements.

Basis of consolidation

Accounting basis

In line with the provisions of European regulation (EC) no. 1606/2002 of July 19, 2002 on the application of international accounting standards, the ANF Immobilier Group's consolidated financial statements for the six months ended June 30, 2016 were prepared in accordance with IFRS as adopted by the European Union.

The consolidated financial statements cover the period from January 1, 2016 to June 30, 2016. They were approved by the Executive Board on July 18, 2015. The consolidated financial statements are presented in accordance with IAS 34.

The ANF Immobilier Group applies the international accounting standards comprising IFRS, IAS and their interpretations as adopted by the European Union and which are mandatory for the fiscal year beginning January 1, 2016.

Official standards and interpretations that may be applicable subsequent to the closing date have not been applied early.

With the exception of investment property and certain financial instruments that are recognized using the fair value convention, the financial statements have been prepared using the historical cost convention. In accordance with the IFRS conceptual framework, certain estimates and assumptions have been used in drawing up these financial statements. These assumptions have an impact on some of the amounts presented in these financial statements. Material estimates made by the Group when preparing the financial statements mainly relate to the following:

- fair value measurement of investment properties and financial instruments;
- measurement of provisions.

Because of the uncertainty inherent in any measurement process, the Group revises its estimates based on regularly updated information. Future results of the operations in question may differ from these estimates.

In addition to making estimates, Group senior management makes judgments regarding the appropriate accounting treatment for certain activities and transactions when applicable IFRS standards and interpretations do not specify how the accounting issues should be handled.

New standards and interpretations applicable from January 1, 2016

The standards and interpretations applied for the consolidated financial statements for the six months ended June 30, 2016 are identical to those used for the consolidated financial statements for the year ended December 31, 2015.

No new IFRS had to be applied for the first time as of January 1, 2016. Only the following amendments to standards apply to ANF Immobilier:

- Amendment to IAS 1 "Presentation of Financial Statements", which clarifies the concepts of materiality and professional judgment;
- Amendment to IAS 19 "Employee Benefits", which concerns the discount rate to be used;
- Amendment to IAS 34 "Interim Financial Reporting"; providing clarification;
- Amendment to IFRS 7 "Financial Instruments: Disclosures"; providing clarification.

These amendments had no significant impact on the consolidated financial statements of ANF Immobilier.

Moreover, ANF Immobilier has not applied in advance the most recent standards and interpretations not adopted by the European Union.

Scope of consolidation

The ANF Immobilier Group consolidated 14 companies as at June 30, 2016 – stable compared with December 31, 2015, with the exception of SAS JDML (as indicated in the section on significant events for the period). The changes in the consolidation scope compared with the December 31 of the previous year are summarized below:

List of consolidated entities	Method of consolidation	Portfolio held/Activity	Location of properties	% of holding June 2016	% of holding December 2015
SCCV 1-3 rue d'Hozier	Equity method	Support of a residential property transaction	Marseille	45.0%	45.0%
SARL ANF République	Full consolidation	Furnished sub-lease	Marseille	100.0%	100.0%
SNC Les bassins à flots	Full consolidation	Offices (Casino Group)	Bordeaux	100.0%	100.0%
SCI Silky Way	Full consolidation	Offices (Alstom Group)	Lyon	65.0%	65.0%
SAS JDML	Deconsolidation	Mixed-use block	Marseille	0.0%	50.0%
SCI ANF Immobilier Hôtels	Full consolidation	Hotels	France	51.0%	51.0%
SCI Future Way	Full consolidation	Offices (Adecco Group)	Lyon	50.6%	55.0%
SCI New Way	Full consolidation	Offices (under development)	Lyon	50.3%	50.3%
SAS ANF Immobilier développement	Full consolidation	Development and property trading	Lyon	100.0%	100.0%
SCCV Hôtels A1/A2	Equity method	Hotels (under development)	Bordeaux	50.0%	50.0%
SCCV Bureaux B-C	Equity method	Offices (under development)	Bordeaux	50.0%	50.0%
SCCV Mixte D-E	Equity method	Mixed-use (under development)	Bordeaux	50.0%	50.0%
SCI Lafayette	Full consolidation	Offices (Areva Group)	Lyon	54.0%	55.0%
SCI Stratège	Full consolidation	Offices (Areva Group)	Lyon	54.0%	55.0%
SAS Financière des Brotteaux	Equity method	Offices (various tenants)	Lyon	20.0%	20.0%

The sole changes in the percentage of equity interests in the first half of 2016 concerned SCI Future Way, Lafayette and Stratège, with the first-time consolidation of DCB International.

Market risk management

A comprehensive description of the market risk management policy is to be found in Chapter 3 of the Registration Document published for the fiscal year 2015.

Additional information *(€ thousands)*

Note 1 Non-current assets

Intangible assets, property, plant and equipment, and operating property

Gross amount	Balance as of 12/31/2014	Increase	Reduction	Balance as of 12/31/2015	Increase	Reduction	Balance as of 06/30/2016
Intangible assets	1,366	95		1,461	66		1,527
Operating properties	2,725	373	(295)	2,803	612		3,415
Furniture, office & computer equipment	2,399	3,933	(94)	6,238	11	(9)	6,240
TOTAL	**6,490**	**4,401**	**(389)**	**10,502**	**689**	**(9)**	**11,182**

Accumulated depreciation and amortization	Balance as of 12/31/2014	Increase	Reduction	Balance as of 12/31/2015	Increase	Reduction	Balance as of 06/30/2016
Intangible assets	1,260	26		1,286	21		1,307
Operating properties	1,096	127	(69)	1,154	49		1,203
Furniture, office & computer equipment	1,145	590	(93)	1,642	398	(8)	2,032
TOTAL	**3,501**	**743**	**(162)**	**4,082**	**468**	**(8)**	**4,542**
NET AMOUNT	**2,989**	**3,658**	**(227)**	**6,420**	**221**	**(1)**	**6,640**

Investment property

Valuation of properties	Lyon	Marseille	Bordeaux	Hotels	Balance as of 06/30/2016
Investment property	308,805	586,714	42,902	110,910	1,049,331
Property held for sale	12,642	17,199			29,841
INVESTMENT PROPERTY AND PROPERTY HELD FOR SALE	**321,447**	**603,913**	**42,902**	**110,910**	**1,079,172**
Operating properties	433	2,235			2,668
VALUATION OF PROPERTIES	**321,880**	**606,148**	**42,902**	**110,910**	**1,081,840**

Investment property and property held for sale	Lyon	Marseille	Bordeaux	Hotels	Total
Balance as of 12/31/2014	**297,079**	**679,488**	**41,459**	**86,694**	**1,104,721**
Investments	69,026	3,055		28,660	100,741
Income from disposals	(78,023)	(41,893)		(12,786)	(132,702)
Change in value	36,684	(16,692)	1,108	4,380	25,480
Balance as of 12/31/2015	**324,766**	**623,958**	**42,567**	**106,948**	**1,098,240**
Investments	14,702	1,200	0	3,822	19,724
Income from disposals	(20,687)	(722)			(21,409)
Change in value	2,665	(20,521)	334	139	(17,383)
Balance as of 06/30/2016	**321,446**	**603,915**	**42,901**	**110,909**	**1,079,172**

Changes in fair value include a €0.3 million gain on disposals and a €17.7 million decrease in the value of properties.

Details of investments	Lyon	Marseille	Bordeaux	Hotels	Total
Acquisitions	63,095	0	0	28,573	91,668
Works	5,931	3,055	0	87	9,073
2015 total	**69,026**	**3,055**	**0**	**28,660**	**100,741**
Acquisitions	11,670	0	0	3,809	15,479
Works	3,032	1,200	0	13	4,245
2016 total	**14,702**	**1,200**	**0**	**3,822**	**19,724**

Apart from buildings under sale agreements, the Company's city-center real estate assets were appraised by Jones Lang LaSalle and BNP Real Estate Expertise using a number of different approaches:

- the rental income capitalization method for the Lyon and Marseille properties;
- the comparison method for the Lyon and Marseille properties;
- the developer balance sheet method for land;
- the income method for hotel properties.

These methodologies are described in the financial statements published for the year ended December 31, 2015.

Measurement parameters – IFRS 13

ANF Immobilier complies with IFRS 13 "Fair Value Measurement".

Given the limited data available, the complexity of real estate asset appraisals and the fact that, to carry out their appraisals, independent appraisers use the Group's confidential rental statements, ANF Immobilier considers that all of these assets are classified as Level 3.

Accordingly, the following tables show a number of quantitative factors used to determine the fair value of the Group's assets:

MEASUREMENT PARAMETERS – BNP PARIBAS REAL ESTATE

Historic properties (ranges)		Yield	Capitalization rate	Metric values	Rental income per sq.m.
Marseille					
	Residential (excl. law 48)	3.25% - 5.25%	3.47% - 5.61%	€2,500 - €6,400/sq.m.	€108 - €320/sq.m
	Retail	5.00% - 7.25%	5.35% - 7.75%	€3,000 - €15,500/sq.m.	€200 - €750/sq.m.
	Offices	5.85% - 6.50%	5.95% - 6.95%	€1,900 - €4,100/sq.m.	€170 - €300/sq.m.

Projects and developments (ranges)		Yield	Capitalization rate	Metric values	Rental income per sq.m.
Lyon (City-center)					
	Residential	4.50%	4.81%	€3,500/sq.m.	€150/sq.m.
	Retail	6%	6.41%	€5,700/sq.m.	€500/sq.m.
Lyon (Part-Dieu)					
	Offices	7.25%	7.75%	€2,150 - €2,600/sq.m.	€165 - €200/sq.m.
Lyon (Perrache)					
	Offices	5.40%	5.77%	€4,000/sq.m.	€225/sq.m.
	Retail	5.40%	5.77%	€4,200/sq.m.	€250/sq.m.
Marseille					
	Residential	4.70%	4.78%	€4,000/sq.m.	€160/sq.m.
	Retail	6.60%	6.72%	€4,000/sq.m.	€270/sq.m.
	Offices	6.40%	6.52%	€3,700/sq.m.	€240/sq.m.
Bordeaux					
	Retail	6.75%	6.87%	€5,300/sq.m.	€165/sq.m.
	Offices	6.50% - 7.00%	6.62% - 7.13%	€2,300 - €2,500/sq.m.	€175 - €250/sq.m.

MEASUREMENT PARAMETERS – JONES LANG LASALLE

Historic properties (ranges)		Yield	Metric values	Rental income per sq.m.
Lyon				
	Residential (excl. law 48)	4.30% - 4.45%	€3,014 - €4,128/sq.m.	€130 - €203/sq.m.
	Retail (ground floor lots)	4.80% - 5.30%	€8,605 - €15,506/sq.m.	€52 - €938/sq.m.
Marseille				
	Residential (excl. law 48)	4.40% - 5.30%	€214 - €5,458/sq.m.	€9 - €375/sq.m.
	Retail (ground floor lots)	4.90% - 7.10%	€1,177 - €21,705/sq.m.	€63 - €1,164/sq.m.
	Offices	6.00% - 7.10%	€2,517- €3,990/sq.m.	€46 - €270/sq.m.

Projects and developments (ranges)		Yield	Metric values	Rental income per sq.m.
Marseille				
	Retail (ground floor lots)	6.00%	€735 - €3,829/sq.m.	€39 - €216/sq.m.
	Offices	7.20%	€1,467/sq.m.	€240/sq.m.
Lyon (Carré de Soie)				
	Offices	5.50% - 5.90%	€2,909 - €3,456/sq.m.	€177 - €192/sq.m.
Lyon (Tête d'Or)				
	Offices	8.10%	€1,718/sq.m.	€227/sq.m.
Lyon (City-center)				
	Retail (ground floor lots)	4.65%	€12,071 - €14,583/sq.m.	€470 - €580/sq.m.
	Offices	5.95%	€3,725/sq.m.	€250/sq.m.

Hotel properties		Yield	Metric values	Rental income per sq.m.
France				
	B&B Hotels	5.60% - 7.00%	€1,076 - €4,963/sq.m.	€51 - €224/sq.m.
	Other Hotels	5.90% - 6.30%	€4,280 - €4,538/sq.m.	€202 - €247/sq.m.

Sensitivity analysis

The market value of the real estate portfolio appraised was calculated by independent appraisers by varying the main criteria in order to determine sensitivity. The sensitivity may only be applied to and calculated for our entire portfolio (rent-controlled residential units falling under the 1948 law, car parks, miscellaneous assets, specific projects or acquisitions).

The sensitivity defined using the change in yield criterion results in market values for the properties concerned ranging from €993.6 million (for a sensitivity step of +0.20) to €1,073.7 million (for a sensitivity step of -0.20), compared with the carrying amount of €1,043.3 million as of June 30, 2016.

The following tables show in detail the sensitivity of the portfolio's market value:

SENSITIVITY ANALYSES BY BNP PARIBAS REAL ESTATE:

	Market value excluding fees used. Capitalization method	Sensitivity of market value to changes in yield							
Historic properties (ranges)									
Lyon									
Change considered		-0.20%	Difference	-0.10%	Difference	0.10%	Difference	0.20%	Difference
Residential (excl. law 48)									
Change considered		-0.20%	Difference	-0.10%	Difference	0.10%	Difference	0.20%	Difference
Retail	€1,782,025	€1,850,928	3.87%	€1,815,826	1.90%	€1,749,453	-1.83%	€1,718,044	-3.59%
Change considered		-0.20%	Difference	-0.10%	Difference	0.10%	Difference	0.20%	Difference
Offices	€111,082,663	€114,408,069	2.99%	€112,720,396	1.47%	€109,492,644	-1.43%	€107,948,250	-2.82%
Marseille									
Change considered		-0.20%	Difference	-0.10%	Difference	0.10%	Difference	0.20%	Difference
Residential (excl. law 48)	€77,728,457	€81,751,566	5.18%	€79,693,398	2.53%	€75,850,541	-2.42%	€74,053,989	-4.73%
Change considered		-0.20%	Difference	-0.10%	Difference	0.10%	Difference	0.20%	Difference
Retail	€88,013,657	€91,408,665	3.86%	€89,679,599	1.89%	€86,407,428	-1.82%	€84,857,745	-3.59%
Change considered		-0.20%	Difference	-0.10%	Difference	0.10%	Difference	0.20%	Difference
Offices	€33,612,809	€34,798,874	3.53%	€34,196,296	1.74%	€33,047,521	-1.68%	€32,499,595	-3.31%
Bordeaux									
Change considered		-0.20%	Difference	-0.10%	Difference	0.10%	Difference	0.20%	Difference
Warehouse	€10,915	€11,163	2.27%	€11,037	1.12%	€10,795	-1.10%	€10,677	-2.17%
Change considered		-0.20%	Difference	-0.10%	Difference	0.10%	Difference	0.20%	Difference
Retail	€1,748,680	€1,796,120	2.71%	€1,772,118	1.34%	€1,725,788	-1.31%	€1,703,426	-2.59%
Change considered		-0.20%	Difference	-0.10%	Difference	0.10%	Difference	0.20%	Difference
Offices	€40,875,157	€42,022,023	2.81%	€41,441,306	1.39%	€40,323,068	-1.35%	€39,784,556	-2.67%
Projects and developments (ranges)									
Lyon									
Change considered		-0.20%	Difference	-0.10%	Difference	0.10%	Difference	0.20%	Difference
Residential (excl. law 48)	€305,666	€328,972	7.62%	€317,054	3.73%	€294,772	-3.56%	€284,343	-6.98%
Change considered		-0.20%	Difference	-0.10%	Difference	0.10%	Difference	0.20%	Difference
Retail	€637,292	€659,325	3.46%	€648,122	1.70%	€626,816	-1.64%	€616,679	-3.23%
Change considered		-0.20%	Difference	-0.10%	Difference	0.10%	Difference	0.20%	Difference
Offices									

2

	Market value excluding fees used. Capitalization method	Sensitivity of market value to changes in yield							
Marseille									
Change considered		-0.20%	Difference	-0.10%	Difference	0.10%	Difference	0.20%	Difference
Residential (excl. law 48)	€41,454,263	€43,421,556	4.75%	€42,415,958	2.32%	€40,533,640	-2.22%	€39,651,501	-4.35%
Change considered		-0.20%	Difference	-0.10%	Difference	0.10%	Difference	0.20%	Difference
Retail	€7,346,573	€7,638,874	3.98%	€7,490,266	1.96%	€7,207,553	-1.89%	€7,072,982	-3.72%
Change considered		-0.20%	Difference	-0.10%	Difference	0.10%	Difference	0.20%	Difference
Offices	€36,835,052	€38,141,316	3.55%	€37,477,091	1.74%	€36,214,106	-1.69%	€35,613,229	-3.32%
Change considered		-0.20%	Difference	-0.10%	Difference	0.10%	Difference	0.20%	Difference
Desbief	€12,460,000	€14,608,042	17.24%	€13,513,308	8.45%	€11,445,756	-8.14%	€10,468,394	-15.98%
TOTAL	**€453,893,207**	**€472,845,493**	**4.18%**	**€463,191,778**	**2.05%**	**€444,929,882**	**-1.97%**	**€436,283,409**	**-3.88%**

SENSITIVITY ANALYSES BY JONES LANG LASALLE

Historical portfolio

		Sensitivity to yield (capitalization method)				
City	**Use**	**Capitalization method: yield at +0.20**	**Capitalization method: yield at +0.10**	**Value used as of 06/30/2016 per capitalization, excl. fees**	**Capitalization method: yield at -0.10**	**Capitalization method: yield at -0.20**
Lyon	Office					
	Retail	€11,975,798	€12,217,664	€12,469,241	€12,731,121	€13,003,953
	Residential (1)	€1,709,473	€1,750,224	€1,792,857	€1,837,505	€1,884,314
TOTAL LYON		**€13,685,270**	**€13,967,888**	**€14,262,098**	**€14,568,625**	**€14,888,266**

(1) Rent-controlled units (law of 1948) included in residential.

		Sensitivity to yield (capitalization method)				
City	**Use**	**Capitalization method: yield at +0.20**	**Capitalization method: yield at +0.10**	**Value used as of 06/30/2016 per capitalization, excl. fees**	**Capitalization method: yield at -0.10**	**Capitalization method: yield at -0.20**
Marseille	Office	€68,843,239	€70,014,768	€71,223,201	€72,472,422	€73,762,353
	Retail	€94,347,216	€96,142,321	€98,787,110	€99,938,251	€101,947,069
	Residential (1)	€89,508,648	€91,648,492	€94,692,631	€96,222,957	€98,671,416
TOTAL MARSEILLE (2)		**€252,699,104**	**€257,805,581**	**€264,702,942**	**€268,633,630**	**€274,380,838**

(1) Rent-controlled units (law of 1948) included in residential.
(2) Excluding car parks.

Projects

		Sensitivity to yield (capitalization method)				
City	**Use**	**Capitalization method: yield at +0.20**	**Capitalization method: yield at +0.10**	**Value used at 06/30/2016 per capitalization, excl. fees**	**Capitalization method: yield at -0.10**	**Capitalization method: yield at -0.20**
Lyon Silky Way	Office	€102,920,000	€104,660,000	€106,450,000	€108,310,000	€110,230,000
Lyon Future Way	Office	€17,640,000	€17,970,000	€18,300,000	€18,650,000	€19,000,000
Lyon New Way	Residential	€43,280,000	€44,060,000	€44,860,000	€45,700,000	€46,560,000
Lyon Banque de France Retail	Retail	€28,550,000	€29,160,000	€29,790,000	€30,450,000	€31,130,000
TOTAL LYON		**€192,390,000**	**€195,850,000**	**€199,400,000**	**€203,110,000**	**€206,920,000**

Hotel properties

	Market value used, excl. tax. Capitalization method	**Sensitivity of market value to changes in yield**							
Hotel properties (ranges)									
France									
Change considered		-0.20%	Difference	-0.10%	Difference	0.10%	Difference	0.20%	Difference
B&B portfolio	€64,960,000	€67,120,000	3.33%	€66,030,000	1.65%	€63,920,000	-1.60%	€62,920,000	-3.14%
Change considered		-0.20%	Difference	-0.10%	Difference	0.10%	Difference	0.20%	Difference
Portfolio excluding B&B	€46,100,000	€47,440,000	2.91%	€46,770,000	1.45%	€45,560,000	-1.17%	€44,920,000	-2.56%
TOTAL	**€111,060,000**	**€104,680,000**	**-5.74%**	**€112,800,000**	**1.57%**	**€100,050,000**	**-9.91%**	**€98,550,000**	**-11.26%**

Non-current financial assets

Non-current financial assets	Balance as of 12/31/2014	Increase	Reduction	Balance as of 12/31/2015	Increase	Reduction	Balance as of 06/30/2016
Liquidity contract	909		(641)	268	1,176	(1,214)	231
Other loans	5,785	4,783	(169)	10,399	939	(7,767)	3,570
Deposits & guarantees	119			119			119
GROSS TOTAL	**6,813**	**4,783**	**(810)**	**10,786**	**2,115**	**(8,981)**	**3,920**
Provisions for the liquidity contract	(100)		98	(2)	(3)		-5
Provisions for other loans	0			0			0
Provisions for deposits and guarantees	(7)			(7)			(7)
NET TOTAL	**6,707**	**4,783**	**(713)**	**10,777**	**2,112**	**(8,981)**	**3,908**

Current account advances for the three Armagnac Project SCCVs amounted to €3.4 million.

In addition, the Company had made a loan of €2.5 million to its investment, Financière des Brotteaux SAS. The loan was fully repaid following the sale in the first quarter of 2016 of properties owned by this company.

In 2005, a liquidity contract was arranged for ANF Immobilier stock. This contract is managed by Rothschild bank.

Note 2 Cash and cash equivalents

(€ thousands)	06/30/2016	12/31/2015	12/31/2014
Money market funds and marketable securities	862	822	181
Current bank accounts	13,650	22,626	10,171
Gross cash and marketable securities	**14,512**	**23,448**	**10,352**
Bank overdrafts	(5,355)	(300)	(17)
Accrued bank interest	(151)	(155)	(438)
Net cash and marketable securities	**9,006**	**22,993**	**9,897**

Note 3 Provisions for liabilities and expenses

Gross amount *(€ thousands)*	**Balance as of 12/31/2014**	**Increase**	**Reduction**	**Balance as of 12/31/2015**	**Increase**	**Reduction**	**Balance as of 06/30/2016**
Other provisions for liabilities	1,387	(805)	526	1,108	550	(914)	744
TOTAL	**1,387**	**(805)**	**526**	**1,108**	**550**	**(914)**	**744**

Reversals of provisions primarily consist of a used provision for restructuring expenses. Additions for the period are for litigation proceedings with a former tenant of a sold asset in Lyon.

The most significant ongoing disputes are as follows:

1) Chief Executive Officer and Real Estate Director

Proceedings are currently in progress as a result of the dismissal and termination of the Chief Executive Officer and the Real Estate Director of ANF Immobilier in April 2006. There was no significant change regarding these proceedings in 2016.

2) TPH proceedings – Toti

Criminal proceedings before the Commercial Court have been ongoing since 2006 against TPH-Toti, a former supplier, notably for receiving stolen goods, aiding and abetting, and site abandonment.

There was no significant change regarding these proceedings in 2016.

No provision has been recorded in the Company's financial statements for these disputes.

To the best of the Company's knowledge, there are no other government, court or arbitration proceedings pending or threatened that might have or have had over the past six months a material effect on the Company's financial position or profitability.

Note 4 Treasury shares

(€ thousands)	**06/30/2016**	**12/31/2015**	**12/31/2014**
Shares recorded as a deduction from equity	23,037	23,713	23,189
Number of treasury shares	876,245	891,687	906,051
TOTAL NUMBER OF SHARES	**19,009,271**	**19,009,271**	**18,351,093**
% treasury shares	4.61%	4.69%	4.94%

As of June 30, 2016, the Company held 876,245 treasury shares. During the fiscal period, no treasury shares were acquired and 41,684 were sold after stock options were exercised. 60.500 shares were purchased and 56,450 sold under the liquidity contract.

Note 5 Financial instruments

The ANF Immobilier Group is exposed to interest rate risk. Management actively manages this risk exposure. The Group uses a number of financial derivatives to address this. The goal is to reduce, wherever deemed appropriate, fluctuations in cash flows as a result of changes in interest rates. The Group does not enter into financial transactions if it entails a risk that cannot be quantified.

ANF Immobilier has undertaken to comply with the following hedging requirements:

- Refinancing: 80% of the debt hedged at fixed rates;
- CFF financing: 80% of the debt hedged at fixed rates;
- HSBC financing: 100% of the debt by a CAP agreement;
- CEPAC financing: 90% of the debt hedged at fixed rates;
- LCL financing: 80% of the debt hedged at fixed rates.

For this purpose, the ANF Immobilier Group has entered into 12 interest rate hedging agreements to exchange an Euribor 3-month variable rate for a fixed rate, as well as 10 Cap agreements to hedge a possible rate increase through a ceiling.

Two swap agreements hedge the debt in SCI ANF Immobilier Hôtels.

Two other contracts of this type hedge the debt in SCI Silky Way.

Two Cap agreements hedge two debts in SCI Stratège and SCI Lafayette.

Two Cap agreements hedge two debts in SCI ANF Immobilier Hôtels.

Two new Cap agreements hedge the debt in SCI New Way.

Lastly, eight hedging agreements and four Cap agreements hedge ANF Immobilier's main debt of €400 million (refinanced in May 2014).

As of December 31, 2015, this last debt was hedged by 13 swap agreements. To optimize its future net financial expense, at the beginning of January 2016 the Company unwound five swaps and replaced them with four Caps.

In accordance with IAS 39 the fair value of these swaps, which totaled €4.5 million and used to be recorded under equity, has been spread over the remaining maturity of the underlying items. The spread represents an annual expense of €0.8 million until June 2021.

As of June 30, 2016, in view of a lasting negative interest rate environment, the forward-looking efficiency tests carried out by the Group revealed that eight swap instruments on ANF Immobilier's main debt no longer qualified for hedge accounting. The same applied to two swap agreements hedging the debt in SCI Silky Way.

However, those items still qualified based on retroactive tests as at June 30, 2016.

Consequently, from July 1, 2016 the Group reclassified these swap agreements into trading instruments. This resulted in the transfer of the changes in their fair value to the income statement and the spread of said fair value, previously stored in equity, over the remaining maturity of the underlying items.

At June 30, 2016, the amount of accumulated negative fair value recorded in equity was €21.7 million. The spread of the fair value over the remaining maturity of the underlying items should represent an annual expense of €4.6 million under IFRS and should be offset, all things being equal, by the declining debt until its maturity.

The table below breaks down the impact of the interest rate derivatives on the ANF Immobilier consolidated financial statements for the six months ended June 30, 2016:

Effective date	Maturity date	Fixed rate paid	*(€ thousands)*	Nominal	Variable nominal	Fair values assets 06/30/2016	Fair values liabilities 06/30/2016
September 28, 2015	June 29, 2020	1.8500%	Three-month Euribor swap/1.850%	45,872	Yes	-	(3,653.2)
September 28, 2015	June 28, 2020	1.8500%	Three-month Euribor swap/1.850%	7,572	Yes	-	(608.3)
June 30, 2014	May 14, 2021	1.1300%	Three-month Euribor swap/1.130%	15,851	Yes	-	(1,075.2)
June 30, 2014	May 14, 2021	1.1300%	Three-month Euribor swap/1.130%	15,851	Yes	-	(1,075.2)
June 30, 2014	May 14, 2021	1.1300%	Three-month Euribor swap/1.130%	12,969	Yes	-	(879.7)
June 30, 2014	May 14, 2021	1.1300%	Three-month Euribor swap/1.130%	12,969	Yes	-	(879.7)
June 30, 2014	May 14, 2021	1.3500%	Three-month Euribor swap/1.350%	24,465	Yes	-	(4,141.9)
June 30, 2014	May 14, 2021	1.3500%	Three-month Euribor swap/1.350%	24,465	Yes	-	(4,141.9)
June 30, 2014	May 14, 2021	1.3500%	Three-month Euribor swap/1.350%	20,017	Yes	-	(3,388.8)
June 30, 2014	May 14, 2021	1.3500%	Three-month Euribor swap/1.350%	20,017	Yes	-	(3,388.8)
June 27, 2014	June 28, 2021	1.0300%	Three-month Euribor swap/1.030%	32,105	Yes	-	(2,119.8)
March 31, 2016	June 28, 2021	1.2300%	Three-month Euribor swap/1.230%	8,026	Yes	-	(628.1)
October 6, 2014	October 7, 2019	CAP 1.0000%	Three-month Euribor CAP/1.000%	21,786	No	13.9	-
October 6, 2014	October 7, 2019	CAP 1.0000%	Three-month Euribor CAP/1.000%	18,914	No	12.0	-
December 31, 2016	December 15, 2021	CAP 1.5000%	Three-month Euribor CAP/1.500%	2,171	No	7.6	-
December 31, 2016	December 15, 2021	CAP 1.5000%	Three-month Euribor CAP/1.500%	3,060	No	10.4	-
February 28, 2017	March 31, 2022	CAP 1.5000%	Three-month Euribor CAP/1.500%	7,040	Yes	28.9	-
February 28, 2017	March 31, 2022	CAP 1.5000%	Three-month Euribor CAP/1.500%	7,040	Yes	28.9	-
December 31, 2015	June 29, 2018	CAP 1.5000%	Three-month Euribor CAP/1.500%	37,280		1.2	-
December 31, 2015	June 29, 2018	CAP 1.5000%	Three-month Euribor CAP/1.500%	37,280		1.2	-
December 31, 2015	June 29, 2018	CAP 1.5000%	Three-month Euribor CAP/1.500%	30,502		1.0	-
December 31, 2015	June 29, 2018	CAP 1.5000%	Three-month Euribor CAP/1.500%	30,502		1.0	-
Hedging financial instruments				**435,754**		**106**	**(25,981)**
July 1, 2014	June 29, 2017	2.6030%	Three-month Euribor swap/2.603%	40,000	No	-	-
July 1, 2014	June 29, 2016	2.4050%	Three-month Euribor swap/2.405%	40,000	No	-	-
June 30, 2014	June 30, 2016	2.2400%	Three-month Euribor swap/2.240%	20,000	No	-	-
July 1, 2014	June 29, 2018	2.1800%	Three-month Euribor swap/2.180%	15,564	No	-	-
July 1, 2014	June 29, 2018	1.7900%	Three-month Euribor swap/1.790%	20,000	No	-	-
Unwound financial instruments				**135,564**		**0**	**0**
Trading financial *instruments*				**0**		**0**	**0**
TOTAL FINANCIAL INSTRUMENTS				**435,754**		**106**	**(25,981)**

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Changes in fair value over the period	Impact on financial income	Impact on equity	Deconsolidation	Fair values assets 12/31/2015	Fair values liabilities 12/31/2015
(350.2)	(358.7)	8.5		-	(3,303.0)
(58.2)	(59.6)	1.5		-	(550.2)
(332.5)	(128.2)	(204.3)		-	(742.7)
(332.5)	(128.2)	(204.3)		-	(742.7)
(272.0)	(104.9)	(167.1)		-	(607.7)
(272.0)	(104.9)	(167.1)		-	(607.7)
(1,415.8)	(521.2)	(894.6)		-	(2,726.1)
(1,415.8)	(521.2)	(894.6)		-	(2,726.1)
(1,158.4)	(426.4)	(732.0)		-	(2,230.4)
(1,158.4)	(426.4)	(732.0)		-	(2,230.4)
(764.4)	0.0	(764.4)		-	(1,355.4)
(189.6)	0.0	(189.6)		-	(438.5)
(40.8)	(40.8)			54.7	-
(35.4)	(35.4)			47.5	-
(12.4)	(12.4)			20.0	-
(17.2)	(17.2)			27.6	-
(45.1)	(45.1)			74.0	-
(45.1)	(45.1)			74.0	-
(3.3)	(3.3)			0.0	-
(4.7)	(4.7)			0.0	-
(4.0)	(4.0)			0.0	-
(3.0)	(3.0)			0.0	-
(7,931)	**(2,991)**	**(4,940)**	**0**	**298**	**(18,261)**
1,678.8	517.4	137.6	1,678.8	-	(1,678.8)
513.2	(477.4)	40.4	513.2	-	(513.2)
241.4	(76.9)	67.9	241.4	-	(241.4)
901.4	251.7	121.3	901.4	-	(901.4)
961.0	(825.4)	40.4	961.0	-	(961.0)
4,296	**(611)**	**408**	**4,296**	**0**	**(4,296)**
0	**0**	**0**	**0**	**0**	**0**
(3,635)	**(3,601)**	**(4,533)**	**4,296**	**298**	**(22,557)**

The financial derivative instruments were measured by discounting the estimated future cash flows on the basis of the yield curve as of June 30, 2016.

Measurement parameters – IFRS 13

ANF Immobilier complies with IFRS 13 "Fair Value Measurement", which requires consideration of counterparty credit risk (i.e. the risk that a counterparty fails to fulfill any of its obligations) when measuring the fair value of financial assets and liabilities.

The fair value of the Group's financial instruments follows the Level 2 methodology (valuation model based on observable market inputs) to the extent that it is determined by a measurement model that incorporates counterparty risk.

Note 6 Covenants

With respect to loans and credit lines, ANF Immobilier has made certain undertakings including that of compliance with the following Financial Ratios:

Interest Cover Ratio

The Interest Cover Ratio must be two (2) or above from the first Test Date, and for as long as sums remain due under the Agreement.

The Interest Cover Ratio is calculated quarterly at each Test Date, (i) for Interest Cover Ratios as of December 31 each year, on the basis of the audited annual Company financial statements (consolidated, if the Borrower is required to prepare consolidated financial statements), (ii) for Interest Cover Ratios as of June 30 each year, on the basis of the Borrower's unaudited interim financial statements (consolidated, if the Borrower is required to prepare consolidated financial statements), and (iii) for Interest Cover Ratios as of March 31 and September 30 each year, on the basis of a provisional quarterly accounting close.

The "**Interest Cover Ratio**" denotes the ratio of EBITDA to Net Financial Expenses for an Interest Period.

Loan to Value Ratio

The Loan to Value Ratio must be 50% (fifty percent) or lower from the first Test Date, and for as long as sums remain due under the Agreement.

The Loan to Value Ratio is calculated every six months on each Test Date, on the basis of the audited annual financial statements or unaudited interim financial statements.

The "**Loan to Value Ratio**" denotes the ratio of Net Debt to the Appraisal Value of Real Estate Assets.

	Reference standard	Test frequency	Ratios as of 06/30/2016	Ratios as of 12/31/2015	Ratios as of 12/31/2014
ICR ratio (EBITDA/restated net financial expenses)	minimum 2	quarterly	2.42	2.24	2.03
LTV ratio (net debt/appraisal value of property)	maximum 50%	half-year	45.45%	43.00%	47.50%

ANF Immobilier is also committed to retaining real estate assets worth in excess of €800 million and to paying down some of its loans in the event of a change of control.

ANF Immobilier is in compliance with all of the undertakings agreed to with respect to its loan agreements.

Note 7 Off-balance sheet commitments

Commitments received

The current off-balance sheet commitments received by ANF Immobilier can be summarized as follows:

Commitments received *(€ thousands)*	**06/30/2016**	**12/31/2015**	**12/31/2014**
Guarantees and deposits received	21,046	35,952	65,329
Other commitments received	87,690	90,782	100,040
TOTAL	**108,736**	**126,734**	**165,369**

Guarantees and deposits received essentially consisted of completion guarantees on Group investments and development projects, and security deposits for signed leases. The guarantees and deposits received at December 31, 2015 remained unchanged during the first half of 2016. Their value decreases as the projects progress.

Other commitments received during the period mainly represent the remaining drawdown capabilities on the Group's borrowings.

Commitments given

Current off-balance sheet commitments given by ANF Immobilier can be summarized as follows:

Commitments given *(€ thousands)*	**06/30/2016**	**12/31/2015**	**12/31/2014**
Agreements to sell	30,062	18,323	47,560
Pledges, mortgages and collateral	507,912	504,230	562,627
Guarantees and deposits given	32,914	33,287	27,137
Other commitments given	20,311	19,496	36,937
TOTAL	**591,199**	**575,336**	**674,261**

Commitments given primarily relate to mortgages for the financing of the Group's portfolio. Their values follow the changes in the outstanding debt amounts.

New commitments given as of June 30, 2016 included:

- sales agreements signed by the Group, of which €12.7 million for retail premises on the ground floor of buildings in Lyon, and €187 million for a new office building in Marseille;
- guarantees given for the Group's new property development projects (reservation deposit).

Note 8 Changes in capital stock and shareholders´ equity

According to Article 6 of the Articles of Incorporation, capital stock is set at nineteen million, nine thousand, two hundred and seventy-one euros (€19,009,271). It is divided into nineteen million, nine thousand, two hundred and seventy-one (19,009,271) shares of one euro, fully paid-up and all of the same class.

Note 9 Deffered tax assets and liabilities

All property held by ANF Immobilier was included in the scope of the SIIC regime, with the exception of:

- two buildings owned by ANF Immobilier Développement SAS in Lyon, which are currently generating no income and will be resold by lot;
- one building owned by the Financière des Brotteaux SAS, in which ANF Immobilier holds a 20% interest (consolidated in the ANF Immobilier financial statements using the equity method).

The consolidated rental activity of ANF Immobilier is therefore totally exempt from corporate income tax.

No deferred tax has been recorded as of this date.

Note 10 Income statement and segment reporting

Primary segment reporting is business-related, insofar as it represents the Group's management structure and is presented on the basis of the following business segments:

- Operating activity for city-center properties;
- Hotel operations.

Secondary segment reporting is by geographic region:

- Lyon region;
- Marseille region;
- Bordeaux region.

(€ thousands)	**06/30/2016**	**Unallocated**	**Hotels**	**Total of city-center portfolio**	**Marseille**	**Lyon**	**Bordeaux**
Revenues: rental income	25,770	0	3,223	22,547	12,069	9,267	1,211
Other operating income	4,954	0	217	4,737	2,788	1,441	509
Total operating income	**30,724**	**0**	**3,440**	**27,285**	**14,857**	**10,708**	**1,720**
Property expenses	(6,709)	0	(163)	(6,546)	(4,822)	(1,258)	(466)
Other operating expenses	(816)	0	(39)	(778)	(622)	(127)	(29)
Total operating expenses	**(7,525)**	**0**	**(201)**	**(7,324)**	**(5,444)**	**(1,385)**	**(495)**
Gross operating income (loss) from property	**23,199**	**0**	**3,238**	**19,961**	**9,413**	**9,323**	**1,225**
Gains (losses) on disposals of assets	276	0	3	273	28	245	0
Gross operating income (loss) from property after disposals	**23,475**	**0**	**3,241**	**20,234**	**9,441**	**9,568**	**1,225**
Employee benefits expenses	(3,345)	0	(334)	(3,010)	(1,672)	(1,171)	(167)
Other management expenses	(2,104)	0	(210)	(1,893)	(981)	(753)	(159)
Other income and transfers of expenses	0	0	0	0	0	0	0
Other expenses	(404)	0	(20)	(384)	(202)	(162)	(20)
Depreciation and amortization	(468)	0	0	(468)	(323)	(145)	0
Other operating provisions (net of reversals)	(712)	0	0	(712)	(560)	(122)	(30)
Net operating income (loss) before changes in fair value of property	**16,443**	**0**	**2,676**	**13,766**	**5,703**	**7,215**	**849**
Changes in fair value of property	(17,659)	0	139	(17,798)	(20,528)	2,483	248
Net operating income (loss) after changes in fair value of property	**(1,216)**	**0**	**2,815**	**(4,031)**	**(14,826)**	**9,698**	**1,096**
Net financial expense	(8,274)		(1,264)	(7,011)	(4,500)	(2,511)	0
Financial amortization and provisions	318			318	318		
Gains (losses) on financial instruments	(3,602)		(30)	(3,572)	(2,987)	(585)	0
Share of net income (loss) of equity-accounted entities	91			91	91		
Net income (loss) before tax	**(12,682)**	**0**	**1,522**	**(14,204)**	**(21,902)**	**6,602**	**1,096**
Current taxes	86		(14)	100	143	(41)	(3)
Deferred taxes	0		0	0			0
Net consolidated income (loss)	**(12,596)**	**0**	**1,508**	**(14,104)**	**(21,759)**	**6,562**	**1,094**

Note 11 Earnings per share

(€ thousands)	06/30/2016	06/30/2015	06/30/2014
Net income for basic earnings per share calculation	(15,641)	8,379	(13,434)
Net income for diluted earnings per share calculation	(15,641)	8,379	(13,434)
Number of ordinary shares for basic earnings per share calculation as of the balance sheet date	18,133,026	17,429,849	17,445,042
Weighted average number of ordinary shares for basic earnings per share calculation	18,351,093	18,351,093	18,092,542
Stock options for diluted earnings per share calculation	0	0	0
Diluted number of ordinary shares	18,133,026	17,429,849	17,445,042
Diluted weighted average number of ordinary shares	18,351,093	18,351,093	18,092,542
(€)			
Net earnings per share	(0.86)	0.48	(0.77)
Diluted earnings per share	(0.86)	0.48	(0.77)
Weighted net earnings per share	(0.85)	0.46	(0.74)
Diluted weighted earnings per share	(0.85)	0.46	(0.74)

The number of shares does not include treasury shares.

Note 12 Net asset value (nav) per share

The NAV is calculated by dividing the Company's consolidated shareholders' equity by the number of shares, excluding treasury stock.

(€ thousands)	06/30/2016	06/30/2016 EPRA attributable to equity holders of the parent	12/31/2015	12/31/2015 EPRA attributable to equity holders of the parent	12/31/2014
Capital and Consolidated reserves	**489,269**	**473,707**	**528,905**	**514,330**	**494,481**
Fair value adjustment of operating property	456	456	1,212	1,212	1,092
NNNAV	**489,725**	**474,163**	**530,117**	**515,542**	**495,573**
Elimination of the fair value adjustment of swaps	25,875	23,086	22,203	20,146	31,133
Net Asset Value	**515,600**	**497,249**	**552,320**	**535,687**	**526,706**
Total number of shares	19,009,271	19,009,271	19,009,271	19,009,271	18,351,093
Treasury shares	(876,245)	(876,245)	(891,687)	(891,687)	(906,051)
Shares other than treasury shares	18,133,026	18,133,026	18,117,584	18,117,584	17,445,042
NNNAV per share *(€)*	**27.0**	**26.2**	**29.3**	**28.5**	**28.4**

Note 13 Cash flow per share

(€ thousands)	06/30/2016	06/30/2015	Changes	06/30/2014	Changes
Operating income before changes in fair value of property	16,514	14,830		12,508	
Depreciation and amortization	468	277		327	
(Losses) on disposals of assets	(276)	(335)		(190)	
Operating income before depreciation & amortization and income on disposals	**16,706**	**14,772**		12,645	
Cancellation of impact of IFRS 2 (stock options, recorded as employee expenses)	111	143		368	
EBITDA	**16,816**	**14,915**	**12.7%**	**13,012**	**14.6%**
Net financial expense	(8,274)	(8,325)		(6,267)	
Current cash flow before tax	**8,542**	**6,590**	**29.6%**	**6,746**	**-2.3%**
Average number of shares during the period	18,351,093	18,092,542		17,730,570	
Current cash flow per share	**0.47**	**0.36**	**27.8%**	**0.38**	**-4.3%**
RECURRING EBITDA	**17,585**	**16,345**	**7.6%**	**13,012**	**25.6%**
RECURRING CASH FLOW	**10,399**	**9,374**	**10.9%**	**6,746**	**39.0%**

Note 14 Employees

Headcount as of June 30, 2016	**Males**	**Females**	**Total**
Executives	18	8	26
Non-executives	3	4	7
TOTAL	**21**	**12**	**33**

The compensation paid to members of the Executive Board is set out below:

Compensation paid to members of the Executive Board *(€)*		**06/30/2016**	**06/30/2015**
Renaud Haberkorn	Fixed compensation	184,615	184,615
	Variable compensation	267,300	28,000
	Special bonus	0	0
	Benefits in kind	1,200	0
Ghislaine Seguin	Fixed compensation	92,308	83,077
	Variable compensation	121,860	74,727
	Special bonus	0	10,000
	Benefits in kind	1,200	0

IFRS 2 requires that the income statement reflect the effects of all transactions involving share-based payments. All payments in shares or linked to shares must accordingly be expensed when the goods or services provided in return for these payments are consumed.

Stock option plans

Acting pursuant to the authorizations conferred by the shareholders at the Shareholders' Meeting, the Executive Board awarded stock options to members of the Executive Board as well as qualifying personnel, as defined by the resolutions of the Shareholders' Meeting.

The terms of the stock option plans granted during recent fiscal years, amended by the adjustments, are as follows:

Terms of stock option plans	2007 Stock Option Plan	2008 Stock Option Plan	2009 Stock Option Plan	2010 Stock Option Plan	2011 Stock Option Plan	2012 Stock Option Plan	2013 Stock Option Plan	2014 Stock Option Plan	2014 Bonus Share Plan	2012 Bonus Share Plan
Date of the Extraordinary Shareholders' Meeting	05/04/05	05/14/08	05/14/08	05/14/08	05/17/11	05/17/11	05/06/14	05/06/14	05/06/14	05/17/11
Date of the Executive Board's decision	12/17/07	12/19/08	12/14/09	12/15/10	12/22/11	04/02/13	06/23/14	11/12/14	11/12/14	04/02/13
Total number of options granted initially	**100,564**	**128,353**	**158,500**	**166,920**	**168,872**	**105,850**	**106,575**	**50,000**	**34,000**	**17,814**
• Of which corporate officers	79,424	101,083	131,000	137,475	135,542	86,525	86,525	50,000	24,000	16,023
• Of which employees	21,140	27,270	27,500	29,445	33,330	19,325	20,050	0	10,000	1,791
Number of shares that may be purchased after adjustments	**159,159**	**179,839**	**224,659**	**219,323**	**216,075**	**52,915**	**106,575**	**50,000**	**34,000**	**19,605**
• Of which corporate officers	125,560	143,613	185,642	180,610	173,412	43,263	86,525	50,000	24,000	16,023
• Of which employees	33,599	36,226	39,017	38,713	42,663	9,652	20,050	0	10,000	3,582
Exercise date of options	The options may be exercised once vested									
Expiration date	12/17/17	12/19/18	12/14/19	12/15/20	12/22/21	4/2/23	6/23/24	11/12/14	11/12/24	4/2/23
Purchase price per share	**29.73**	**19.42**	**22.55**	**23.72**	**21.53**	**21.81**	**23.88**	**21.83**		
Terms of exercise	Final vesting of options in phases:									
First tranche after a period of two years, i.e.	12/17/09	12/19/10	12/14/11	12/15/12	12/22/13	3/31/15	6/23/16	11/12/16	11/12/16	3/31/15
Second tranche after a period of three years, i.e.	12/17/10	12/19/11	12/14/12	12/15/13	12/22/14	3/31/16	6/23/17	11/12/17	11/12/17	3/31/16
Third tranche after a period of four years, i.e.	12/17/11	12/19/12	12/14/13	12/15/14	12/22/15	3/31/17	6/23/18	11/12/18	11/12/18	3/31/17
Exercise subject to future performance	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Number of shares purchased	0	98,945	59,234	12,432	17,512	0	0	0	0	0
Number of options canceled	0	30,157	33,293	44,002	43,353	0	26,241	0	0	9,802
Total number of options outstanding	**159,159**	**50,737**	**132,132**	**162,889**	**155,210**	**52,915**	**80,334**	**50,000**	**34,000**	**9,803**

Please note that where beneficiaries of stock options do not have four years' service by the expiration date of one of the vesting periods referred to above, the options corresponding to such period will be subject to a vesting period until such time as said beneficiary has four years' service with the Company. This rule does not apply to the 50,000 options granted to the current Chief Executive Officer when he joined the Company.

As of June 30, 2016 the number of shares under option, after adjustments, for each beneficiary, is as follows:

	2007 Stock Option Plan	2008 Stock Option Plan	2009 Stock Option Plan	2010 Stock Option Plan	2011 Stock Option Plan	2012 Stock Option Plan	2013 Stock Option Plan	2014 Stock Option Plan	2014 Bonus Share Plan	2012 Bonus Share Plan
Bruno Keller	83,825	50,737	93,034	83,044	81,819	27,217	54,433	0	12,000	5,040
Renaud Haberkorn	0	0	0	0	0	0	0	50,000	8,000	
Ghislaine Seguin	0	0	1,855	8,928	0	2,924	5,851	0	4,000	542
Xavier de Lacoste Lareymondie	37,575	0	0	27,604	33,918	13,122	0	0	0	2,430
Brigitte Perinetti	4,160	0	4,654	4,600	0	0	0	0	0	
Corporate officers	**125,560**	**50,737**	**99,543**	**124,176**	**115,737**	**43,263**	**60,284**	**50,000**	**24,000**	**8,012**
Employees	33,599	0	32,589	38,713	39,473	9,652	20,050	0	10,000	1,791
TOTAL	**159,159**	**50,737**	**132,132**	**162,889**	**155,210**	**52,915**	**80,334**	**50,000**	**34,000**	**9,803**

3

STATUTORY AUDITORS' REPORT ON THE INTERIM FINANCIAL STATEMENTS

ANF Immobilier

1, Rue Georges Berger

75017 Paris

(Period from January 1, 2016 to June 30, 2016)

Dear shareholders,

In carrying out the assignment entrusted to us by your Shareholders' Meeting, and pursuant to Article L. 451-1-2 III of the French Monetary and Financial Code (*Code monétaire et financier*), we have:

- performed a limited review of the half-year condensed consolidated financial statements of ANF Immobilier, corresponding to the period from January 1, 2016 to June 30, 2016, as attached to the present report;
- verified the information provided in the interim management report.

The half-year condensed consolidated financial statements were drawn up under the responsibility of the Executive Board. Our role is to express our conclusions on these financial statements based on our limited review.

I – Conclusion on the financial statements

We carried out our limited review in accordance with professional standards applicable in France.

A limited review mainly consists of speaking to members of management responsible for accounting and financial aspects, and implementing analytical procedures. This work is less extensive than that required for an audit performed in accordance with professional standards applicable in France. As a result, a limited review only yields a moderate assurance that the financial statements in their entirety do not contain any significant anomalies; this moderate assurance is less firm than that obtained as the result of an audit.

Our limited review did not bring to light any material misstatements liable to call into question the compliance of the half-year condensed consolidated financial statements with IAS 34, the IFRS standard as adopted in the European Union in respect of interim financial reporting.

II – Specific verification

We have also conducted a verification of the information in the half-year management report commenting on the half-year condensed consolidated financial statements, which were the focus of our limited review.

We have no matters to report regarding its fairness and its consistency with the half-year condensed consolidated financial statements.

Signed in Neuilly-sur-Seine and Courbevoie on August 26, 2016

The Statutory Auditors

PricewaterhouseCoopers Audit

Pierre Clavié

Mazars

Guillaume Potel

4 RISK EXPOSURE

The following risks are those known by the Company as of the date of registration of this report that could have a significant adverse effect on the Group, its operations, financial position, income, and share price, and should be taken into account when making investment decisions. Investors should note that the following list is not exhaustive, and that risks may exist that are unknown as of the date of registration of this report which could have a significant negative effect on the Group, its operations, financial position, income and share price.

Risks related to the Company's business

Risks related to the Company's business area

Risks related to the economic environment and developments in the property market

ANF Immobilier's property assets mainly consist of residential and commercial rental properties located in Marseille, Bordeaux and Lyon and hotel properties located throughout France. As a result, any unfavorable changes in the French economic climate and/or the property markets in Marseille, Bordeaux and Lyon could have a negative impact on ANF Immobilier's rental income and earnings, asset values, investment strategy, financial position, and growth outlook.

Changes in the economic environment and property market may also have a long-term effect on occupancy rates and on tenants' ability to pay their rents and maintenance costs.

Other factors that could affect rental income are downward fluctuations in the indices on which most of ANF's rents are indexed. These include the cost of construction index (ICC), the quarterly retail rent index (ILC), the tertiary activities rent index (ILAT) for retail leases and the rent reference index (IRL).

It is difficult to predict cycles in the economy and property market, particularly in Marseille, Lyon and Bordeaux. However, ANF Immobilier's existing city-center and new city-center locations give it a dominant position in terms of commercial leases in cities with strong potential and a diverse range of tenants, making the Company's rental income especially resilient in the face of any potential decrease in consumption. Lastly, regarding the project program ongoing until 2019, the development of a new major project only begins when it is secured, which is especially appropriate in a difficult economic environment.

Risks related to the terms of sale of property assets

The value of ANF Immobilier's property assets depends on a number of factors, notably supply and demand in the property market. After a number of very buoyant years, the French property market has slowed over the past few months, in line with the worsening of the financial crisis, notably resulting in fewer transactions.

Against this backdrop, ANF Immobilier may not always be able to sell its property at a time or under market conditions that would allow it to generate the expected profits. These conditions may also encourage or force ANF Immobilier to postpone some transactions. Should this situation continue, it could have a significantly negative effect on ANF Immobilier's real estate value and on its investment strategy, financial position, and growth outlook.

Risks related to interest rate levels

Interest rate levels play a role in the state of the overall economy, with a particular bearing on GDP growth and inflation. They also have an impact on the value of property assets, the borrowing capacity of market participants, and to a lesser extent changes in the ICC, ILC and IRL indices.

Generally speaking, the value of ANF Immobilier's assets are affected by interest rates because this net asset value depends on the property's resale potential, which itself is a function of buyers' borrowing capacity and the ease with which they can obtain credit.

Therefore, a rise in interest rates, especially a sizeable one, could prove detrimental to the value of ANF Immobilier's assets.

In addition, ANF Immobilier may need to use debt to finance its growth strategy, although the Group may also draw on shareholders' equity or carry out bond issues. A rise in interest rates, excluding the related hedging instruments, would therefore increase the cost of financing investments by using debt, and could make implementing the Company's growth strategy more costly.

If ANF Immobilier were to obtain additional debt to finance future acquisitions, its financial position would become more sensitive to changes in interest rates through the impact such changes would have on the borrowing costs for loans or bonds.

As a result, ANF Immobilier has set up interest rate hedging mechanisms that are designed to limit this sensitivity. However, against a backdrop of negative interest rates, some instruments may be asymmetric in relation to the hedged debt, which may have an adverse effect on financial expenses.

Risks related to the competitive environment

A change in strategy of the owners of the property neighboring that of ANF Immobilier could affect the implementation of its plan to redevelop the property complexes located on Rue de la Republique in Lyon and in Marseille.

As part of its external growth strategy, ANF Immobilier may come up against a number of international, national or local competitors, some of which (i) may be able to acquire assets under terms and conditions, notably regarding price, that do not correspond to ANF Immobilier's investment criteria and objectives, and/or (ii) have greater financial resources and/or more property.

ANF Immobilier's business and earnings could be negatively affected if it is unable to defend its market share or gain the market share it has targeted and maintain or strengthen its strategy.

Risks related to the Company's operations

Risks related to the regulation of leases and non-renewal of leases

French legislation regarding leases places considerable restrictions on lessors. Contractual terms governing lease lengths, termination conditions, renewals, and indexed rent increases are considered to be a matter of public policy, and the legislation restricts lessors' flexibility in raising rents to match current market rates.

As a result, ANF Immobilier may be faced with a more challenging market environment when its existing leases expire, or may have to cope with changes to French legislation, regulations, or case law that impose new or tighter restrictions on rent increases. Amendments to regulations governing the duration of leases, indexed rent increases, rent ceilings, or eviction compensation for tenants could have a negative impact on the Company's real estate value, as well as ANF Immobilier's operations, earnings, and financial position.

Risks related to default on rent payments

Nearly all of ANF Immobilier's revenue is generated from leasing property to third parties, and the profitability of the Group's leasing business depends on tenants' solvency. As such, tenants facing financial difficulties may be late paying their rent or even default on rent payments, which could have a negative impact on ANF Immobilier's earnings. In this context, ANF Immobilier has put in place a check procedure on customers' outstanding payments and follows up any unpaid debts on a case-by-case basis. In addition, the Company has put in place a review, prior to each lease agreement, of the potential tenant's creditworthiness.

Risks related to the cost and availability of appropriate insurance coverage

ANF Immobilier believes that the type and amount of insurance coverage it has is consistent with industry practice.

Nevertheless, ANF Immobilier could be faced with increasing costs for its insurance policies or losses that would not be fully covered by its insurance policies. Additionally, ANF Immobilier could be faced with insurance shortfalls or an inability to cover certain risks, as a result, for example, of capacity limitations in the insurance market. The cost or unavailability of appropriate coverage in the event of losses could have a negative impact on the Company's real estate value, earnings, operations, or financial position.

Risks related to service quality and subcontractors

ANF Immobilier uses subcontractors and suppliers for some of its maintenance and/or refurbishment work. ANF Immobilier believes that its operations, outlook, or reputation could be damaged if a subcontractor or supplier shuts down its business, stops payments, or provides unsatisfactory services or products. However, ANF Immobilier believes that it can quickly find new, reliable subcontractors or suppliers if any of its existing contracts are terminated.

Risks related to the inability to find tenants

ANF Immobilier leases space in its owned or acquired property either directly or through estate agents. It therefore incurs the risk of spaces remaining vacant for an extended period of time. ANF Immobilier may encounter problems finding new tenants at suitable rent prices. The rent that the Company charges could therefore be affected by its ability to lease newly vacant space as existing tenants move out. Any such extended vacancies could affect ANF Immobilier's financial position and earnings.

Risks related to information systems

ANF Immobilier and its service providers use certain software applications or packages and manage several specific databases to carry out its rental management operations. ANF Immobilier has implemented IT security procedures at its three sites (Lyon, Marseille, and Paris). Nevertheless, should all of these computer systems and applications be destroyed or damaged simultaneously for any reason, ANF Immobilier's operations could be disrupted and the Group's financial position and earnings could be impacted.

Risks related to ANF Immobilier's assets

Risks related to taxes applied to SIICs (French REITs), a change in these taxes, or the loss of SIIC status.

The Group is registered in France as an SIIC (the "SIIC regime"), which is the French equivalent of a REIT. Under Articles 208 C ***et seq.*** of the French General Tax Code, ANF Immobilier is exempted from paying income tax on profits from rental or sublet properties and some capital gains.

Benefiting from this tax regime is contingent upon compliance with a number of conditions, including obligating the Company to distribute a significant portion of tax-exempt profits and prohibiting a single shareholder from owning 60% or more of the Company's capital and voting rights. Since December 2009, none of the Group's shareholders have owned 60% or more of capital and voting rights.

Furthermore, failure to comply with the obligation to retain the assets the Group has acquired or may acquire for five years under the regime of Article 210 E of the French General Tax Code would be subject to a penalty of 25% of the acquisition price of the asset for which the retention obligation has not been satisfied.

SIIC companies must pay a 20% tax on some payouts to shareholders that are not individuals and which have at least a 10% stake in the Group (directly or indirectly), provided they are not subject to French corporate income tax or an equivalent tax, with some exceptions. For situations where this tax must be paid, Article 24 of the Group's Articles of Incorporation sets forth a payment mechanism through which these charges are ultimately paid by the shareholders that receive the payout.

Risks related to applicable regulations in France

ANF Immobilier is required to comply with numerous specific and general regulations governing the ownership and management of commercial property, in addition to those related to ANF Immobilier's SIIC status. These regulations cover urban planning, building construction, public health and safety, environmental protection, security and commercial leases. Regulations on environmental protection and public health and safety concern, in particular, the ownership and use of facilities that could generate pollution (e.g. classified facilities), the use of toxic substances in building construction, and the storage and handling of such substances.

Any substantial change in the regulations governing ANF Immobilier's operations could result in additional expenditures, and could impact its operating profit and development or growth outlook.

Furthermore, ANF Immobilier must obtain approval from administrative bodies for construction projects it plans to carry out in order to expand its property. This approval may be difficult to obtain in some cases, or could be subject to stricter conditions. In addition, construction or renovation work may be delayed by any required environmental remediation or archaeological excavation work, or by issues related to soil typology. Any such events could hinder ANF Immobilier's development or growth outlook.

As with most property owners, ANF Immobilier cannot guarantee that its tenants will fully comply with all applicable regulations, particularly those regarding the environment, public health and safety, security, urban planning and operating permits. Non compliance by a tenant could lead to sanctions for ANF Immobilier as the property owner, and could impact its earnings and financial position.

Asset value risks

ANF Immobilier's property asset portfolio is appraised every six months by independent expert appraisers. The appraisals are performed in accordance with the specifications laid down by the French Association of Property Appraisers (Afrexim) and the recommendations issued by the working group chaired by Mr. Barthes de Ruyter in its February 2000 report on the appraisal of real estate assets for listed companies. The value of a property portfolio depends largely on the property market and several other factors (the overall economy, interest rates, the climate for property leases, etc.) all of which play a role in the net asset value determined by the appraiser.

Based on the portfolio value determined by the independent appraisers, ANF Immobilier may need to recognize an impairment provision in accordance with the appropriate accounting standards, if this proves to be necessary. A drop in the value of ANF Immobilier's real estate assets would also impact the LTV ratio used as a reference for certain banking covenants. As of June 30, 2016 ANF Immobilier's LTV ratio stood at 45.5%. The covenants included in the loan agreements signed by the Company are based on an LTV ratio of up to 50%. As such, ANF Immobilier considers that only a sharp drop in the value of its property assets could represent a risk of non-compliance for the ratio of the aforementioned covenants. Furthermore, the determined value of an asset may not be exactly equal to the sale price realized by ANF Immobilier in a transaction, notably in a sluggish market.

Risks related to the Group's growth strategy

ANF Immobilier's growth strategy involves making selective property purchases. However, ANF Immobilier cannot guarantee that suitable purchasing opportunities will arise, or that any purchases it does make will be completed in the initial timeframe, or generate the expected return.

Property purchases carry risks related to: (i) conditions in the real estate market; (ii) a large number of investors being in the real estate market; (iii) the potential return on a rental investment; and (iv) problems with the assets that may be discovered after it has been purchased, such as toxic substances, other environmental hazards, or regulatory difficulties.

ANF Immobilier may need to employ considerable financial resources to purchase some of its properties. This could involve assuming additional debt or issuing equity securities, both of which would impact ANF Immobilier's financial situation and income.

Risks related to the ownership of property acquisition entities

The Group's real estate investment business could lead to buying and selling real estate, either directly or through the buying and selling of shares or holdings in other entities that own said real estate. The partners in some of these entities could be liable to third parties for all the entity's debt that originated before they sold their shares (for general partnerships) or that became due before the sale of the entity (for civil companies). Potential actions taken by creditors to collect any debt that originated before the sale transaction could have a negative impact on the Company's financial position.

Risks related to health and safety hazards (asbestos, legionella, lead, classified facilities, etc.) – flooding and building collapse

ANF Immobilier's property assets could be exposed to health and safety hazards such as those related to asbestos, legionella, termites or lead. ANF Immobilier, as the owner of buildings, facilities and land, could be formally accused of failure to adequately monitor and inspect facilities. Any proceedings alleging ANF Immobilier's potential liability could have a negative impact on its operations, outlook, and reputation. ANF Immobilier closely follows all applicable regulations in this area in order to minimize this risk, and has a preventative approach in carrying out property inspections and, if necessary, doing any work needed to comply with regulations.

ANF Immobilier's property assets may also be exposed to natural disasters or technological incidents, or receive an unfavorable inspection report from a safety commission. Any such event may require the full or partial closure of the premises concerned. This could make ANF Immobilier's assets less attractive, and have a negative impact on its operations and income.

Risks related to new development projects

The Company grows its property portfolio by building new structures to accommodate large tenants.

This business development activity is likely to pose risks for the Company and its subsidiaries: delivery delays, higher project costs, technical construction issues, adverse changes in raw material prices, non-issuance of administrative authorizations, third party claims, manufacturing defaults, etc.

All foreseeable risks are included in each construction contract and are covered by financial completion guarantees and bank sureties to ensure the long term security of the project. In addition, the selected construction companies are financially strong, national players.

Market risks

Interest rate risks

ANF Immobilier's net bank borrowings totaled €501 million as of June 30, 2016, according to the financial statements for the period then ended. ANF Immobilier has a policy of hedging interest rates over the lifetime of its loans.

The Group uses a number of financial derivatives to address this. The goal is to reduce, wherever deemed appropriate, fluctuations in cash flows as a result of changes in interest rates. The Group does not enter into financial transactions if it entails a risk that cannot be quantified.

ANF Immobilier has undertaken to comply with the following hedging requirements:

• Natixis, BECM, BNPP, CA:	80% of debt hedged at fixed rates;
• CEPAC:	90% of debt hedged at fixed rates or by CAP;
• CFF:	80% of debt hedged at fixed rates;
• HSBC:	100% of debt hedged by CAP.

For this purpose, the ANF Immobilier Group entered into 12 interest rate hedging agreements to exchange a Euribor three-month variable rate for a fixed rate, as well as ten Cap agreements to hedge a possible rate increase through a ceiling:

- Two swap agreements hedge the debt in SCI ANF Immobilier Hôtels;
- Two swap agreements hedge the debt in SCI Silky Way;
- Two Cap agreements hedge the debts in SCI Stratège and SCI Lafayette;
- Two Cap agreements hedge the debts in SCI ANF Immobilier Hôtels;
- Two Cap agreements hedge the debts in SCI New Way;
- Lastly, eight swap agreements and four Cap agreements hedge ANF Immobilier's main debt of €400 million initially (refinanced in May 2014).

ANF Immobilier is exposed to the risk of interest rate changes for its future financing.

Liquidity risk – Debt capacity

ANF Immobilier's strategy relies on its ability to use financial resources in order to finance its investments, purchase property, and refinance debts as they fall due. ANF Immobilier (i) may not always have the desired access to financial markets, or (ii) may be required to obtain financing under terms that are less favorable than initially planned. This type of situation could arise. In particular, as a result of financial market trends, a major event affecting the real estate industry, or any other change in ANF Immobilier's operations, financial position or shareholding structure likely to influence investors' views of ANF Immobilier's credit quality or attractiveness as an investment.

In terms of liquid assets, ANF Immobilier takes steps to ensure that the amount of rental income it receives is always sufficient to cover the Group's operating expenses, interest payments, payments for existing financing, and payments for any new financing acquired to support its investment strategy.

ANF Immobilier's liquid assets risk management policy involves monitoring its loan duration and available lines of credit, as well as the diversification of its sources of financing.

Some of ANF Immobilier's loans contain the usual covenants and clauses governing early repayment and financial commitments, which are described in Note 6 to the interim consolidated financial statements for the six months ended June 30, 2016.

Given ANF Immobilier's financial position as of the date of registration of this report, ANF Immobilier does not feel it faces any risks related to liquid assets.

Equity investment risks

As of June 30, 2016, the Company owned 876,245 ANF Immobilier shares (including the ANF Immobilier shares in the liquidity contract), liquid assets and investment securities amounting to €9.0 million. As a result, ANF Immobilier does not feel it faces any significant risks related to equity investments.

Foreign exchange risk

As of the date of this report, ANF Immobilier generates all its revenue in the euro zone and pays all its expenses (including investment costs) in euros. As a result, the Company is not exposed to any foreign exchange risks.

Company-specific risks

Risks related to the Company's shareholding structure

As of the date of this report, Eurazeo is the majority shareholder of ANF Immobilier in terms of shares and voting rights. Consequently, Eurazeo has significant influence over ANF Immobilier and the way it runs its business. Therefore, Eurazeo can make important decisions regarding not only the composition of the Executive and Supervisory Boards, approval of the financial statements, and dividend payouts, but also ANF Immobilier's capital or its Articles of Incorporation.

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