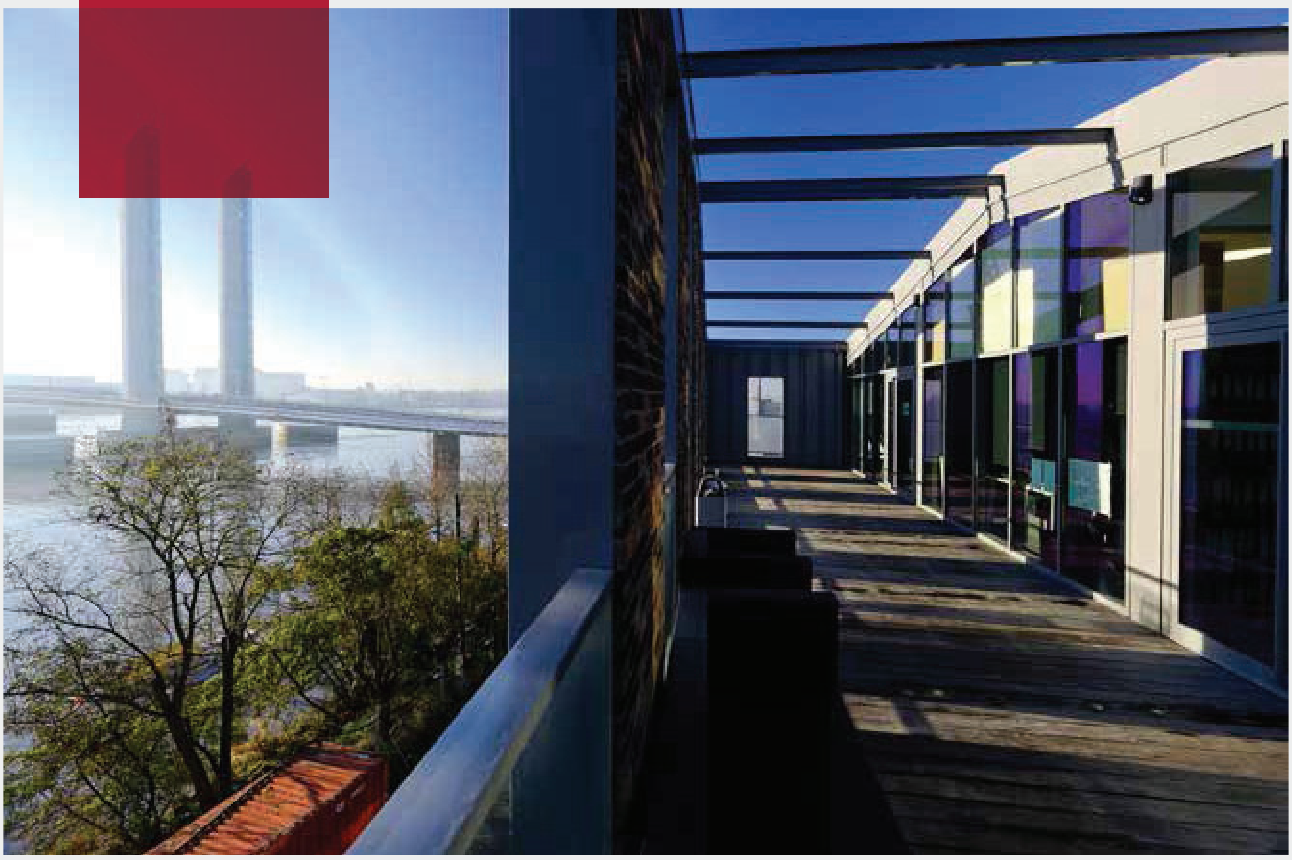
ANF IMMOBILIER

2014

HALF-YEARLY FINANCIAL REPORT

PLAYER IN THE DEVELOPMENT OF LARGE REGIONAL CITIES



SUMMARY

FINANCIAL REPORT FOR THE HALF-YEAR ENDED JUNE 30, 2014

Management report

Operations

Consolidated rental income for the first half of 2014 totaled €19.2 million, up 12% compared with the first half of 2013 and up 14% on the scope restated for disposals. In the same period in 2013, ANF Immobilier reported €17.1 million in rental income.

Thirty-four percent of first-half rental income was derived from retail premises, 29% from offices, 19% from housing, 14% from hotels and 4% from car parks and other surfaces.

In Marseille, growth in rental income was driven primarily by revenue generated by the redevelopment of Block 20 as student housing and the successful commercialization of offices and the hotel on Block 34. In Lyon, rental income was impacted by the acquisition in February of the current headquarters of the Adecco France Group in the Tête d'Or district. In Bordeaux, rental income increased slightly thanks to the leasing of a restaurant, part of the Nautilus project in the Bassins à Flot district.

Other reinvoiced income and expenses amounted to €2,0 million as of June 30, 2014. Property expenses were relatively stable at €3.4 million. Management costs and other income and expenses totaled €5.0 million. Operating income before changes in fair value was €12.5 million.

EBITDA totaled €12.8 million, an increase of 12% compared with the first half of 2013. The EBITDA margin gained 5 percentage points compared with 2013, bringing it to 67%.

Financial expense for the first half of 2014 represented a recurring net financial expense of €5.1 million. The balance was impacted by non-recurring items such as costs for the establishment of the new loan in the amount of €1.2 million, implying net financial expense of €6.3 million.

After deducting recurring financial expenses, current cash flow was €7.7 million.

The change in real estate value was a negative €18.5 million, reflecting a moderate decline of around 5% restricted to the value of residential assets in Marseille, consistent with recent market transactions. Consolidated net income was accordingly a loss of €13.7 million, compared with a profit of €10.8 million in the six months to June 30, 2013.

Development

ANF Immobilier invested €74.8 million during the first half, breaking down as €55.8 million in new acquisitions, €11.6 million in refurbishment/redevelopment of existing buildings and €7.4 million in work on existing land reserves.

During the half-year, in line with our goal of geographic diversification, over 80% of new acquisitions were in the cities of Lyon and Bordeaux:

- further development of the new Alstom Transport site, representing more than 36,000 sq.m. of office space in the Carré de Soie district in Lyon, with delivery scheduled for mid-2015;
- implementation of a dual real estate transaction that will ultimately have total developed area of 38,000 sq.m. in office space in the Tête d'Or and Carré de Soie districts in Lyon with the Adecco France Group;
- progress on work on sites in the Bassins à Flot district in Bordeaux, representing nearly 10,000 sq.m. in office space (second tranche of the Nautilus project and the La Fabrique project) to be handed over in 2014.

In addition to these investments, €11.8 million was split between the acquisition of a new hotel in Perpignan and the development of three new hotels located in Bordeaux-Bègles and near the new Stade Vélodrome in Marseille.

Investments related to the structure and development of existing land reserves mainly comprise the redevelopment of Block 20 in Marseille as student housing and the development of Block 34, the offices and hotel of which have been fully leased.

The Group committed €84 million for new acquisitions in the first half of 2014, under its 2013-2017 investment plan of €240 million. By end-2014, the plan will have been secured in the proportion of 111%, or €266 million.

This significant progress was impacted by the recent investment made by ANF Immobilier and Vinci Immobilier on a mixed-use development on the Armagnac Block in Bordeaux with a total area of 46,000 sq.m., adjacent to the future LGV (high-speed line) station. Under the terms of the project, ANF Immobilier will retain ownership of a 3-star hotel and two office buildings covering a total of 20,000 sq.m., one of which could be leased to GDF Suez. This major project, which is scheduled for delivery in 2017, is an opportunity for ANF Immobilier to consolidate its position in Bordeaux.

Disposals

ANF Immobilier continued its asset disposal program, selling properties in a total amount of €23.5 million during the half-year. Disposals mainly concerned hotel assets in the amount of €10.7 million, on which agreements to sell had already been signed in December 2013, and existing housing units in the amount of €9.0 million.

Forty-seven percent or €238 million of the disposal program initiated in 2013 had been completed as of end-June 2014, compared with 24% as of end-2013. This significant progress is attributable chiefly to the future sale of Blocks 15, 18, 23 in Marseille, representing 216 housing units or 16,000 sq.m. of renovations. These assets are located in the central part of Rue de la République (Section 2), where ANF Immobilier is not the only owner and cannot carry out full rehabilitation programs as it did in the first section of the Rue de la République adjacent to the Vieux Port. This disposal reduced ANF Immobilier's exposure to residential property in Marseilles by nearly 20% and the housing vacancy rate in Marseilles by 30%.

Property appraisal

The real estate value of ANF Immobilier's portfolio exceeds €1 billion, totaling €1,004 million as of June 30, 2014. The real estate market was stable for most asset classes, with interest still being shown in prime assets, in particular tertiary premises. However, vacant housing units in Marseille were affected by a decline of approximately 5% in asset value due to local market conditions and recent transactions identified by appraisers.

Therefore, rental yields estimated by real estate appraisers were generally stable for retail premises, offices in city centers and new city centers. For vacant housing units, appraisers noted a significant increase of around 15 percentage points in rental yields in Marseille and a significant decline of around 5 percentage points in the best yields in Lyon compared with end-2013. NNNAV amounted to €28.9 per share as of June 30, 2014.

Debt

In the first half, ANF Immobilier gave itself the means to achieve its strategy, obtaining funding of €400 million from four partner banks, Natixis, BECM, BNPP and CACIB, in May. The new €400 million loan is similar to a mortgage, with a maturity of seven years. It is consistent with the expansion strategy established in early 2013.

As of June 30, 2014, ANF Immobilier's net debt amounted to €449.2 million. In addition, at the date of the interim financial statements, the Group had €112 million in undrawn credit facilities available. At 42.2%, ANF Immobilier's debt ratio was still very well within its *covenants.* ANF Immobilier bolstered its resilience in a fast-changing economic environment. The average cost of debt, at around 3.6%, reflects the cost of the €400 million in new mortgage debt negotiated at an average rate of 3.1%, the cost of which is temporarily affected by former hedging instruments with maturities ranging from June 2016 to June 2018.

Outlook

In 2014, the Group's rental income is expected to grow by 12% at constant scope restated for disposals, thanks notably to the good performance of the retail premises activity and new acquisitions. In Marseille, the reduction in residential vacancies is expected to improve with the sale of vacant apartments.

The Group's medium-term strategy consists of re-balancing the content of its portfolio by moving towards high value-added investment programs. ANF Immobilier will dispose of its mature assets in order to reinvest in higher yield operations. In particular, ANF Immobilier will develop its locations in Marseille, Lyon and Bordeaux, where it intends to establish a critical size. The objective is thus to achieve a high rental upgrade by 2017 totaling €67 million, while maintaining a sound financial balance.

Related party transactions

Note 14 to the half-year financial statements sets out the related party transactions that took place over the half-year. ANF Immobilier has no financial commitments in respect of related parties other than those indicated in Note 14.

Declaration by management

"To the best of my knowledge, the consolidated financial statements for the six months to June 30, 2014 have been prepared in accordance with the applicable accounting standards and give a true picture of the assets and liabilities, financial situation and income of the ANF Immobilier Group, and the half-year management report presents a true picture of the information mentioned in Article 222-6 of the General Regulation of the AMF."

Bruno KELLER

Chairman of the Executive Board

CONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2014

Consolidated statement of financial position

Consolidated balance sheet – assets

(€ thousands)	Note	06/30/2014	12/31/2013	12/31/2012
Non-current assets				
Investment property	1	945,785	932,305	848,385
Property, plant and equipment in progress	1	0	0	0
Operating properties	1	1,695	1,752	1,602
Intangible assets	1	132	117	267
Property, plant and equipment	1	1,342	1,408	1,190
Non-current financial assets	1	4,429	4,942	8,891
Investments in equity-accounted entities		736	163	246
Deferred tax assets	13	0	0	0
Total non-current assets		**954,119**	**940,687**	**860,580**
Current assets				
Trade receivables	2	4,397	3,579	1,792
Other receivables	2	5,151	1,712	3,481
Prepaid expenses	5	310	98	55
Financial derivatives	9	0	0	0
Cash and cash equivalents	4	40,056	2,760	22,257
Total current assets		**49,913**	**8,149**	**27,585**
Property held for sale	1	55,741	35,010	33,064
TOTAL ASSETS		**1,059,773**	**983,846**	**921,229**

Consolidated balance sheet – liabilities and equity

(€ thousands)	Note	06/30/2014	12/31/2013	12/31/2012
Shareholders' equity				
Capital stock	12	18,351	17,731	17,731
Additional paid-in capital		24,717	12,486	12,486
Treasury shares	8	(20,539)	(18,069)	(11,098)
Hedging reserve on financial instruments		(20,852)	(10,270)	(17,712)
Company reserves		205,694	224,400	90,289
Consolidated reserves		319,641	290,706	506,987
Net income (loss) for the year		(13,434)	28,000	(65,145)
Total shareholders' equity attributable to equity holders of the parent		**513,578**	**544,985**	**533,538**
Minority interests		(227)	0	0
Total shareholders' equity		**513,351**	**544,985**	**533,538**
Non-current liabilities				
Financial liabilities	3	493,090	159,262	286,378
Debt issue costs		(8,163)	0	0
Provisions for pensions	7	57	57	57
Tax and social security liabilities	3	0	0	0
Deferred tax liabilities	13	0	0	0
Total non-current liabilities		**484,983**	**159,319**	**286,434**
Current liabilities				
Trade payables	3	22,662	8,427	13,863
Current financial liabilities	3	4,299	235,309	27,677
Financial derivatives	9	22,839	20,808	39,434
Security deposits	3	4,018	3,091	2,972
Short-term provisions	7	709	902	1,577
Tax and social security liabilities	3	5,239	5,224	14,242
Other liabilities	3	1,418	5,595	1,276
Deferred income	6	257	186	215
Total current liabilities		**61,439**	**279,543**	**101,256**
Liabilities on properties held for sale		0	0	0
TOTAL LIABILITIES		**1,059,773**	**983,846**	**921,229**

Consolidated, income statement

(€ thousands)	06/30/2014	06/30/2013	06/30/2012
Revenues: rental income	19,203	17,146	38,491
Other operating income	1,995	1,812	3,643
Total operating income	**21,198**	**18,958**	**42,134**
Property expenses	(3,362)	(3,214)	(5,062)
Other operating expenses	(415)	(256)	(321)
Total operating expenses	**(3,776)**	**(3,470)**	**(5,383)**
Gross operating income (loss) from property	**17,422**	**15,488**	**36,751**
Gains (losses) on disposals of assets	190	(502)	453
Gross operating income (loss) from property after disposals	**17,611**	**14,986**	**37,204**
Employee benefits expenses	(3,635)	(3,303)	(5,018)
Other management expenses	(1,630)	(1,333)	(1,933)
Other income and transfers of expenses	753	774	885
Other expenses	(507)	(1,021)	(267)
Accumulated depreciation and amortization	(327)	(263)	(227)
Other operating provisions (net of reversals)	242	660	(80)
Net operating income (loss) before changes in fair value of property	**12,508**	**10,500**	**30,565**
Changes in fair value of property	(18,723)	(3,365)	(3,550)
Net operating income (loss) after changes in fair value of property	**(6,215)**	**13,865**	**27,015**
Net financial expense	(6,267)	(3,096)	(8,841)
Financial amortization and provisions	(21)	0	1
Gains (losses) on financial instruments	3,085	576	(111)
Share of net income (loss) of equity-accounted entities	(172)	(89)	19
Net income (loss) before tax	**(9,589)**	**11,256**	**18,083**
Current taxes	(4,072)	(490)	(127)
Deferred taxes	0	0	0
Net consolidated income (loss)	**(13,661)**	**10,766**	**17,956**
Of which minority interests	(227)	0	0
Of which attributable to equity holders of the parent	(13,434)	10,766	17,956
Basic earnings per share	**(0.73)**	**0.61**	**0.65**
Diluted earnings per share	**(0.73)**	**0.61**	**0.65**

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

Total comprehensive income (loss)

(€ thousands)	06/30/2014	06/30/2013	06/30/2012
Net consolidated income (loss)	**(13,661)**	**10,766**	**17,956**
Impact from financial instruments	(10,582)	5,175	(1,949)
Total gains and losses recognized directly in equity	**(10,582)**	**5,175**	**(1,949)**
Total comprehensive income (loss)	**(24,243)**	**15,941**	**16,007**
Of which minority interests	(227)	0	0
Of which attributable to equity holders of the parent	(24,016)	15,941	16,007

Consolidated statement of changes in shareholders' equity

Changes in shareholders' equity	Capital stock	Additional paid-in capital	Treasury shares	Consolidated reserves	Company reserves	Financial instrument reserves	Consolidated net income	Total
Shareholders' equity as of December 31, 2013	**17,731**	**12,486**	**(18,069)**	**290,706**	**224,400**	**(10,270)**	**27,999**	**544,984**
Appropriation of net income	0	0	0	28,812	(813)	0	(27,999)	0
Dividends	620	12,231	0	0	(17,893)	0	0	(5,042)
Capital increase	0	0	0	0	0	0	0	0
Interim dividend and distribution of reserves	0	0	0	0	0	0	0	0
Treasury shares	0	0	(2,470)	0	0	0	0	(2,470)
Changes in fair value of hedging instruments	0	0	0	0	0	(10,582)	0	(10,582)
Stock options, warrants, bonus shares	0	0	0	122	0	0	0	122
Other adjustments	0	0	0	0	0	0	0	0
Net income (loss) for the year (excl. appropriation to reserves)	0	0	0	0	0	0	(13,434)	(13,434)
Shareholders' equity as of June 30, 2014	**18,351**	**24,717**	**(20,539)**	**319,641**	**205,694**	**(20,852)**	**(13,434)**	**513,578**

Changes in shareholders' equity	Capital stock	Additional paid-in capital	Treasury shares	Consolidated reserves	Company reserves	Financial instrument reserves	Consolidated net income	Total
Shareholders' equity as of December 31, 2012	**17,731**	**12,486**	**(11,098)**	**506,987**	**90,289**	**(17,712)**	**(65,145)**	**533,538**
Appropriation of net income	0	0	0	(216,648)	151,504	0	65,145	0
Dividends	0	0	0	0	(17,392)	0	0	(17,392)
OPRA	0	0	0	0	0	0	0	0
Interim dividend and distribution of reserves	0	0	0	0	0	0	0	0
Treasury shares	0	0	(6,971)	0	0	0	0	(6,971)
Changes in fair value of hedging instruments	0	0	0	0	0	7,442	0	7,442
Stock options, warrants, bonus shares	0	0	0	368	0	0	0	368
Other adjustments	0	0	0	0	0	0	0	0
Net income (loss) for the year (excl. appropriation to reserves)	0	0	0	0	0	0	27,999	27,999
Shareholders' equity as of December 31, 2013	**17,731**	**12,486**	**(18,069)**	**290,706**	**224,400**	**(10,270)**	**27,999**	**544,984**

Cash flow statement

(€ thousands)	06/30/2014	12/31/2013	12/31/2012
Cash flows from operations			
Net income	**(13,661)**	**27,999**	**(65,145)**
Depreciation allowances & provisions	155	6	1,927
Gains (losses) on disposals of assets	(190)	1,544	53,929
Changes in value of properties	18,723	(16,838)	15,705
Changes in fair value of financial instruments	(8,551)	(11,184)	23,066
(Income) expenses from share-based compensation	122	368	518
Taxes and charges on distributions	4,072	0	11,626
Operating cash flows before changes in working capital requirements	**669**	**1,895**	**41,626**
Changes in working capital requirements			
Operating receivables	(515)	87	(836)
Operating liabilities excluding SIIC option liabilities	(8,526)	(11,016)	9,416
Cash flows from operations	**(8,372)**	**(9,034)**	**50,205**
Cash flows from investing activities			
Acquisition of non-current assets	(56,929)	(88,056)	(91,547)
Disposal of property	19,587	23,055	793,526
Changes in non-current financial assets	(62)	4,043	(8,709)
Cash flows from investing activities	**(37,404)**	**(60,959)**	**693,270**
Cash flows from financing activities			
Dividends paid	(5,042)	(17,392)	(228,610)
Changes in capital stock	0	0	(312,375)
Taxes and expenses related to distribution	(4,072)	(5,656)	(11,626)
Purchase of treasury shares	(2,470)	(6,971)	(402)
Proceeds from new loans and other borrowings	437,874	107,810	48,834
Repayments of loans and other borrowings	(342,766)	(27,708)	(254,709)
Cash flows from financing activities	**83,525**	**50,083**	**(758,888)**
Net increase (decrease) in cash and cash equivalents	**37,748**	**(19,910)**	**(15,413)**
Cash and cash equivalents at beginning of year	2,062	21,972	37,385
Cash and cash equivalents at end of year	39,811	2,062	21,972

Notes to the consolidated financial statements

Detailed summary

Significant events of the year

Investments

Work performed on and investments in city-center real estate assets totaled €0.9 million in Lyon and €12.7 million in Marseille.

The finalization of the mixed-use project on Block 34 in Marseille took place in the first quarter of 2014, representing an additional investment of €2.5 million.

Also in Marseille, the Company completed the refurbishment of Block 20 (refurbishment of housing units, retail premises and facades). This refurbishment represented an investment of €5.7 million in the first half.

In 2011, ANF Immobilier acquired a 13,000 sq.m. property in Bordeaux to be used primarily for office space for the sum of €27.4 million excluding tax. This property is to be handed over in several tranches. The first tranche was delivered in September 2012. In 2014, €5.4 million was spent on the second tranche of this investment.

Also in Bordeaux, in June 2013, ANF Immobilier purchased off plan a new 3,733 sqm property complex primarily comprising office space. The property is expected to be handed over at the end of 2014. During the first half of 2014, €4.7 million was spent on this investment.

In Lyon, ANF Immobilier continued its investment in partnership in a 36,000 sq.m. office building, which is due to be handed over mid-2015, representing €22.3 million in the first half. This property has been fully leased off plan to Alstom Transport for a firm period of 12 years. Similarly, ANF Immobilier acquired in February 2014 the current headquarters of Adecco, located near the Parc de la Tête d'Or in Lyon, for €17.8 million.

At end-June 2014, ANF Immobilier transferred six hotel premises to its new subsidiary, ANF Immobilier Hôtels. This subsidiary, a partnership with Eurazeo and Caisse d'Epargne Provence Alpes Côte d'Azur, in turn invested in the first half in a B&B hotel in Perpignan, a B&B hotel in Bègles and the two future hotels of the Stade Vélodrome in Marseille. These investments represented a total of €5 million in the first half of 2014.

Disposals

In the first half of 2014, ANF Immobilier finalized several disposals of assets in Marseille and Lyon, as well as hotel assets.

In Lyon, ANF Immobilier sold to Vinci Immobilier the floors of the block of the Banque de France for a sale price of €6 million. The Company also sold residential and office units in its buildings at 2, 3, and 4 rue de la République for €3.8 million.

In Marseille, the Company completed the disposal of various free-standing and non-strategic buildings on Rue de Rome (€0.8 million), Rue d'Italie (€0.7 million) and Boulevard Rabatau (€0.7 million), and continued sales by lots on the city-center "Pavillon Vacon" Block (€0.9 million).

Finally, as regards its hotel properties, ANF Immobilier sold three B&B hotels to Foncière des Murs for a sale price of €11 million. These hotels had been subject to a sale agreement since November 2012.

Operations

Rental income amounted to €19.2 million.

Growth in rental income on property assets was 12%, and 14% restated for disposals in 2013.

EBITDA was €12.8 million, an increase of 12%.

After deducting net financial expenses, current cash flow was €6.5 million.

Property appraisal

In the six months to June 30, 2014, ANF Immobilier's assets were impacted by an increase in registration fees, as well as by lower values per square meter in the housing market in Marseille.

Change in the fair value of buildings was a negative €18.7 million, due mainly to the factors cited above, as well as the cost of selling housing units in Marseille and hotels in the rest of the portfolio.

Financing

The amount of undrawn credit lines was €112 million.

The average cost of debt was 3.6%. Gross debt was €472 million; no significant repayments are due before May 2021. The LTV ratio was 42.2%.

ANF Immobilier refinanced its main credit line, which would have expired in June 2014, and consolidated two other lines of credit for an amount of €340 million. The new seven-year loan is a mortgage and provides an additional €60 million to help the Company develop in the medium term.

Events after the reporting period

No significant events have occurred since June 30, 2014.

Change in accounting policies

The accounting policies and methods used for the fiscal year are identical to those used for the two previous years.

The new standards and interpretations applicable from January 1, 2014 did not have a material impact on ANF Immobilier's consolidated financial statements, and are described in the Note entitled "Consolidation principles and methods."

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 half-year ended June 30, 2014 were prepared in accordance with IFRS as adopted by the European Union.

The consolidated financial statements cover the period from January 1, 2014 to June 30, 2014. They were approved by the Executive Board on July 15, 2014.

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, 2014.

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, 2014

The standards and interpretations applied for the consolidated financial statements for the half-year ended June 30, 2014 are identical to those used for the consolidated financial statements for the year ended December 31, 2013.

The new mandatory standards, revisions and interpretations applicable as of January 1, 2014 did not have a significant impact on the consolidated financial statements for the half-year ended June 30, 2014:

- IFRIC 21: Levies charged by public authorities;
- Limited amendments to IAS 19: Employee benefits;
- IFRS 14: Regulatory deferral accounts.

Moreover, ANF Immobilier has not applied prospectively the most recent standards and interpretations for which application is only mandatory for fiscal years starting after January 1, 2015.

Basis of consolidation

The consolidation methods used by the Group are full consolidation and the equity method:

- subsidiaries (companies in which the Group has the power to direct financial and operating policies to obtain economic benefits) are fully consolidated;
- the equity method is used for associates over which the Group has significant influence, which is assumed to be the case where the percentage of owned voting rights is 20% or more. Under this method, the Group recognizes its “share of income from entities accounted for by the equity method” on a separate line in the consolidated income statement.

Scope of consolidation

The ANF Immobilier Group consolidated nine companies as of June 30, 2014 (compared with eight companies as of December 31, 2013). The changes in the scope of consolidation compared to December 31, 2012 are described below:

- in the first half of 2014, ANF Immobilier established ANF Immobilier Développement SAS, wholly owned by ANF Immobilier, which will house various property development projects in the future. As of June 30, 2014, this company had not recorded any real activity.

As a reminder, as of December 31, 2013, the ANF Immobilier Group’s scope of consolidation comprised:

- ANF République and Bassins à Flots SNC, which it still wholly owns. These two companies are fully consolidated;
- JDML, owner of a real estate complex in Marseille, which is 49.99%-owned by ANF Immobilier. This company is consolidated by the equity method;
- 1-3 rue d’Hozier SCCV, which is 45%-owned by ANF Immobilier and successfully completed the construction/sale project for the Fauchier housing units. As ANF Immobilier does not control this company, it is consolidated by the equity method;
- Silky Way SCI, 65%-owned by ANF Immobilier, which is carrying out a major real estate transaction in the Carré de Soie district in Villeurbanne near Lyon. This entity is fully consolidated;
- Future Way SCI, 95%-owned by ANF Immobilier as of June 30, 2014, which houses an office building acquired near the Parc de la Tête d’Or in Lyon. This entity is fully consolidated;
- New Way SCI, 95%-owned by ANF Immobilier, which will carry out a major office development in the Carré de Soie business district in Villeurbanne near Lyon. As of June 30, 2014, this company had not recorded any real activity;
- ANF Immobilier Hôtels SCI, 51%-owned as of June 30, 2014. This entity, which houses the Group’s hotel assets, is fully consolidated.

All internal transactions and balances were eliminated upon consolidation in proportion to ANF Immobilier Group’s interest in its subsidiaries.

Segment reporting

IFRS 8 requires entities whose equity or debt securities are traded on an organized market or issued on a public securities market to present information by business segment and geographical sector.

Segment reporting is prepared on the basis of criteria relating to business activities and geographic regions. 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.

The second level of information to be provided is by geographical area. It is applied to city-center properties only (since the hotels are dispersed throughout France, a geographical distribution is irrelevant):

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

IFRS 8 "Operating segments" requires that the information published by an entity enable users of its financial statements to evaluate the nature and financial impact of the type of business activities in which it engages and the economic environment in which it operates.

The Company has decided to continue presenting its segment reporting as in previous years, with a breakdown by business segments (Hotels and City-center properties) and a geographical breakdown of its city-center properties (Lyon, Marseille and Bordeaux).

Real estate assets

Investment property (IAS 40)

IAS 40 defines investment property as property held by the owner or lessee (under a finance lease) to earn rental income or for capital appreciation, or both, as opposed to:

- using this property for the production or supply of goods or services or for administrative purposes;
- selling it in the normal course of a trading business (property dealing).

Assets acquired under credit-leases correspond to finance lease contracts and are recognized as assets in the balance sheet, and the corresponding loans are recognized as liabilities under financial debt. Correspondingly, the lease payments are cancelled and the financial expense stemming from the financing along with the fair value of the asset are recognized in accordance with the Group's accounting methods.

The ANF Immobilier Group has opted to measure its investment property at fair value. This option does not apply to operating property, which is measured at historical cost less accumulated depreciation and any value impairments.

The fair value of the real estate assets is determined at each financial statement closing date by two independent real estate experts (Jones Lang LaSalle and BNP Paribas Real Estate Expertise), which appraise the properties of the Group in a context of sustainable ownership. The fair value is the appraisal value excluding transfer taxes.

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 change in the fair value of investment property is recognized in the income statement.

These properties are not therefore subject to depreciation or value impairment. Any change in fair value for each property is recognized in the income statement for the period and is determined as follows:

Change in fair value = Market value N - [market value N-1 + capitalized work and expenses for period N].

Investment properties, including redevelopment projects, are recognized at fair value.

Buildings under construction can enter the scope of IAS 40 and be measured at fair value. In view of the Company's developments, the ANF Immobilier Group used this option in the first half of 2014 for projects whose fair value can be measured reliably.

The Group believes that a building under construction can be measured reliably if it meets the following conditions:

- administrative approvals are final;
- construction costs have been approved and construction started;
- significant marketing has taken place (lifting uncertainty on future revenue).

The fair value of these projects is determined by appraisers who assess the value of the property when handed over, from which are deducted total direct and indirect costs related to the transaction and that have yet to be incurred.

Virtually all of the real estate assets of ANF Immobilier are recognized as investment properties.

Gains (or losses) on disposals of investment properties are calculated with reference to the most recent fair value recognized at the previous balance sheet date.

Fair value measurement (IFRS 13)

IFRS 13 defines fair value as the price that would be received when selling an asset or paid when transferring a liability in a normal transaction between market participants. The standard establishes a three-level fair value hierarchy for measurement inputs:

- level 1: prices quoted (unadjusted) on an active market for identical assets/liabilities and available at the measurement date;
- level 2: valuation models that use directly or indirectly observable input data on an active market;
- level 3: valuation models that use unobservable input data on an active market.

The appropriate level of the fair value hierarchy is thus determined in reference to the levels of the inputs in the valuation technique. When using a valuation technique that is based on inputs from different levels, the lowest fair value level is selected.

Consequently, the application of IFRS 13 “Fair Value Measurement” leads to more detailed disclosures regarding the Group’s asset appraisal methodologies (yield, capitalization rate, annual rents in €/sq.m., etc.) and valuation of derivatives (inclusion of counterparty risk).

However, the asset appraisal methodologies used by independent real estate appraisers have not been impacted by the adoption of IFRS 13.

Assets held for sale (IFRS 5)

In accordance with IFRS 5, when the Group has undertaken to sell an asset or group of assets, it classifies them as assets held for sale under current assets in the balance sheet at their most recent known fair value.

Properties included in this category continue to be measured using the fair value approach.

To be classified as an “asset held for sale,” a property must meet all of the following criteria:

- the asset must be immediately available for sale in its current condition;
- a sale must be highly likely, formalized through the notification of the Properties Committee, a decision of the Executive Board or Supervisory Board and an offer to buy.

Properties meeting these criteria are presented on a separate line in the balance sheet.

As of June 30, 2014, three housing blocks in Marseille, four hotels in France, one building and six groups of lots, valued at a total of €55.7 million, were held for sale.

Depreciation of operating properties valued at amortized cost ceases from the date on which these properties are classified as held for sale.

Operating properties and other property, plant and equipment (IAS 16)

The Group’s operating property is measured at historical cost less accumulated depreciation and any value impairment.

Moreover, other property, plant and equipment includes computer equipment and furniture.

The following depreciation periods are used:

• structures:	50 to 75 years;
• facades and waterproofing:	20 years;
• general fittings (including lifts):	15 to 20 years;
• fixtures:	10 years;
• asbestos, lead and energy diagnostics:	5 to 9 years;
• furniture, office and computer equipment:	3 to 10 years.

Intangible assets (IAS 38) and impairment of assets (IAS 36)

An intangible asset is a non-monetary item with no physical substance that must be both identifiable and controlled by the Company by virtue of past events and from which future economic benefits are expected.

An intangible asset is identifiable if it can be separated from the entity acquired or it is the consequence of legal or contractual rights. Intangible assets whose useful life can be determined are amortized linearly over periods that correspond to their projected useful life.

The following depreciation periods are used:

- concessions, patents and rights: 1 to 10 years.

IAS 36 "Impairment of Assets" applies to tangible and intangible assets, financial assets and unallocated goodwill.

At each balance sheet date, the Group assesses whether there are any indications that an asset has lost value. If an indication of impairment is identified, the asset's recoverable amount is compared to its net carrying amount and an impairment loss may accordingly be recognized.

An indication of impairment may be either a change in the asset's economic or technical environment or a decline in the asset's market value. The appraisals carried out make it possible to measure any impairment losses.

Expenses related to the acquisition of software licenses are recognized as assets on the basis of the costs incurred to acquire and get the relevant software operational. These costs are amortized over the estimated useful life of the software (between three and five years).

Operating lease receivables

Operating lease receivables is valuated at the amortized cost and is subject to an impairment test when there is an indication that the asset could have lost value.

An individual analysis is conducted on the closing date of each financial period in order to assess as fairly as possible the non recovery risk of any receivable and any requisite provisions.

Cash and marketable securities

Marketable securities are generally comprised of money market funds and are listed at their fair value on the balance sheet. All these marketable securities have been deemed cash equivalents.

Treasury shares (IAS 32)

Treasury shares held by the Group are deducted from the consolidated shareholders' equity at their acquisition value.

As of June 30, 2014, the Company held 747,944 treasury shares. 160,816 treasury shares were acquired over the fiscal year, and 49,409 were sold after stock options were exercised.

Financial liabilities (IAS 32-39)

Financial liabilities consists of loans and other interest-bearing liabilities. It is recognized at amortized cost using the effective interest rate method.

Loan issue costs are recognized under IFRS as a deduction from the nominal amount of the loan. The portion of financial liabilities due in less than a year is classified as current financial liabilities.

In the case of financial liabilities resulting from the recognition of finance leases, the financial liability recognized to offset the item of property, plant and equipment is initially recognized at the fair value of the leased asset or, if lower, the present value of minimum lease payments.

Security deposits are deemed to be short-term liabilities and are not discounted.

Derivative instruments (IAS 39)

IAS 39 distinguishes between two types of interest rate hedging:

- hedging of balance sheet items, the fair value of which fluctuates as a result of interest rate risk ("fair *value hedge*");
- hedging the risk of future cash flow variability ("cash *flow hedge"),* which consists of fixing the future cash flows of a variable-rate financial instrument.

Certain derivatives associated with specific financings qualify as cash flow hedges under accounting regulations. In accordance with IAS 39, only changes in the fair value of the effective portion of these derivatives, as measured by prospective and retrospective effectiveness tests, are recognized in shareholders' equity. Any changes in the fair value of the ineffective portion of the hedge are recognized in income.

The ANF Immobilier Group uses cash-*flow-hedge financial derivatives* (swaps) to hedge its exposure to risk stemming from interest rate fluctuations.

Discounting of deferred payments

The Group's long-term payables and receivables are discounted where the impact is material:

- security deposits received are not discounted, since the discounting effect is not material and there is no reliable discounting schedule;
- long-term liability provisions under IAS 37 are discounted over the estimated length of the disputes to which they relate.

Current and deferred tax (IAS 12)

SIIC tax regime

The switch to the SIIC tax regime results in a complete exemption from income tax. However, an exit tax at a reduced rate of 16.5% on unrealized gains from properties and interests in entities not subject to income tax becomes immediately due. This tax was fully paid as of December 31, 2012.

Common law and the deferred tax regime

Deferred tax is recognized where there are temporary differences between the carrying amounts of assets and liabilities in the balance sheet and their tax bases, where these give rise to taxable sums in the future.

A deferred tax asset is recognized where tax losses may be carried forward on the assumption that the relevant entity is likely in the future to generate taxable profits, against which these tax losses may be charged. Deferred tax assets and liabilities are measured using the liability method at the tax rate assumed to apply in the period in which the asset will be realized or the liability settled, on the basis of the tax rate and tax regulations that have been or will be adopted prior to the balance sheet date. Measurement of deferred tax assets and liabilities must reflect the tax consequences that would result from the manner in which the Company expects to recover or settle the carrying amount of its assets and liabilities at the balance sheet date.

Current and deferred tax is recognized as tax income or expenses in the income statement, except for deferred tax that is recognized or settled upon the acquisition or disposal of a subsidiary or interest, unrealized gains and losses on assets held for sale. In these cases, the corresponding deferred tax is charged to equity.

All property held by ANF Immobilier was included in the scope of the SIIC regime. ANF Immobilier's rental business is thus wholly exempted from income tax, and no deferred tax is recognized.

Leases (IAS 17)

Under IAS 17, a lease is an agreement under which the lessor transfers to the lessee the right to use an asset for a fixed period in return for a payment or series of payments. IAS 17 distinguishes between two kinds of leases:

- a finance lease is a lease that effectively transfers to the lessee virtually all the risks and benefits inherent in ownership of an asset. Transfer of title may or may not occur at the end. For the lessee, the assets are recognized as non-current assets offset by a debt. The asset is recognized at the fair value of the leased asset at the lease start date or, if lower, at the present value of minimum payments;
- an operating lease is any lease other than a finance lease.

Treatment of step rents and rent-free periods

Rental income from operating leases is recognized on a straight line basis over the term of the lease. Step rents and rent-free periods granted are recognized by staggering, reducing or increasing rental income for the period. The reference period used is the initial minimum period of the lease.

Front-end fees

Front-end fees received by the lessor are deemed to be additional rent. The front-end fee forms part of the net sum transferred from the lessee to lessor under the lease. In this regard, the accounting periods during which this net amount is recognized should not be affected by the form of the agreement and payment schedules. These fees are staggered over the initial minimum period of the lease.

Cancellation fees and eviction compensation

Cancellation fees are received from tenants when they cancel the lease before its contractual term. Such fees relate to the old lease and are recognized as income in the period recorded. Where the lessor cancels a lease in progress, it pays eviction compensation to the sitting tenant.

- replacement of a tenant: if payment of eviction compensation makes it possible to alter the level of the asset's performance (a rent increase and hence an increase in the value of the asset), under IAS 16 revised, this expenditure may be capitalized in the cost of the asset subject to this increase in value being confirmed by appraisers. Should this not be the case, the cost is recognized as an expense;
- refurbishment of a property requiring the departure of sitting tenants: if payment of an eviction fee is part of the major refurbishment or reconstruction of a property for which the tenants must vacate prior to commencement, this cost is considered a preliminary expenditure included as an additional component further to the refurbishment.

We have estimated the impact of the restatement of stage payments, rent-free periods and front-end fees identified in the rental base in 2011, 2012, and 2013, according to IAS 17. The arrived estimate is not material and therefore no restatement has been made in the 2011, 2012, and 2013 financial statements.

Residential leases may be terminated by the tenant at any time, with a notice period of one or three months. Leases on retail or office premises may generally be terminated by the lessee after each three-year period, with a notice period of six months. Leasing agreements with B&B on hotels have a firm duration of 12 years, expiring in 2019.

Employee benefits (IAS 19)

For defined contribution schemes, Group payments are expensed in the period to which they relate.

For defined benefit schemes involving post-employment benefits, the cost of the benefits is estimated using the projected unit credit method.

Under this method, rights to benefits are allocated to periods of service on the basis of the scheme rights vesting formula, allowing for a linearization effect when the pace at which rights vest is not uniform over subsequent periods of service.

The amounts of future payments in respect of employee benefits are measured on the basis of assumptions regarding salary increases, retirement age and mortality rates, and then discounted to their present value using the interest rate on long-term bonds from top quality issuers. Actuarial differences for the period are directly recognized in consolidated equity.

The ANF Immobilier Group has established a defined benefit scheme. Pension commitments relating to this scheme are managed by an insurance company. A €0.8 million expense was recognized over the fiscal year to cover, in particular, estimated commitments as of June 30, 2014.

Share-based payments (IFRS 2)

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. There was no transaction involving share-based payment during the period.

During the first half of 2014, 49,409 options were exercised. They related to the 2008 option plan.

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.

In order to factor in the distribution of reserves and the public buyback offer that took place pursuant to the decisions taken by the Ordinary and Extraordinary Shareholders' Meeting of November 21, 2012, the Executive Board, at its January 21, 2013 meeting, adjusted the exercise terms of the 2007-2011 stock option plans.

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

Terms of the stock option plans	2007 plan	2008 plan	2009 plan	2010 plan	2011 plan	2012 plan
Date of the Extraordinary Shareholders' Meeting	05/04/2005	05/14/2008	05/14/2008	05/14/2008	05/17/2011	05/17/2011
Date of the Executive Board's decision	12/17/2007	12/19/2008	12/14/2009	12/15/2010	12/22/2011	04/02/2013
Total number of options granted	159,159	179,840	224,659	219,323	216,075	105,850
• of which corporate officers	125,560	143,613	185,642	176,010	173,412	86,525
• of which top ten employee recipients	33,599	36,227	36,175	38,969	39,473	19,325
Number of shares that may be purchased	159,159	179,840	224,659	219,323	216,075	105,850
• of which corporate officers	125,560	143,613	185,642	176,010	173,412	86,525
• of which top ten employee recipients	33,599	0	36,175	38,969	39,473	19,325
Exercise date of options	The options may be exercised once vested					
Expiration date	12/17/2007	12/19/2008	12/14/2019	12/15/2020	12/22/2021	04/02/2023
Purchase price per share	29.73	19.42	22.55	23.72	21.53	21.81
Terms of exercise	Final vesting of options in phases:					
First tranche after a period of two years, i.e.	12/17/2009	12/19/2010	12/14/2011	12/15/2012	12/22/2013	03/31/2015
Second tranche after a period of three years, i.e.	12/17/2010	12/19/2011	12/14/2012	12/15/2013	12/22/2014	03/31/2016
Third tranche after a period of four years, i.e.	12/17/2011	12/19/2012	12/14/2013	12/15/2014	12/22/2015	03/31/2017
Exercise subject to future performance	no	yes	yes	yes	yes	yes
Number of shares purchased as of June 30, 2014	0	85,636	0	0	0	0
Number of options canceled as of June 30, 2014	0	0	0	0	0	0
Total number of options outstanding	159,159	94,204	224,659	219,323	216,075	105,850

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.

Accordingly, on the basis of the above adjustments, the number of options allocated to 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
Bruno Keller	83,825	91,384	113,364	110,725	109,092	54,433
Xavier de Lacoste Lareymondie	37,575	45,182	54,559	53,381	52,592	26,241
Brigitte Perinetti	4,160	0	5,671	0	0	0
Ghislaine Seguin	0	7,047	12,048	11,904	11,728	5,851
Corporate officers	**125,560**	**143,613**	**185,642**	**176,010**	**173,412**	**86,525**
Employees	33,599	0	39,017	43,313	42,663	19,325
TOTAL	**159,159**	**143,613**	**224,659**	**219,323**	**216,075**	**105,850**

At its meeting of April 2, 2013, the Executive Board granted stock options to the members of the Executive Board as well as qualifying personnel, as defined by the resolutions of the Shareholders' Meeting. The grantees had the opportunity to convert 30% of half of their granted options into bonus shares (delivered for free). After this transaction, the number of shares under option for each beneficiary of the 2012 plan is as follows:

2012 stock option plan – Stock options converted into bonus shares	
Total options granted during the year	105,850
• Of which: Executive Board	86,525
• Of which: Employees	19,325
Number of bonus shares after conversion of options granted	19,605
• Of which: Executive Board	16,023
• Of which: Employees	3,582
2012 stock options outstanding after conversion by AGM	59,912
• Of which: Executive Board	43,263
• Of which: Employees	16,649

Earnings per share (IAS 33)

Basic earnings per share equate to net income (loss) attributable to holders of common stock of the parent company, divided by the weighted average number of shares outstanding during the period. The average number of shares outstanding during the period is the number of ordinary shares outstanding at the beginning of the period, adjusted for the number of ordinary shares bought back or issued during the period.

To calculate diluted earnings per share, the average number of shares outstanding is adjusted to reflect the effect of dilution from equity instruments issued by the Company that might increase the number of shares outstanding.

Market risk management

Market risks

Owning rental properties exposes the Group to the risk of fluctuations in the value of property assets and rents. However, this exposure is mitigated because:

- the assets are mainly held for the long term and are recognized in the financial statements at their fair value, even if this value is determined on the basis of estimates;
- rental income stems from leasing arrangements, the term and dispersion of which are likely to lessen the impact of fluctuations in the rental market.

Counterparty risk

With a client portfolio of over 300 tenant companies, a high degree of sector diversification, and 900 individual tenants, the Group is not exposed to significant concentration risk.

Financial transactions, particularly the hedging of interest rate risk, are carried out with leading financial institutions.

Liquidity risk

Medium and long-term liquidity risk is managed via multi-year financing plans. Short-term risk is managed via confirmed but undrawn credit facilities.

Interest rate risk

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 resulting from changes in interest rates. The Group does not enter into financial transactions if it entails a risk that cannot be quantified.

To this end, the ANF Immobilier Group arranged 17 interest rate hedging contracts to swap three-month Euribor variable rates for fixed rates.

Fourteen of the new contracts cover ANF Immobilier's new debt, of which €400 million was refinanced in May 2014: €225 million for Calyon debt maturing in June 2014; €35 million for BECM debt; €80 million for BNPP debt; and €60 million for the Company's future developments.

Three of these new contracts cover two new debts housed in the subsidiaries Silky Way SCI and ANF Immobilier Hôtels SCI.

At the end of 2012, €253 million in debt was repaid, and a decision was taken to repay an additional €25 million in January 2013.

These loans were hedged by 15 interest rate hedging contracts to swap three-month or one-month Euribor variable rates for fixed rates. These contracts, which involve total amounts of €247.6 million, for the most part maturing on December 31, 2014, were not canceled, and have accordingly been reclassified as trading instruments.

Additional information *(€ thousands)*

Note 1 Non-current assets

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

Gross amount	Balance as of 12/31/2012	Increase	Reduction	Balance as of 12/31/2013	Increase	Reduction	Balance as of 06/30/2014
Intangible assets	1,324	29	(49)	1,304	52		1,356
Operating properties	2,392	323		2,715	6		2,721
Furniture, office & computer equipment	2,019	561	(408)	2,172	116		2,288
TOTAL	**5,735**	**913**	**(457)**	**6,191**	**174**	**0**	**6,365**

Accumulated depreciation and amortization	Balance as of 12/31/2012	Increase	Reduction	Balance as of 12/31/2013	Increase	Reduction	Balance as of 06/30/2014
Intangible assets	1,057	179	(49)	1,187	37		1,224
Operating properties	790	173		963	63		1,026
Furniture, office & computer equipment	829	225	(290)	764	182		946
TOTAL	**2,676**	**577**	**(339)**	**2,914**	**282**	**0**	**3,196**
NET AMOUNT	**3,059**	**336**	**(118)**	**3,277**	**(108)**	**0**	**3,169**

Investment property

Valuation of properties	Lyon	Marseille	Bordeaux	Hotels	Balance as of 06/30/2014
Investment property	195,043	645,813	36,490	68,439	945,785
Property held for sale	6,973	35,948		12,820	55,741
INVESTMENT PROPERTY AND PROPERTY HELD FOR SALE	**202,016**	**681,761**	**36,490**	**81,259**	**1,001,526**
Operating properties	221	2,491	0	0	2,712
VALUATION OF PROPERTIES	**202,237**	**684,252**	**36,490**	**81,259**	**1,004,238**

Investment property and property held for sale	Lyon	Marseille	Bordeaux	Hotels	Total
Balance as of 12/31/2012	**136,134**	**700,979**	**15,502**	**28,832**	**881,449**
Investments	44,012	36,124	9,658	3,917	93,711
Income from disposals		(23,140)			(23,140)
Change in value	860	14,021	205	209	15,295
Balance as of 12/31/2013	**181,006**	**727,984**	**25,365**	**32,958**	**967,315**
Investments	41,372	12,697	10,317	11,910	76,296
Income from disposals	(9,826)	(3,086)	0	(10,640)	(23,552)
Change in value	3,316	(20,388)	807	(2,268)	(18,533)
Changes in the consolidation scope	(13,834)	(35,438)		49,272	0
Balance as of 06/30/2014	**202,034**	**681,769**	**36,489**	**81,232**	**1,001,526**

Changes in fair value include a €0.2 thousand gain on disposals and an €18,723 thousand increase in the value of properties.

Details of investments	Lyon	Marseille	Bordeaux	Hotels	Total
Acquisitions	40,713	0	9,659	3,928	54,300
Works	3,299	36,124	(1)	(11)	39,411
2013 total	**44,012**	**36,124**	**9,658**	**3,917**	**93,711**
Acquisitions	40,486		10,317	8,917	59,720
Works	886	12,697	0	2,993	16,576
2014 total	**41,372**	**12,697**	**10,317**	**11,910**	**76,296**

Apart from buildings subject to a sales promise, 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.

Rental income capitalization method

The appraisers used two different methodologies to capitalize rental income:

1) current rental income is capitalized up to the end of the existing lease. The capitalized current rent to expiry or revision is added to the capitalized renewal rent to perpetuity. The latter is discounted to the appraisal date on the basis of the date of commencement of capitalization to perpetuity. An average ratio was used between "vacancies" and "renewals" on the basis of historic tenant changes.

   Recognition of market rent may be deferred for a variable vacancy period for any rent-free period, renovation work or marketing period, etc. following the departure of the sitting tenant;

2) for each premises appraised, a rental ratio is calculated, expressed in €/sq.m./year, making it possible to calculate the annual market rent (ratio x weighted floor space).

   An "imputed rent" is estimated and used for the purposes of calculating the income method (capitalized rent). It is determined on the basis of the nature and occupancy level of the premises, and is capitalized at a yield approaching market levels, though where appropriate this includes upward potential.

   The low yields in question include upward rental potential either where a sitting tenant leaves or where rent caps are lifted due to changes in local marketability factors.

Different yields have been applied by use and also between current rental income and rent on renewal. Appraisals also take account of expenditure required to maintain real estate properties (renovation of facades, stairwells, etc.).

Comparison method

In the case of residential premises, an average price per square meter vacant and excluding transfer taxes is ascribed to each premises appraised, based on examples of market transactions for similar assets.

For commercial property, and in particular retail premises (where rent caps cannot be lifted), the ratio of the average price per square meter is closely linked to rental terms.

With regard to the city-center properties, a value after work, a value after work on private areas, a value after work on communal areas and a current condition value are presented for each of the two methods for each property appraised.

The value applied for each premises in its current condition is the average of the two methods, unless the appraiser indicates otherwise. The final value excluding transfer taxes is converted into a value including transfer taxes (by applying transfer taxes at 6.90% for old buildings and 1.80% for new buildings), giving the effective yield for each premises (ratio between actual gross income and the value including transfer taxes).

Developer balance sheet method for redevelopment land

For land available for construction, the appraiser distinguishes between land with planning approval and/or an identified and likely project, and land for which there is no clearly defined project with advanced plans.

In the first instance, the appraiser looks at the project from a development perspective.

For ordinary land reserves, the approach is based on the value per square meter of land available for construction having regard to market prices.

Income method for hotel properties

For each asset, net rent is capitalized on the basis of a weighted yield specific to each hotel based on its characteristics.

The result is a freehold market value for the asset including "transfer taxes" (i.e. total cost of the property including all fees).

Measurement parameters – IFRS 13

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

Given the lack of publicly available data, 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 property (ranges)		Yield	Capitalization rate	Metric values	Rental income per sq.m.
Lyon					
	Residential (excl. law 48)				
	Retail		Not applicable		
	Offices				
Marseille					
	Residential (excl. law 48)	3.05% - 5.45%	3.26% - 5.83%	€2,500 - €5,800/sq.m.	€108 - €164/sq.m.
	Retail	3.80% - 7.45%	4.06% - 7.96%	€1,100 - €18,000/sq.m.	€70 - €1,000/sq.m.
	Offices	5.85% - 6.90%	6.25% - 7.38%	€1,700 - €4,300/sq.m.	€140 - €320/sq.m.
Projects and Developments (ranges)		**Yield**	**Capitalization rate**	**Metric values**	**Rental income per sq.m.**
Lyon (TAT and MilkyWay)					
	Housing	3.80% - 4.70%	4.06% - 5.02%	€3,200 - €4,200/sq.m.	€130 - €190/sq.m.
	Retail	5.55% - 7.20%	5.93% - 7.70%	€2,500 - €14,200/sq.m.	€150 - €1,250/sq.m.
	Offices	5.55% - 6.45%	5.93% - 6.90%	€2,700 - €3,650/sq.m.	€190 - €225/sq.m.
Marseille					
	Housing	3.80% - 5.20%	4.06% - 5.56%	€2,500 - €6,200/sq.m.	€114 - €320/sq.m.
	Retail	5.80% - 6.45%	6.20% - 6.90%	€2,100 - €6,000/sq.m.	€250 - €350/sq.m.
	Offices	5.65% - 6.30%	6.04% - 6.73%	€3,300 - €3,500/sq.m.	€220/sq.m.
Bordeaux					
	Housing	-	-	-	-
	Retail	6.25% - 6.65%	6.68% - 7.11%	€4,550/sq.m.	€250/sq.m.
	Offices	6.50% - 6.30%	6.95% - 6.73%	€2,275/sq.m.	€165/sq.m.
Hotel properties (range)		**Yield**	**Capitalization rate**	**Metric values**	**Rental income per sq.m.**
France					
	Hotel B&B (Block 34 Marseille)	5.65% - 6.05%	5.75% - 6.16%	Not applicable	*
	Other Hotel (Carlton Lyon)	5.05% - 5.45%	5.36% - 5.83%	Not applicable	*

* *For hotels, we have applied a variation of rent collected (guaranteed minimum and/or variable on revenue) by tranche of 2.5%. The impact on the value equals the change in rental yield (considering the fixed rate of return elsewhere).*

Measurement parameters – Jones Lang LaSalle

Historic property (ranges)		Yield	Metric values	Rental income per sq.m.
Lyon				
	Residential (excl. law 48)	4.25% - 4.45%	€1,360 - €3,380/sq.m.	€150 - €200/sq.m.
	Retail	5.50%	€1,160 - €15,450/sq.m.	€55 - €1,190/sq.m.
	Offices	6.25%	€2,600 - €3,590/sq.m.	€150 - €240/sq.m.
Marseille				
	Residential (excl. law 48)	4.40% - 5.30%	€80 - €5,525/sq.m.	€10 - €375/sq.m.
	Retail	5.25% - 7.10%	€390 - €23,750/sq.m.	€25 - €1,500/sq.m.
	Offices	6.00% - 7.10%	€770 - €4,100/sq.m.	€50 - €260/sq.m.
Projects and Developments (ranges)		**Yield**	**Metric values**	**Rental income per sq.m.**
Marseille 68 République and 19 quai Rive Neuve				
	Housing			
	Retail	5.75% - 6.00%	€730 - €6,030/sq.m.	€40 - €550/sq.m.
	Offices	6.65% - 7.20%	€930 - €1,470/sq.m.	€220 - €260/sq.m.
Lyon Silky Way				
	Housing			
	Retail			
	Offices	6.00%	€2,856/sq.m.	€177/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 (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 property concerned ranging from €844.0 million (for a sensitivity step of +0.20) to €916.1 million (for a sensitivity step of -0.20), compared with the carrying amount of €878.7 million as of June 30, 2014.

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 property (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									
Change considered		-0.20%	Difference	-0.10%	Difference	0.10%	Difference	0.20%	Difference
Offices									
Change considered		-0.20%	Difference	-0.10%	Difference	0.10%	Difference	0.20%	Difference
Printemps	€58,035,549	€60,279,692	3.87%	€59,136,447	1.90%	€56,974,674	-1.83%	€55,951,665	-3.59%

	Market value excluding fees used. Capitalization method	Sensitivity of market value to changes in yield							
Marseille (Tr1, Tr2, Block 18, Block 25 and Joliette)									
Change considered		-0.20%	Difference	-0.10%	Difference	0.10%	Difference	0.20%	Difference
Residential (excl. law 48)	€85,518,466	€89,753,505	4.95%	€87,586,924	2.42%	€83,541,607	-2.31%	€81,650,384	-4.52%
Change considered		-0.20%	Difference	-0.10%	Difference	0.10%	Difference	0.20%	Difference
Retail	€96,556,131	€100,171,250	3.74%	€98,303,614	1.81%	€94,870,504	-1.75%	€93,188,671	-3.49%
Change considered		-0.20%	Difference	-0.10%	Difference	0.10%	Difference	0.20%	Difference
Offices	€35,006,084	€36,123,379	3.19%	€35,555,652	1.57%	€34,473,816	-1.52%	€33,958,045	-2.99%
Projects and Developments (ranges)									
Lyon (TAT and MilkyWay)									
Change considered		-0.20%	Difference	-0.10%	Difference	0.10%	Difference	0.20%	Difference
Residential (excl. law 48)	€10,004,752	€10,755,404	7.50%	€10,371,394	3.66%	€9,654,325	-3.50%	€9,319,059	-6.85%
Change considered		-0.20%	Difference	-0.10%	Difference	0.10%	Difference	0.20%	Difference
Retail	€11,971,976	€12,400,851	3.58%	€12,182,800	1.76%	€11,768,025	-1.70%	€11,570,613	-3.35%
Change considered		-0.20%	Difference	-0.10%	Difference	0.10%	Difference	0.20%	Difference
Offices	€17,192,344	€17,817,522	3.64%	€17,499,663	1.79%	€16,895,048	-1.73%	€16,607,293	-3.40%
Marseille (Block 20, Block 34 and Desbief)									
Change considered		-0.20%	Difference	-0.10%	Difference	0.10%	Difference	0.20%	Difference
Residential (excl. law 48)	€38,340,342	€40,293,434	5.09%	€39,295,338	2.49%	€37,425,691	-2.39%	€36,548,867	-4.67%
Change considered		-0.20%	Difference	-0.10%	Difference	0.10%	Difference	0.20%	Difference
Retail	€7,817,444	€8,121,124	3.88%	€7,966,743	1.91%	€7,672,980	-1.85%	€7,533,122	-3.64%
Change considered		-0.20%	Difference	-0.10%	Difference	0.10%	Difference	0.20%	Difference
Offices	€43,825,179	€45,384,904	3.56%	€44,591,815	1.75%	€43,083,696	-1.69%	€42,366,145	-3.33%
Change considered		-0.20%	Difference	-0.10%	Difference	0.10%	Difference	0.20%	Difference
Desbief	€14,490,000	€16,784,670	15.84%	€15,615,144	7.76%	€13,406,718	-7.48%	€12,362,966	-14.68%
Bordeaux									
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	€1,861,710	€1,923,254	3.31%	€1,891,982	1.63%	€1,832,392	-1.57%	€1,803,983	-3.10%
Change considered		-0.20%	Difference	-0.10%	Difference	0.10%	Difference	0.20%	Difference
Offices	€32,300,123	€33,325,524	3.17%	€32,804,812	1.56%	€31,810,727	-1.52%	€31,335,940	-2.99%
Hotel properties (range)									
France									
Change considered		-0.20%	Difference	-0.10%	Difference	0.10%	Difference	0.20%	Difference
Hotel B&B (Block 34 Marseille)	€10,860,000	€11,260,000	3.68%	€11,060,000	1.84%	€10,690,000	-1.57%	€10,510,000	-3.22%
Change considered		-0.20%	Difference	-0.10%	Difference	0.10%	Difference	0.20%	Difference
Other Hotel (Carlton Lyon)	€14,310,000	€14,870,000	3.91%	€14,590,000	1.96%	€14,040,000	-1.89%	€13,780,000	-3.70%
TOTAL	**€478,090,100**	**€499,264,513**	**4.43%**	**€488,452,328**	**2.17%**	**€468,140,203**	**-2.08%**	**€458,486,753**	**-4.10%**

Sensitivity analyses by Jones Lang LaSalle

Historical portfolio

		Sensitivity of yield (capitalization method)				
City	**Use**	**Capitalization method rate at +0.20**	**Capitalization method rate at +0.10**	**Value used at 06/30/2014 per capitalization excl. fees**	**Capitalization method rate at -0.10**	**Capitalization method rate at -0.20**
Lyon	Office	€2,364,530	€2,401,354	€2,439,354	€2,478,585	€2,519,110
	Retail	€12,033,253	€12,255,936	€12,486,779	€12,726,169	€12,974,659
	Housing(1)	€1,863,500	€1,916,125	€1,971,175	€2,028,822	€2,089,253
TOTAL LYON		**€16,261,283**	**€16,573,415**	**€16,897,308**	**€17,233,575**	**€17,583,022**

(1) Law of 1948 included in housing.

		Sensitivity of yield (capitalization method)				
City	**Use**	**Capitalization method rate at +0.20**	**Capitalization method rate at +0.10**	**Value used at 06/30/2014 per capitalization excl. fees**	**Capitalization method rate at -0.10**	**Capitalization method rate at -0.20**
Marseille	Office	€68,507,607	€69,615,719	€70,759,770	€71,941,542	€73,162,935
	Retail	€104,362,718	€106,311,808	€108,332,266	€110,428,098	€112,603,585
	Housing(1)	€87,556,927	€89,652,039	€91,841,163	€94,130,787	€96,527,978
TOTAL MARSEILLE(2)		**€260,427,252**	**€265,579,565**	**€270,933,199**	**€276,500,427**	**€282,294,498**

(1) Law of 1948 included in housing.
(2) Excluding car parks.

Projects

		Sensitivity of yield (capitalization method)				
City	**Use**	**Capitalization method rate at +0.20**	**Capitalization method rate at +0.10**	**Value used at 06/30/2014 per capitalization excl. fees**	**Capitalization method rate at -0.10**	**Capitalization method rate at -0.20**
Marseille(1)	Office	€5,681,356	€5,887,556	€6,099,768	€6,318,257	€6,543,305
	Retail	€2,117,400	€2,162,509	€2,209,173	€2,257,476	€2,307,503
	Residential					
TOTAL MARSEILLE		**€7,798,756**	**€8,050,065**	**€8,308,941**	**€8,575,733**	**€8,850,808**

(1) Properties: 68, rue de la République and 19 quai de Rive Neuve.

		Sensitivity of yield (capitalization method)				
City	**Use**	**Capitalization method rate at +0.20**	**Capitalization method rate at +0.10**	**Value used at 06/30/2014 per capitalization excl. fees**	**Capitalization method rate at -0.10**	**Capitalization method rate at -0.20**
Lyon Silky Way	Office	€101,080,000	€102,760,000	€104,500,000	€106,290,000	€108,140,000
	Retail					
	Residential					
TOTAL MARSEILLE		**€101,080,000**	**€102,760,000**	**€104,500,000**	**€106,290,000**	**€108,140,000**

Non-current financial assets

Non-current financial assets	Balance as of 12/31/2012	Increase	Reduction	Balance as of 12/31/2013	Increase	Reduction	Balance as of 06/30/2014
Liquidity contract	225	0	(225)	1	199		200
Other loans	8,676	398	(4,134)	4,940		(710)	4,230
Deposits & guarantees	9	0	0	9			9
GROSS TOTAL	**8,910**	**398**	**(4,358)**	**4,950**	**199**	**(710)**	**4,439**
Provisions for the liquidity contract	(12)	0	12	(1)	(2)		(3)
Provisions for other loans	0	0	0	0			0
Provisions for deposits and guarantees	(7)	0	0	(7)			(7)
NET TOTAL	**8,891**	**398**	**(4,347)**	**4,942**	**197**	**(710)**	**4,429**

Net current account flows in Bassins à Flots amounted to €3.5 million.

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

Note 2 Receivables maturity schedule

(€ thousands)	Amount as at 06/30/2014	Less than one year	One to five years	More than five years
Trade receivables	6,500	6,500	0	0
Other receivables	5,152	5,152	0	0
GROSS TOTAL	**11,652**	**11,652**	**0**	**0**
Provisions	2,104	2,104	0	0
NET TOTAL	**9,548**	**9,548**	**0**	**0**

Note 3 Liabilities maturity schedule

(€ thousands)	Amount as at 06/30/2014	Less than one year	One to five years	More than five years
Bank borrowings	497,389	4,299	52,677	440,413
Payables to suppliers of non-current assets	20,095	20,095	0	0
Trade payables	2,567	2,567	0	0
Tax and social security liabilities	5,239	5,239	0	0
Rental security deposits	4,018	4,018	0	0
Other payables	1,418	1,418	0	0
TOTAL	**530,725**	**37,635**	**52,677**	**440,413**

Note 4 Cash and cash equivalents

(€ thousands)	06/30/2014	12/31/2013	12/31/2012
Money market funds and marketable securities	6,291	1,054	1,978
Current bank accounts	33,765	1,706	20,279
Gross cash and cash equivalents	**40,056**	**2,760**	**22,257**
Bank overdrafts	0	(316)	(7)
Outstanding bank interest	(245)	(382)	(278)
Net cash and cash equivalents	**39,811**	**2,062**	**21,972**

Note 5 Accruals – Assets

Prepaid expenses include subscriptions, insurance, finance lease payments, fees and other expenses involving future periods totaling €310,000.

Note 6 Accruals – Liabilities

Deferred income includes €255,000 in rents and service charge payments for the coming months.

Note 7 Contingency and loss provisions

Gross amount *(€ thousands)*	Balance as of 12/31/2012	Increase	Reduction	Balance as of 12/31/2013	Increase	Reduction	Balance as of 06/30/2014
Provision for long-service awards	12	0	0	12	0	0	12
Provision for supplementary post employment benefits	45	0	0	45	0	0	45
Other provisions for liabilities	1,577	800	(1,475)	902	245	(438)	709
TOTAL	**1,634**	**800**	**(1,475)**	**959**	**245**	**(438)**	**766**
Current liabilities	1,577	800	(1,475)	902	245	(438)	709
Non-current liabilities	57	0	0	57	0	0	57

Reversals of provisions are for provisions used or that no longer serve any purpose.

The most significant ongoing disputes are as follows:

1) Chief Operating Officer and Real Estate Director:

Legal action is currently underway following the removal and dismissal in April 2006 of ANF Immobilier's Chief Operating Officer and Real Estate Director: There was no significant change regarding these proceedings in 2014.

2) TPH – TOTI proceedings:

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 2014.

3) Expropriation procedure:

On December 6, 2011, the EuroMéditerranée Urban Development Agency notified ANF Immobilier of an expropriation procedure concerning a 2,366 sq.m. plot in Marseille, offering compensation of €1,450,600.

ANF Immobilier has contested this offer.

In a decision handed down on June 14, 2012, the Marseille Administrative Court set the amount due to ANF Immobilier for the expropriation of this land at €2,228,082. The EuroMéditerranée Urban Development Agency lodged an appeal against this decision before the Aix en Provence Appeal Court.

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 12 months a material effect on the Company's financial position or profitability.

Note 8 Treasury shares

(€ thousands)	06/30/2014	12/31/2013	12/31/2012
Shares recorded as a deduction from equity	20,539	18,069	11,098
Number of shares	747,944	636,537	323,312
TOTAL NUMBER OF SHARES	**18,351,093**	**17,730,570**	**17,730,570**
Treasury shares in %	4.08%	3.59%	1.82%

Note 9 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:

- Crédit Agricole CIB: 50% of the debt hedged at fixed rates;
- Société Générale: 100% of the debt hedged at fixed rates.

To this end, the ANF Immobilier Group has arranged 17 interest rate hedging contracts to swap three-month Euribor variable rates for fixed rates.

Fourteen of the new contracts cover ANF Immobilier's new debt, of which €400 million was refinanced in May 2014: €225 million for Calyon debt maturing in June 2014; €35 million for BECM debt; €80 million for BNPP debt; and €60 million for the Company's future developments.

Three of these new contracts cover two new debts housed in the subsidiaries Silky Way SCI and ANF Immobilier Hôtels SCI.

At the end of 2012, €253 million in debt was repaid, and a decision was taken to repay an additional €25 million in January 2013.

These loans were hedged by 15 interest rate hedging contracts to swap three-month or one-month Euribor variable rates for fixed rates. These contracts, which involve total amounts of €247.6 million, for the most part maturing on December 31, 2014, were not canceled, and have accordingly been reclassified as *trading instruments*.

A provision had been recognized for their value, which was estimated at €-21.8 million as of December 31, 2012. Of this provision, €5.3 million was reversed in the first half of 2014 through non-recurring income. The remaining balance was €6 million as of June 30, 2014.

The table below sets out the impact of interest rate derivatives on ANF Immobilier's consolidated financial statements:

Effective date	Maturity date	Fixed rate paid	(€ thousands)	Nominal	Nominal variable	Fair value assets 06/30/2014	Fair value liabilities 06/30/2014	Changes in fair value over the year	Impact on financial income	Impact on equity
07/01/2014	06/29/2017	2.6030%	Three-month Euribor swap/2.603%	40,000	No	0	(2,822)	(676)	0	(676)
07/01/2014	06/29/2017	2.4050%	Three-month Euribor swap/2.405%	40,000	No	0	(1,784)	(318)	0	(318)
06/30/2014	06/30/2016	2.2400%	Three-month Euribor swap/2.240%	20,000	No	0	(827)	(161)	0	(161)
06/30/2014	06/29/2018	2.5400%	Three-month Euribor swap/2.540%	20,000	No	0	(1,738)	(570)	0	(570)
07/01/2014	06/30/2018	2.0000%	Three-month Euribor swap/2.000%, nominal 20,000	0	No	0	0	737	0	737
07/01/2014	06/29/2018	2.1800%	Three-month Euribor swap/2.180%	20,000	No	0	(1,448)	(566)	0	(566)
09/28/2015	06/29/2020	1.8500%	Three-month Euribor swap/1.850%	46,289	Yes	0	(2,103)	(2,103)	0	(2,103)
06/30/2014	05/14/2021	1.1300%	Three-month Euribor swap/1.130%	13,500	Yes	0	(281)	(281)	0	(281)
06/30/2014	05/14/2021	1.1300%	Three-month Euribor swap/1.130%	16,500	Yes	0	(344)	(344)	0	(344)
06/30/2014	05/14/2021	1.1300%	Three-month Euribor swap/1.130%	16,500	Yes	0	(344)	(344)	0	(344)
06/30/2014	05/14/2021	1.1300%	Three-month Euribor swap/1.130%	13,500	Yes	0	(281)	(281)	0	(281)
06/30/2014	05/14/2021	1.3500%	Three-month Euribor swap/1.350%	23,625	Yes	0	(917)	(917)	0	(917)
06/30/2014	05/14/2021	1.3500%	Three-month Euribor swap/1.350%	28,875	Yes	0	(1,120)	(1,120)	0	(1,120)
06/30/2014	05/14/2021	1.3500%	Three-month Euribor swap/1.350%	28,875	Yes	0	(1,120)	(1,120)	0	(1,120)
06/30/2014	05/14/2021	1.3500%	Three-month Euribor swap/1.350%	23,625	Yes	0	(917)	(917)	0	(917)
07/01/2014	06/29/2018	1.7900%	Three-month Euribor swap/1.790%	20,000	No	0	(1,134)	(1,134)	0	(1,134)
06/27/2014	06/28/2021	1.0300%	Three-month Euribor swap/1.030%	32,105	Yes	0	(400)	(400)	0	(400)
03/31/2016	06/28/2021	1.2300%	Three-month Euribor swap/1.230%	8,026	Yes	0	(69)	(69)	0	(69)
Financial hedging instruments				**411,420**		**0**	**(17,648)**	**(10,582)**	**0**	**(10,582)**
07/24/2006	06/24/2012	3.9450%	Three-month Euribor swap/3.945%, nominal 22,000	0	No	0	0	0	0	0
12/15/2006	12/15/2012	3.9800%	Three-month Euribor swap/3.980%, nominal 28,000	0	No	0	0	0	0	0
08/11/2008	06/30/2014	4.5100%	Three-month Euribor swap/4.510%, nominal 28,000	0	No	0	0	595	595	0

Effective date	Maturity date	Fixed rate paid	(€ thousands)	Nominal	Nominal variable	Fair value assets 06/30/2014	Fair value liabilities 06/30/2014	Changes in fair value over the year	Impact on financial income	Impact on equity
08/11/2008	06/30/2014	4.5100%	Three-month Euribor swap/4.510%, nominal 10,000	0	No	0	0	212	212	0
10/08/2008	06/30/2014	4.2000%	Three-month Euribor swap/4.200%, nominal 9,500	0	No	0	0	187	187	0
10/10/2008	06/30/2014	4.1000%	Three-month Euribor swap/4.100%, nominal 12,800	0	No	0	0	245	245	0
11/14/2008	06/30/2014	3.6000%	Three-month Euribor swap/3.600%, nominal 5,700	0	No	0	0	95	95	0
12/24/2008	06/30/2014	3.1900%	Three-month Euribor swap/3.190%, nominal 6,350	0	No	0	0	92	92	0
03/13/2009	06/30/2014	2.6800%	Three-month Euribor swap/2,680%, nominal 11,700	0	No	0	0	141	141	0
01/04/2010	06/30/2014	2.3580%	Three-month Euribor swap/2,358%, nominal 23,900	0	No	0	0	249	249	0
01/03/2011	06/30/2014	2.5000%	Three-month Euribor swap/2.500%, nominal 64,000	0	No	0	0	712	712	0
12/17/2012	06/30/2014	3.1590%	Three-month Euribor swap/3.159%, nominal 50,000	0	No	0	0	719	719	0
10/31/2007	12/31/2014	4.4625%	Three-month Euribor swap/4.462%	65,000	No	0	(1,419)	1,320	1,320	0
04/11/2008	03/31/2015	4.2775%	Three-month Euribor swap/4.277%	11,000	No	0	(343)	203	203	0
08/20/2007	06/30/2014	4.4550%	Three-month Euribor swap/4.455%, nominal 18,000	0	No	0	0	378	378	0
09/28/2007	12/31/2014	4.5450%	Three-month Euribor swap/4.545%	65,000	No	0	(1,446)	1,346	1,346	0
10/31/2007	12/30/2014	4.3490%	Three-month Euribor swap/4.349%	14,000	No	0	(296)	276	276	0
06/16/2008	12/31/2014	4.8350%	Three-month Euribor swap/4.835%	6,700	No	0	(159)	148	148	0
08/04/2008	06/30/2014	4.7200%	Three-month Euribor swap/4.720%, nominal 10,000	0	No	0	0	223	223	0
07/01/2008	12/31/2014	4.8075%	Three-month Euribor swap/4.807%	2,300	No	0	(54)	51	51	0
08/11/2008	12/30/2014	4.5090%	Three-month Euribor swap/4.509%	28,000	No	0	(614)	576	576	0
08/11/2008	12/30/2014	4.5040%	Three-month Euribor swap/4.504%	10,167	No	0	(223)	209	209	0

Effective date	Maturity date	Fixed rate paid	(€ thousands)	Nominal	Nominal variable	Fair value assets 06/30/2014	Fair value liabilities 06/30/2014	Changes in fair value over the year	Impact on financial income	Impact on equity
10/06/2008	12/31/2014	4.3500%	Three-month Euribor swap/4.350%	5,046	No	0	(108)	99	99	0
12/23/2008	12/31/2014	3.2500%	Three-month Euribor swap/3.250%	5,821	No	0	(91)	83	83	0
02/06/2009	12/31/2014	2.9700%	One-month Euribor swap/2.970%	3,300	No	0	(49)	44	44	0
06/26/2009	12/31/2014	2.8800%	Three-month Euribor swap/2.880%	11,435	No	0	(157)	141	141	0
01/04/2010	12/31/2014	2.4750%	Three-month Euribor swap/2.475%	19,861	No	0	(232)	206	206	0
Financial hedging instruments				**2,47629**		**0**	**(5,191)**	**8,551**	**8,551**	**0**
TOTAL OF FINANCIAL INSTRUMENTS				**6,59049**		**0**	**(22,839)**	**(2,031)**	**8,551**	**(10,582)**

The financial derivative instruments were measured by discounting the estimated future cash flows on the basis of the yield curve as of June 30, 2014.

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 10 Default clauses (“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 at December 31 each year, on the basis of the certified annual Company financial statements (consolidated, if the Borrower is required to prepare consolidated financial statements), (ii) for Interest Cover Ratios at 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 at 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 certified 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.

	Standard reference	Frequency test	Ratios at 06/30/2014	Ratios at 12/31/2013	Ratios at 12/31/2012	Ratios at 12/31/2011
ICR ratio (EBITDA/net financial expenses)	minimum 2	quarterly	2.1	2.9	3.5	3.9
LTV ratio (net debt/appraisal value of property)	maximum 50%	half-year	42.2%	40.4%	33.0%	29.2%

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 11 Off-balance sheet commitments

Commitments received

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

Commitments received *(€ thousands)*	06/30/2014	12/31/2013	12/31/2012
Guarantees and deposits received	82,949	86,073	6,294
Other commitments received	122,516	94,898	106,228
TOTAL	**205,465**	**180,970**	**112,522**

New commitments

- Guarantees and deposits received:
  - €26.7 million Financial Completion Guarantee on Bègles and Stade Vélodrome hotel investments;
- Other commitments received:
  - €43.2 million of new undrawn loans: ANF Immobilier mortgage refinancing, ANF Immobilier Hôtels financing and Future Way financing (Adecco headquarters in Lyon).

Commitments that continued during the year

- Guarantees and deposits received:
  - €46.2 million Financial Completion Guarantee on Silky Way in Lyon; €4.6 million Financial Completion Guarantee on La Fabrique in Bordeaux,
  - €2.8 million of deposits received on construction sites (Block 34), and €2.6 million of deposits received (including €2 million from Alstom for Silky Way);
- Other commitments received:
  - €62.3 million of new undrawn loans: ANF Immobilier overdraft, Banque de France financing in Lyon and Silky Way financing (Adecco headquarters in Lyon),
  - €7 million in CIC and City of Marseille sureties on CDC loan.

Commitments due: None

Commitments given

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

Commitments given *(€ thousands)*	**06/30/2014**	**12/31/2013**	**12/31/2012**
Pledges, mortgages and collateral	483,767	13,810	15,965
Guarantees and deposits given	32,046	6,445	21,826
Finance leases	0	0	0
Agreements to sell	24,327	35,011	31,508
Other commitments given	24,634	4,550	5,024
TOTAL	**564,774**	**59,816**	**74,323**

New commitments

- Agreements to sell: €5 million in purchase agreements signed (Traverse Pomègues and plots on Pavillon Vacon in Marseille);
- Pledges and Mortgages:
  - €424 million in mortgage refinancing (including hedging),
  - €32 million mortgage on financing on ANF Immobilier Hôtels,
  - €24.2 million mortgage on financing on Silky Way;
- Guarantees and deposits given: €27.3 million on demand guarantee payment of the price on investments for Future Way (price balance for Adecco headquarters) and the Bègles and Stade Vélodrome hotels (balance of off-plan sales);
- Other commitments given: €21.1 million of property value not to be mortgaged in favor of CEPAC, which provided the on demand guarantee in favor of the promoter of the Stade Vélodrome hotels in Marseille.

Commitments that continued during the year

- Agreements to sell: €19.3 million in agreements signed, including:
  - €12.8 million in B&B hotels under contract since November 2012,
  - €6.5 million in agreements to sell on the offices of the City of Lyon and the housing units of Blocks 2-3-4 République in Lyon;
- Pledges and Mortgages:
  - €3.5 million mortgage on Malaval for the benefit BLB (related to CDC borrowing);
- Guarantees and deposits given: €4.6 million on demand guarantee payment of the balance due on the off-plan sale of La Fabrique in Bordeaux;
- Other commitments given: €3.5 million of property value not to be mortgaged on CDC loan.

Commitments due

- Agreements to sell:
  - €10.7 million in previously sold B&B hotels under contract since November 2012,
  - €5.9 million following the sale to Vinci Immobilier of the floors of the Banque de France in Lyon,
  - €2.4 million on various plots in Lyon and Marseille.

Note 12 Changes in capital stock and shareholders' equity

At the Shareholders' Meeting of May 6, 2014, shareholders were asked to approve the payment of a dividend in shares. This resulted in the creation of 620,093 new shares.

The price of the shares to be issued in payment of the dividend, equal to 90% of the average of the opening share prices quoted over the 20 trading days preceding the date of the Shareholders' Meeting less the net amount of the dividend, is €20.71.

This capital increase was completed on June 10, 2014.

Under Article 6 of the Articles of Association, the share capital is set at eighteen million three hundred fifty-one thousand ninety-three (18,351,093) euros. It is divided into eighteen million three hundred fifty-one thousand ninety-three (18,351,093) shares, fully paid up and all of the same class.

Note 13 Deferred tax assets and liabilities

There are no deferred tax assets or liabilities.

Note 14 Related parties table

(€ thousands)	**Eurazeo**	**SCCV 1-3 rue d'Hozier**	**SAS JDML**
Other receivables	0	121	4,047
Trade payables	0	0	0
Other liabilities	0	0	0
Net financial expense	0	0	54
Employee benefits expenses	(154)	0	0
Other management expenses	(92)	0	0
Income from entities accounted for by the equity method	0	78	(249)

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

Compensation paid to members of the Executive Board *(€)*		**06/30/2014**	**06/30/2013**
Bruno Keller	Fixed compensation	142,615	142,615
	Variable Compensation	249,512	225,873
	Extraordinary premium	544,884	318,262
	Benefits in kind	0	0
Xavier de Lacoste Lareymondie	Fixed compensation	114,092	114,092
	Variable compensation	153,521	140,543
	Extraordinary premium	302,166	153,342
	Benefits in kind	0	0
Ghislaine Seguin	Fixed compensation	83,077	71,308
	Variable compensation	68,923	62,743
	Extraordinary premium	0	102,238
	Benefits in kind	0	0

The payment of one-time bonuses, which were awarded following the completion of disposals at the end of 2012, will be spread over a three-year period for the Chairman and the Chief Executive Officer.

Note 15 Details of the 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)	06/30/2014	Unallocated	Hotels	Total of city-center portfolio	Marseille	Lyon	Bordeaux
Revenues: rental income	19,203	0	2,666	16,537	12,851	2,989	697
Other operating income	1,995	0	248	1,747	1,471	260	16
Total operating income	**21,198**	**0**	**2,914**	**18,284**	**14,322**	**3,249**	**713**
Property expenses	(3,362)	0	(200)	(3,162)	(2,655)	(461)	(45)
Other operating expenses	(415)	0	(2)	(412)	(379)	(34)	0
Total operating expenses	**(3,776)**	**0**	**(202)**	**(3,574)**	**(3,034)**	**(495)**	**(45)**
Gross operating income (loss) from property	**17,422**	**0**	**2,711**	**14,710**	**11,288**	**2,754**	**668**
Gains (losses) on disposals of assets	190	0	(24)	214	298	(84)	0
Gross operating income (loss) from property after disposals	**17,611**	**0**	**2,687**	**14,924**	**11,586**	**2,670**	**668**
Employee benefits expenses	(3,635)	0	(727)	(2,908)	(1,818)	(909)	(182)
Other management expenses	(1,630)	0	(326)	(1,304)	(815)	(408)	(82)
Other income and transfers of expenses	753	0	151	603	377	188	38
Other expenses	(507)	0	(101)	(405)	(253)	(152)	0
Accumulated depreciation and amortization	(327)	0	(65)	(261)	(163)	(82)	(16)
Other operating provisions (net of reversals)	242	0	48	194	121	73	0
Net operating income (loss) before changes in fair value of property	**12,508**	**0**	**1,666**	**10,841**	**9,034**	**1,381**	**426**
Changes in fair value of property	(18,723)	0	(2,243)	(16,481)	(20,688)	3,400	807
Net operating income (loss) after changes in fair value of property	**(6,215)**	**0**	**(577)**	**(5,639)**	**(11,654)**	**4,781**	**1,233**
Net financial expense	(6,267)	0	(251)	(6,016)	(4,888)	(1,003)	(125)
Financial amortization and provisions	(21)	(21)	0	0	0	0	0
Gains (losses) on financial instruments	3,085	3,085	0	0	0	0	0
Share of net income (loss) of equity-accounted entities	(172)	0	0	(172)	(172)	0	0
Net income (loss) before tax	**(9,589)**	**3,064**	**(827)**	**(11,828)**	**(16,714)**	**3,778**	**1,108**
Current taxes	(4,072)	(108)	(3,964)	0	0	0	0
Deferred taxes	0	0	0	0			0
Net consolidated income (loss)	**(13,661)**	**2,956**	**(4,791)**	**(11,828)**	**(16,714)**	**3,778**	**1,108**

Note 16 Earnings per share

(€ thousands)	06/30/2014	06/30/2013	06/30/2012
Net income for basic earnings per share calculation	(13,434)	10,766	17,956
Net income for diluted earnings per share calculation	(13,434)	10,766	17,956
Number of ordinary shares for basic earnings per share at the balance sheet date	17,603,149	17,298,682	27,415,255
Average weighted number of ordinary shares used to determine basic earnings per share	18,351,093	17,730,570	27,428,008
Stock options for diluted earnings per share	0	0	0
Diluted number of ordinary shares	17,603,149	17,298,682	27,415,255
Diluted average weighted number of ordinary shares	18,351,093	17,730,570	27,428,008
(€)			
Net earnings per share	(0.76)	0.62	0.65
Diluted earnings per share	(0.76)	0.62	0.65
Weighted net earnings per share	(0.73)	0.61	0.65
Diluted weighted earnings per share	(0.73)	0.61	0.65

The number of shares does not include treasury shares.

Note 17 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)	06/30/2014	12/31/2013	12/31/2012
Capital and consolidated reserves	**513,578**	**544,985**	**533,538**
Fair value adjustment of operating property	1,017	929	868
NNNAV	**514,595**	**545,914**	**534,406**
Elimination of the fair value adjustment of *swaps*	20,852	10,270	17,712
Net Asset Value	**535,447**	**556,184**	**552,118**
Total number of shares	18,351,093	17,730,570	17,730,570
Treasury shares	(747,944)	(636,537)	(323,312)
Shares other than treasury shares	17,603,149	17,094,033	17,407,258
NAV per share *(€)*	**30.42**	**32.54**	**31.72**
NNNAV per share *(€)*	**29.23**	**31.94**	**30.70**
Valuation of treasury shares	16,155	13,566	6,643
NNNAV EPRA *(€)*	**28.9**	**31.6**	**30.5**

Note 18 Cash flow per share

(€ thousands)	06/30/2014	06/30/2013	Change	06/30/2012	Change
Operating income before changes in fair value of property	12,508	10,500		30,565	
Accumulated depreciation and amortization	327	263		227	
Gains (losses) on disposals of assets	(190)	502		(453)	
Operating income before depreciation & amortization and income from disposals	12,645	11,265		30,339	
Cancellation of impact of IFRS2 (stock options, recorded as employee expenses)	122	131		262	
EBITDA	**12,767**	**11,396**	**12.0%**	**30,601**	**(62.8)%**
Net financial expense	(6,267)	(3,096)		(8,841)	
Current cash flow before tax	**6,500**	**8,300**	**(21.7)%**	**21,760**	**(61.9)%**
Average number of shares during fiscal year	18,351,093	17,730,570		27,428,008	
CURRENT CASH FLOW PER SHARE	**0.35**	**0.47**	**(24.3)%**	**0.79**	**(41.0)%**

Note 19 Tax calculation

(€ thousands)	06/30/2014	06/30/2013	06/30/2012
Current taxes	(4,072)	(490)	(127)
Deferred taxes	0	0	0
TOTAL	**(4,072)**	**(490)**	**(127)**
Net income (loss) attributable to equity holders of the parent	(13,434)	10,766	17,956
Previous corporate income tax/CVAE correction and distribution tax	4,072	490	127
Net income (loss) before tax	**(9,363)**	**11,256**	**18,083**
SIIC regime income (exempt)	(1,928)	7,891	21,632
SIIC regime fair value adjustment	(18,723)	3,365	(3,550)
Capital gains taxed at normal rate	11,289	0	0
TAX BASE	**11,289**	**0**	**0**
Current tax rate in France	33.33%	33.33%	33.33%
Additional contribution	3.33%	3.33%	3.33%
CVAE/distribution tax/income tax on subsidiaries	210	490	127
Expected theoretical tax	**4,072**	**490**	**127**
TAX EXPENSE FOR THE FISCAL YEAR	**4,072**	**490**	**127**

Note 20 Exposure to interest rate risk

	06/30/2014	<1 year	12/31/2014	1 to 5 years	12/31/2018	> 5 years
Fixed rate debt	**0**	**0**	**0**	**0**	**0**	**0**
Bank Loans	0	0	0	0	0	0
Finance leases	0	0	0	0	0	0
Variable rate debt	**497,389**	**(4,299)**	**493,090**	**(52,677)**	**440,413**	**(440,413)**
Loans at variable and revisable rates	497,144	(4,054)	493,090	(52,677)	440,413	(440,413)
Finance leases	0	0	0	0	0	0
Bank overdrafts	0	0	0	0	0	0
Accrued interest	245	(245)	0	0	0	0
Gross debt	**497,389**	**(4,299)**	**493,090**	**(52,677)**	**440,413**	**(440,413)**
Cash & equivalents	**40,056**	**(40,056)**	**0**	**0**	**0**	**0**
Mutual funds and investments	6,291	(6,291)	0	0	0	0
Liquid assets	33,765	(33,765)	0	0	0	0
Bond premium	(8,163)	(628)	(7,535)	(6,279)	(1,256)	(1,256)
NET LIABILITIES	**449,170**	**35,129**	**485,555**	**(58,956)**	**439,157**	**(441,669)**
Fixed rate	0	0	0	0	0	0
Variable rate	457,333	35,757	493,090	(52,677)	440,413	(440,413)
Derivatives portfolio as of June 30, 2014	**604,734**					
Fixed for variable rate swaps	604,734					
Forward start derivatives portfolio	**54,315**					
Fixed for variable rate swaps	54,315					
TOTAL DERIVATIVES PORTFOLIO	**659,049**					

Note 21 Credit risk

	06/30/2014		12/31/2013		12/31/2012	
Counterparty *(€ millions)*	**Credit limit balance**	**Amount drawn**	**Credit limit balance**	**Amount drawn**	**Credit limit balance**	**Amount drawn down**
Crédit Agricole CIB, BECM, Société Générale, HSBC	0	0	225	225	250	250
BNP Paribas	0	0	80	70	80	0
Groupe Crédit Mutuel CIC	15	0	50	35	41	23
Groupe Crédit Agricole	47	40	43	37	25	25
Groupe CFF	70	23	54	13	0	0
Other banks	7	7	9	9	0	0
Natixis, CACIB, BNPP, BECM	400	370	0	0	0	0
CEPAC, BPI, CIC	45	32	0	0	0	0

Note 22 Employees

Headcount as of June 30, 2014	Male	Female	Total
Executives	20	9	29
Non-Executives	5	11	16
TOTAL	**25**	**20**	**45**

STATUTORY AUDITORS' REPORT ON THE HALF-YEAR FINANCIAL STATEMENTS

ANF Immobilier
32, rue de Monceau
75008 Paris

(Period from January 1, 2014 to June 30, 2014)

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 consolidated financial statements of ANF Immobilier, corresponding to the period from January 1, 2014 to June 30, 2014, as attached to the present report;
- verified the information provided in the half-year 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, August 26, 2014

The Statutory Auditors

PricewaterhouseCoopers Audit
Pierre Clavié

Mazars
Guillaume Potel

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.

Downward fluctuations in the cost of construction index (ICC) and quarterly retail rent index (ILC) of the tertiary activities rent index (ILAT) for retail leases or the rent reference index (IRL) for housing leases, on which most of the rents under ANF Immobilier's leases are indexed, could also affect rental income.

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 2017, the development of a new project only begins when it is completely secured (the tenant has been found and financing 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 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.

Risks related to the competitive environment

A change in strategy of the property owners neighboring those of ANF Immobilier could affect the implementation of its plan to redevelop the property complexes located on Rue de la République 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 jurisprudence 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 weekly check 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 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 and risks 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 the 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 Association 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 regarding 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.

Risks related to the inability to find tenants

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 including 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, 2014 ANF Immobilier's LTV ratio stood at 42.2%. 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.

Market risks

Interest rate risks

ANF Immobilier's net bank borrowings totaled €449.2 million as of June 30, 2014, according to the financial statements for the period that ended on that date. 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:	81% of debt hedged at fixed rates;
• CEPAC:	90% of debt hedged at fixed rates;
• CFF:	66% of debt hedged at fixed rates.

To this end, the Group has arranged 17 interest rate hedging contracts (including three which are forward start) to swap three-month or one-month Euribor variable rates for fixed rates. The details of these contracts and the impact of interest rate derivatives on ANF Immobilier's consolidated financial statements are included in Note 9 to the consolidated financial statements.

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

Risks related to liquidity and cash flow

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* 10 to the half-year consolidated financial statements for the half-year ended June 30, 2014.

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, 2014, the Company owned 747,944 ANF Immobilier shares (including the ANF Immobilier shares in the liquidity contract), liquid assets and investment securities amounting to €40.1 million. As a result, ANF Immobilier does not feel it faces any significant risks related to equity investments.

Liquidity 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 on 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 Association.

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