INTERIM FINANCIAL REPORT

Six-month period ended June 30, 2016

CeGeREAL

SOMMAIRE

A French *société anonyme* (joint stock corporation)
with share capital of EUR 160,470,000
Registered office: 42, rue Bassano, 75008 Paris
422 800 029 RCS Paris
SIRET No. 422 800 029 00031

Interim financial report
Six-month period ended June 30, 2016

(Article L.451-1-2 III of the French Monetary and Financial Code [*Code Monétaire et Financier*], Articles 222-4 *et seq.* of the General Regulations of the French financial markets authority [*Autorité des Marchés Financiers* – AMF])

Interim financial report for the six-month period ended June 30, 2016 prepared in accordance with the provisions of Article L.451-1-2 III of the French Monetary and Financial Code and Articles 222-4 *et seq.* of the General Regulations of the AMF.
This report has been distributed in accordance with the provisions of Article 221-3 of the General Regulations of the AMF. It can also be consulted on the Company's website at www.cegereal.com

1. Attestation by the person responsible for the 2016 interim report

"I certify that to my knowledge, the full consolidated financial statements for the six-month period ended June 30, 2016 have been prepared in accordance with the applicable accounting standards and give a true and fair view of the assets, financial position and results of the Company and all companies included in the consolidation scope, and that the attached interim activity report includes a fair review of the material events of the first six months of the year and their impact on the interim financial statements, the principal related-party transactions, as well as a description of the main risks and uncertainties for the remaining six months of the year."

Paris, July 21, 2016

Raphaël Tréguier
Chief Executive Officer

2. Interim Activity Report

2.1 COMMENTS ON ACTIVITY

2.1.1 RENTAL ACTIVITY

The office space in the Arcs de Seine and Rives de Bercy buildings was fully occupied at June 30, 2016. At December 31, 2015, Boursorama announced it would gradually be vacating the 9,738 sq.m it occupies in the Arcs de Seine building in early July, late August and late September. As set out in the amended lease agreement, rents were increased by 50% as of January 1, 2016 (excluding short-term leases). The Group also billed a one-time payment of EUR 667k and restoration costs of EUR 1.5m in the first half of the year.

During the first six months of 2016, the marketing of the Europlaza building continued. A further short-term lease was entered into with KPMG for a total surface area of 819 sq.m and took effect on February 1, 2016. The lessee's previous short-term lease for a total surface area of 895 sq.m expired on January 31, 2016. GE Capital vacated 509 sq.m at January 31 and paid a termination indemnity of EUR 312k. This newly vacated surface area was leased to Gartner with effect from February 1, 2016. Unilocations signed a lease for an additional surface area of 2,191 sq.m, effective from June 1, 2016.

OCCUPANCY RATE

The physical occupancy rate corresponds to the percentage of premises for which the Company receives rent within the framework of a lease agreement at June 30, 2016.

The financial occupancy rate corresponds to the percentage of premises for which the Company receives rent or indemnities in respect of terminated lease agreements at June 30, 2016.

Unless otherwise specified, the occupancy rates referred to in this report correspond to physical occupancy rates.

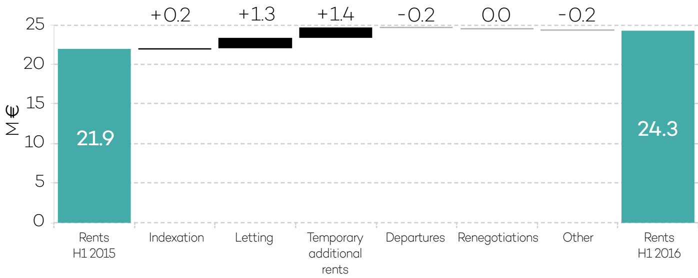
The table below shows the physical and financial occupancy rates for the Group's portfolio over the past three years.

Cegereal portfolio	June 30, 2016	Dec. 31, 2015	Dec. 31, 2014
Physical occupancy rate	94.6%	92.8%	89.8%
Financial occupancy rate	94.6%	92.8%	90.5%

The physical and financial occupancy rates for each property at June 30, 2016 can be analyzed as follows:

June 30, 2016	Europlaza	Arcs de Seine	Rives de Bercy	Total
Physical occupancy rate	86.2%	100%	100%	94.6%
Financial occupancy rate	86.2%	100%	100%	94.6%

Change in rental income (June 30, 2015-June 30, 2016)



2.1.2 NET INCOME BY KEY INDICATOR FOR THE PERIOD

in thousands of euros

Statement of comprehensive income caption	Amount	Breakdown
Net rental income	23,555	Net rental income corresponds to rental income for the period (EUR 24,354k) and rental expenses rebilled to lessees (EUR 10,597k), less building-related costs (EUR 11,396k). During the first half of 2016, net rental income rose 5% compared to net rental income for 2015 prorated over six months, mainly as a result of the gradual departure of Boursorama (50% rent increase, and various payments in a total amount of EUR 2.43m).
Administrative costs	(1,845)	Administrative costs chiefly comprise fees, insurance premiums and personnel costs.
Other operating expenses	(741)	Other operating expenses correspond to changes in fair value of share subscription warrants.
Change in fair value of investment property	19,531	The value of the real estate portfolio increased from EUR 942m at December 31, 2015 to EUR 967.3m at June 30, 2016.
Net operating income	40,500	
Net financial expense	(7,074)	Net financial expense is made up of EUR 7,074k in financial expenses (no financial income).
Corporate income tax	(802)	The income tax recorded for the period corresponds to the additional corporate income tax contribution on amounts distributed in an amount of EUR 802k. Due to the application of the SIIC tax regime with effect from 2006, the Group's profits derived from the rental of investment properties and the sale of real property rights are not subject to corporate income tax. This tax exemption is, however, subject to certain criteria relating essentially to the payment of dividends. Activity that does not fall within the scope of the SIIC tax regime did not generate any corporate income tax expense.
Net income	32,623	

2.2 FINANCIAL RESOURCES

At June 30, 2016, shareholders' equity stood at EUR 574,192k compared with opening shareholders' equity of EUR 568,309k. This increase is mainly attributable to net income of EUR 32,623k for the period and dividend payments of EUR 26,746k.

Cash and cash equivalents totaled EUR 26,346k at June 30, 2016, representing an increase of EUR 17,623k on the December 31, 2015 figure.

2.3 CHANGES IN NET ASSET VALUE (NAV)

The indicators published by Cegereal are aligned with the recommendations of the European Public Real Estate Association (EPRA), of which Cegereal is a member. EPRA's role is to promote, develop and represent the publicly listed real estate sector.

EPRA notably publishes its "Best Practice Recommendations" (BPRs) whose purpose is to enhance transparency, uniformity and comparability of financial reporting by real estate companies.

2.3.1 EPRA EARNINGS

in thousands of euros

	June 30, 2016	Dec. 31, 2015	June 30, 2015
Net income under IFRS	32,623	80,957	32,149
Restatement of the changes in fair value of investment property	(19,531)	(62,736)	(23,736)
Restatement of the changes in fair value of financial instruments	741	0	0
EPRA earnings	13,833	18,220	8,413

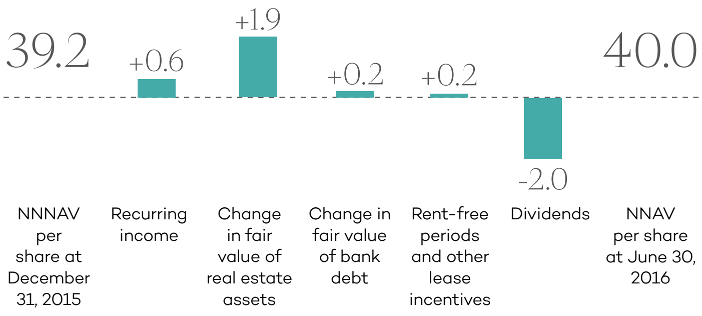
2.3.2 EPRA NAV & EPRA NNNAV

in thousands of euros, except per share data

	June 30, 2016	Dec. 31, 2015	June 30, 2015
Shareholders' equity under IFRS	574,192	568,309	519,257
Portion of rent-free periods	(31,773)	(34,673)	(35,211)
Restatement of the changes in fair value of financial instruments	741	0	0
EPRA NAV	543,160	533,637	484,046
Market value of the loans	(411,080)	(413,074)	(408,901)
Carrying amount of the loans*	403,254	402,664	402,442
Add-back of the changes in fair value of financial instruments	(741)	0	0
EPRA NNNAV	534,593	523,227	477,587
Number of shares (excl. treasury shares)	13,359,055	13,358,962	13,351,840
NAV per share	40,0	39.2	35.8

* Figures correspond to the carrying amount of the loans under IFRS.

NNNAV per share
in euros per share



2.4 SIGNIFICANT EVENTS BETWEEN THE DATE ON WHICH THE 2015 FINANCIAL STATEMENTS WERE APPROVED AND JUNE 30, 2016

The main significant events since the date on which the 2015 financial statements were approved are stated in Note 1.1 to the interim consolidated financial statements.

2.5 DESCRIPTION OF THE MAIN RISKS AND UNCERTAINTIES FOR THE REMAINING SIX MONTHS OF THE YEAR

There was no change in the Company's risk factors during the first six months of the year.

Consequently, reference should be made to the Company's Registration Document filed with the AMF on April 27, 2016 under no. D.16-0418.

3. Interim Consolidated Financial Statements
for the six-month period ended june 30, 2016

Consolidated statement of comprehensive income for the six-month period ended June 30, 2016

in thousands of euros, except per share data

	Notes	June 30, 2016	Dec. 31, 2015	June 30, 2015
		6 months	*12 months*	*6 months*
Rental income	**5.17**	24,354	44,310	21,926
Income from other services	**5.18**	10,597	11,349	8,169
Building-related costs	**5.19**	(11,396)	(17,156)	(11,427)
Net rental income		**23,555**	**38,504**	**18,668**
Sale of building				
Administrative costs	**5.20**	(1,849)	(4,976)	(2,038)
Depreciation, amortization and provisions for impairment		(4)		
Other operating expenses	**5.12**	(741)	(5)	(0)
Other operating income		8	65	
Increase in fair value of investment property		37,561	62,736	23,736
Decrease in fair value of investment property		(18,030)		
Total change in fair value of investment property	**5.1**	*19,531*	*62,736*	*23,736*
Net operating income		40,500	96,323	40,366
Financial income		0	15	
Financial expenses		(7,074)	(14,719)	(7,555)
Net financial expense	**5.21**	**(7,074)**	**(14,705)**	**(7,555)**
Corporate income tax	**5.22**	**(802)**	**(662)**	**(662)**
CONSOLIDATED NET INCOME		32,623	80,957	32,149
of which attributable to owners of the Company		***32,623***	***80,957***	
of which attributable to non-controlling interests		***0***	***0***	
Other comprehensive income				
TOTAL COMPREHENSIVE INCOME		32,623	80,957	32,149
of which attributable to owners of the Company		***32,623***	***80,957***	***32,149***
of which attributable to non-controlling interests		***0***	***0***	***0***
Basic and diluted earnings per share (in euros)		2.44	6.06	2.41

Consolidated statement of financial position at June 30, 2016

in thousands of euros

	Notes	June 30, 2016	Dec. 31, 2015	June 30, 2015
Non-current assets				
Property, plant and equipment		66	61	61
Investment property	**5.1**	967,300	942,000	902,000
Non-current loans and receivables	**5.2**	26,416	28,928	30,346
Total non-current assets		**993,781**	**970,989**	**932,407**
Current assets				
Trade accounts receivable	**5.3**	11,823	13,132	12,945
Other operating receivables	**5.4**	7,039	6,899	5,562
Prepaid expenses		193	96	200
Total receivables		**19,054**	**20,127**	**18,706**
Cash and cash equivalents	**5.5**	26,346	8,723	24,072
Total cash and cash equivalents		**26,346**	**8,723**	**24,072**
Total current assets		**45,400**	**28,850**	**42,778**
TOTAL ASSETS		1,039,182	999,839	975,185
Shareholders'equity				
Share capital		160,470	160,470	160,470
Legal reserve and additional paid-in capital		21,436	21,436	21,436
Consolidated reserves and retained earnings		359,663	305,447	305,202
Net attributable income		32,623	80,957	32,149
Total shareholders' equity	5.10	**574,192**	**568,309**	**519,257**
Non-current liabilities				
Non-current borrowings	**5.11**	403,254	402,664	402,442
Other non-current borrowings and debt	**5.13**	4,058	3,951	4,061
Non-current corporate income tax liability				
Total non-current liabilities		**407,312**	**406,615**	**406,503**
Current liabilities				
Current borrowings		1,591	1,626	1,794
Trade accounts payable		2,525	3,150	3,106
Corporate income tax liability		802		660
Other liabilities	**5.14**	37,968	4,573	30,722
Other financial liabilities	**5.12**	750		
Prepaid revenue	**5.16**	14,041	15,566	13,143
Total current liabilities		**57,678**	**24,915**	**49,424**
Total liabilities		**464,990**	**431,530**	**455,927**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		1,039,182	999,839	975,185

Consolidated statement of cash flows for the six-month period ended June 30, 2016

in thousands of euros

	June 30, 2016	Dec. 31, 2015	June 30, 2015
OPERATING ACTIVITIES			
Consolidated net income	32,623	80,957	32,149
Elimination of items related to the valuation of buildings:			
Fair value adjustments to investment property	(19,531)	(62,736)	(23,736)
Indemnity received from lessees for the replacement of components			
Elimination of other income/expense items with no cash impact:			
Depreciation of property, plant and equipment (excluding investment property)	4	5	
Fair value of financial instruments (share subscription warrants)	741		
Adjustments for loans at amortized cost	590	775	554
Cash flows from operations before tax and changes in working capital requirements	**14,427**	**19,001**	**8,967**
Change in amounts due to owners	26,746	0	22,065
Other changes in working capital requirements	6,574	(2,975)	(1,916)
Change in working capital requirements	**33,320**	**(2,975)**	**20,149**
Net cash flows from operating activities	**47,747**	**16,026**	**29,116**
INVESTING ACTIVITIES			
Acquisition of fixed assets	(5,777)	(8,331)	(7,325)
Disposal of fixed assets			
Net decrease in amounts due to fixed asset suppliers	2,314	(384)	837
Net cash flows used in investing activities	**(3,464)**	**(8,715)**	**(6,488)**
FINANCING ACTIVITIES			
Increase in share capital			
Change in bank debt			
Issue of financial instruments (share subscription warrants)	9		
Refinancing transaction costs			
Net increase in current borrowings	(35)	(90)	78
Net increase in other non-current borrowings and debt	107	(215)	(105)
Net decrease in other non-current borrowings and debt			
Purchases and sales of treasury shares	5	252	38
Dividends paid	(26,746)	(22,034)	(22,065)
Net cash flows used in financing activities	**(26,660)**	**(22,087)**	**(22,054)**
Change in cash and cash equivalents	**17,623**	**(14,776)**	**573**
Cash and cash equivalents at beginning of the period*	8,723	23,499	23,499
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	**26,346**	**8,723**	**24,072**

* There were no cash liabilities for any of the periods presented above.

Consolidated statement of changes in equity for the six-month period ended June 30, 2016

in thousands of euros

	Share capital	Legal reserve and additional paid-in capital	Treasury shares	Consolidated reserves and retained earnings	Shareholders' equity attributable to owners of the Company	Non-controlling interests	Total shareholders' equity
Shareholders' equity at Dec. 31, 2014	160,470	21,436	(469)	327,698	509,135	-	509,135
Comprehensive income	**0**	0	0	**32,149**	**32,149**	0	**32,149**
- Net income for the period	*0*	*0*	*0*	*32,149*	*32,149*	*0*	*32,149*
- Other comprehensive income	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Capital transactions with owners	**0**	0	38	**(22,066)**	**(22,028)**	0	**(22,028)**
- Dividends paid (€1.65 per share)	*0*	*0*	*0*	*(22,066)*	*(22,066)*	*0*	*(22,066)*
- Change in treasury shares held	*0*	*0*	*38*	*0*	*38*	*0*	*38*
Shareholders' equity at June 30, 2015	160,470	21,436	(431)	337,782	519,256	-	519,256
Comprehensive income	**0**	0	0	**48,808**	**48,808**	0	**48,808**
- Net income for the period	*0*	*0*	*0*	*48,808*	*48,808*	*0*	*48,808*
- Other comprehensive income	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Capital transactions with owners	**0**	0	214	**30**	**244**	0	**244**
- Unpaid dividends on treasury shares	*0*	*0*	*0*	*30*	*30*	*0*	*30*
- Change in treasury shares held	*0*	*0*	*214*	*0*	*214*	*0*	*214*
Shareholders' equity at Dec. 31, 2015	160,470	21,436	(217)	386,620	568,309	-	568,309
Comprehensive income	**0**	0	0	**32,623**	**32,623**	0	**32,623**
- Net income for the period	*0*	*0*	*0*	*32,623*	*32,623*	*0*	*32,623*
- Other comprehensive income	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Capital transactions with owners	**0**	0	5	**(26,746)**	**(26,741)**	0	**(26,741)**
- Dividends paid (€2 per share)	*0*	*0*	*0*	*(26,746)*	*(26,746)*	*0*	*(26,746)*
- Change in treasury shares held	*0*	*0*	*5*	*0*	*5*	*0*	*5*
Shareholders' equity at June 30, 2016	160,470	21,436	(212)	392,497	574,192	-	574,192

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. Background and main assumptions used to prepare the consolidated financial statements for the six-month period ended June 30, 2016

1.1. OPERATIONAL CONTEXT

The Group, made up of Cegereal SA and its subsidiary Prothin SAS, did not experience any change in its operating environment during the six-month period ended June 30, 2016.
The Group did not acquire or dispose of any real estate assets during this period.

RENTAL ACTIVITY

The office space in the Arcs de Seine and Rives de Bercy buildings was fully occupied at June 30, 2016. At December 31, 2015, Boursorama announced it would gradually be vacating the 9,738 sq.m it occupies in the Arcs de Seine building in early July, late August and late September. As set out in the amended lease agreement, rents were increased by 50% as of January 1, 2016 (excluding short-term leases). The Group also billed a one-time payment of EUR 667k and restoration costs of EUR 1.5m in the first half of the year.

During the first six months of 2016, the marketing of the Europlaza building continued. A further short-term lease was entered into with KPMG for a total surface area of 819 sq.m and took effect on February 1, 2016. The lessee's previous short-term lease for a total surface area of 895 sq.m expired on January 31, 2016. GE Capital vacated 509 sq.m at January 31 and paid a termination indemnity of EUR 312k. This newly vacated surface area was leased to Gartner with effect from February 1, 2016. Unilocations signed a lease for an additional surface area of 2,191 sq.m, effective from June 1, 2016.

Occupancy rate

The physical occupancy rate corresponds to the percentage of premises for which the Company receives rent within the framework of a lease agreement at June 30, 2016.

The financial occupancy rate corresponds to the percentage of premises for which the Company receives rent or indemnities in respect of terminated lease agreements at June 30, 2016.

Unless otherwise specified, the occupancy rates referred to in this report correspond to physical occupancy rates.

The table below shows the physical and financial occupancy rates for the Group's portfolio over the past three years.

Cegereal portfolio	June 30, 2016	Dec. 31, 2015	Dec. 31, 2014
Physical occupancy rate	94.6%	92.8%	89.8%
Financial occupancy rate	94.6%	92.8%	90.5%

The physical and financial occupancy rates for each property at June 30, 2016 can be analyzed as follows:

June 30, 2016	Europlaza	Arcs de Seine	Rives de Bercy	Total
Physical occupancy rate	86.2%	100%	100%	94.6%
Financial occupancy rate	86.2%	100%	100%	94.6%

1.2. PRESENTATION OF COMPARATIVE FINANCIAL INFORMATION

For the purposes of comparison, the financial information presented in the IFRS consolidated financial statements for the six month period ended June 30, 2016 includes:

- the IFRS consolidated financial statements for the year ended December 31, 2015; and
- the IFRS consolidated financial statements for the six-month period ended June 30, 2015.

1.3. REGULATORY CONTEXT

The Group's consolidated financial statements for the six-month period ended June 30, 2016 were prepared in accordance with International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) applicable to accounting periods ended June 30, 2016, as adopted by the European Union (hereafter referred to as “IFRS”).

Dividend payments are decided by the General Shareholders' Meeting on the basis of Cegereal SA's financial statements prepared in accordance with French GAAP and not on the basis of the IFRS financial statements.

The interim consolidated financial statements were adopted by the Board of Directors on July 21, 2016.

2. Significant accounting policies used to prepare the consolidated financial statements for the six-month period ended June 30, 2016

2.1. PRESENTATION OF THE IFRS FINANCIAL STATEMENTS

ACCOUNTING STANDARDS

The Group's consolidated financial statements for the six-month period ended June 30, 2016 have been prepared in accordance with international accounting standards (IAS/IFRS) and with the interpretations of the Standing Interpretations Committee (SIC) and the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the European Union at June 30, 2016 and applicable at that date. For the purposes of comparison, the financial statements for the year ended December 31, 2015 have also been prepared according to the same standards.

For the fiscal years presented, the standards and interpretations adopted in the European Union and applicable to the Group are similar to the standards and interpretations effective for these periods as published by the International Accounting Standards Board (IASB). The Group's financial statements are therefore prepared in accordance with IFRS standards and IFRIC interpretations, as published by the IASB.

The consolidated financial statements have been prepared using the historical cost convention, except in the case of investment property, financial instruments and assets held for sale, which are carried at fair value in accordance with IAS 40, IAS 32, IAS 39 and IFRS 5.

This interim financial report was prepared in accordance with IAS 34 "Interim Financial Reporting".

The new published standards, amendments and interpretations effective for accounting periods beginning on or after June 30, 2016 have no impact on the Company's first-half 2016 interim consolidated financial statements.

In accordance with the amendment to IAS 1 "Presentation of Financial Statements", aimed at complementing the financial information relating to the statement of comprehensive net income and gains and losses recognized directly in equity, items in "Other comprehensive income" in the statement of comprehensive income may be grouped into sub-totals depending on whether or not they are subsequently reclassified.

The Group has elected not to early adopt any IFRS standards or IFRIC interpretations adopted by the European Union but only effective for subsequent accounting periods and which would have an impact on the Group's financial statements.

BASIS OF CONSOLIDATION

The consolidated financial statements include all entities controlled or jointly controlled by the Group, or over which it exercises significant influence. In determining its ownership interest, the Group considers any potential voting rights giving access to additional voting rights, provided that these rights are currently exercisable or convertible.

FULL CONSOLIDATION

All entities controlled by the Group are fully consolidated. Control is presumed to exist when the Group has the power to manage the relevant activities, is exposed to or is entitled to the variable returns generated by such activities, and has the power to influence such returns.

At June 30, 2016, no entities were jointly controlled or significantly influenced by the Group.

SCOPE OF CONSOLIDATION

At June 30, 2016, the scope of consolidation included the following entities:

	Siren no.	% control	% interest	Consolidation method	Period taken into account
Cegereal SA	422 800 029	100%	100%	Full consolidation	January 1 to June 30, 2016
Prothin SAS	533 212 445	100%	100%	Full consolidation	January 1 to June 30, 2016

All entities included in the scope of consolidation close their accounts on December 31.

CONSOLIDATION ADJUSTMENTS AND ELIMINATIONS

Business combinations are accounted for in accordance with IFRS 3. The cost of a business combination reflects the acquisition date fair value of the assets acquired, liabilities assumed or incurred and equity instruments issued in exchange for the acquiree.

On the first-time consolidation of a company, the impact of consolidation, representing the difference between the acquisition cost of the shares and their share in the fair value of the assets and liabilities transferred, is recorded as:

- a fair value adjustment relating to certain identifiable assets and liabilities, amortized using the same rules as the assets and liabilities to which it relates;
- goodwill (where appropriate), recorded within assets on the consolidated statement of financial position in the case of a positive balance and tested for impairment each year, or recorded within the statement of comprehensive income in the case of a negative balance.

No fair value adjustments or goodwill were recognized on the first-time consolidation of Prothin SAS as the company was created by Cegereal SA on June 22, 2011.

2.2. SEGMENT REPORTING

Within the framework of IFRS 8, the Group has not identified different operating segments insofar as its assets solely comprise commercial real estate located in the Paris area.

IFRS 8 states that operating segments may be aggregated if they are similar in each of the following respects:

- the nature of the products and services;
- the nature of the production processes;
- the type or class of customer for their products and services;
- the methods used to distribute their products or provide their services;
- if applicable, the nature of the regulatory environment, for example, banking, insurance or public utilities.

Consequently, the Group did not have significant additional disclosure requirements as a result of applying IFRS 8.

2.3. INVESTMENT PROPERTY

Property held under long-term operating leases to earn rentals or for capital appreciation or both, and not occupied by the Group, is classified as investment property. Investment property includes owned land and buildings.

Investment property is initially measured at historical cost, including transaction costs. After initial recognition, investment property is remeasured at fair value. As a result, no depreciation or impairment is recognized on investment property. Fair value is measured net of registration tax by an external real estate valuer at the end of each reporting period. The methodology used by the real estate valuer is described below (see Note 2.4).

Subsequent expenditure may only be allocated to the assets' carrying amount when it is probable that the future economic benefits associated with the property will flow to the Group, and the cost of the property can be measured reliably. All other repair and maintenance costs are recognized in the statement of comprehensive income during the period in which they are incurred. Changes in fair value of investment property are recognized in the statement of comprehensive income.

2.4. ESTIMATES OF THE FAIR VALUE OF INVESTMENT PROPERTY

• *Estimates and assumptions*

The fair value of property is measured by an external real estate valuer in accordance with the benchmark treatment in IAS 40.

In accordance with the recommendations of the Committee of European Securities Regulators (CESR) of July 2009, the Group appointed real estate valuation firms BNP Paribas Real Estate and Catella Valuation to appraise its three commercial properties.

It is common practice to change real estate valuer every three years in order to obtain a new analysis of an asset's qualities and market value. In the first half of 2016, the Company appointed BNP Paribas Real Estate and Catella Valuation to replace DTZ Valuation France as external real estate valuers for (i) Europlaza and Rives de Bercy, and (ii) Arcs de Seine, respectively.

When preparing the financial statements, management and the external real estate valuer are required to use certain estimates and assumptions that are likely to affect the amounts of assets, liabilities, income and expenses reported in the financial statements and in the accompanying notes. The Group and the real estate valuer are required to review these estimates and appraisals on an ongoing basis in light of past experience and other factors deemed of material importance with regard to economic conditions. The amounts reported in future financial statements may differ from these estimates as a result of changes in assumptions or circumstances.

The values of investment property measured by the real estate valuers represent the best estimates at June 30, 2016, based on recent market observations and valuation methods commonly used within the profession. These estimates are not intended to anticipate any market changes.

• *Valuation methods*

The valuer calculated the fair value of the real estate assets in accordance with the professional standards set out in the French Real Estate Valuation Charter.
The market value of the property is measured using its estimated rental value and the Discounted Cash Flow (DCF) and capitalization methods.

ESTIMATED RENTAL VALUE

The rental value is determined by comparing the rental value per square meter of the most recent transactions involving properties of similar type and location, in order to determine a market value per square meter for the different types of premises (offices, staff cafeterias, car parks, etc.). This rental value is subject to a reversion rate to take account of the specific features of the real estate assets.

MARKET VALUE

The results of applying two traditional methods (the DCF method and the capitalization method) are combined to estimate the market value.

A discount is applied to the gross value to take account of transfer duties and registration costs, which are estimated at the rate of 7.5% for the three buildings.

DCF method
This method consists of discounting the annual cash flows generated by the asset, including the assumed resale at the end of a defined ownership period. Cash flows are defined as the total amount of all of the asset's revenues, net of expenses not rebillable to lessees.

Capitalization approach
This method consists of capitalizing the annual income generated by an asset with a capitalization rate defined by reference to the market. The rate used reflects the quality of the financial covenants as well as the long-term risks related to the property.

FAIR VALUE HIERARCHY UNDER IFRS 13

Cegereal applies IFRS 13, which defines fair value as the price that would be received in an orderly transaction to sell an asset or paid in an orderly transaction to transfer the liability at the measurement date under current market conditions.

IFRS 13 uses a three-level fair value hierarchy to classify the inputs used as a basis to measure the assets and liabilities concerned.

The three levels are as follows:

Level 1: fair value corresponds to the unadjusted quoted prices in active markets for identical assets and liabilities;
Level 2: fair value is determined, either directly or indirectly, using observable inputs;
Level 3: fair value is determined directly using unobservable inputs.

In light of the nature of the French real estate market and the relative lack of publicly-available data, Cegereal has decided that the most appropriate level for its assets within the fair value hierarchy is Level 3.

2.5. FINANCIAL INSTRUMENTS – CLASSIFICATION AND MEASUREMENT OF FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities are recognized and measured in accordance with IAS 39.

• ***Loans and receivables***

Loans and receivables include the non-current portion of the economic benefits of the lease, rent-free periods, rent discounts, the portion of fitting-out costs incurred by the lessee and borne by the lessor, and the lease premiums paid to lessees in accordance with IAS 17 and interpretation SIC 15.

• ***Trade accounts receivable***

Trade accounts receivable consist of accrued amounts receivable from lessees. They are initially recognized at fair value and subsequently at amortized cost using the effective interest rate method, less any provisions for impairment. A provision for impairment of trade accounts receivable is set aside when there is objective evidence that certain amounts are no longer recoverable. The amount of this provision corresponds to the difference between the carrying amount of the asset and the present value of future cash flows estimated using the effective interest method. Impairment provisions are recorded in the statement of comprehensive income.

Rent is usually billed in advance. As a result, trade accounts receivable consist of rent billed in respect of the following period.

The timing difference between the billing date and the end of the reporting period is eliminated by recognizing rent billed for future periods and not yet due under “Prepaid revenue” (see Note 5.16).

• ***Non-derivative financial liabilities***

After initial recognition, non-derivative financial liabilities are measured at amortized cost using the effective interest method.

• ***Derivative financial instruments***

Derivative financial instruments are measured at fair value at the end of each reporting period with any gains or losses recognized in income.

FAIR VALUE HIERARCHY UNDER IFRS 13

Cegereal applies IFRS 13, which defines fair value as the price that would be received in an orderly transaction to sell an asset or paid in an orderly transaction to transfer the liability at the measurement date under current market conditions (see Note 2.4).

Cegereal categorizes derivative financial instruments – in this case, share subscription warrants – within level 1, and other financial liabilities within level 2.

2.6. SHARE CAPITAL

Ordinary shares are classified in shareholders' equity. Incremental costs directly attributable to new share issues are shown in shareholders' equity as a deduction, net of tax, from additional paid-in capital.

2.7. TREASURY SHARES

On August 29, 2006, Cegereal SA entered into a liquidity agreement with Exane BNP Paribas. This agreement complies with the standard-type contract of the French Association of Investment Firms (*Association Française des Entreprises d'Investissement* – AFEI) and the AFEI code of ethics of March 14, 2005 which was approved by the French financial markets authority (*Autorité des marchés financiers* – AMF) on March 22, 2005.

Under the terms of this agreement, Exane BNP Paribas may buy and sell Cegereal SA shares on behalf of Cegereal SA within the limits imposed by law and the authorizations granted by the Board of Directors.

Within the scope of these liquidity agreements, the Company owned 13,445 treasury shares (representing 0.1% of its total issued shares) for a total amount of EUR 377k at June 30, 2016.

In accordance with IAS 32, these treasury shares are shown as a deduction from consolidated equity based on their acquisition cost (net of directly attributable transaction costs) or their initial carrying amount in the consolidated statement of financial position. Any capital gains or losses arising on the disposal of these shares are eliminated in the statement of comprehensive income and recognized against consolidated equity.

Cash allocated to the liquidity agreement and not invested in Cegereal SA shares at the end of the reporting period is stated in "Other operating receivables".

2.8. ELECTION FOR TAX TREATMENT AS AN SIIC

Cegereal SA has elected for the preferential tax treatment granted to listed real estate investment companies (*Sociétés d'Investissement Immobilières Cotées* – SIICs) in accordance with Article 208 C of the French Tax Code (*Code général des impôts*). This election took effect on April 1, 2006. Prothin SAS, Cegereal's sole and fully controlled subsidiary, also benefits from this preferential tax treatment.

Owing to this tax treatment, no corporate income tax is payable directly or indirectly through income from subsidiaries in respect of the real estate leasing business and no deferred taxes were recognized at June 30, 2016. Similarly, no tax was payable on capital gains arising on disposals of real estate or equity interests in subsidiaries eligible for the same tax treatment.

Terms and conditions and impact of tax treatment as an SIIC

a) When a company elects for SIIC status, the ensuing change in tax treatment has a similar impact to that of a discontinuance of business (taxation of unrealized capital gains, income which is subject to tax deferral and as yet untaxed operating income).

b) SIICs that have elected for preferential tax treatment are exempted from paying corporate income tax on the portion of their income resulting from:

- the lease of buildings, provided that 95% of this income is distributed before the end of the fiscal year following the year in which the income is generated (85% of this income for periods ended before December 31, 2013);
- capital gains generated on the sale of buildings, shareholdings in partnerships falling within the scope of Article 8 of the French Tax Code and having the same purpose as that of the SIIC, or shareholdings in subsidiaries having elected for preferential tax treatment, provided that 60% of these capital gains are distributed by the end of the second fiscal year following the year in which they were generated (50% of these capital gains for periods ended before December 31, 2013);
- dividends received from subsidiaries having elected for preferential tax treatment and resulting from exempt income or from capital gains provided that they are redistributed in full during the fiscal year following the year in which they were received.

In the event subsidiaries choose to leave the SIIC tax regime within the ten years following the date of their election for SIIC tax treatment, they are liable for additional income tax on the capital gains that were taxed at reduced rates. The SIICs and their subsidiaries must also add back to their taxable earnings for the period the portion of their income available for distribution at the end of said period which results from previously tax-exempt amounts. The amount of income tax due is increased by a 25% tax on unrealized capital gains on buildings, rights under real estate finance leases and holdings that were acquired during the period SIIC tax treatment was applied, less one-tenth for each calendar year lapsed since the entity opted for the regime.

c) The Amending French Finance Act for 2006 stipulates that companies may not benefit from preferential tax treatment as an SIIC if 60% or more of their capital or voting rights are held by one or several persons acting in concert within the meaning of Article L.233-10 of the French Commercial Code (*Code de commerce).*

d) The Amending French Finance Act for 2006 also introduced a 20% withholding tax to be paid by SIICs on dividends distributed from tax-exempt income to shareholders, other than natural persons, that hold at least 10% of dividend entitlements in said SIICs and that are not liable for corporate income tax or another equivalent tax on the dividends received. However, the withholding tax is not due when the beneficiary of the dividends is a company required to distribute the full amount of the dividends it receives and whose shareholders that directly or indirectly hold at least 10% of the dividend rights are liable for corporate income tax or another equivalent tax on the dividends received.

2.9. EMPLOYEE BENEFITS

IAS 19 requires entities to recognize as expenses all current or future benefits or compensation granted by an entity to its employees or to third parties over the period during which the rights to such benefits or compensation vest.

The Group only has three employees and therefore considers that its employee benefit commitments in respect of defined benefit plans are not material. Consequently, the amount of its employee benefit commitments was not assessed at June 30, 2016.

2.10. BANK BORROWINGS

On initial recognition, bank borrowings are measured at the fair value of the consideration received, less directly attributable transaction costs.

They are subsequently measured at amortized cost using the effective interest method. The long-term portion (due more than 12 months after the end of the reporting period) is classified in non-current borrowings and debt, while the short-term portion (due in less than 12 months) is classified in current borrowings and debt.

2.11. RENTAL INCOME

The Group leases out its real estate under operating leases. Assets leased under operating leases are recognized in the consolidated statement of financial position within investment property.

Rental income is recognized over the lease term.

In accordance with IAS 17 and interpretation SIC 15, the financial impact of all of the provisions in the lease agreement is recognized on a straight-line basis over the shorter of the lease term or the period up to the date on which the lessee may terminate the lease without incurring any material financial consequences (usually after six years). Therefore, in order to accurately reflect the economic benefits of the lease, rent-free periods, rent discounts, the portion of fitting-out costs incurred by the lessee and borne by the lessor, and lease premiums paid to lessees are recognized over the firm term of the lease.

Termination and restoration indemnities received from former lessees are recognized under "Miscellaneous services" in operating income.

2.12. RENTAL EXPENSES AND REBILLING OF EXPENSES TO LESSEES

Rental expenses incurred by the lessor on behalf of lessees and expenses chargeable to the lessees under the terms of the lease are recorded in the statement of comprehensive income under “Building-related costs".

The rebilling of rental expenses and expenses chargeable to lessees under the terms of the lease are recorded in the statement of comprehensive income under “Income from other services”.

The portion of rental expenses concerning vacant premises is recorded directly in the statement of comprehensive income.

Rental expenses include building-related taxes (property tax, tax on office premises and tax on parking areas).

Pursuant to IFRIC 21, the interpretation of IAS 37, property tax, tax on office premises and tax on parking areas are recognized in full at January 1 of each reporting period, i.e., the date of the obligating event. The same applies to taxes rebilled in advance to lessees.

2.13. DISCOUNTING OF DEFERRED PAYMENTS

Long-term payables and receivables are discounted when they are considered to have a material impact.

- Security deposits received from lessees are not discounted because they are indexed annually based on an index used for annual rent reviews.
- There are no provisions for material liabilities, as defined in IAS 37.

2.14. EARNINGS PER SHARE

Earnings per share is a key indicator used by the Group, and is calculated by dividing net attributable income by the weighted average number of shares outstanding during the period. As Cegereal SA has no dilutive instruments, basic and diluted earnings per share are the same.

2.15. PRESENTATION OF THE FINANCIAL STATEMENTS

Assets and liabilities maturing within 12 months of the reporting date are classified as current assets and liabilities in the consolidated statement of financial position. All other assets and liabilities are treated as non-current.

Expenses in the statement of comprehensive income are shown according to their nature.

In the statement of cash flows, net operating cash flows are calculated using the indirect method, whereby the net amount is based on net income adjusted for non-cash transactions, items of income or expense associated with investing or financing cash flows, and changes in working capital requirements.

3. Critical accounting estimates and judgments

To prepare the interim consolidated financial statements, the Group uses estimates and judgments which are updated on a regular basis and are based on past information and other factors, in particular assumptions of future events deemed reasonable in view of the circumstances.

Estimates that could lead to a significant adjustment in the carrying amount of assets and liabilities in the subsequent period mainly concern the determination of the fair value of the Group's real estate assets, which is measured on the basis of valuations carried out by an external real estate valuer using the methodology described in Note 2.4.

As these valuations are only estimates, there may be a significant difference between the amount obtained upon the sale of certain real estate assets and their estimated value, even when they are sold in the months following the end of the reporting period.

In this context, valuations of the Group's real estate assets by the external real estate valuer could vary significantly according to changes in the rate of return, based on observations of the real estate market.

in millions of euros

			Changes in potential rate of return								
Building	Market rental value	Potential rate of return	0.500%	0.375%	0.250%	0.125%	0.000%	(0.125)%	(0.250)%	(0.375)%	(0.500)%
Europlaza	22.3	5.83%	328.1	334.7	341.6	348.7	356.2	364.0	372.2	380.7	389.6
Arcs de Seine	21.6	4.81%	377.5	386.6	396.1	406.1	416.7	427.8	439.5	451.9	465.0
Rives de Bercy	11.8	5.64%	178.6	182.3	186.1	190.2	194.4	198.8	203.4	208.3	213.3
Total	55.7	5.43%	884.2	903.6	923.8	945.0	967.3	990.6	1,015.1	1,040.9	1,067.9
Impact on portfolio value:			(8.59)%	(6.59)%	(4.50)%	(2.31)%	0.00%	2.41%	4.94%	7.61%	10.40%

Source: BNP Paribas Real Estate & CATELLA Valuation

These data are linked to the market and could therefore change significantly in the current climate. This could have a significant positive or negative impact on the fair value of the Group's real estate assets.

4. Management of financial risks

4.1. RISK RELATED TO REFINANCING

The Group has a single bank loan comprising two tranches of EUR 400m and EUR 5m, respectively. This loan was taken out with a pool of four banks comprising Aareal Bank AG, Deutsche Pfandbriefbank AG, Bayerische Landesbank and Landesbank Berlin AG. The loan is repayable at maturity on August 16, 2017.

4.2. RISK RELATED TO THE VALUATION OF REAL ESTATE ASSETS

The Group's real estate portfolio is valued by an external real estate valuer. The value of the portfolio depends on the ratio of supply to demand in the property market, a large number of substantially varying factors, and changes in the economic environment.

All of the Group's real estate assets are office buildings with a large surface area (above 30,000 sq.m.) located in the inner suburbs of Paris. A fall in demand for this type of building could adversely affect the Group's earnings, business activities and financial position.

The current economic climate has sparked volatility in real estate prices and values. Consequently, the price obtained if the assets are disposed of in the short term may not be in line with the valuation.

4.3. RISK RELATED TO CHANGES IN MARKET RENT LEVELS FOR OFFICE PREMISES

Market rent levels for office premises and the value of office buildings are strongly influenced by the ratio of supply to demand in the property market. A situation where supply outweighs demand is likely to adversely affect the Group's earnings, business activities, assets and liabilities, and financial position.

4.4. RISK RELATED TO THE REGULATORY FRAMEWORK APPLICABLE TO LEASES

Certain legal provisions applicable to commercial leases, such as public policy regulations governing lease terms and the indexing of rent, can restrict the capacity of property owners to increase rents. In the event of a change in the regulatory framework or the index used, the Group may be exposed to such risks.

4.5. COUNTERPARTY RISK

Group procedures ensure that lease agreements are only entered into with lessees of suitable credit standing. The Group has developed policies that limit its exposure to credit risk.

At June 30, 2016, the Group was dependent on three lessees who collectively represented approximately 45% of total rental income during the first half of 2016 and individually more than 10%. Although the Group's real estate assets could be – and are – leased to many different lessees, financial difficulties experienced by one of these lessees, a request for more favorable lease terms upon renewal or a decision to terminate their lease, could adversely impact the Group's financial position, earnings and future performance.

4.6. LIQUIDITY RISK

Prudent liquidity risk management involves maintaining sufficient liquidity and short-term investment securities, being able to raise funds based on suitably adapted lines of credit and the ability to unwind market positions.

The Group has financing in the form of a single bank loan taken out with a pool of four banks which it uses to finance renovation projects.

Notes 5.11 and 5.24 contain a description of the different credit facilities and the early repayment clauses contained in the credit agreements. The Group complied with its covenants at the most recent due date.

4.7. INTEREST RATE RISK

At June 30, 2016, the Group had a fixed-rate loan comprising two tranches of EUR 400m and EUR 5m, respectively. This loan is due to be repaid on August 16, 2017. On the first tranche of the loan, interest is calculated at a rate of 3.40% if the physical occupancy rate (excluding short-term leases) is lower than 90% and at 3.15% if it exceeds this threshold. On the second tranche of the loan, the interest rate is set at 2.769% if the physical occupancy rate (excluding short-term leases) is lower than 90% and 2.519% if it exceeds this threshold.

The physical occupancy rate (excluding short-term leases) for the Group's properties was more than 90% over the whole of first half 2016.

5. Notes to the consolidated statement of financial position at June 30, 2016 and to the consolidated statement of comprehensive income for the period then ended

5.1. INVESTMENT PROPERTY

• ***Carrying amount of investment property***

Changes in the carrying amount of investment property can be broken down by building as follows:

in thousands of euros

	Rives de Bercy	Europlaza	Arcs de Seine	Total
Dec. 31, 2014	191,000	333,000	347,000	871,000
Indemnity received	0	0	0	0
Subsequent expenditure	108	6,727	429	7,264
Disposals	0	0	0	0
Change in fair value	3,892	14,273	5,571	23,736
June 30, 2015	195,000	354,000	353,000	902,000
Indemnity received				
Subsequent expenditure	(113)	1,044	69	1,000
Disposals				
Change in fair value	7,113	5,956	25,931	39,000
Dec. 31, 2015	202,000	361,000	379,000	942,000
Indemnity received	0	0	0	0
Subsequent expenditure	0	5,630	139	5,769
Disposals	0	0	0	0
Change in fair value	(7,600)	(10,430)	37,561	19,531
June 30, 2016	194,400	356,200	416,700	967,300

• *Main fair value assumptions*

The real estate valuer's estimation of the fair value of the buildings at June 30, 2016 is indicated below, along with the supporting information:

Building	Estimated value at June 30, 2016 (net of taxes)		Rate of return	Gross leasable area[1] at June 30, 2016		Annual rent (net of taxes)[2]	
	in thousands of euros	%	%	sq.m.	%	in thousands of euros	%
Europlaza (1999[3])	356,200	37	5.3	49,321	40	23,301	41
Arcs de Seine (2000[3])	416,700	43	4.8	45,167	36	21,218	38
Rives de Bercy (2003[3])	194,400	20	5.3	29,850	24	11,776	21
Total	967,300	100		124,338	100	56,295	100

(1) The gross leasable area includes the surface area of the offices, storage areas and a share of common areas.
(2) Annual rent includes rent billed to lessees for space occupied at June 30, 2016 and market rent, as estimated by valuers, in relation to vacant premises.
(3) Year of construction or restoration.

5.2. NON-CURRENT LOANS AND RECEIVABLES

This item can be broken down as follows:

in thousands of euros

	June 30, 2016	Dec. 31, 2015	June 30, 2015
Security deposits paid	23	23	23
Benefits granted to lessees (non-current portion)	26,393	28,904	30,322
Non-current loans and receivables	26,416	28,928	30,346

Benefits granted to lessees (non-current portion) corresponds to the non-current portion of rent-free periods, rent discounts and lease premiums paid to lessees recognized over the firm term of the lease in accordance with the accounting regulations stated in Note 2.11.

5.3. TRADE ACCOUNTS RECEIVABLE

This item can be broken down as follows:

in thousands of euros

	June 30, 2016	Dec. 31, 2015	June 30, 2015
Trade accounts receivable	11,823	13,132	12,945
Provision for impairment of trade accounts receivable	0	0	0
Trade accounts receivable, net	11,823	13,132	12,945

5.4. OTHER OPERATING RECEIVABLES

This item can be broken down as follows:

in thousands of euros

	June 30, 2016	Dec. 31, 2015	June 30, 2015
Benefits granted to lessees (current portion)	5,381	5,768	4,889
VAT	1,168	0	360
Supplier accounts in debit and other receivables	196	842	38
Liquidity account/treasury shares	294	289	275
Other operating receivables	7,039	6,899	5,562

5.5. CASH AND CASH EQUIVALENTS

"Cash and cash equivalents" comprises either bank account balances or risk-free bank deposits that may be considered as cash equivalents.

Current bank account balances recorded in this caption represent EUR 26,346k.

5.6. AGEING ANALYSIS OF RECEIVABLES

The ageing analysis of receivables at June 30, 2016 is as follows:

in thousands of euros

	Receivables (net of impairment) June 30, 2016	Receivables not yet due (net of impairment)	Receivables past due (net of impairment)	o/w receivables less than 6 months past due	o/w receivables more than 6 months and less than 1 year past due	o/w receivables more than 1 year past due
Non-current receivables						
Non-current loans and receivables	26,416	26,416	0	0	0	0
Total non-current receivables	26,416	26,416	0	0	0	0
Current receivables						
Trade accounts receivable*	11,823	11,363	459	457	2	0
Other operating receivables	7,039	7,039	0	0	0	0
Prepaid expenses	193	193	0	0	0	0
Total current receivables	19,054	18,595	459	457	2	0
Total receivables	45,470	45,011	459	457	2	-

* The amount of trade accounts receivable pledged as collateral for loans and borrowings amounts to EUR 11,823k at June 30, 2016 and is detailed in Note 5.24.

The ageing analysis of receivables at December 31, 2015 is as follows:

in thousands of euros

	Receivables (net of impairment) Dec. 31, 2015	Receivables not yet due (net of impairment)	Receivables past due (net of impairment)	o/w receivables less than 6 months past due	o/w receivables more than 6 months and less than 1 year past due	o/w receivables more than 1 year past due
Non-current receivables						
Non-current loans and receivables	28,928	28,928	0	0	0	0
Total non-current receivables	28,928	28,928	0	0	0	0
Current receivables						
Trade accounts receivable*	13,132	12,250	882	850	32	0
Other operating receivables	6,899	6,899	0	0	0	0
Prepaid expenses	96	96				
Total current receivables	20,127	19,245	882	850	32	0
Total receivables	49,055	48,173	882	850	32	-

* The amount of trade accounts receivable pledged as collateral for loans and borrowings amounted to EUR 13,132k at December 31, 2015 and is detailed in Note 5.24.

5.7. FAIR VALUE OF FINANCIAL ASSETS

The fair value of financial assets, which primarily comprise receivables, corresponds to their carrying amount.

5.8. FINANCIAL ASSETS AND LIABILITIES

The table below presents a summary of financial assets and liabilities:

in thousands of euros

Summary of financial assets and liabilities	June 30, 2016	Dec. 31, 2015	June 30, 2015
Financial assets at fair value through profit or loss	0	0	0
Held-to-maturity investments	0	0	0
Loans and receivables			
Non-current loans and receivables	26,416	28,928	30,346
Current receivables	18,861	20,031	18,506
Available-for-sale financial assets	0	0	0
Cash and cash equivalents	26,346	8,723	24,072
Total financial assets	71,623	57,682	72,924
Financial liabilities at fair value through profit or loss		0	0
Financial liabilities measured at amortized cost			
Non-current liabilities	407,312	406,615	406,503
Current liabilities	43,636	9,349	36,282
Total financial liabilities	450,949	415,964	442,785

5.9. CHANGES IN IMPAIRMENT OF FINANCIAL ASSETS

No impairment was recognized against financial assets in the period.

5.10. CONSOLIDATED EQUITY

Composition of and changes in shareholders' equity:

	Number of shares	Par value of shares	Share capital	Legal reserve and additional paid-in capital	Consolidated reserves and retained earnings
		in euros	*in thousands of euros*	*in thousands of euros*	*in thousands of euros*
Shareholders' equity at Dec. 31, 2015	13,372,500	12	160,470	21,436	386,404
Dividends paid	0	0	0	0	(26,746)
Net income for the period	0	0	0	0	32,623
Change in treasury shares held	0	0	0	0	5
Shareholders' equity at June 30, 2016	13,372,500	12	160,470	21,436	392,286

Treasury shares

in euros

	Amount at June 30, 2016	Amount at Dec. 31, 2015	Amount at June 30, 2015
Acquisition cost	376,825	354,063	562,868
Number of treasury shares at reporting date	13,445	13,538	20,660

5.11. NON-CURRENT BORROWINGS

On July 26, 2012, the Group took out a bank loan for EUR 400m repayable at maturity on August 16, 2017. The loan was drawn on November 15, 2012 with a pool of four banks comprising Aareal Bank AG, Deutsche Pfandbriefbank AG, Bayerische Landesbank and Landesbank Berlin AG. The interest rate is 3.40% if the physical occupancy rate (excluding short-term leases) is below 90% and 3.15% if it exceeds this threshold.

An amendment to this loan agreement was signed on August 7, 2014 providing for an additional EUR 5m tranche to be used to finance renovation projects. This tranche was drawn on November 21, 2014. The interest rate on this tranche is 2.769% if the physical occupancy rate (excluding short-term leases) is below 90% and 2.519% if it exceeds this threshold.

The physical occupancy rate (excluding short-term leases) for the Group's properties was more than 90% for the whole of the first-half 2016.

At June 30, 2016, the bank loan, measured at the amortized cost of the consideration received less directly attributable transaction costs, amounted to EUR 403m.

The gross interest expense totals EUR 6,434k for first-half 2016.

Guarantees granted in respect of the loans are recorded as off-balance sheet commitments (see Note 5.24).

Loan repayment dates are subject to compliance with the covenants or contractual clauses set out in Note 5.24. If the Group fails to comply with these ratios, it could be required to make a partial repayment of the loan in advance. The Group complied with the ICR and LTV ratios described in Note 5.24, which were calculated on May 15, 2016 and June 30, 2016, respectively.

5.12. FAIR VALUE OF FINANCIAL LIABILITIES

The fair value of financial liabilities at June 30, 2016 can be analyzed as follows:

in thousands of euros

	June 30, 2016		Dec. 31, 2015		June 30, 2015	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Bank loan	403,254	411,080	402,664	413,074	402,442	408,901
Total non-current liabilities	403,254	411,080	402,664	413,074	402,442	408,901
Derivative instruments	750	750				
Total current liabilities	750	750	-	-	-	-

On April 14, 2016, Cegereal issued 865,000 share subscription warrants to Northwood Investors France Asset Management SAS at a unit price of EUR 0.01. These warrants were subscribed in a total amount of EUR 8,650 as at April 22, 2016 and must be exercised no later than June 30, 2022. Each share subscription warrant entitles the holder to subscribe to one new share in the Company. The subscription price for one share will be calculated based on the volume-weighted average share price during the 20 trading days prior to the exercise date. The warrants are considered to be derivative financial instruments and are measured at fair value at the end of each reporting period with any gains or losses recognized in income (see Note 2.5).
There was no difference between the carrying amounts and fair values of financial liabilities other than the bank loan and the share subscription warrants.

5.13. OTHER NON-CURRENT BORROWINGS AND DEBT

This caption mainly consists of security deposits paid by lessees, which are recorded as non-current borrowings and debt based on the assumption that lessees will seek to renew their leases if they expire within the next 12 months.

5.14. OTHER OPERATING LIABILITIES

These can be broken down as follows:

in thousands of euros

	June 30, 2016	Dec. 31, 2015	June 30, 2015
Personnel	242	310	108
Accrued VAT, other taxes and social security charges	6,047	2,327	5,784
Accrued rental expenses rebilled to lessees	1,094	1,019	907
Advance payments by lessees - miscellaneous	1,005	356	117
Shareholders	26,746		22,065
Other operating liabilities	35,134	4,011	28,981
Amounts due to fixed asset suppliers	2,834	561	1,741
Amounts due to fixed asset suppliers	2,834	561	1,741
Other liabilities	37,968	4,573	30,722

"Accrued rental expenses rebilled to lessees" corresponds to the balance of lessees' contributions to the financing of large items of shared equipment.

5.15. MATURITY SCHEDULE FOR LIABILITIES WITH UNDISCOUNTED CONTRACTUAL VALUES

The maturity schedule for liabilities with undiscounted contractual values is as follows:

in thousands of euros

	Carrying amount at June 30, 2016	Undiscounted contractual value	Undiscounted contractual value: Due in 1 year or less	Undiscounted contractual value: Due in more than 1 year but less than 5 years	Due in more than 5 years
Non-current liabilities					
Non-current borrowings	403,254	405,000		405,000	
Other non-current borrowings and debt	4,058				4,058
Non-current corporate income tax liability					
Total non-current liabilities	407,312	405,000	-	405,000	4,058
Current liabilities					
Current borrowings	1,591	1,591	1,591		
Trade accounts payable	2,525	2,525	2,525		
Corporate income tax liability	802	802	802		
Other operating liabilities	37,968	37,968	37,968		
Other financial liabilities	750	8			8
Total current liabilities	43,636	42,894	42,886	-	8

Other non-current borrowings and debt corresponds to security deposits paid by lessees. Their maturity date is more than five years because it is the Group's policy to extend leases when they expire.

Other financial liabilities correspond to share subscription warrants, which must be exercised no later than June 30, 2022.

5.16. PREPAID REVENUE

Prepaid revenue consists of rents billed in advance for the third quarter of 2016.

5.17. RENTAL INCOME

Including the impact of benefits granted to lessees, rental income can be broken down by building as follows:

in thousands of euros

	June 30, 2016 6 months	Dec. 31, 2015 12 months	June 30, 2015 6 months
Europlaza	9,479	18,077	9,065
Arcs de Seine	9,951	16,384	7,933
Rives de Bercy	4,924	9,849	4,928
Total rental income	24,354	44,310	21,926

5.18. INCOME FROM OTHER SERVICES

Income from other services can be analyzed as follows:

in thousands of euros

	June 30, 2016 6 months	Dec. 31, 2015 12 months	June 30, 2015 6 months
Rental expenses rebilled to lessees	3,605	6,868	3,306
Real estate taxes rebilled to lessees	4,535	4,363	4,506
Other amounts rebilled to lessees and miscellaneous income	2,457	118	357
Income from other services	10,597	11,349	8,169

Pursuant to IFRIC 21, real estate taxes rebilled to lessees correspond to rebillings for the entire year.

Other amounts rebilled to lessees and miscellaneous income mainly include indemnities in an amount of EUR 2,430k.

5.19. BUILDING-RELATED COSTS

These can be broken down as follows:

in thousands of euros

	June 30, 2016 6 months	Dec. 31, 2015 12 months	June 30, 2015 6 months
Rental expenses	3,636	6,496	3,400
Taxes	4,942	4,736	5,056
Fees	2,212	3,143	1,934
Maintenance costs	104	498	3
Expenses on vacant premises	458	1,299	772
Other expenses	45	985	262
Building-related costs	11,396	17,156	11,427

Pursuant to IFRIC 21, income tax expenses correspond to corporate income tax for the entire year.

Fees mainly comprise asset management fees. In the first six months of 2016, the Group paid a total of EUR 1,973k in fees to Northwood Investors France Asset Management SAS, compared with EUR 503k in 2015. Since January 1, 2016, these fees have been calculated based on the net asset value of Prothin.

In 2015, asset management fees also included EUR 2,641k paid to Commerz Real Investmentgesellschaft under the asset management agreement that ended on November 5, 2015. These fees were based on the estimated value of the buildings owned.

In first-half 2016, expenses on vacant premises relate to the Europlaza building. In 2015, they concerned the Europlaza and Arcs de Seine buildings.

Rental expenses totaled EUR 4,093k of which EUR 3,605k were rebilled.

5.20. AMINISTRATIVE COSTS

Administrative costs mainly comprise professional fees for EUR 602k and payroll expenses for EUR 562k.

5.21. FINANCIAL INCOME AND EXPENSES

Financial income and expenses can be broken down as follows:

	June 30, 2016 6 months	Dec. 31, 2015 12 months	June 30, 2015 6 months
Financial income	0	15	0
Financial expenses	(7,074)	(14,719)	(7,555)
Interest on bank borrowings	*(7,074)*	*(14,719)*	*(7,555)*
Net financial expense	(7,555)	(14,515)	(7,318)

5.22. CORPORATE INCOME TAX AND TAX PROOF

All consolidated entities contributing to consolidated income fall under the SIIC tax regime for listed real estate investment companies and are not liable for corporate income tax in respect of their property rental activities.

Income tax expense for the reporting period can be broken down as follows:

in thousands of euros

	June 30, 2016 6 months	Dec. 31, 2015 12 months	June 30, 2015 6 months
Corporate income tax(1)	0	0	0
Additional corporate income tax contribution(2)	802	662	662
Corporate income tax	802	662	662

(1) Corporate income tax on other taxable activities (other than property rental activities).

(2) Additional corporate income tax contribution on amounts distributed.

5.23. EARNINGS PER SHARE

Earnings per share is calculated by dividing net income attributable to owners of Cegereal SA by the number of ordinary shares net of treasury shares at June 30, 2016, i.e., 13,359,055 shares. Earnings per share data are provided below the statement of comprehensive income.

Pursuant to IAS 39, potential shares (i.e., share subscription warrants) were not considered to be dilutive at June 30, 2016. Basic and diluted earnings per share are therefore the same.

5.24. OFF-BALANCE SHEET COMMITMENTS AND SECURITY PROVIDED

All material commitments are listed below. The Group had not entered into any complex commitments at the end of the reporting period.

Commitments given

Under the terms of the credit agreement, the main commitments given by the Group are as follows:

- registration of contractual mortgages on all of the Group's existing real estate assets;
- assignment of rent receivables under the Dailly Law mechanism on all of the Group's existing real estate assets;
- to ensure that the interest coverage ratio (ICR) (available income/[projected interest + agency fees]) remains above 150%. Non-compliance with this ratio (calculated quarterly on each interest payment date) results in an obligation to repay the outstanding loan in the amount required for the ratio to be complied with;

- to ensure that the loan-to-value ratio (LTV) (outstanding loan/market value of real estate assets) remains below 70%. Non-compliance with this ratio (calculated quarterly on each publication of the valuation reports) results in an obligation to repay the outstanding loan in the amount required for the ratio to be complied with;
- to provide the agency with accounting and financial documents, valuation reports, financial ratio calculations and other information relating to the buildings described in the credit agreement;
- to allow the agency to carry out audits and visits as set out in the credit agreement;
- to take out insurance as set out in the credit agreement;
- not to take out any other loans;
- not to grant any loans apart from those set out in the credit agreement;
- not to grant liens on these assets, rights or income other than security interests;
- not to acquire any new real estate assets (excluding equity financing) or interests;
- to distribute dividends to the sole shareholder under the conditions set out in the credit agreement;
- to only acquire investments set out in the credit agreement for cash flow needs;
- in the event that the Group no longer benefits from the SIIC regime, to show that the Group has sufficient equity to pay all the taxes and indemnities for which it may be liable and that the fact of no longer benefiting from the regime will not lead to an effective payment of corporate income tax during the term of the loan resulting in a materially unfavorable event;
- repaying the loan in advance, which would give rise to breakage costs and an early repayment indemnity

Further commitments were given in connection with the amendment to the loan agreement dated August 7, 2014. These concerned:
- informing the agent about any works agreements signed;
- carrying out the renovation work before the end of 2016 based on the scope defined in the works budget while respecting lessees' rights;
- agreeing not to replace the companies responsible for carrying out the work without the agency's agreement, once the works agreements have been signed and provided the companies do not default;
- financing any additional work out of equity along with any additional expenses not initially budgeted for;
- paying all of the amounts due to the technical expert;
- on completion of the renovation work, providing the agency, as soon as possible, with (i) a copy of the acceptance report, (ii) a copy of the statement specifying that the works are duly complete and were carried out as planned, and (iii) a copy of the certificate stating that the compliance of the work is not contested.

Commitments received

Security deposits received from lessees amounted to EUR 16,543k at June 30, 2016.

Description of the main provisions and resulting commitments of the Group's operating leases:

All of the Group's business assets are located in France and are subject to the provisions of French law. The Group's business activities are governed by Articles L.145-1 to L.145-60 of the French Commercial Code. The lease term may not be less than nine years and only the lessee has the option of terminating the lease at the end of each three-year period following inception of the lease, subject to six months' notice.

Until the entry into force of Act no. 2014-626 of June 18, 2014 on craftspeople, small traders and micro businesses (the "Pinel Act"), the parties could contractually override this three-year termination period. This possibility is now limited in certain cases for leases signed on or after September 1, 2014 (the date on which the Pinel Act came into effect).

Rents are generally payable quarterly in advance and are indexed annually. The lease may provide for a step-up arrangement or for constant rental payments, and it may include rent-free periods or temporary rent freezes, but in any event, the terms and conditions are fixed at the inception of the lease for the entire lease term. Charges, including real property tax and tax on office premises, are generally borne by the lessee unless otherwise stipulated in the lease. Pursuant to Article R.145-35 of the French Commercial Code, some of these charges cannot be rebilled.

Minimum guaranteed rental income from current operating leases:

At June 30, 2016, the minimum annual rental income (excluding VAT, rebilling of taxes and expenses, and rent decreases agreed after the end of the reporting period), due to the Group through to the earliest possible termination dates of the different operating leases was as follows:

in thousands of euros

	Minimum annual rental income		
	June 30, 2016	Dec. 31, 2015	June 30, 2015
Second-half 2016	25,226		
2017	45,990	44,425	42,223
2018	39,667	38,151	36,428
2019	36,330	35,047	32,848
2020	29,111	27,971	25,586
2021	24,330	21,873	19,669
2022	2,879	1,869	353
2023	1,695	1,695	

These rents represent amounts to be invoiced, excluding the impact of the staggering of benefits granted with respect to earlier periods.

5.25. TRANSACTIONS WITH RELATED PARTIES

• ***Transactions with related companies***

The HausInvest property fund, Cegereal's majority shareholder until November 5, 2015, is managed by Commerz Real. Consequently, transactions with Commerz Real and other companies within the same group, in particular Eurohypo AG (renamed Hypothekenbank Frankfurt AG on October 9, 2012), are identified as related party transactions.

Following the acquisition of HausInvest's stake in Cegereal on November 5, 2015, the Northwood Concert became the Group's majority shareholder. Accordingly, transactions with the Northwood Concert and Northwood Investors France Asset Management SAS are considered related party transactions.

Transactions with related parties comprise the asset management agreements entered into with Commerz Real and Northwood Investors France Asset Management SAS (see Note 5.19).

in thousands of euros

	June 30, 2016 6 months	Dec. 31, 2015 12 months	June 30, 2015 6 months
Impact on operating income			
Building-related costs: Asset management fees	1,973	3,143	1,540
Administrative costs: Fees	0	181	0
Total impact on statement of comprehensive income	1,973	3,324	1,540
Impact on assets			
Prepaid expenses	0	0	0
Other receivables	0	181	0
Total impact on assets	-	181	-
Impact on liabilities			
Dividends	0	0	0
Non-current borrowings	0	0	0
Current borrowings	0	0	0
Trade accounts payable	0	181	788
Total impact on liabilities	-	181	788

• ***Transactions with key management personnel***

Compensation of the Chairman of the Board of Directors

The Chairman of the Board of Directors' gross compensation was set at EUR 25k for 2015. The Group's former Chairman resigned with effect from April 14, 2016. His compensation for 2016 amounts to EUR 7,222.
The new Chairman of the Board of Directors does not receive any compensation.

Compensation of key management personnel

in thousands of euros

Categories of employee benefits	June 30, 2016 6 months	Dec. 31, 2015 12 months	June 30, 2015 6 months
Short-term employee benefits	314	519	296
Post-employment benefits	0	0	0
Other long-term employment benefits	0	0	0
Termination benefits	0	0	0
Share-based payment	0	0	0
Total	314	519	296

Non-compete, non-solicitation, non-disparagement and confidentiality agreement
On November 5, 2015, the Company decided to request that Raphaël Tréguier sign a non-compete, non-solicitation, non disparagement and confidentiality agreement valid for a period of six months as of the termination of his duties as Chief Executive Officer. The agreement entitles him to non-compete benefits for a period of six months, payable monthly in an amount equal to:
- his last fixed monthly compensation; and
- 1/12 of his annual variable compensation in respect of the previous year in the event his term of office is terminated in 2016 or 2017, or 1/12 of his average annual variable compensation over the previous three years in the event his term of office is terminated in 2018 or beyond.

If the Chief Executive Officer's office is terminated, the Board of Directors may, on the termination date, decide to:
- release him from his non-compete agreement, in which case the corresponding non-compete benefits shall not be due; or,
- reduce the period of the non-compete agreement, in which case the non-compete benefits will only be due for that reduced period.

The Company has not entered into any other agreement to pay severance indemnities to senior executives or employees in the event of their resignation or dismissal without just cause, or in the event of a public offer for the Company's shares.

Directors' fees

Directors' fees of EUR 119k were paid for 2015.

Directors' fees were set at a maximum of EUR 200k for 2016.

Loans and securities granted to or on behalf of executives

None

Transactions entered into with executives

None

Entities having key management personnel in common with the Group

The Group has key management personnel in common with Northwood Investors, namely certain directors..

5.26. PERSONNEL

At June 30, 2016, the Group had three employees, unchanged from December 31, 2015.

5.27. STATUTORY AUDITORS

The Statutory Auditors are:

KPMG Audit FS I
Tour Eqho
2 avenue Gambetta
92066 Paris-La Défense Cedex
Tenure renewed at the Ordinary and Extraordinary Shareholders' Meeting of June 29, 2011.

Denjean & associés
35 avenue Victor Hugo
75116 Paris
First appointed at the Ordinary and Extraordinary Shareholders' Meeting of December 22, 2011.

Fees paid to the Statutory Auditors for the six-month period ended June 30, 2016 were as follows:

in thousands of euros

	Amount (net of taxes)			%		
	June 30, 2016	Dec. 31, 2015	June 30, 2015	June 30, 2016	Dec. 31, 2015	June 30, 2015
Statutory audit of the financial statements	112	240	142	72	79	87
Advisory services and services directly related to the statutory audit engagement	43	64	22	28	21	13
Total	156	304	164	100	100	100

5.28. SUBSEQUENT EVENTS

Not applicable

4. Statutory Auditors' review report

Cegereal S.A.
Registered office: 42, rue de Bassano - 75008 Paris
Share capital: €160,470,000

Statutory Auditors' review report on the 2016 interim financial information

For the six months ended June 30, 2016

To the Shareholders,

In compliance with the assignment entrusted to us by your General Shareholders' Meeting and in accordance with the requirements of article L. 451-1-2 III of the French Monetary and Financial Code (Code monétaire et financier), we hereby report to you on:
• the review of the accompanying interim consolidated financial statements of Cegereal S.A. for the six months ended June 30, 2016;
• the verification of the information contained in the interim management report.
These interim consolidated financial statements are the responsibility of the Board of Directors. Our role is to express a conclusion on these financial statements based on our review.

I - CONCLUSION ON THE FINANCIAL STATEMENTS

We conducted our review in accordance with professional standards applicable in France.
A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.
Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements do not give a true and fair view of the assets and liabilities and of the financial position of the Group at June 30, 2016 and of the results of its operations for the period then ended, in accordance with International Financial Reporting Standards, as adopted by the European Union.

II – SPECIFIC VERIFICATION

We have also verified the information given in the interim management report on the interim consolidated financial statements subject to our review. We have no matters to report as to its fair presentation and its consistency with the interim consolidated financial statements.

Paris-La Défense, July 21, 2016

KPMG Audit FS I

Regis Chemouny
Partner

Denjean & Associés

Thierry Denjean
Partner

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