A French *société anonyme* (joint stock corporation) with share capital of EUR 160,470,000
Registered office: 21-25 rue Balzac, 75008 Paris
422 800 029 RCS Paris
SIRET No. 422 800 029 00023

**Interim financial report**
**Six-month period ended June 30, 2012**

(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, 2012 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 PERSONS RESPONSIBLE FOR THE 2012 INTERIM FINANCIAL REPORT

*"We certify that to our knowledge, the full consolidated financial statements for the six-month period ended June 30, 2012 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 24th 2012

Raphaël Tréguier
Chief Executive Officer

## 2. INTERIM ACTIVITY REPORT

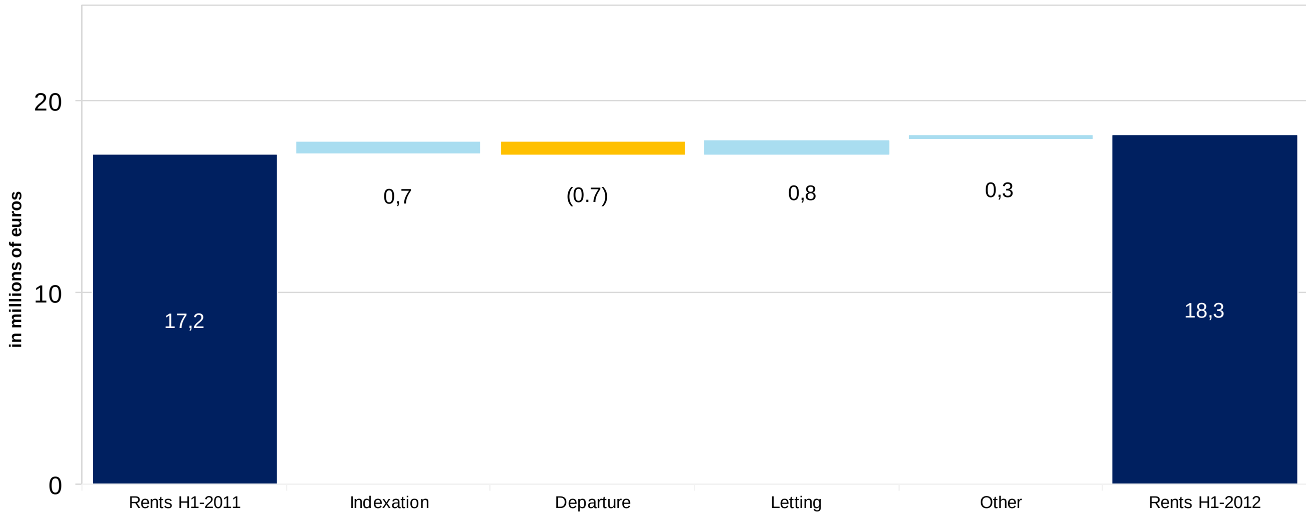
### 2.1 COMMENTS ON ACTIVITY

#### 2.1.1 Rental activity

During the first half of 2012, the first offices were let in the Arcs de Seine building since the completion of the renovation work. Three leases were entered into with Canal+, Hewlett Packard and Huawei, respectively, for a total surface area of 17,300 sq.m during the first quarter, followed by an additional lease with Hewlett Packard for 900 sq.m during the second quarter, bringing the total space let to 18,200 sq.m.

In addition, Yxime, the property manager in charge of the day-to-day management of our three buildings, relocated its teams in April 2012 to a floor covering an area of 1,296 sq.m in the Europlaza building.

**Change in operating income (June 30, 2011-June 30, 2012)**



### 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 | 14,691 | Net rental income corresponds to rental income for the period (EUR 18,268k) and rental expenses rebilled to lessees (EUR 4,121k), less building-related costs (EUR 7,698k).<br><br>During the first half of 2012, net rental income rose slightly compared to net rental income for 2011 prorated over six months following the arrival of new lessees. |
| Administrative costs | (1,454) | Administrative costs chiefly comprise fees, insurance premiums and building maintenance costs not rebilled to lessees. |
| Change in fair value of property | 4,607 | The value of the real estate portfolio rose from EUR 854.2 million at December 31, 2011 to EUR 859.8 million at June 30, 2012, mainly due to new leases and a decrease in the rates of return used by the independent valuer. |
| **Net operating income** | **17,846** | |
| Net financial expense | (8,331) | Net financial expense breaks down as EUR 8,369k in financial expenses and EUR 38k in financial income. |
| Corporate income tax | | Due to the application of the SIIC tax regime with effect from April 1, 2006, and given that all of the Group's profits are derived from the rental of investment properties and the sale of real property rights, no income tax expense was recorded for the period. This tax exemption is, however, subject to certain criteria relating essentially to the payment of dividends. |
| **Net income** | **9,514** | |

## 2.2 FINANCIAL RESOURCES

At June 30, 2012, shareholders' equity stood at EUR 485,986k compared with opening shareholders' equity of EUR 476,471k. This increase is attributable to positive net income of EUR 9,514k for the period.

Cash and cash equivalents totaled EUR 22,383k at June 30, 2012, representing a EUR 5,420k increase on the December 31, 2011 figure. This change is mainly due to cash flows from operations before tax and changes in working capital requirements which amounted to EUR 5,213k for the period.

## 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 investment in the high-end property sector and to represent its members' interests.

### 2.3.1 EPRA earnings

*in thousands of euros*

| | June 30, 2012 | Dec. 31, 2011 | June 30, 2011 |
|---|---|---|---|
| Net income under IFRS | 9,514 | 238 | 5,206 |
| Restatement of the change in fair value of investment property | (4,607) | 7,548 | (800) |
| **EPRA earnings** | **4,907** | **7,786** | **4,406** |

### 2.3.2 EPRA NAV & EPRA NNNAV

*in thousands of euros, except per share data*

| | June 30, 2012 | Dec. 31, 2011 | June 30, 2011 |
|---|---|---|---|
| Shareholders' equity under IFRS | 485,986 | 476,471 | 481,729 |
| Portion of rent-free periods | (11,437) | (11,827) | (12,516) |
| **EPRA NAV** | **474,549** | **464,644** | **469,213** |
| Market value of the loan* | (381,235) | (384,173) | (383,473) |
| Carrying amount of the loan* | 376,400 | 376,400 | 376,400 |
| **EPRA NNNAV** | **469,714** | **456,871** | **462,140** |
| Number of shares (excl. treasury shares) | 13,343,111 | 13,343,184 | 13,357,499 |
| **NAV per share** | **35.2** | **34.2** | **34.6** |

** Excluding variable rate loans*

The floating-rate loan was not restated as its carrying amount is identical to its market value.

*in euros per share*

| **NNNAV per share at Dec. 31, 2011** | **34.2** |
|---|---|
| Consolidated recurring income | 0.3 |
| Change in the fair value of real estate assets | 0.4 |
| Change in the fair value of bank debt | 0.2 |
| **NNNAV per share at June 30, 2012** | **35.2** |

## 2.4 SIGNIFICANT EVENTS BETWEEN THE DATE ON WHICH THE 2011 FINANCIAL STATEMENTS WERE APPROVED AND JUNE 30, 2012

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

They include:

- Rental activity: the signing of two leases for a surface area of 19,496 sq.m;
- Refinancing: Group management is involved in advanced discussions concerning the refinancing of the EUR 398.9 million loan which expires in March 2013.

## 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, with the exception of the risk related to the refinancing referred to in section 2.4 and the impact of the partial leasing of the Arcs de Seine building referred to in section 2.1.1 on the risk of vacancy.

Consequently, reference should be made to the Company's Registration Document filed with the AMF on April 16, 2012 under no. D.12-0348.

## 2.6 PRINCIPAL RELATED-PARTY TRANSACTIONS

Please refer to Note 5.26 to the IFRS financial statements for the six-month period ended June 30, 2012.

## 3. INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2012

### Consolidated statement of comprehensive income for the six-month period ended June 30, 2012

*in thousands of euros, except per share data*

| | Notes | June 30, 2012 | Dec. 31, 2011 | June 30, 2011 proforma |
|---|---|---|---|---|
| | | *6 months* | *12 months* | *6 months* |
| Rental income | **5.17** | 18,268 | 34,555 | 17,214 |
| Income from other services | **5.18** | 4,121 | 7,315 | 3,583 |
| Building-related costs | **5.19** | (7,698) | (13,418) | (6,747) |
| **Net rental income** | | **14,691** | **28,452** | **14,049** |
| Sale of building | | | | |
| Administrative costs | **5.20** | (1,454) | (3,993) | (1,361) |
| Other operating expenses | | 1 | 1 | 0 |
| Other operating income | | | | |
| Increase in fair value of investment property | | 4,807 | 2,500 | 1,300 |
| Decrease in fair value of investment property | | (200) | (10,048) | (500) |
| *Total change in fair value of investment property* | **5.1** | *4,607* | *(7,548)* | *800* |
| **Net operating income** | | **17,846** | **16,912** | **13,487** |
| Financial income | | 38 | 181 | 40 |
| Financial expenses | | (8,369) | (16,856) | (8,322) |
| **Net financial expense** | **5.21** | **(8,331)** | **(16,675)** | **(8,282)** |
| **Corporate income tax** | **5.22** | | | |
| **CONSOLIDATED NET INCOME** | | **9,514** | **238** | **5,206** |
| ***of which attributable to owners of the Company*** | | ***9,514*** | ***238*** | ***5,206*** |
| ***of which attributable to non-controlling interests*** | | | | |
| **Other comprehensive income** | | | | |
| **TOTAL COMPREHENSIVE INCOME** | | **9,514** | **238** | **5,206** |
| ***of which attributable to owners of the Company*** | | ***9,514*** | ***238*** | ***5,206*** |
| ***of which attributable to non-controlling interests*** | | | | |
| ***Basic and diluted earnings per share (in euros)*** | | **0.71** | **0.02** | **0.39** |

## Consolidated statement of financial position at June 30, 2012

*in thousands of euros*

| | Notes | June 30, 2012 | Dec. 31, 2011 | June 30, 2011 proforma |
|---|---|---|---|---|
| **<u>Non-current assets</u>** | | | | |
| Investment property | **5.1** | 859,800 | 854,200 | 861,500 |
| Non-current loans and receivables | **5.2** | 10,138 | 9,068 | 10,186 |
| **Total non-current assets** | | **869,938** | **863,268** | **871,686** |
| **<u>Current assets</u>** | | | | |
| Trade accounts receivable | **5.3** | 7,464 | 6,295 | 6,028 |
| Other operating receivables | **5.4** | 2,872 | 4,575 | 4,428 |
| Prepaid expenses | **5.16** | 3,121 | 2,167 | 3,090 |
| **Total receivables** | | **13,457** | **13,038** | **13,546** |
| Cash and cash equivalents | **5.5** | 22,383 | 16,963 | 30,625 |
| **Total cash and cash equivalents** | | **22,383** | **16,963** | **30,625** |
| **Total current assets** | | **35,840** | **30,001** | **44,172** |
| **TOTAL ASSETS** | | **905,779** | **893,269** | **915,858** |
| **<u>Shareholders' equity</u>** | | | | |
| Share capital | | 160,470 | 160,470 | 160,470 |
| Legal reserve and additional paid-in capital | | 49,333 | 49,333 | 49,333 |
| Consolidated reserves and retained earnings | | 266,669 | 266,429 | 266,721 |
| Net attributable income | | 9,514 | 238 | 5,206 |
| **Total shareholders' equity** | **5.10** | **485,986** | **476,471** | **481,729** |
| **<u>Non-current liabilities</u>** | | | | |
| Non-current borrowings | **5.11** | 0 | 398,217 | 397,971 |
| Other non-current borrowings and debt | **5.13** | 2,354 | 1,426 | 1,176 |
| **Total non-current liabilities** | | **2,354** | **399,643** | **399,147** |
| **<u>Current liabilities</u>** | | | | |
| Current borrowings | **5.11** | 398,523 | 0 | 0 |
| Trade accounts payable | | 1,552 | 2,028 | 3,711 |
| Corporate income tax liability | | | | |
| Other operating liabilities | **5.14** | 6,079 | 4,848 | 21,327 |
| Prepaid revenue | **5.16** | 11,287 | 10,281 | 9,945 |
| **Total current liabilities** | | **417,440** | **17,157** | **34,983** |
| **Total liabilities** | | **419,794** | **416,799** | **434,130** |
| **TOTAL EQUITY AND LIABILITIES** | | **905,779** | **893,269** | **915,858** |

Consolidated statement of cash flows for the six-month period ended June 30, 2012

*in thousands of euros*

| | June 30, 2012 | Dec. 31, 2011 | June 30, 2011 |
|---|---|---|---|
| OPERATING ACTIVITIES | | | |
| Consolidated net income | 9,514 | 238 | 5,206 |
| *Elimination of items related to the valuation of buildings:* | | | |
| Fair value adjustments to investment property | (4,607) | 7,548 | (800) |
| Indemnity received from lessees for the replacement of components | | | |
| *Elimination of other income/expense items with no cash impact:* | | | |
| Adjustments for loans at amortized cost | 306 | 592 | 347 |
| **Cash flows from operations before tax and changes in working capital requirements** | **5,213** | **8,378** | **4,752** |
| Change in amounts due to owners | 0 | 0 | 14,710 |
| Other changes in working capital requirements | 269 | (1,056) | 780 |
| **Change in working capital requirements** | **269** | **(1,056)** | **15,490** |
| **Net cash flows from operating activities** | **5,482** | **7,322** | **20,242** |
| INVESTING ACTIVITIES | | | |
| Acquisition of fixed assets | (993) | (1,048) | (920) |
| **Net cash flows used in investing activities** | **(993)** | **(1,048)** | **(920)** |
| FINANCING ACTIVITIES | | | |
| Change in bank debt | | | |
| Net increase in other non-current borrowings and debt | 928 | 0 | 0 |
| Net decrease in other non-current borrowings and debt | 0 | (479) | (728) |
| Purchases and sales of treasury shares | 3 | 316 | 277 |
| Dividends paid | 0 | (14,692) | (14,710) |
| **Net cash flows from (used in) financing activities** | **931** | **(14,855)** | **(15,161)** |
| **Change in cash and cash equivalents** | **5,420** | **(8,582)** | **4,161** |
| Cash and cash equivalents at beginning of the period* | 16,963 | 25,544 | 25,544 |
| **CASH AND CASH EQUIVALENTS AT END OF THE PERIOD** | **22,383** | **16,963** | **29,705** |

* 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, 2012

*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, 2010** | 160,470 | 50,269 | (753) | 280,820 | 490,805 | | 490,805 |
| **Comprehensive income** | | | | **5,206** | **5,206** | | **5,206** |
| *- Net income for the period* | | | | *5,206* | *5,206* | | *5,206* |
| *- Other comprehensive income* | | | | | | | |
| **Capital transactions with owners** | | **(936)** | **428** | **(13,774)** | **(14,282)** | | **(14,282)** |
| *- Dividends paid (€1.10 per share)* | | *(936)* | | *(13,774)* | *(14,710)* | | *(14,710)* |
| *- Change in treasury shares held* | | | *428* | | *428* | | *428* |
| **Shareholders' equity at June 30, 2011** | 160,470 | 49,333 | (325) | 272,252 | 481,729 | | 481,729 |
| **Comprehensive income** | | | | **(4,968)** | **(4,968)** | | **(4,968)** |
| *- Net loss for the period* | | | | *(4,968)* | *(4,968)* | | *(4,968)* |
| *- Other comprehensive income* | | | | | | | |
| **Capital transactions with owners** | | | **(309)** | **18** | **(291)** | | **(291)** |
| *- Dividends paid* | | | | *18* | *18* | | *18* |
| *- Change in treasury shares held* | | | *(309)* | | *(309)* | | *(309)* |
| **Shareholders' equity at Dec. 31, 2011** | 160,470 | 49,333 | (634) | 267,302 | 476,471 | | 476,471 |
| **Comprehensive income** | | | | **9,514** | **9,514** | | **9,514** |
| *- Net income for the period* | | | | *9,514* | *9,514* | | *9,514* |
| *- Other comprehensive income* | | | | | | | |
| **Capital transactions with owners** | | | **2** | | **2** | | **2** |
| *- Dividends paid* | | | | | | | |
| *- Change in treasury shares held* | | | *2* | | *2* | | *2* |
| **Shareholders' equity at June 30, 2012** | 160,470 | 49,333 | (632) | 276,815 | 485,986 | | 485,986 |

Notes to the financial statements

## 1. Background and main assumptions used to prepare the consolidated financial statements for the six-month period ended June 30, 2012

### 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, 2012.
The Company did not acquire or dispose of any real estate assets during this period.

***Rental activity***

The first offices were let in the Arcs de Seine building since the completion of the renovation work.
Three leases were entered into with Canal+, Hewlett Packard and Huawei, respectively, for a total surface area of 18,200 sq.m., the effect of which will be spread out over the 2012 fiscal year (Canal + in October 2012, Huawei in March and October 2012, Hewlett Packard in August 2012 and June 2013).

In addition, Yxime, the property manager in charge of the day-to-day management of our three buildings, relocated its teams in April 2012 to a floor covering an area of 1,296 sq.m in the Europlaza building.

***Refinancing***

The Group finances its activities through a bank loan for EUR 398.9 million, repayable at maturity on March 2, 2013. As a result, this loan was reclassified to current borrowings and debt at June 30, 2012 at it matures in less than 12 months. The Group complied with all of its covenants in relation to this loan at June 30, 2012. The interest rate on the first two tranches (representing EUR 376.4 million) is fixed at 4.15%. The third tranche is subject to interest at a floating rate.

At June 30, 2012, Group management was involved in advanced discussions concerning the refinancing of this loan. On the basis of these discussions, there is no reason to believe that the Group will be unable to refinance the loan.

As a result, the interim financial statements were prepared on a going concern basis.

### 1.2. Regulatory context

The Group's consolidated financial statements for the six-month period ended June 30, 2012 were prepared in accordance with International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) applicable to accounting periods ended June 30, 2012, 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 consolidated financial statements were approved by the Board of Directors on July 24, 2012.

### 1.3. Presentation of comparative financial information

On June 22, 2011, CeGeREAL SA created Prothin SAS, a wholly-owned subsidiary. As this subsidiary did not carry on any activity during the first half of 2011, it was not material with respect to the financial statements. As a result, CeGeREAL SA did not prepare interim consolidated financial statements for the six-month period ended June 30, 2011. Due to the creation of this subsidiary, the Group has prepared consolidated financial statements since the year ended December 31, 2011.

The financial information presented in the IFRS financial statements for the six-month period ended June 30, 2012 includes, for the purposes of comparison:
- the IFRS consolidated financial statements for the year ended December 31, 2011, and
- the IFRS proforma consolidated financial statements for the six-month period ended June 30, 2011, prepared on the basis of the individual IFRS financial statements of CeGeREAL SA presented under IFRS for the same period and restated to reflect CeGeREAL SA's capital contribution to Prothin SAS.

## 2. Significant accounting policies used to prepare the consolidated financial statements for the six-month period ended June 30, 2012

### 2.1. Presentation of the IFRS financial statements

**Accounting standards**

The Group's consolidated financial statements for the six-month period ended June 30, 2012 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, 2012 and applicable at that date. For the purposes of comparison, the financial statements for the year ended December 31, 2011 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.

The new published standards, amendments and interpretations effective for accounting periods beginning on or after January 1, 2012 have no impact on the Company's first-half 2012 interim consolidated financial statements.

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 govern the financial and operating policies of an entity so as to obtain benefits from its activities.

- **Proportionate consolidation**

Entities jointly controlled by the Group are proportionately consolidated. Joint control is the contractually agreed sharing of control over an economic activity and exists only when the strategic, financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control.

- **Equity method**

Entities over which the Group directly or indirectly exercises significant influence are accounted for by the equity method. Significant influence is presumed to exist when the Group holds, directly or indirectly, 20% or more of the voting power of an entity, unless it can be clearly demonstrated that this is not the case. The existence of significant influence can also be evidenced in other ways. These include representation on the board of directors or equivalent governing body of the investee, participation in policy-making processes, material transactions between the investor and the investee, and the interchange of managerial personnel.

At June 30, 2012, no entities were jointly controlled or significantly influenced by the Group.

**Scope of consolidation**

At June 30, 2012, the scope of consolidation included the following entities:

| | Siren no. | % control | % interest | Consolidation method |
|---|---|---|---|---|
| CeGeREAL SA | 422,800,029 | 100% | 100% | Full consolidation |
| Prothin SAS | 533,212,445 | 100% | 100% | Full consolidation |

The fiscal year-end of all entities included in the scope of consolidation is 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 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; and
- 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 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 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.
The Group appointed the real estate valuation firm BNP Paribas Real Estate Expertise to appraise three commercial properties.
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, 2012, 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. Several valuation methods were used, including revenue methods and the comparable method.

- ***Income methods***

These methods capitalize annual income by selecting a specific income stream (actual rent, market rent, net rental income) and applying the corresponding capitalization rate. BNP Paribas Real Estate Expertise calculated the fair value based on the capitalization approach and the discounted cash flow (DCF) method.

**Capitalization approach**

This method consists of capitalizing the annual income generated by an asset with a capitalization rate defined by reference to the market.

**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.

- ***Comparable method (traditional approach)***

This traditional valuation method consists of comparing the property to be valued with the most recent transactions involving properties of similar type and location, whether subject to registration duties or VAT.
The market value used is the value estimated by the real estate valuer at June 30 and December 31 each year, as stated in the valuation report. A discount is applied to the gross value to take account of transfer duties and registration costs, which are estimated at the rate of 6.20 %.

### 2.5. Financial instruments – classification and measurement of non-derivative financial assets and liabilities

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

- ***Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:
- those that the entity intends to sell immediately or in the near term, which shall be classified as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss;
- those that the entity upon initial recognition designates as available for sale;
- those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration, which shall be classified as available for sale.

- ***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, 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 rate. 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.

This 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”.

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

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

### 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 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 AMF on March 22, 2005.

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

On September 20, 2010, CeGeREAL SA entered into a second liquidity agreement with Exane BNP Paribas for an amount of EUR 200k invested in CeGeREAL SA shares.

Within the scope of these liquidity agreements, the Company owned 29,389 treasury shares (representing less than 0.22% of its total issued shares) for a total amount of EUR 514k at June 30, 2012.

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 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, 2012. 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 85% of this income is distributed before the end of the fiscal year following the year in which the income is generated;
- 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 50% of these capital gains are distributed by the end of the second fiscal year following the year in which they were generated;
- 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 that CeGeREAL SA opts out of the SIIC regime in the ten years following election, it will be subject to corporate income tax at the standard rate on the revaluation gains determined upon election for the SIIC regime, less exit tax already paid at the reduced 16.5% rate.

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 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 payable in the event the beneficiary is a company that has an obligation to distribute all dividends it receives.

## 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, 2012.

### 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 and lease premiums paid to lessees are recognized over the firm term of the lease.

Termination indemnities are recognized in "Income from other 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 “Other purchases and external charges” or “Taxes, duties and other levies”.

The rebilling of rental expenses and expenses chargeable to lessees under the terms of the lease is 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.

### 2.13. Discounting of deferred payments

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

- Security deposits received from lessees are not discounted because they are indexed.
- 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 average weighted 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.

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 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.

Financial market instability has led to a significant decrease in the number of representative transactions. Transactions which take place in this context may not reflect the estimates of external real estate valuers.

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 | 23.4 | 5.70% | 355.1 | 362.5 | 370.1 | 378.0 | 386.3 | 395.0 | 404.0 | 413.5 | 423.5 |
| Rives de Bercy | 10.8 | 6.01% | 155.6 | 158.6 | 161.8 | 165.1 | 168.5 | 172.1 | 175.8 | 179.7 | 183.8 |
| Arcs de Seine | 21.0 | 6.49% | 283.2 | 288.3 | 293.7 | 299.2 | 305.0 | 311.0 | 317.2 | 323.7 | 330.5 |
| **Total** | **55.2** | **6.04%** | **793.9** | **809.4** | **825.5** | **842.3** | **859.8** | **878.0** | **897.1** | **916.9** | **937.7** |
| | | **Impact on portfolio value:** | **-7.67%** | **-5.86%** | **-3.99%** | **-2.03%** | **0.00%** | **2.12%** | **4.33%** | **6.64%** | **9.06%** |

Source: BNP Paribas Real Estate Expertise

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 bank loan taken out by the Group from Eurohypo AG is made up of three tranches, all of which are repayable at maturity on March 2, 2013.

As stated in Note 1.1, it is not expected that the Group will have any difficulty in refinancing this loan or complying with its financial covenants.

### 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 crisis has given rise to sharp 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

Company 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, 2012, the Group was dependent on three lessees who collectively represented approximately 68% of total rental income during the first half of 2012 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 currently receives financing from a single bank.

Notes 5.11 and 5.24 contain a description of the different credit facilities and the early repayment clauses contained in the loan agreements. At June 30, 2012, the Group complied with all financial covenants.

### 4.7. Interest rate risk

At June 30, 2012, the Group's financing consisted of:

- a fixed-rate loan for EUR 376,400k maturing in March 2013. Pursuant to the loan agreement, the Group is not exposed to any increases in interest rates over the coming year;

- a floating-rate 3-month Euribor loan for EUR 22,492k maturing in March 2013. The Group has agreed to hedge its interest rate risk if the floating rate exceeds 4%.

As stated in Note 1.1, discussions regarding the refinancing of this loan are well-advanced.

## 5. Notes to the consolidated statement of financial position at June 30, 2012 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, 2010** | **168,200** | **383,500** | **309,000** | **860,700** |
| Indemnity received | | | | |
| Subsequent expenditure | | | | |
| Disposals | | | | |
| Change in fair value | 500 | 800 | (500) | 800 |
| **June 30, 2011** | **168,700** | **384,300** | **308,500** | **861,500** |
| Indemnity received | | | | |
| Subsequent expenditure | | | 1,048 | 1,048 |
| Disposals | | | | |
| Change in fair value | | 1,200 | (9,548) | (8,348) |
| **Dec. 31, 2011** | **168,700** | **385,500** | **300,000** | **854,200** |
| Indemnity received | | | | |
| Subsequent expenditure | | | 993 | 993 |
| Disposals | | | | |
| Change in fair value | (200) | 800 | 4,007 | 4,607 |
| **June 30, 2012** | **168,500** | **386,300** | **305,000** | **859,800** |

- ***Main fair value assumptions***

The real estate valuer's estimation of the fair value of the buildings at June 30, 2012 is indicated below, along with the supporting information:

| Building | Estimated value at June 30, 2012 (net of taxes) | | Rate of return | Gross leasable area[(1)] at June 30, 2012 | | Annual rent (net of taxes)[(2)] | |
|---|---|---|---|---|---|---|---|
| | *in millions of euros* | *%* | *%* | *sq.m.* | *%* | *in thousands of euros* | *%* |
| Europlaza (1999[(3)]) | 386 | 45 | 6.4 | 49,321 | 39 | 26,338 | 45 |
| Arcs de Seine (2000[(3)]) | 305 | 35 | 6.3 | 45,152 | 36 | 20,339 | 34 |
| Rives de Bercy (2003[(3)]) | 169 | 20 | 7.0 | 31,942 | 25 | 12,509 | 21 |
| **Total** | **860** | **100** | | **126,415** | **100** | **59,185** | **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, 2012 and market rent, as estimated by valuers, in relation to vacant premises (€1,497k for Europlaza and €17,316k for Arcs de Seine)

(3) Year of construction or restoration.

### 5.2. Loans and receivables

This item can be broken down as follows:

*in thousands of euros*

| | June 30, 2012 | Dec. 31, 2011 | June 30, 2011 |
|---|---|---|---|
| Benefits granted to lessees (non-current portion) | 10,138 | 9,068 | 10,186 |
| **Non-current loans and receivables** | **10,138** | **9,068** | **10,186** |

"Benefits granted to lessees" offsets the amounts recorded in the consolidated statement of comprehensive income relating to the portion of benefits granted to lessees deferred for more than one year.

### 5.3. Trade accounts receivable

This item can be broken down as follows:

*in thousands of euros*

| | June 30, 2012 | Dec. 31, 2011 | June 30, 2011 |
|---|---|---|---|
| Trade accounts receivable | 7,482 | 6,314 | 6,047 |
| Provision for impairment of trade accounts receivable | (19) | (19) | (19) |
| **Trade accounts receivable, net** | **7,464** | **6,295** | **6,028** |

### 5.4. Other operating receivables

This item can be broken down as follows:

*in thousands of euros*

| | June 30, 2012 | Dec. 31, 2011 | June 30, 2011 |
|---|---|---|---|
| Rental expenses | 1,042 | 1,056 | 974 |
| Benefits granted to lessees (current portion) | 1,299 | 2,760 | 2,330 |
| Input VAT | 352 | 528 | 698 |
| Supplier accounts in debit and other receivables | 105 | 160 | 7 |
| Liquidity account/treasury shares | 73 | 71 | 419 |
| **Other operating receivables** | **2,872** | **4,575** | **4,428** |

"Benefits granted to lessees" corresponds to the current portion of these benefits.

### 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.

This item is made up of checking account balances amounting to EUR 9,383k and time deposits of EUR 13,000k. The interest rate on time deposits in effect at June 30, 2012 was approximately 0.25 %.

## 5.6. Ageing analysis of receivables

The ageing analysis of receivables at June 30, 2012 is as follows:

*in thousands of euros*

| | Receivables (net of impairment) June 30, 2012 | Receivables not yet due (net of impairment) | Receivables past due (net of impairment) | Receivables less than 6 months past due | Receivables more than 6 months and less than 1 year past due | Receivables more than 1 year past due |
|---|---|---|---|---|---|---|
| **Non-current receivables** | | | | | | |
| Non-current loans and receivables | 10,138 | 10,138 | | | | |
| **Total non-current receivables** | **10,138** | **10,138** | **-** | **-** | **-** | **-** |
| **Current receivables** | | | | | | |
| Trade accounts receivable | 7,464 | 7,244 | 220 | 213 | 3 | 4 |
| Other operating receivables | 2,872 | 2,872 | | | | |
| Prepaid expenses | 3,121 | 3,121 | | | | |
| **Total current receivables** | **13,457** | **13,237** | **220** | **213** | **3** | **4** |
| **Total receivables** | **23,595** | **23,375** | **220** | **213** | **3** | **4** |

The ageing analysis of receivables at December 31, 2011 is as follows:

*in thousands of euros*

| | Receivables (net of impairment) Dec. 31, 2011 | Receivables not yet due (net of impairment) | Receivables past due (net of impairment) | Receivables less than 6 months past due | Receivables more than 6 months and less than 1 year past due | Receivables more than 1 year past due |
|---|---|---|---|---|---|---|
| **Non-current receivables** | | | | | | |
| Non-current loans and receivables | 9,068 | 9,068 | | | | |
| **Total non-current receivables** | **9,068** | **9,068** | **-** | **-** | **-** | **-** |
| **Current receivables** | | | | | | |
| Trade accounts receivable | 6,295 | 5,824 | 471 | 468 | | 4 |
| Other operating receivables | 4,575 | 4,575 | | | | |
| Prepaid expenses | 2,167 | 2,167 | | | | |
| **Total current receivables** | **13,038** | **12,566** | **471** | **468** | **-** | **4** |
| **Total receivables** | **22,106** | **21,634** | **471** | **468** | **-** | **4** |

## 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*

| | Carrying amount at June 30, 2012 | Undiscounted contractual value | Undiscounted contractual value | | Due in more than 5 years |
|---|---|---|---|---|---|
| | | | Due in 1 year or less | Due in more than 1 year but less than 5 years | |
| **Non-current liabilities** | | | | | |
| Non-current borrowings | | | | | |
| Other non-current borrowings and debt | 2,354 | 2,354 | | | 2,354 |
| Non-current corporate income tax liability | | | | | |
| **Total non-current liabilities** | **2,354** | **2,354** | **-** | **-** | **2,354** |
| **Current liabilities** | | | | | |
| Current borrowings | 398,523 | 398,892 | 398,892 | | |
| Other current borrowings and debt | | | | | |
| Trade accounts payable | 1,552 | 1,552 | 1,552 | | |
| Corporate income tax liability | | | | | |
| Other operating liabilities | 6,079 | 6,079 | 6,079 | | |
| **Total current liabilities** | **406,154** | **406,523** | **406,523** | **-** | **-** |

## 5.9. Changes in impairment of financial assets

Changes in impairment of financial assets can be analyzed as follows:

*in thousands of euros*

| | Dec. 31, 2011 | Additions | Reversals | June 30, 2012 |
|---|---|---|---|---|
| **Impairment** | | | | |
| On trade accounts receivable | 19 | | | 19 |
| **Total impairment** | **19** | **-** | **-** | **19** |

## 5.10. Consolidated equity

### *Composition of and changes in shareholders' equity*

| | Number of shares | Nominal value of shares *in euros* | Share capital *in thousands of euros* | Legal reserve and additional paid-in capital *in thousands of euros* | Consolidated reserves and retained earnings *in thousands of euros* |
|---|---|---|---|---|---|
| **Shareholders' equity at Dec. 31, 2011** | 13,372,500 | 12 | 160,470 | 49,333 | 266,668 |
| Dividends paid | | | | | |
| Net income for the period | | | | | 9,514 |
| Change in treasury shares held | | | | | 2 |
| **Shareholders' equity at June 30, 2012** | 13,372,500 | 12 | 160,470 | 49,333 | 276,185 |

Consolidated reserves mainly comprise non-distributable items, resulting from IFRS adjustments of EUR 149,195k and from the revaluation reserve in the amount of EUR 152,342k.

***Treasury shares***

*in euros*

| | Amount at June 30, 2012 | Amount at Dec. 31, 2011 | Amount at June 30, 2011 |
|---|---|---|---|
| Acquisition cost | 514,494 | 608,827 | 365,748 |
| Number of treasury shares at reporting date | 29,389 | 29,316 | 15,001 |

## 5.11. Non-current borrowings

CeGeREAL SA took out a bank loan on March 2, 2006. At June 30, 2012, bank borrowings, measured at the amortized cost of the consideration received less directly attributable transaction costs, amounted to EUR 398,523k.

The loan is broken down into several tranches:

*in thousands of euros*

| Purpose | Principal | Maturity | Interest | Interest rate |
|---|---|---|---|---|
| Tranche A | 196,400 | March 2, 2013 | Fixed with floating-rate option | 4.15% |
| Tranche B | 180,000 | March 2, 2013 | Fixed with floating-rate option | 4.15% |
| Financing of exit tax liability | 22,492 | March 2, 2013 | Floating rate | 3-month Euribor +0.6% |
| **Total** | **398,892** | | | |

Under the amortized cost method, the effective interest rate of the loan (Tranches A and B) is 4.21 %. The weighted average cost of the tranche of the loan used to finance the exit tax for the six-month period ended June 30, 2012 was 1.70%.

The first two tranches of the loan and the tranche relating to the financing of the exit tax liability mature on March 2, 2013. The gross annual interest expense totals EUR 8.4 million for first-half 2012.

The third tranche of the loan, relating to the financing of the exit tax liability, was used on December 15, 2009 to pay the last exit tax installment in an amount of EUR 22,492k. This loan facility can no longer be used as the first three installments of exit tax have already been paid.
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. At June 30, 2012, the Group complied with both of the ratios concerned (interest coverage, or ICR, and loan-to-value, or LTV), as described in Note 5.24.

### 5.12. Fair value of financial liabilities

The fair value of CeGeREAL's fixed-rate bank loan can be analyzed as follows:

*in thousands of euros*

| | June 30, 2012 | | Dec. 31, 2011 | | June 30, 2011 | |
|---|---|---|---|---|---|---|
| | Carrying amount | Fair value | Carrying amount | Fair value | Carrying amount | Fair value |
| Bank loan – Tranche A | 196,400 | 198,923 | 196,400 | 200,456 | 196,400 | 200,091 |
| Bank loan – Tranche B | 180,000 | 182,312 | 180,000 | 183,717 | 180,000 | 183,382 |
| Bank loan – Tranche C | 22,492 | 22,492 | 22,492 | 22,492 | 22,492 | 22,492 |
| **Total** | **398,892** | **403,727** | **398,892** | **406,665** | **398,892** | **405,965** |

At June 30, 2012, there was no difference between the carrying amounts and fair values of other financial instruments.

### 5.13. Other non-current financial 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

Other operating liabilities can be broken down as follows:

*in thousands of euros*

| | June 30, 2012 | Dec. 31, 2011 | June 30, 2011 |
|---|---|---|---|
| Personnel | 39 | (4) | 3 |
| Accrued VAT, other taxes and social security charges | 3,197 | 1,843 | 3,304 |
| Accrued rental expenses rebilled to lessees | 984 | 925 | 864 |
| Advance payments by lessees | 131 | 43 | 496 |
| Miscellaneous | | 8 | 14,710 |
| **Other operating liabilities** | **4,351** | **2,816** | **19,377** |
| Amounts due to fixed asset suppliers | 1,728 | 2,032 | 1,950 |
| **Amounts due to fixed asset suppliers** | **1,728** | **2,032** | **1,950** |
| **Other liabilities** | **6,079** | **4,848** | **21,327** |

### 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*

| | 6 months ended June 30, 2012 | 12 months ended Dec. 31, 2011 | 6 months ended June 30, 2011 |
|---|---|---|---|
| **Impact on operating income** | | | |
| Building-related costs: Asset management fees | 1,496 | 2,990 | 1,495 |
| Administrative costs: Fees | | 228 | |
| **Impact on net financial expense** | | | |
| Financial expenses | 8,369 | 16,856 | 8,322 |
| **Total impact on statement of comprehensive income** | **9,866** | **20,074** | **9,817** |
| **Impact on assets** | | | |
| Prepaid expenses | 2,014 | 2,102 | 2,035 |
| **Total impact on assets** | **2,014** | **2,102** | **2,035** |
| **Impact on liabilities** | | | |
| Dividends | | | 8,793 |
| Non-current borrowings | | 398,217 | 397,971 |
| Current borrowings | 398,523 | | |
| Trade accounts payable | 751 | 736 | 1,495 |
| **Total impact on liabilities** | **399,274** | **398,953** | **408,259** |

Bank debt has been recorded under current liabilities as stated in Note 1.1.

### 5.16. Prepaid expenses and revenue

Prepaid expenses consist mainly of interest paid on the bank loan for the second half of 2012.

Prepaid revenue consists of rents billed in advance for the third quarter of 2012.

### 5.17. Rental income

Including the impact of rent-free periods granted, rental income can be broken down by building as follows:

*in thousands of euros*

| | 6 months ended June 30, 2012 | 12 months ended Dec. 31, 2011 | 6 months ended June 30, 2011 |
|---|---|---|---|
| Europlaza | 11,323 | 21,422 | 10,676 |
| Arcs de Seine | 1,356 | 2,338 | 1,159 |
| Rives de Bercy | 5,589 | 10,795 | 5,379 |
| **Rental income** | **18,268** | **34,555** | **17,214** |

## 5.18. Income from other services

Income from other services can be analyzed as follows:

*in thousands of euros*

| | 6 months ended June 30, 2012 | 12 months ended Dec. 31, 2011 | 6 months ended June 30, 2011 |
|---|---|---|---|
| Rental expenses rebilled to lessees | 2,415 | 3,910 | 1,976 |
| Real estate taxes rebilled to lessees | 1,696 | 2,942 | 1,521 |
| Other amounts rebilled to lessees and miscellaneous income | 10 | 463 | 85 |
| **Income from other services** | **4,121** | **7,315** | **3,583** |

## 5.19. Building-related costs

Other operating liabilities can be broken down as follows:

*in thousands of euros*

| | 6 months ended June 30, 2012 | 12 months ended Dec. 31, 2011 | 6 months ended June 30, 2011 |
|---|---|---|---|
| Rental expenses | 1,708 | 2,250 | 1,081 |
| Taxes | 2,340 | 4,535 | 2,349 |
| Fees | 1,988 | 3,183 | 1,505 |
| Maintenance costs | 372 | 326 | 211 |
| Expenses on vacant premises | 1,241 | 3,065 | 1,572 |
| Other expenses | 50 | 60 | 30 |
| **Building-related costs** | **7,698** | **13,418** | **6,747** |

Fees mainly comprise asset management fees with Commerz Real Investmentgesellschaft, which amounted to EUR 1,496k for the six months ended June 30, 2012 and EUR 2,990k in 2011. These fees are based on the estimated value of the buildings owned.

Expenses on vacant premises relate to the Europlaza and Arcs de Seine buildings.

Rental expenses totaled EUR 5,289k of which EUR 4,112k was rebilled.

## 5.20. Administrative costs

Administrative costs mainly comprise professional fees and also include payroll expenses for EUR 298k.

## 5.21. Financial income and expenses

Financial income and expenses can be broken down as follows:

*in thousands of euros*

| | 6 months ended June 30, 2012 | 12 months ended Dec. 31, 2011 | 6 months ended June 30, 2011 |
|---|---|---|---|
| Financial income | 38 | 181 | 40 |
| Financial expenses | (8,369) | (16,856) | (8,322) |
| *Interest on bank borrowings* | *(8,369)* | *(16,856)* | *(8,322)* |
| *Commissions on bank borrowings* | | | |
| **Net financial expense** | **(8,331)** | **(16,675)** | **(8,282)** |

## 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 therefore not liable for corporate income tax.

## 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, 2012, i.e., 29,389. Earnings per share data are provided at the bottom of the statement of comprehensive income.

As CeGeREAL SA has no dilutive instruments, basic and diluted earnings per share are identical.

## 5.24. Off-balance sheet commitments and security provided

All material commitments are listed below. The Company 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;
- delegation of insurance pursuant to Article L.121-13 of the French Insurance Code (*Code des assurances*) relating to 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 pledge its assets as collateral only to the lender, unless otherwise agreed with the latter;
- to ensure that the interest coverage ratio (ICR) (projected annual net rental income/annual interest expense and charges) is at least equal to 150%;
- to ensure that the loan-to-value ratio (LTV) (outstanding bank borrowings/market value of real estate assets net of taxes) remains below 70%;
- not to significantly amend the terms and conditions of leases generating over 5% of projected net rental income without the prior consent of the lender, except in certain specific cases;
- not to incur any debt other than bank loans, intra-group loans, loans or credit terms granted by a supplier of goods or services in the ordinary course of business and under arm’s length conditions; not to provide any off-balance sheet commitments and securities;
- to incur capital expenditure only in relation to its real estate assets. Such expenditure must be financed using equity and/or surplus cash, after payment of VAT, exit tax, operating expenses related to the real estate assets and the operation of the Group as well as all amounts payable under the credit agreement (“surplus cash”);
- in the event of default (as defined below), not to distribute dividends for an amount greater than that stipulated in Article 208 C-II of the French Tax Code;
- in the event that the Group no longer benefits from the SIIC regime, (i) to pay dividends or repay intra-group loans only out of surplus cash and (ii) in the event of default, not to pay dividends or repay intra-group loans;
- to repay the loan upon its expiration or in advance without charge or penalty, with the exception of breakage costs and commissions.

The Group does not possess any derivative financial instruments. However, in accordance with Article 16.19 of the loan agreement, it agreed to take out a hedge on the date Tranche C of the loan became available in the event that 3-month Euribor was 4% or more per annum.

The Group has agreed to pledge its main bank accounts and potential receivables with insurance companies, to Opéra France One FCC, in accordance with the agreements signed with Eurohypo and Opéra France One FCC on April 9, 2010.

Following the partial asset transfer, CeGeREAL SA has undertaken to keep all Prothin SAS shares for a period of three years. In the same way, Prothin SAS has undertaken to keep the contribution premium (EUR 197m) under shareholders' equity for the same period, unless this restriction is waived in the event that the company has surplus cash.

At June 30, 2012, repairs required to complete fitting-out work amounted to EUR 139k for the Arcs de Seine building and EUR 1,187k for the Europlaza building.

### *Commitments received*

Following the arrival of Canal+, security deposits received from lessees amounted to EUR 10,203k at June 30, 2012.

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

All of CeGeREAL's business assets are located in France and are subject to the provisions of French law. The Company'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. However, the parties may agree to contractually waive the option to terminate the lease at the end of each three-year period.

Rents are generally payable quarterly in advance and are indexed to changes in the INSEE (*Institut National de la Statistique et des Études Économiques*) building costs index. 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.

Minimum guaranteed rental income from current operating leases:

At June 30, 2012, the minimum annual rental income (excluding VAT and rebilling of taxes and expenses) due to the Company 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, 2012 | Dec. 31, 2011 | June 30, 2011 |
| Second-half 2012 | 20,185 | | |
| 2013 | 38,573 | 34,210 | 32,053 |
| 2014 | 37,272 | 30,248 | 28,161 |
| 2015 | 23,622 | 13,793 | 12,575 |
| 2016 | 16,540 | 7,860 | 7,808 |
| 2017 | 13,572 | 4,892 | 4,892 |
| 2018 | 7,347 | | |
| 2019 | 5,010 | | |
| 2020 | 4,701 | | |
| 2021 | 3,516 | | |

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

## 5.25. Transactions with related parties

- ***Transactions with related companies***

The hausInvest property fund, CeGeREAL's majority shareholder, is managed by Commerz Real. Consequently, transactions with Commerz Real are identified as related party transactions:

*in thousands of euros*

| | 6 months ended June 30, 2012 | 12 months ended Dec. 31, 2011 | 6 months ended June 30, 2011 |
|---|---|---|---|
| **Impact on operating income** | | | |
| Building-related costs: Asset management fees | 1,496 | 2,990 | 1,495 |
| Administrative costs: Fees | | 228 | |
| **Impact on net financial expense** | | | |
| Financial expenses | 8,369 | 16,856 | 8,322 |
| **Total impact on statement of comprehensive income** | **9,866** | **20,074** | **9,817** |
| **Impact on assets** | | | |
| Prepaid expenses | 2,014 | 2,102 | 2,035 |
| **Total impact on assets** | **2,014** | **2,102** | **2,035** |
| **Impact on liabilities** | | | |
| Dividends | | | 8,793 |
| Non-current borrowings | 398,523 | 398,217 | 397,971 |
| Trade accounts payable | 751 | 736 | 1,495 |
| **Total impact on liabilities** | **399,274** | **398,953** | **408,259** |

- ***Transactions with key management personnel***

**Compensation of the Chairman of the Board of Directors**

The Chairman of the Board of Directors received gross compensation of EUR 25k for the year ended December 31, 2011 and his compensation has been set at the same amount for the year ending December 31, 2012.

**Compensation of key management personnel**

*in thousands of euros*

| Categories of employee benefits (IAS 19, IRFS 2) | 6 months ended June 30, 2012 | 12 months ended Dec. 31, 2011 | 6 months ended June 30, 2011 |
|---|---|---|---|
| Short-term employee benefits | 167 | 300 | 191 |
| Post-employment benefits | | | |
| Other long-term employment benefits | | | |
| Termination benefits | | | |
| Share-based payment | | | |
| **Total** | **167** | **300** | **191** |

**Directors' fees**

Directors' fees of EUR 68k were paid for the year ended December 31, 2011.

Directors' fees have been set at EUR 57.5k for the year ending December 31, 2012.

**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 CRI, namely certain directors.

- ***Transactions with other related parties***

The loan of EUR 399m shown in the consolidated financial statements arises from the credit agreement entered into in 2006 between the Group and the Eurohypo AG bank, which is considered a related party. The loan generated interest in an amount of EUR 8m in the six-month period ended June 30, 2012. The terms and conditions of this loan are described in Notes 5.11 and 5.24.

## 5.26. Personnel

The Group had three employees at June 30, 2012. The headcount did not change throughout the period.

## 5.27. Statutory Auditors

The Statutory Auditors are:

**KPMG Audit FS I**
1 Cours Valmy
92923 Paris La Défense Cedex
Tenure renewed at the Ordinary and Extraordinary Shareholders' Meeting of June 29, 2011.

**Denjean & Associés**
34 rue Camille Pelletan
92300 Levallois Perret
First appointed at the Ordinary and Extraordinary Shareholders' Meeting of December 22, 2011.

The fees paid to the Statutory Auditors for the six-month period ended June 30, 2012 were as follows:

*in thousands of euros*

| | Amount (net of taxes) | | | % | | |
|---|---|---|---|---|---|---|
| | June 30, 2012 | Dec. 31, 2011 | June 30, 2011 | June 30, 2012 | Dec. 31, 2011 | June 30, 2011 |
| Statutory audit of the financial statements | 108 | 174 | 98 | 100 | 93 | 100 |
| Advisory services and services directly related to the statutory audit engagement | | 13 | | 0 | 7 | 0 |
| **Total** | **108** | **188** | **98** | **100** | **100** | **100** |

## 5.28. Subsequent events

None

KPMG

**KPMG AUDIT FS I**
Immeuble Le Palatin
3 cours du Triangle
92939 Paris La Défense Cedex
France

Denjean & Associés

34, rue Camille Pelletan
92300 - Levallois-Perret
France

**CeGeREAL S.A.**

# Rapport des commissaires aux comptes sur l'information financière semestrielle 2012

Période du 1er janvier 2012 au 30 juin 2012
CeGeREAL S.A.
21-25, rue Balzac - 75008 Paris
*Ce rapport contient 28 pages*
Référence : RC-12-03-142

KPMG

**KPMG AUDIT FS I**
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France

**CeGeREAL S.A.**

Siège social : 21-25, rue Balzac - 75008 Paris
Capital social : €.160 470 000

**Rapport des commissaires aux comptes sur l'information financière semestrielle 2012**

Période du 1er janvier 2012 au 30 juin 2012

Mesdames, Messieurs les Actionnaires,

En exécution de la mission qui nous a été confiée par votre assemblée générale et en application de l'article L.451-1-2 III du Code monétaire et financier, nous avons procédé à :

- l'examen limité des comptes semestriels consolidés de la société CeGeREAL S.A., relatifs à la période du 1er janvier 2012 au 30 juin 2012, tels qu'ils sont joints au présent rapport ;
- la vérification des informations données dans le rapport semestriel d'activité.

Ces comptes semestriels consolidés ont été établis sous la responsabilité du conseil d'administration. Il nous appartient, sur la base de notre examen limité, d'exprimer notre conclusion sur ces comptes.

## I - Conclusion sur les comptes

Nous avons effectué notre examen limité selon les normes d'exercice professionnel applicables en France. Un examen limité consiste essentiellement à s'entretenir avec les membres de la direction en charge des aspects comptables et financiers et à mettre en œuvre des procédures analytiques. Ces travaux sont moins étendus que ceux requis pour un audit effectué selon les normes d'exercice professionnel applicables en France. En conséquence, l'assurance que les comptes, pris dans leur ensemble, ne comportent pas d'anomalies significatives obtenue dans le cadre d'un examen limité est une assurance modérée, moins élevée que celle obtenue dans le cadre d'un audit.

Sur la base de notre examen limité, nous n'avons pas relevé d'anomalies significatives de nature à remettre en cause, au regard du référentiel IFRS tel qu'adopté dans l'Union européenne, la régularité et la sincérité des comptes semestriels consolidés et l'image fidèle qu'ils donnent du patrimoine et de la situation financière à la fin du semestre ainsi que du résultat du semestre écoulé de l'ensemble constitué par les personnes et entités comprises dans la consolidation.

Sans remettre en cause la conclusion exprimée ci-dessus, nous attirons votre attention sur la note 1.1 de l'annexe, qui expose les discussions en cours du Groupe, relatives au refinancement de l'emprunt remboursable in fine le 2 mars 2013.

**II – Vérification spécifique**

Nous avons également procédé à la vérification des informations données dans le rapport semestriel d'activité commentant les comptes semestriels consolidés sur lesquels a porté notre examen limité. Nous n'avons pas d'observation à formuler sur leur sincérité et leur concordance avec les comptes semestriels consolidés.

Les commissaires aux comptes

Paris La Défense, le 24 juillet 2012

KPMG Audit FS I

Régis Chemouny
*Associé*

Levallois-Perret, le 24 juillet 2012

Denjean & Associés

Thierry Denjean
*Associé*