

***/TRANSLATION FOR INFORMATION PURPOSES/***

**CEGEREAL**

A French *Société Anonyme* with a Board of Directors  
with €160,470,000 in share capital  
Registered office: 42, rue de Bassano- 75008 Paris  
422 800 029 RCS Paris

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**BOARD OF DIRECTORS' REPORT TO THE SHAREHOLDER'S MEETING TO BE HELD  
ON FEBRUARY 18, 2016**

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Dear Shareholders,

We have called this General Meeting, in accordance with the applicable law and regulations, in order to deliberate on the following agenda:

*Resolution within the competence of the Ordinary Shareholders' Meeting:*

1. Ratification of the appointment of Mr. John Kukral to replace a resigning director
2. Ratification of the appointment of Mr. Khaled Kudsi to replace a resigning director
3. Ratification of the appointment of Mr. Jérôme Anselme to replace a resigning director
4. Ratification of the appointment of Ms. Sophie Kramer to replace a resigning director
5. Ratification of the appointment of Mrs. Erin Cannata to replace a resigning director

*Resolution within the competence of the Extraordinary Shareholder's Meeting:*

6. Delegation of authority to the Board of Directors to issue a maximum of 865,000 warrants to Northwood Investors France Asset Management S.A.S. (société par actions simplifiée incorporated under number 814 490 645 RCS Paris) (the "Advisor") entitling the Advisor to subscribe for a maximum of 865,000 new ordinary shares of the Company, without shareholders' preferential subscription rights upon exercise of such warrants in accordance with their terms;
7. Authorization given to the Board of Directors to implement a reduction of the Company's share capital, not motivated by losses, by reducing the par value of shares from 12 euros to 5 euros;

8. Delegation of authority to the Board of Directors to increase the share capital through the issue of new ordinary shares or securities giving access to the share capital of the Company, with withdrawal of the shareholders preferential subscription rights in favor of employees benefiting from savings plans in accordance of articles L. 3332-18 and seq. of the French Labor code;
9. Amendment of Article 17.4 of the Company's bylaws to amend the limitations of powers of the executive officer and the deputy executive officers;
10. Powers for formalities.

You will be provided with the reports in which the Company's Auditors report in accordance with legal provisions performance of their duties and related findings in relation to some of the operations included in the agenda.

We point out that this report and the various special reports of the Auditors assessing the operations described below and, in general, all documents on which bears the communication right of shareholders, were made available in accordance with legal and regulatory provisions.

#### **1. Business activities overview as from January 1st, 2015**

Pursuant to the provisions of Article R. 225 -114 of the French Commercial Code, regarding the progress of the Company's activity during the fiscal year ended December 31, 2015 and the Company's activity from the beginning of the current fiscal year, we inform you that :

Commerz Real Investmentgesellschaft mbH, acting in its name and for the account of the investment fund hausInvest sold to NW CGR1 S.à r.l., NW CGR2 S.à r.l. and NW CGR3 S.à r.l., all its interest in the Company, i.e. an aggregate amount of 7,993,489 shares representing 59.78% of the share capital and voting rights of the Company (the "**Acquisition**"). The completion of the Acquisition and the payment of the corresponding provisional price occurred on 5 November 2015.

Concomitantly with the Acquisition completion, John Kukral (Northwood's founder), Khaled Kudsi, Jérôme Anselme, Sophie Kramer and Erin Cannata were appointed as Board directors in replacement of Commerz Real and its representatives.

Consequently, and in accordance with legal and regulatory provisions, the concerned Northwood entities filed, on 17 December 2015, a simplified tender offer on the CeGeREAL shares (the "**Offer**").

Pursuant to L. 621-8 of the Monetary and Financial code and of article 231-26 of the general regulations, the AMF has, pursuant to its decision dated 7 January 2016 on the simplified tender offer, approved under visa number 16-006 dated 7 January 2016 the information note in response prepared by the company CeGeREAL S.A. (the "**Information Note**").

Information related to the legal, accounting and financial characteristics CeGeREAL, under the meaning set forth in Article 231-28 of the AMF General Regulations, are included in the annual report

(*document de référence*) filed with the AMF under number D. 15-0108 (the “**Annual Report**”), the Information Note and the bi-annual financial report of the Company including the financial statements of the Company as of 30 June 2015 and disclosed on 3 September 2015 (the “**Interim Financial Report**”), as well as the document “*Additional information related to the legal, accounting and financial characteristics CeGeREAL*” filed with the AMF on 8 January 2016 and disclosed to the public on 11 January 2016, in accordance with provisions of article 231-28 of the AMF’s General Regulations.

The results, activities and future prospects of the Company and its subsidiary will be described in greater details at the time of the shareholders meeting convened to approve financial statements and consolidated financial statements for the fiscal year ended December 31, 2015 to occur soon. Preliminary and unaudited accounting items relating to the fiscal year ended December 31, 2015 (including the IFRS consolidated statement of income, IFRS consolidated balance sheet, IFRS consolidated cash flow statement, income statement and balance sheet of the Company (French GAAP)) have been published in the document “*Additional information relating to the legal, financial and accounting characteristics of CeGeREAL*” filed with the French financial market authority (*Autorité des marchés financiers – AMF*) on January 8, 2016 for the sole purpose of the shareholders’ information in the context of the Offer.

## **2. Directors Co-options**

As a result of the Acquisition and the related change of majority shareholder of the Company, Commerz Real Investmentgesellschaft mbH, represented by Mr. Gerry DIETEL, Mrs. Daniela LAMMERT, Mrs. Sabine Roska, Mr. Carl-Christian Siegel and Mr. Klaus Waldherr resigned from their duties as directors of the Company.

Following Northwood Investors’s proposal, and as a result of the above resignations, the Board acknowledged the cooptation of the following persons to replace the resigning directors: Mr. John KUKRAL, Miss. Erin CANNATA, Mr. Khaled KUDSI, Mr. Jerome ANSELME and Mrs. Sophie KRAMER.

As a result, you are asked to ratify these appointments:

- Cooptation of Mr. John Kukral, a US citizen, born April 9, 1960 Illinois (USA), residing 8, Rocky Point Rd., Old Greenwich , CT06870, United States of America, as a director, replacing Commerz Real Investmentgesellschaft mbH, resigning director, for the remaining period of the mandate, until the Ordinary General Meeting of the Company called to approve the financial statements for the fiscal year ended December 31, 2016 and to be held in 2017;

A biography of Mr. John Kukral is presented below: President and CEO of Northwood Investors. He has been an active real estate investor for over 31 years and has been involved in over \$43 billion of real estate transactions worldwide.

- Cooptation of Miss. Erin Cannata, a US citizen, born April 3, 1989 Connecticut (USA), residing 28, Elvaston Place, Flat 3, London, SW75NL, United Kingdom, as a director, replacing Mrs. Daniela LAMMERT, resigning director, for the remaining period of the mandate, until the Ordinary General Meeting of the Company called to approve the financial statements for the fiscal year ended December 31, 2016 and to be held in 2017;

A biography of Miss. Erin Cannata is presented below: Associate responsible for evaluating real estate equity and debt investment opportunities in the United Kingdom and in continental Europe. Prior to joining Northwood Investors, Ms. Cannata worked in the Real Estate, Gaming, & Lodging Investment Banking group at Bank of America Merrill Lynch where she focused on corporate advisory assignments, capital markets transactions and mergers and acquisitions.

- Cooptation of Mr. Khaled Kudsi, American and British citizen, born November 2, 1978 in Ascot (United Kingdom), residing 889 Broadway Apt 5A, New York, NY- 10003, as a director, replacing Mrs. Sabine Roska, resigning director, for the remaining period of the mandate, until the Ordinary General Meeting of the Company called to approve the financial statements for the fiscal year ended December 31, 2015 and to be held in 2016;

A biography of Mr. Khaled Kudsi is presented below: Senior Managing Director responsible for the sourcing and executing real estate equity and debt investments in the United States and Europe. Since joining Northwood in 2010, Mr. Kudsi has played a key role in Northwood's European expansion, including investments in the hotel, office, retail and industrial sectors valued at approximately \$4 billion.

- Cooptation of Mr. Jérôme Anselme, a French citizen, born December 18, 1974 in Neuilly-sur-Seine (France), residing 63, Harrington Gardens, London, SW74JZ, UK, as a director, replacing Mr. Carl-Christian Siegel, resigning director, for the remaining period of the mandate, until the Ordinary General Meeting of the Company called to approve the financial statements for the fiscal year ended December 31, 2016 and to be held in 2017;

A biography of Mr. Jérôme Anselme is presented below: Managing Director responsible for sourcing and executing real estate equity investments in Europe. Since joining Northwood in 2012, Mr. Anselme has been actively involved in all of the firm's European investment and asset management activities.

- Cooptation of Mrs. Sophie Kramer, a French national, born 10 November 1977 in Oullins (France), residing 90, Harley Street, London, W1G7HS, UK, as a director, replacing Mr. Klaus Waldherr, resigning director, for the remaining period of the mandate, until the Ordinary General Meeting of the Company called to approve the financial statements for the fiscal year ended December 31, 2016 and to be held in 2017.

A biography of Sophie Kramer is presented below: Vice President responsible for asset management of Northwood's investments in the United Kingdom and in continental Europe. Prior to joining Northwood Investors, Ms. Kramer was Director of European Asset Management for TIAA-CREF (which subsequently became THRE) for a \$1.5

billion portfolio of assets in the United Kingdom and Europe. She was involved with lease re-gear, large CapEx plans, refinancing and small purchases.

**3. Delegation of authority to the Board of Directors to issue a maximum of 865,000 warrants, without shareholders preferential subscription rights, entitling to the subscription of 865,000 new ordinary shares of the Company, this issuance being reserved to a designated beneficiary**

*Operation purpose*

As stated in the information memorandum of the Offerors, the answer document of the Company and other information about the Company published in the context of the Offer, on December 16, 2015, an advisory services agreement (“ASA”) has been entered into between Prothin SAS and Northwood Investors France Asset Management SAS acting as Advisor, which provides for the payment of a compensation including an advisory fee and a performance fee to the Advisor, and a commitment from the Advisor to use all amounts received (net of costs, charges and taxes) under the performance fee to subscribe to shares in the Company through the exercise of warrants (subject to their issue by the Company and their subscription by the Advisor).

In this context, and in order for the Advisor to benefit from a real and immediate financial incentive, it is proposed to grant an authorization to the Board to carry out the issue of warrants without preferential subscription rights for the benefit of the Advisor.

*Characteristics*

We propose to grant the Board the authority to issue a maximum of 865,000 warrants without preferential subscription rights, the issuance being reserved to a designated beneficiary.

Pursuant to the ASA, the Adviser is entitled to an incentive fee assessed on the basis of returns to shareholders which have been generated over a three year period. In order to align the Adviser’s interests with those of Prothin and CGR, the Adviser will be bound to acquire CGR shares through the exercise of the warrants using the net amounts (i.e. net of VAT and applicable tax) received as part of the incentive fee (“Net Incentive Fee”). The number of warrants issued is based on (i) CGR’s and the Adviser’s assessment of the incentive fee which will accrue to the Adviser in the event that a 12% internal rate of return is achieved, and (ii) a share price of CGR shares calculated based on a commensurate growth in NAV. The adviser will receive one share for one warrant and will be able to exercise, at the relevant subscription price, only the number of warrants which will entitle it to the total number of shares equal in value to the Net Incentive Fee.

*Terms and Conditions*

This authorization would be granted for a period of twelve (12) months from the date of the Combined General Meeting.

Each warrant would entitle to subscribe for one new ordinary share of the Company, subject to adjustments that may be made in accordance with legal and regulatory provisions and, where applicable, contractual stipulations, in order to protect the rights of holders of securities or other rights giving access to Company's share capital, the exercise of the warrants shall take place within a maximum period of thirteen (13) years from issuance.

The maximum nominal amount of capital increases that may be carried out under this authorization may not exceed a nominal amount equal to the product of the number of issued shares, i.e. 865,000, and the par value per share at that date (i.e. a maximum nominal amount of 10,380,000 euros on the basis of a par value of 12 euros as of today), it being specified that (i) this amount is not included in any other limitations provided for delegation for capital increases and (ii) this amount does not take into account shares to be issued to preserve (in accordance with laws and regulations and, where applicable, contractual provisions providing for other cases of adjustment) the rights of holders of securities or other rights giving access the Company's share capital issued or to be issued.

The warrant may be subscribed either in cash or by offsetting receivables.

It is specified that the warrants will not be listed.

#### ***Cancellation of the preferential subscription right***

The cancellation of the preferential subscription right to the warrants appears necessary given the purpose and modalities of the contemplated issuance.

You are asked to cancel the preferential subscription right of shareholders for such warrants, in favor of Northwood Investors Asset Management France SAS (simplified joint stock company registered under number 814 490 645 RCS Paris).

It is also reminded that in accordance with Article L. 225-132 of the French Commercial Code, the decision to issue the warrants entails the waiver by shareholders of their preferential subscription rights to new shares of the Company to which the warrants give access.

#### ***The issue price***

Pursuant to Article L. 225-138 of the French Commercial Code, the subscription price of each warrant to be issued would be 0.01 euros.

The subscription price of one ordinary Company's share through the exercise of warrants shall be equal to an average share price weighted by volumes over a period of twenty trading days prior to the relevant exercise date.

#### ***Authorization***

As a result of the foregoing, we propose you, after reading the report of the Auditors of the Company, to grant to the Board of Directors the authority to decide the issue of warrants without preferential

subscription rights for the benefit of Northwood Investors Asset Management France SAS (simplified joint stock company registered under number 814 490 645 RCS Paris), including the powers to, without limitation:

- decide the issue of the warrants and, if necessary, postpone it,
- set - within the limits set out in this resolution - all the characteristics of the warrants, including the timing and exercise dates, the terms and conditions of payment of the subscribed shares and the date of entitlement to dividends of the shares issued, even retroactively, and more generally the terms and conditions of the issuance and the terms and conditions of the subscription agreement;
- provide for the right to suspend, as the case may be, the exercise of the rights attached to the warrants in accordance with legal, contractual and regulatory provisions;
- deduct the issuance costs from the amount of the related premiums, if any, and to deduct from such amount the sums necessary to increase the legal reserve to the tenth of the new share capital amount after each capital increase;
- acknowledge the number of ordinary shares issued following the exercise of the warrants, to proceed with all formalities required as a result of the increase of the share capital and amend the by-laws accordingly including canceling the preferential subscription rights of shareholder for such shares;
- execute any agreement, notably to permit the completion of the contemplated issuance, and take all the necessary steps to ensure the protection of the warrants beneficiary in case of financial transaction related to the Company, in accordance with the applicable legal, contractual and regulatory provisions;
- in general, take all measures and carry out all necessary formalities for the implementation of the issuance;

Finally, we specify that a report describing the final terms of the transaction as a result of the use of this delegation by the Board of Directors would be presented to the next Ordinary General Meeting.

**4. Authorization given to the Board of Directors to implement a reduction of the Company's share capital, not motivated by losses, by reducing the par value of shares from 12 euros to 5 euros**

*Operation purpose*

As noted in the information note filed by the Offerors in the context of the Offer, the new majority shareholder of the Company express its intention to consider the various financing opportunities to optimize the Company's capital structure.

In this context, you already asked to authorize the Board to reduce the share capital pursuant to the provisions of Articles L. 225-204 and following of the French Commercial Code.

### *Characteristics*

The reduction of the Company's share capital would be achieved by reducing the par value of each share of the Company's share capital from 12 euros to no less than 5 euros.

Given the number of shares composing the Company's capital as of the date of this General Meeting and without cancellation of any Company's shares between this General Meeting and the implementation of this resolution by the Board of Directors, the capital reduction shall be equal to no more than 93,607,500 euros maximum.

The amount of the reduction of share capital shall be registered in the "share premium" account.

### *Authorization*

As a result of the above, we invite you, after reading the report of the Statutory Auditors of the Company, to delegate all powers to the Board of Directors, with the option to sub delegate in accordance with applicable law and regulations, for a maximum of twelve (12) months from the date of this General Meeting, to implement this resolution or postpone it, including (i) set the final amount of the capital reduction depending on the number of shares as of the date of implementation of this resolution, (ii) undertake or arrange all publicity formalities required to inform the creditors of their rights, (iii) in the event of opposition by the creditors, carry out all appropriate measures, create any security right or carry out any judicial decision ordering the constitution of guarantees or the reimbursement of debts, (iv) register the completion of the capital reduction, and amend accordingly the Company's bylaws, (v) make the necessary adjustments required by the completion of the reduction of the per value and more generally (vi) to take all measures and carry out all necessary formalities for the implementation of capital reduction.

5. **Delegation of authority to the Board of Directors to increase the share capital through the issue of new ordinary shares or securities giving access to the share capital of the Company, with withdrawal of the shareholders preferential subscription rights in favor of employees benefiting from savings plans in accordance of articles L. 3332-18 and seq. of the French Labor code**

### *Operation purpose*

Alinea 1 of Article L.225-129-6 of the French Commercial code requires that companies upon any decision of increase of its share capital, submit to the Shareholders' Meeting a draft resolution related to a capital increase dedicated to the employees benefiting from savings plans.

As a result of this legal requirement, and considering the capital increase that may result from the warrants issue, this Shareholder's Meeting has to vote on a resolution related to a possible delegation



to the Board of Directors of the authority to complete, in one or several times, such a capital increase, at its sole discretion.

This capital increase would be completed by issuance of shares dedicated, directly or indirectly through a mutual fund (*fonds commun de placement d'entreprise*) to the employees benefiting from savings plan as provided under articles L. 3332-1 and seq. of the Labor code, which would be proposed to the employees of the Company satisfying the conditions which may be set by the Board of Directors (the “**Employees**”).

### ***Characteristics – Cancellation of the preferential subscription rights***

You should also vote on the proposed cancellation of the preferential subscription rights of the shareholders and to reserve the subscription of the new shares to the Employees in accordance with articles L. 225-38 and L. 225-138-1 of the French Commercial code.

We propose to decide that the delegation shall be valid for a duration of twenty-six (26) months as from the date of the Shareholders’ Meeting and to set the maximum amount of shares that may be issued to 1% of the share capital of the Company at the time of the decision of the Board of Directors deciding such increase.

The new shares which shall be subject to all statutory provisions, shall be entirely assimilated into existing shares and shall have the same rights from their issuance.

### ***Subscription price***

The subscription price for the new shares shall be decided in accordance with provisions of article L. 332-2 of the French Labor code, which provides notably that when securities are listed, the subscription price cannot be more than the average of the Company’s share price weighted by volume over a period of twenty trading days prior to the date of the Board meeting deciding the capital increase.

The Auditors shall present their report on the proposed capital increase dedicated to the Employees.

### ***Authorization***

As a result of the foregoing, we propose you, after reading the report of the Auditors of the Company, to grant to the Board of Directors, with full rights of sub-delegation in accordance with applicable laws and regulations, the authority to decide, during a maximum period of twenty-six (26) months as from this Shareholders’ Meeting, to implement, at its sole discretion, this delegation including, but not limited to:

- decide and determine the terms of the issuance and attribution of ordinary shares or securities giving access to the share capital, in accordance with this resolution and, if necessary, postpone it;

- set the amount, the terms and the ordinary shares or securities giving access to the share capital subscription price within the limits set out in this resolution, the dates for opening and closing the subscription period;
- acknowledge the capital increases and amend the by-laws accordingly so that they reflect the amount of the share capital as modified after the capital increases;
- deduct the issuance costs from the amount of the related premiums and to deduct from such amount the sums necessary to increase the legal reserve to the tenth of the new share capital amount after each capital increase;
- provide for the right to suspend, as the case may be, the exercise of the rights attached to the securities issued in accordance with legal, contractual and regulatory provisions;
- in general, take all measures and carry out all necessary formalities for the implementation of the issuance;

Finally, we specify that a report describing the final terms of the transaction as a result of the use of this delegation by the Board of Directors would be presented to the next Ordinary General Meeting.

This proposed capital increase dedicated to the employees is required under article L. 225-129-6 of the Commercial code.

Such a capital increase is not in line with the remuneration policy of the Company and is not in line with the strategy proposed by the Board of Directors. As a result, we invite you to reject this resolution.

**6. Amendment of article 17.4 of the Company's bylaws to amend the limitations of powers of the chief executive officer and deputy executive officers**

It is proposed to adapt some provisions of the Company by-laws, namely the limitations of the powers of CEO and Deputy CEOs to facilitate the operational management of the Company.

In this respect, we remind you that, with the same purpose, the Board of Directors decided, on December 16, 2015, to amend its internal regulations notably to amend the limitations of the powers of the CEO and Deputy CEOs and to create an executive committee comprising the CEO, the Deputy CEOs and a director of the Company, having the duties to review decisions related to the strategy, the development, the organization and the monitoring of the Company and to supervise the operations of the Company's projects.

As a result, we invite you to amend, with immediate effect, Article 17.4 of Company's by-laws as follows:

| Former article                                 | New article                                    |
|--|--|
| The chief executive officer has the powers and | The chief executive officer has the powers and |

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|---|---|
| <p>exercises them in accordance with the conditions set forth in article L. 225-56 of the French Commercial Code, the internal rules adopted by the Board of Directors and by these bylaws. For this purpose (and without the possibility that these provisions be invoked against third parties), the chief executive officer shall not commit the Company without the joint signature of a deputy executive officer.</p> <p>Similarly, the deputy executive officer shall not commit the Company without the joint signature of the executive officer or another deputy executive officer.</p> <p>The chief executive officer and deputy executive officers shall not, in the name and on behalf of the Company, enter into any loan agreement, grant security or guarantees, or perform contractual actions tending, directly or indirectly, to enter into any loan agreement, grant security or guarantees, without having first obtained the authorization of the Board of Directors given in accordance with German regulations applicable to real estate investment funds and management companies.</p> <p>The chief executive officer and deputy executive officer shall not, in the name and on behalf of the Company, make any purchases, exchanges and sales of buildings, properties and property rights or perform contractual actions tending, directly or indirectly, to the conclusion of such transactions, without first obtaining the authorization of the Board of Directors given in accordance with German regulations applicable to real estate investment funds and management companies.</p> | <p>exercises them in accordance with the conditions set forth in article L. 225-56 of the French Commercial Code, the internal rules adopted by the Board of Directors and by these bylaws.</p> |
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## 7. **Powers for formalities**

We ask you to agree that all powers shall be conferred on the holder of an original, a copy or an extract of the minutes of the Shareholder's Meeting for the purpose of carrying out all legal and administrative formalities and making all filings and public disclosures provided by under law and regulations.

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If you approve our various proposals, we ask you to validate by adopting resolutions which will be read to you (to the exception of the capital increase dedicated to the employees which should be rejected) and have been made available in accordance with applicable laws and regulations.

Paris, 12 January 2016.

**BOARD OF DIRECTORS**

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Mr. Richard WRIGLEY – President