2020 INTERIM FINANCIAL REPORT

SIX-MONTH PERIOD ENDED JUNE 30, 2020

PLACES FOR SMART BUSINESS

CeGeREAL

CONTENTS

Page 04

STATEMENT BY THE **PERSON RESPONSIBLE** FOR THE 2020 INTERIM REPORT

Page 05

INTERIM ACTIVITY REPORT

Page 09

INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2020

Page 36

STATUTORY AUDITORS' REPORT

A French *société anonyme* (joint-stock corporation)
with share capital of EUR 79,532,200
Registered office: 42, rue de Bassano, 75008 Paris
422 800 029 RCS Paris
SIRET No. 422 800 029 00031

Interim financial report
Six-month period ended June 30, 2020

(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, 2020 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. Statement by the person responsible for the 2020 interim report

"I certify that, to my knowledge, the complete consolidated financial statements for the six-month period ended June 30, 2020 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, September 29, 2020

Jérome Anselme,

Chief Executive Officer

2. Interim activity report

2.1. BUSINESS REVIEW

In the first half of 2020, the health crisis triggered by the Covid-19 epidemic adversely impacted the French and global economy.

At Cegereal, the crisis may have an impact on performance, the value and liquidity of assets, the amount of rents collected, tenant credit risk and, in some cases, compliance with bank covenants.

In first-half 2020, these risks did not affect Cegereal's activity and had no material impact on its financial statements. During the period, the Group did not grant tenants any rent reductions or waivers.

The Company paid a dividend of EUR 0.75 per share in place of the initially planned EUR 2.30 per share. Carried out in the interests of prudence, this one-off reduction gives the Company headroom and enables it to maintain its operational agility in an uncertain environment.

2.1.1. RENTAL ACTIVITY

The new tenant arrivals announced at the end of 2019 for the first half of 2020, including the extension of KPMG's lease, are going ahead as initially planned and all work has been carried out in keeping with health and safety measures.

At Arcs de Seine, Sagem vacated 5,700 sq.m of space on April 1, 2020, bringing the building's occupancy rate to 87.2% at June 30, 2020, versus 98.4% one year earlier.

Property occupancy rate

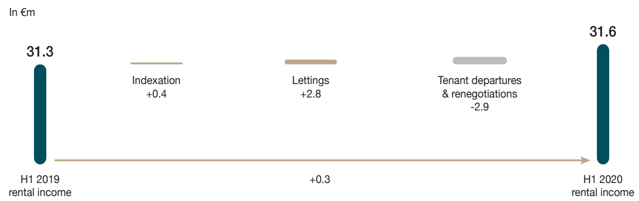
The occupancy rate takes into account premises for which the Company receives rent or rental expenses under a lease agreement.

At June 30, 2020, the occupancy rate stood at 93.4%, compared with 94.2% at July 1, 2019. The occupancy rates for each property are as follows:

July 1, 2020	Europlaza	Arcs de Seine	Rives de Bercy	Hanami campus	Passy Kennedy	Total
Occupancy rate	87.7%	87.2%	100.0%	100.0%	100.0%	93.4%

Change in rental income (June 30, 2019 – June 30, 2020)

Lease incentives are fully amortized over the non-cancelable term of the lease.



2.1.2. NET INCOME BY KEY INDICATOR FOR THE PERIOD

In thousands of euros

Statement of comprehensive income caption	June 30, 2020	June 30, 2019	Change	Breakdown
Net rental income	24,841	28,502	(3,661)	In 2020, net rental income corresponds to rental income for the period (EUR 31.6m) and rental expenses rebilled to lessees (EUR 13.2m), less building-related costs (EUR 19.9m). The year-on-year change in net rental income mainly reflects: - an increase in like-for-like gross rental income (positive EUR 0.3m impact); - a decrease in the termination indemnities received in 2020 (negative EUR 1.9m impact); - a higher incentive fee in 2020 than in 2019 (negative EUR 2m impact).
Administrative costs	(1,774)	(1,983)	+209	Administrative costs chiefly comprise fees, insurance premiums and personnel costs.
Other operating expenses	(6)	(7)	0	
Other operating income	624	220	+404	Other operating income mainly corresponds to a lump sum from the group that manages the intercompany restaurant service at one of the Group's properties to fund the purchase and renovation of kitchen equipment (EUR 0.6m).
Change in fair value of investment property	(8,377)	23,127	(31,505)	At EUR 8.4m, this indicator corresponds to a decrease in the fair value of Rives de Bercy (due to the maturity of the lease), Arcs de Seine and Hanami, partly offset by an increase in the fair value of Europlaza and Passy Kennedy (primarily thanks to an improved rental situation and the impact of renovation work).
Net operating income	**15,307**	**49,860**	**(34,553)**	
Net financial expense	(6,362)	(7,120)	+758	The decrease was mainly driven by the change in fair value of caps.
Net income	**8,945**	**42,739**	**(33,794)**	

2.2. FINANCIAL RESOURCES

STRUCTURE OF NET DEBT AT JUNE 30, 2020

Net debt stood at EUR 721m at June 30, 2020, compared with EUR 723m at December 31, 2019.

PROTHIN

On July 26, 2016, Prothin entered into a credit agreement (the "**Prothin Credit Agreement**") with Aareal Bank AG, Natixis and Natixis Pfandbriefbank AG for a principal amount of EUR 525m, which enabled it, in particular, to pay back its initial loan and finance certain works and expenditures. The initial due date is July 26, 2021, with an optional two-year extension.

The Prothin Credit Agreement provides for mandatory early repayment in the event of a change in control of Prothin and/or Cegereal.

HANAMI RUEIL SCI

In parallel with Cegereal's acquisition of K Rueil, on December 15, 2016, Hanami Rueil SCI entered into a credit agreement (the "**Hanami Rueil Credit Agreement**") with Banque Postale Crédit Entreprises and Société Générale for a principal amount of EUR 100m. The due date is December 15, 2021.

The Hanami Rueil Credit Agreement provides for mandatory early repayment in the event of a change in control of Cegereal.

Under the Hanami Rueil Credit Agreement, should Hanami Rueil SCI make any voluntary or mandatory early repayments of all or part of the outstanding loan, Hanami Rueil SCI will not have to pay any early repayment indemnities.

CGR PROPCO SCI

In parallel with the Passy Kennedy acquisition, on December 5, 2018 (the "Date of Signature"), CGR Propco SCI entered into a loan agreement with Société Générale (the "**CGR Propco SCI Credit Agreement**") for a principal amount of EUR 148.5m to finance part of the Passy Kennedy acquisition price and to cover transaction costs and expenses related to the Passy Kennedy building. The initial due date is December 5, 2022 but may be extended at the Company's option for a further year.

The CGR Propco SCI Credit Agreement provides for mandatory early repayment in the event of a change in control of CGR Propco SCI and/or Cegereal.

Under the CGR Propco SCI Credit Agreement, should CGR Propco SCI make any voluntary early repayments of all or part of the outstanding loan, or in certain cases, mandatory early repayments of all or part of the outstanding loan, CGR Propco SCI will have to pay, in addition to breakage costs, an early repayment indemnity equal to 0.75% of the amount repaid for all repayments made between the first anniversary of the Date of Signature (exclusive) and the second anniversary of the Date of Signature (inclusive).

MAIN GUARANTEES GIVEN

The gross nominal amount of loans guaranteed by real security interests (contractual mortgages, lender's liens, mortgage undertakings) amounted to EUR 768.6m at June 30, 2020 versus EUR 771.6m at end-2019.

At June 30, 2020, the total amount of secured loans represented 52.6% of the total value of the portfolio, unchanged from December 31, 2019, compared with a maximum authorized limit ranging from 70% to 75% in the various credit agreements.

The main guarantees given in the credit agreements are as follows:

- *Real security interests:*

Over the buildings, lender's liens and/or first-ranking mortgages.

- *Assignment of receivables:*

Assignments of receivables to banks under the Dailly Law mechanism.

- *Pledge of shares:*

Pledge of the Prothin shares held by Cegereal.

Pledge of the Hanami Rueil SCI shares held by Cegereal and K Rueil.

Pledge of the CGR Propco SCI shares held by Cegereal and CGR Holdco EURL.

- *Pledge of bank accounts:*

Exclusive senior pledges of the credit balance on French bank accounts, in favor of the banks.

- *Assignments of insurance indemnities:*

Assignment of any insurance indemnity whose payment has been opposed, as provided for in Article L.121-13 of the French Insurance Code (*Code des assurances*).

- *Pledge of receivables – Hedge contract:*

Pledge of any receivable that might become due to the borrower by the hedging bank under a hedge contract.

- *Pledge of receivables – Recovery claims:*

Pledge of any recovery claims the borrower might come to have against the debtors in respect of any recovery claims related to the pledge of hedge contract receivables.

- *Pledge of subordinated loan receivables:*

Pledge of subordinated loan receivables (i.e., any intragroup loan due to Cegereal from its subsidiaries as borrower).

- *Letters of intent within the meaning of Article 2322 of the French Civil Code* (Code civil).

MAIN FINANCIAL RATIOS

Cegereal's financial position at June 30, 2020 satisfies the various limits that could affect the conditions set out in the Company's different credit agreements relating to interest and early repayment clauses.

The table below presents the main financial ratios set out in the credit agreements.

	June 30, 2020	Dec. 31, 2019	June 30, 2019
Gearing ratio			
Non-current borrowings[(1)]/ adjusted net assets[(2)]	52.6%	52.6%	53.7%
Interest coverage ratio			
Rental income for the reference period[(3)]/ interest expenses[(4)]	501%	485%	496%

(1) Non-current borrowings are presented in Note 5.11.
(2) Adjusted net assets are presented in Note 5.1.
(3) Rental income for the reference period refers to total projected net rental income on leases signed for the following 12 months (for the Prothin and Passy Kennedy loan) or for the previous six months to the following six months (for the Hanami loan), excluding taxes, less rental income where the risk of non-recovery has been established (notice given, unpaid rent) and operating expenses rebillable to lessees and operating expenses not rebillable to lessees.
(4) Interest expenses comprise expenses (including recoverable expenses) including tax incurred in operating, upkeeping, maintaining, running, managing and administering the buildings (in particular, compensation paid under the asset management agreement and the property management agreement) and administrative expenses incurred by the borrower.

INTEREST RATE RISK HEDGING

Cegereal's policy is to hedge its interest rate risk.

OTHER FINANCING ARRANGEMENTS

There are no plans to put in place other investment financing with respect to which the management bodies have made firm commitments.

2.3. CHANGES IN NET ASSET VALUE (NAV)

The indicators published by Cegereal are aligned with the recommendations of the European Public Real Estate Association (EPRA), of which Cegereal is a member. EPRA's role is to promote, develop and represent the publicly listed real estate sector. EPRA notably publishes its "Best Practices Recommendations" (BPR) whose purpose is to enhance transparency, uniformity and comparability of financial reporting by real estate companies.

2.3.1. EPRA EARNINGS

In thousands of euros, except per share data

	June 30, 2020	Dec. 31, 2019	June 30, 2019
Net income under IFRS	8,945	80,760	42,739
Exclusion of changes in fair value of investment property	8,377	(46,230)	(23,127)
Other exclusions of changes in fair value	(49)	454	490
Exclusion of other fees	2,533	5,061	534
EPRA earnings	**19,807**	**40,046**	**20,636**
EPRA earnings per share	1.2	2.5	1.3

2.3.2. EPRA NRV, EPRA NTA & EPRA NDV

In accordance with the Best Practices Recommendations (BPR) Guidelines published by EPRA in October 2019, the way in which the Company measures net asset value (NAV) has been revised under various scenarios. There are now three different NAV metrics:

- EPRA Net Reinstatement Value (NRV), which aims to represent the value required to rebuild the entity and assumes that entities never sell assets.
- EPRA Net Tangible Assets (NTA), which aims to reflect the value of tangible assets and assumes that entities buy and sell assets, thereby crystallizing certain levels of unavoidable deferred tax.
- EPRA Net Disposal Value (NDV), which aims to represent shareholder value under an asset disposal scenario, where deferred tax, financial instruments and other liabilities are liquidated net of any resulting tax.

EPRA NRV, NTA, NDV, NAV & NNNAV

In thousands of euros, except per share data

	June 30, 2020					Dec. 31, 2019				
	EPRA NRV	EPRA NTA	EPRA NDV	EPRA NAV	EPRA NNNAV	EPRA NRV	EPRA NTA	EPRA NDV	EPRA NAV	EPRA NNNAV
Shareholders' equity under IFRS	727,240	727,240	727,240	727,240	727,240	730,268	730,268	730,268	730,268	730,268
Portion of rent-free periods	(27,200)	(27,200)	(27,200)	(27,200)	(27,200)	(28,614)	(28,614)	(28,614)	(28,614)	(28,614)
Elimination of fair value of share subscription warrants	429	429	429	429		453	453	453	453	
Diluted NAV	**700,469**	**700,469**	**700,469**	**700,469**	**700,040**	**702,107**	**702,107**	**702,107**	**702,107**	**701,654**
Market value of financial instruments	669	669		669		798	798		798	
Fair value of fixed-rate borrowings			(5,030)		(5,030)			(6,597)		(6,597)
Real estate transfer duties	109,546					109,788				
NAV	**810,684**	**701,138**	**695,440**	**701,138**	**695,010**	**812,693**	**702,905**	**695,510**	**702,905**	**695,057**
Number of shares (excl. treasury shares)	15,892,436	15,892,436	15,892,436	15,892,436	15,892,436	15,893,793	15,893,793	15,893,793	15,893,793	15,893,793
NAV per share	**51.0**	**44.1**	**43.8**	**44.1**	**43.7**	**51.1**	**44.2**	**43.8**	**44.2**	**43.7**

2.4. SIGNIFICANT EVENTS BETWEEN THE DATE ON WHICH THE 2019 FINANCIAL STATEMENTS WERE APPROVED FOR ISSUE AND JUNE 30, 2020

None

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

Since the first quarter of 2020, the Company has been faced with the rapidly evolving Coronavirus (Covid-19) epidemic. The crisis has an impact on the risk factors to which the Company is exposed, as outlined in Chapter 4, “Risk Factors” of the Universal Registration Document filed with the AMF on April 29, 2020 under number D.20-0401, particularly the risk of a decline in its tenants’ financial solidity. In addition, restrictions on travel and gatherings introduced by the public authorities to address the current health crisis may lead to delays in delivering work taking place at the Group’s buildings.

3. Interim consolidated financial statements

(for the six-month period ended June 30, 2020)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2020

In thousands of euros, except per share data

	Notes	June 30, 2020	Dec. 31, 2019	June 30, 2019
		6 months	12 months	6 months
Rental income	5.18	31,567	63,369	31,290
Income from other services	5.19	13,211	20,045	15,030
Building-related costs	5.20	(19,938)	(31,621)	(17,818)
Net rental income		**24,841**	**51,793**	**28,502**
Sale of buildings		0	0	0
Administrative costs	5.21	(1,774)	(3,885)	(1,983)
Net additions to provisions & depreciation and amortization expense		(0)	(0)	0
Other operating expenses	5.22	(6)	(13)	(7)
Other operating income	5.22	624	165	220
Increase in fair value of investment property		10,688	60,710	36,137
Decrease in fair value of investment property		(19,065)	(14,480)	(13,010)
Total change in fair value of investment property	5.1	(8,377)	46,230	23,127
Net operating income		**15,307**	**94,289**	**49,860**
Financial income		0	0	0
Financial expenses		(6,362)	(13,529)	(7,120)
Net financial expense	**5.23**	**(6,362)**	**(13,529)**	**(7,121)**
Corporate income tax	**5.24**	**0**	**0**	**0**
CONSOLIDATED NET INCOME		**8,945**	**80,760**	**42,739**
of which attributable to owners of the Company		**8,945**	**80,760**	**42,739**
of which attributable to non-controlling interests		**0**	**0**	**0**
Other comprehensive income				
TOTAL COMPREHENSIVE INCOME		**8,945**	**80,760**	**42,739**
of which attributable to owners of the Company		**8,945**	**80,760**	**42,739**
of which attributable to non-controlling interests		**0**	**0**	**0**
Basic earnings per share (in euros)	**5.25**	**0.56**	**5.10**	**2.71**
Diluted earnings per share (in euros)	**5.25**	**0.54**	**4.92**	**2.60**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT JUNE 30, 2020

In thousands of euros

	Notes	June 30, 2020	Dec. 31, 2019	June 30, 2019
Non-current assets				
Property, plant and equipment		31	38	44
Investment property	5.1	1,460,380	1,463,920	1,435,240
Non-current loans and receivables	5.2	20,220	23,146	22,298
Financial instruments	5.12	38	34	57
Total non-current assets		**1,480,669**	**1,487,138**	**1,457,639**
Current assets				
Trade accounts receivable	5.3	14,595	9,720	13,130
Other operating receivables	5.4	12,955	11,607	9,938
Prepaid expenses		188	292	131
Total receivables		**27,738**	**21,620**	**23,199**
Cash and cash equivalents	5.5	47,062	44,880	29,187
Total cash and cash equivalents		**47,062**	**44,880**	**29,187**
Total current assets		**74,800**	**66,499**	**52,386**
TOTAL ASSETS		**1,555,469**	**1,553,637**	**1,510,025**
Shareholders' equity				
Share capital		79,532	79,532	79,532
Legal reserve and additional paid-in capital		55,118	66,462	66,462
Consolidated reserves and retained earnings		583,645	503,513	503,481
Net attributable income		8,945	80,760	42,739
Total shareholders' equity	**5.10**	**727,240**	**730,268**	**692,214**
Non-current liabilities				
Non-current borrowings	5.11	763,883	763,974	763,664
Other non-current borrowings and debt	5.14	11,117	10,087	9,381
Non-current corporate income tax liability		0	0	0
Financial instruments	5.12	637	682	741
Total non-current liabilities		**775,637**	**774,743**	**773,786**
Current liabilities				
Current borrowings	5.11	3,871	3,468	3,378
Trade accounts payable	5.16	14,920	12,349	5,866
Current corporate income tax liability		0	0	0
Other operating liabilities	5.15	12,427	10,437	13,953
Prepaid revenue	5.17	21,375	22,373	20,828
Total current liabilities		**52,593**	**48,626**	**44,025**
Total liabilities		**828,229**	**823,369**	**817,811**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**1,555,469**	**1,553,637**	**1,510,025**

CONSOLIDATED STATMENT OF CASH FLOWS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2020

In thousands of euros

	June 30, 2020	Dec. 31, 2019	June 30, 2019
OPERATING ACTIVITIES			
Consolidated net income	8,945	80,760	42,739
Elimination of items related to the valuation of buildings:			
Fair value adjustments to investment property	8,377	(46,230)	(23,127)
Reversal of depreciation and amortization	0	0	0
Indemnity received from lessees for the replacement of components	0	0	0
Elimination of operating income/expense items with no cash impact:			
Depreciation of property, plant and equipment (excluding investment property)	6	9	7
Free share grants not vested at the reporting date	0	0	0
Fair value of financial instruments (share subscription warrants, interest rate caps and swaps)	(65)	427	469
Adjustments for loans at amortized cost and fair value of embedded derivatives	1,151	2,362	1,177
Contingency and loss provisions	0	0	0
Corporate income tax	0	0	0
Cash flows from operations before tax and changes in working capital requirements	**18,414**	**37,329**	**21,264**
Other changes in working capital requirements	1,155	(8,277)	(13,314)
Working capital adjustments to reflect changes in the scope of consolidation			
Change in working capital requirements	**1,155**	**(8,277)**	**(13,314)**
Net cash flows from operating activities	**19,569**	**29,052**	**7,950**
INVESTING ACTIVITIES			
Acquisition of fixed assets	(4,837)	(9,170)	(3,595)
Net increase in amounts due to fixed asset suppliers	(785)	(1,745)	(1,950)
Net cash flows from (used in) investing activities	**(5,622)**	**(10,915)**	**(5,546)**
FINANCING ACTIVITIES			
Capital increase	0	11,204	11,204
Change in bank debt	(750)	(1,500)	(750)
Refinancing/financing transaction costs	(51)	(102)	(40)
Net change in liability in respect of refinancing	0	(420)	(420)
Net change in current borrowings	(22)	236	204
Net change in non-current borrowings and debt	1,030	544	(163)
Purchases and sales of treasury shares	(53)	(28)	(61)
Dividends paid	(11,919)	(36,557)	(36,557)
Net cash flows from (used in) financing activities	**(11,766)**	**(26,625)**	**(26,583)**
Change in cash and cash equivalents	**2,182**	**(8,488)**	**(24,179)**
Cash and cash equivalents at beginning of period(1)	44,880	53,367	53,367
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**47,062**	**44,880**	**29,188**

(1) 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, 2020

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, 2018	**78,006**	**93,277**	**(172)**	**503,778**	**674,889**	**-**	**674,889**
Comprehensive income	**0**	**0**	**0**	**80,760**	**80,760**	**0**	**80,760**
- Net income for the period				80,760	80,760		80,760
- Other changes		0					0
- Other comprehensive income							
Capital transactions with owners	**1,526**	**(26,815)**	**(28)**	**(65)**	**(25,382)**	**0**	**(25,382)**
- Dividends paid (€4.1 per share)		(36,492)		(65)	(36,557)		(36,557)
- Capital increase by increasing par value	1,526	9,678			11,204		11,204
- Change in treasury shares held			(28)		(28)		(28)
Shareholders' equity at Dec. 31, 2019	**79,532**	**66,462**	**(200)**	**584,474**	**730,268**	**-**	**730,268**
Comprehensive income	**0**	**0**	**0**	**8,945**	**8,945**	**0**	**8,945**
- Net income for the period				8,945	8,945		8,945
		0					0
Capital transactions with owners	**0**	**(11,344)**	**(53)**	**(575)**	**(11,973)**	**0**	**(11,973)**
- Dividends paid (€0.75 per share)		(11,344)		(575)	(11,919)		(11,919)
- Capital increase by increasing par value					0		0
- Change in treasury shares held			(53)		(53)		(53)
Shareholders' equity at June 30, 2020	**79,532**	**55,118**	**(253)**	**592,843**	**727,240**	**-**	**727,240**

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1 Background and main assumptions used to prepare the consolidated financial statements for the six-month period ended June 30, 2020 — 14

1.1 Significant events of first-half 2020 — 14
1.2 Presentation of comparative financial information — 14
1.3 Regulatory context — 14

2 Significant accounting policies used to prepare the consolidated financial statements for the six-month period ended June 30, 2020 — 15

2.1 Presentation of the consolidated financial statements — 15
2.2 Segment reporting — 16
2.3 Investment property — 16
2.4 Estimates of the fair value of investment property — 17
2.5 Financial instruments – classification and measurement of financial assets and liabilities — 18
2.6 Share capital — 18
2.7 Treasury shares — 19
2.8 Election for tax treatment as an SIIC — 19
2.9 Employee benefits — 20
2.10 Bank borrowings — 20
2.11 Rental income — 20
2.12 Rental expenses and rebilling of expenses to lessees — 20
2.13 Other operating income and expenses — 20
2.14 Discounting of deferred payments — 21
2.15 Earnings per share — 21
2.16 Presentation of the financial statements — 21

3 Critical accounting estimates and judgments — 22

4 Management of financial risks — 23

4.1 Risk related to refinancing — 23
4.2 Risk related to the valuation of real estate assets — 23
4.3 Risk related to changes in market rent levels for office premises — 23
4.4 Risk related to the regulatory framework applicable to leases — 23
4.5 Counterparty risk — 23
4.6 Liquidity risk — 23
4.7 Interest rate risk — 24

5 Notes to the consolidated statement of financial position at June 30, 2020 and to the consolidated statement of comprehensive income for the period then ended — 25

5.1 Investment property — 25
5.2 Non-current loans and receivables — 25
5.3 Trade accounts receivable — 25
5.4 Other operating receivables — 26
5.5 Cash and cash equivalents — 26
5.6 Aging analysis of receivables — 27
5.7 Fair value of financial assets — 27
5.8 Financial assets and liabilities — 28
5.9 Changes in impairment of financial assets — 28
5.10 Consolidated equity — 28
5.11 Borrowings — 29
5.12 Financial instruments — 29
5.13 Fair value of financial liabilities — 29
5.14 Other non-current borrowings and debt — 29
5.15 Other operating liabilities — 30
5.16 Maturity schedule for liabilities with undiscounted contractual values — 30
5.17 Prepaid revenue — 31
5.18 Rental income — 31
5.19 Income from other services — 31
5.20 Building-related costs — 31
5.21 Administrative costs — 31
5.22 Other operating income and expenses — 31
5.23 Financial income and expenses — 32
5.24 Corporate income tax and tax proof — 32
5.25 Earnings per share — 32
5.26 Off-balance sheet commitments and security provided — 32
5.27 Transactions with related parties — 33
5.28 Personnel — 34
5.29 Statutory Auditors — 35
5.30 Subsequent events — 35

6 Statutory Auditors' Report — 36

1. Background and main assumptions used to prepare the consolidated financial statements for the six-month period ended June 30, 2020

1.1. SIGNIFICANT EVENTS OF FIRST-HALF 2020

In the first half of 2020, the health crisis triggered by the Covid-19 epidemic adversely impacted the French and global economy.

At Cegereal, the crisis may have an impact on performance, the value and liquidity of assets, the amount of rents collected, tenant credit risk and, in some cases, compliance with bank covenants.

At June 30, 2020, these risks did not affect Cegereal's activity and had no material impact on its financial statements. During the period, the Group did not grant tenants any rent reductions or waivers.

The Company paid a dividend of EUR 0.75 per share in place of the initially planned EUR 2.30 per share. Carried out in the interests of prudence, this one-off reduction gives the Company headroom and enables it to maintain its operational agility in an uncertain environment.

1.2. PRESENTATION OF COMPARATIVE FINANCIAL INFORMATION

For purposes of comparison, the financial information presented in the IFRS consolidated financial statements for the six-month period ended June 30, 2020 includes:

- the IFRS consolidated financial statements for the year ended December 31, 2019; and
- the IFRS consolidated financial statements for the six-month period ended June 30, 2019.

1.3. REGULATORY CONTEXT

The Group's consolidated financial statements for the six-month period ended June 30, 2020 were prepared in accordance with International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) applicable to reporting periods ended June 30, 2020, 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.

In addition, Cegereal is required to comply with certain dividend payment obligations in accordance with its election for tax treatment as a French listed real estate investment company (*société d'investissement immobilier côtée* – SIIC) (see Note 2.8).

The interim consolidated financial statements were adopted by the Board of Directors on July 28, 2020.

2. Significant accounting policies used to prepare the consolidated financial statements for the six-month period ended June 30, 2020

2.1. PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

ACCOUNTING STANDARDS

The Group's consolidated financial statements for the six-month period ended June 30, 2020 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, 2020 and applicable at that date. For the purposes of comparison, the financial statements for the year ended December 31, 2019 were also 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, IFRS 5 and IFRS 9.

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

STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ADOPTED BY THE EUROPEAN UNION EFFECTIVE FOR REPORTING PERIODS BEGINNING ON OR AFTER JANUARY 1, 2020

The standards, amendments to standards and interpretations below, effective for reporting periods beginning on or after January 1, 2020, do not have a material impact on the Group's financial statements:

- Amendments to IAS 1 and IAS 8 – Definition of Material.
- Amendments to References to the Conceptual Framework in IFRS Standards.
- Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform – Phase 1.

Published standards, amendments to standards and interpretations that are not yet effective, adopted by the European Union at the end of the reporting period

The IASB has published the following standards, amendments to standards and interpretations that are applicable to the Group. Although not yet adopted, companies may decide to early adopt them:

- IFRS 17 – Insurance Contracts.
- IFRS 14 – Regulatory Deferral Accounts.
- Amendments to IAS 1 – Classification of Liabilities as Current or Non-Current.

These standards, amendments to standards and interpretations were not early adopted by the Group and should not have a material impact on its consolidated financial statements.

BASIS OF CONSOLIDATION

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

FULL CONSOLIDATION

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

At June 30, 2020, no entities were jointly controlled or significantly influenced by the Group.

SCOPE OF CONSOLIDATION

At June 30, 2020, the scope of consolidation included the following entities:

	Siren No.	% control	% interest	Basis of consolidation	Period taken into account
Cegereal SA	422 800 029	100%	100%	Full consolidation	January 1 to June 30, 2020
Prothin SAS	533 212 445	100%	100%	Full consolidation	January 1 to June 30, 2020
K Rueil OPPCI	814 319 513	100%	100%	Full consolidation	January 1 to June 30, 2020
Hanami Rueil SCI	814 254 512	100%	100%	Full consolidation	January 1 to June 30, 2020
CGR Holdco EURL	833 876 568	100%	100%	Full consolidation	January 1 to June 30, 2020
CGR Propco SCI	834 144 701	100%	100%	Full consolidation	January 1 to June 30, 2020

All entities included in the scope of consolidation close have a December 31 year-end.

CONSOLIDATION ADJUSTMENTS AND ELIMINATIONS

Business combinations are accounted for in accordance with IFRS 3. A business combination is where the acquirer acquires a controlling interest in one or several businesses. IFRS 3 defines a business as a combination of the three following elements:

- economic resources that create, or have the ability to create outputs;
- any process that, when applied to the resources, creates or has the ability to create outputs;
- the outputs resulting from the processes applied to the resources that provide or have the ability to provide the expected return.

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 in the consolidated statement of financial position in the case of a positive balance and tested for impairment each year, or recorded within the statement of comprehensive income in the case of a negative balance.

No fair value adjustments or goodwill were recognized on the first-time consolidation of Prothin SAS as the company was created by Cegereal SA on June 22, 2011. This was also the case for CGR Holdco EURL and CGR Propco SCI, which were incorporated in December 2017.

K Rueil and Hanami Rueil SCI entered the scope of consolidation with effect from December 15, 2016. The acquisition did not meet the definition of a business combination within the meaning of IFRS 3 and was therefore treated as the acquisition of a group of assets. The acquisition cost relating to the group of assets was allocated to the identifiable assets acquired and liabilities assumed in proportion to their respective fair value at the acquisition date. No goodwill was recognized.

2.2. SEGMENT REPORTING

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

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

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

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

2.3. INVESTMENT PROPERTY

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

On acquisition, investment property is measured at the acquisition price including transaction costs (legal fees, transfer duties, etc.) in accordance with IAS 40.

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 external real estate valuer is described in Note 2.4 below.

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 the fair value of investment property are recognized in the statement of comprehensive income.

2.4. ESTIMATES OF THE FAIR VALUE OF INVESTMENT PROPERTY

Estimates and assumptions

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

In accordance with the recommendations of the Committee of European Securities Regulators (CESR) of July 2009, the Group changes real estate valuer every three years (four years for the Hanami asset) in order to obtain a new analysis of its assets' qualities and market value. Following a rotation in 2019, the Company's external real estate valuers are Cushman & Wakefield Valuation for Europlaza, Rives de Bercy and Arcs de Seine, and CBRE Valuation for Passy Kennedy and Hanami.

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 its 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 investment property values as measured by the real estate valuers represent the best estimates at June 30, 2020, based on recent market observations and valuation methods commonly used within the profession. These estimated values are not intended to anticipate any market changes.

The values recorded in the financial statements for the six-month period ended June 30, 2020 were determined in the context of the Covid-19 health crisis. Two valuation reports include material valuation uncertainty clauses in view of the significant impacts that the crisis is having on all sectors, in particular the real estate sector with, to varying degrees, impacts on sale prices, investment levels and leasing activity, both in terms of value and volume. Certain market inputs used by the experts for the purposes of their valuation work may pre-date the crisis. The inclusion of the uncertainty clauses signifies that the experts performed their valuation work in the highly uncertain environment caused by the health crisis, but does not call into question the fair values estimated at June 30, 2020. Management believes that the fair values determined by the experts reasonably reflect the fair value of the portfolio. These fair values should be read in conjunction with the sensitivities presented in Note 3 below.

The valuation methods used, as described in the consolidated financial statements for the year ended December 31, 2019, remain unchanged. Similarly, the assumptions used have not changed either.

Valuation methods

The valuers calculated the fair value of the real estate assets in accordance with the professional standards set out in the French Real Estate Valuation Charter.

The market value of the property is measured using its estimated rental value and the discounted cash flow (DCF) and capitalization methods.

ESTIMATED RENTAL VALUE

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

MARKET VALUE

To estimate market value, independent experts use the following methods:

- Cushman & Wakefield Valuation: DCF method and capitalization method;
- CBRE Valuation: capitalization method.

DCF method

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

Capitalization approach

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

A discount is applied to the gross value to take account of transfer duties and registration costs, which are estimated at the rate of 7.50%.

FAIR VALUE HIERARCHY UNDER IFRS 13

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

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

The three levels are as follows:

Level 1: fair value corresponds to the unadjusted quoted prices in active markets for identical assets and liabilities.

Level 2: fair value is determined, either directly or indirectly, using observable inputs.

Level 3: fair value is determined directly using unobservable inputs.

The categorization of the Group's investment property in accordance with IFRS 13 is presented in Note 5.1.

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

Financial assets and liabilities are recognized and measured in accordance with IFRS 9.

Loans and receivables

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

Trade accounts receivable

Trade accounts receivable consist of accrued amounts receivable from lessees. They are initially recognized at fair value and subsequently at amortized cost using the effective interest rate method, less any provisions for impairment.

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

The timing difference between the billing date and the end of the reporting period is eliminated by recognizing rent billed for future periods and not yet due under “Prepaid revenue” (see Note 5.17).

IFRS 9 introduces a new model for recognizing impairment of financial assets based on expected credit losses.

However, it also sets forward a simplified approach for trade and lease receivables, which are often held by companies that do not have sophisticated credit risk tracking or management systems. This approach removes the need to calculate 12-month expected credit losses and track the increase in credit risk. This means that:

- for trade receivables that do not contain a significant financing component, impairment is equal to lifetime expected credit losses. The Company may use a provision matrix based on days past due to measure expected credit losses;
- for trade receivables that contain a significant financing component and for lease receivables, the Company must choose between the simplified approach (as for trade receivables that do not contain a significant financing component) or the general approach (which requires tracking changes in credit risk over the lifetime of the trade receivable).

The Group has elected to apply the simplified approach.

Non-derivative financial liabilities

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

Derivative financial instruments

Cegereal has not opted for hedge accounting. Derivative financial instruments are therefore measured at fair value at the end of each reporting period with any gains or losses recognized in income.

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

The categorization of the Group’s derivative financial instruments in accordance with IFRS 13 is presented in Note 5.13.

Hybrid financial instruments

A hybrid financial instrument is a non-derivative financial contract (host contract) containing one (or more) derivative instrument(s) (embedded derivative(s)).

When the embedded derivative is not closely related to the host contract, it is accounted for separately. Otherwise, it is accounted for as part of the host contract.

Hybrid instruments are measured:

- under the fair value option when measured as a whole; or
- when the fair value option is not chosen, the host contract is measured at amortized cost.

The Group has not chosen to use the fair value option to measure hybrid financial instruments.

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 from additional paid-in capital.

2.7. TREASURY SHARES

On August 29, 2006, Cegereal SA entered into a liquidity agreement with Exane BNP Paribas. This agreement complies with the standard-type contract of the French Association of Investment Firms (*Association française des entreprises d'investissement* – AFEI) and the AFEI code of ethics of March 14, 2005 which was approved by the AMF on March 22, 2005. Cegereal SA entered into a second agreement with Exane BNP Paribas on November 27, 2017.

Under the terms of these agreements, Exane BNP Paribas may buy and sell Cegereal SA shares on behalf of Cegereal SA within the limits imposed by law and the authorizations granted by the Board of Directors within the scope of its share buyback program.

Within the scope of these liquidity agreements, the Group owned 14,004 treasury shares (representing 0.09% of its total issued shares) for a total amount of EUR 560k at June 30, 2020.

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 (SIICs) in accordance with Article 208 C of the French Tax Code (*Code général des impôts*). This election took effect on April 1, 2006.

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, 2020. 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.

Prothin, Cegereal's subsidiary, also benefits from this preferential tax treatment.

In addition, K Rueil is a SPPICAV (company investing predominantly in real estate with a variable share capital) that is exempt from paying corporate income tax.

Hanami Rueil SCI and CGR Propco SCI, subsidiaries of, respectively, K Rueil and Cegereal SA, are transparent for tax purposes, within the meaning of Article 8 of the French Tax Code.

CGR Holdco EURL has not elected for preferential treatment as an SIIC.

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 exempt from paying corporate income tax on the portion of their income resulting from:
   - the lease of buildings, provided that 95% of this income is distributed before the end of the fiscal year following the year in which the income is generated;
   - 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 SIIC tax treatment, provided that 70% 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 SIIC tax treatment and resulting from exempt income or from capital gains and dividends received from SPPICAVs whose share capital and voting rights have been at least 5%-owned for a minimum of two years, provided that they are redistributed in full during the fiscal year following the year in which they were received.

In addition, income generated by operations carried out by partnerships falling within the scope of Article 8 of the French Tax Code are deemed to be carried out directly by SIICs or their subsidiaries in proportion to their rights and are therefore exempt under the SIIC rules. Accordingly, this income must be distributed pursuant to the above-mentioned time limits and proportions, based on whether it results from the lease or sale of buildings or from dividends.

In the event that they choose to leave the SIIC tax regime at any time, the SIICs and their subsidiaries must add back to their taxable earnings for the period the portion of their income available for distribution at the end of said period which results from previously tax-exempt amounts.

c) In accordance with Article 208 C paragraph 2 of the French Tax Code, the SIIC's capital or voting rights must not be directly or indirectly held at 60% or more 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) Article 208 C II *ter* of the French Tax Code also introduces a 20% withholding tax to be paid by SIICs on dividends distributed from tax-exempt income to shareholders, other than natural persons, that hold at least 10% of dividend entitlements in said SIICs and that are not liable for corporate income tax or another equivalent tax on the dividends received. However, the withholding tax is not due when the beneficiary of the dividends is a company required to distribute the full amount of the dividends it receives and whose shareholders that directly or indirectly hold at least 10% of the dividend rights are liable for corporate income tax or another equivalent tax on the dividends received.

2.9. EMPLOYEE BENEFITS

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

The Group only has two 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, 2020.

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.

When the agreement contains derivative instruments, it is accounted for as described in the section on “Hybrid financial instruments” in Note 2.5.

2.11. RENTAL INCOME

The Group leases out its real estate assets 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 is recognized on a straight-line basis over the shorter of the lease term or the period up to the date on which the lessee may terminate the lease without incurring any material financial consequences (usually after six years). Therefore, in order to accurately reflect the economic benefits of the lease, rent-free periods, rent discounts, the portion of fitting-out costs incurred by the lessee and borne by the lessor, and lease premiums paid to lessees are recognized over the non-cancelable term of the lease.

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

2.12. RENTAL EXPENSES AND REBILLING OF EXPENSES TO LESSEES

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

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

This approach is consistent with IFRS 15, insofar as the Group acts as principal: its “performance obligation” is to provide the underlying goods and services to its tenants. The Group is:

- responsible for satisfying the promise;
- exposed to the inventory risk;
- in charge of setting the price.

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

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

2.13. OTHER OPERATING INCOME AND EXPENSES

Other operating income and expenses comprise items that, due to their nature, are not included in assessing the Group’s recurring operating performance.

2.14. DISCOUNTING OF DEFERRED PAYMENTS

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

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

2.15. EARNINGS PER SHARE

Earnings per share is a key indicator used by the Group, and is calculated by dividing net attributable income by the weighted average number of shares outstanding during the period. Treasury shares are not considered as outstanding and are therefore not included in the calculation of earnings per share.

Diluted earnings per share is calculated based on income attributable to holders of ordinary shares and the weighted average number of shares existing during the year, adjusted to reflect the impact of potentially dilutive ordinary shares.

2.16. PRESENTATION OF THE FINANCIAL STATEMENTS

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

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

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

3. Critical accounting estimates and judgments

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

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

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

In this context, valuations of the Group's real estate assets by the external real estate valuers could vary significantly according to changes in the yield, based on observations of the rates prevailing in the real estate market.

In millions of euros

			Changes in potential yield								
Building	**Market rental value**	**Potential yield**	**+0.500%**	**+0.375%**	**+0.250%**	**+0.125%**	**0.000%**	**(0.125)%**	**(0.250)%**	**(0.375)%**	**(0.500)%**
Europlaza	23.72	5.34%	403	409	416	423	431	439	448	457	466
Arcs de Seine	22.20	4.62%	421	429	437	446	455	464	475	485	497
Rives de Bercy	10.94	7.05%	156	158	160	166	165	168	171	174	177
Hanami campus	10.77	5.35%	154	158	162	165	169	174	178	183	188
Passy Kennedy	11.34	4.15%	214	220	226	233	240	247	256	265	274
Total	**78.96**	**5.30%**	**1,348**	**1,374**	**1,401**	**1,433**	**1,460**	**1,492**	**1,528**	**1,564**	**1,602**
Impact on portfolio value			**(7.7)%**	**(6.0)%**	**(4.1)%**	**(1.9)%**	**0.00%**	**+2.1%**	**+4.6%**	**+7.0%**	**+9.7%**

Sources: CBRE and Cushman & Wakefield.

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.

Regarding hedging instruments, which are analyzed in Note 4.7, a change in interest rates would result in the following values:

In thousands of euros

Hedging instrument	Nominal amount	Hedged amount	Fixed rate	-1%	-0.5%	Value at June 30, 2020	+0.5%	+1%
Cap	15,000	3-month Euribor	2.00%	0	0	0	1	3
Swap	25,000	3-month Euribor	0.10%	(591)	(407)	(225)	(44)	135
Cap	148,500	3-month Euribor	0.60%	0	3	38	202	713
TOTAL				**(591)**	**(404)**	**(187)**	**158**	**852**

4. Management of financial risks

4.1. RISK RELATED TO REFINANCING

On July 26, 2016, Cegereal renegotiated the EUR 405m loan and entered into a new credit agreement authorizing the Group to borrow EUR 525m. The five-year loan consists of two tranches of (i) EUR 445m and (ii) EUR 80m, repayable at maturity on July 26, 2021. The agreement also provides for an optional two-year extension.

Following the acquisition of Hanami Rueil SCI, the Cegereal Group entered into a credit agreement for EUR 100m on December 15, 2016. The agreement provides for a five-year loan, 0.375% of the principal amount of which is repayable at each due date, and the remainder on maturity at December 15, 2021.

As part of the acquisition of Passy Kennedy, the Cegereal Group entered into a credit agreement for EUR 148.5m on December 5, 2018. The agreement provides for a four-year loan with an optional one-year extension, of which 1% of the principal amount is repayable in the third year, 2.5% in the fourth year (and the fifth year if the agreement is extended), and the remainder at maturity.

4.2. RISK RELATED TO THE VALUATION OF REAL ESTATE ASSETS

The Group's real estate portfolio is valued by external real estate valuers. 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 surface area of between 23,800 sq.m and 52,100 sq.m, located in Paris' inner suburbs. A fall in demand for this type of building could adversely affect the Group's earnings, business activities and financial position.

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

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

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

4.4. RISK RELATED TO THE REGULATORY FRAMEWORK APPLICABLE TO LEASES

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

4.5. COUNTERPARTY RISK

Group procedures ensure that leases are only entered into with lessees of suitable credit standing.

At June 30, 2020, the Group was dependent on four lessees who collectively represented 42.4% of the total rental income collected during the first half of 2020 and individually more than 6%. 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's loans were taken out with bank pools.

Notes 4.7 and 5.26 contain a description of the different credit facilities and the early repayment clauses contained in the credit agreements. The Group complied with its covenants at the most recent due date.

4.7. INTEREST RATE RISK

On July 26, 2016, Cegereal refinanced its debt following repayment of the loan taken out on July 26, 2012. The new loan agreement authorized the Group to borrow EUR 525m in two tranches of (i) EUR 445m (tranche A) and (ii) EUR 80m (tranche B).

94% of tranche A is subject to a fixed rate of 1.35% if the occupancy rate is greater than 75%, and 1.50% if it is not. The remaining balance of tranche A (i.e., 6%) is subject to a variable interest rate (6-month Euribor with a floor of 0%) plus a margin of 1.35% if the occupancy rate is greater than 75%, and 1.50% if it is not. The Euribor rate was below 0% between January 1, 2020 and June 30, 2020.

Tranche B is subject to the same conditions as the portion of tranche A that is subject to a variable rate.

Following the acquisition of Hanami Rueil SCI, the Cegereal Group entered into a credit agreement for EUR 100m on December 15, 2016. The loan comprises three tranches: one in an amount of EUR 50m at a fixed rate of 1.52%, including a 1.45% margin, one in an amount of EUR 25m at a variable 3-month Euribor rate with a floor of 0%, and one in an amount of EUR 25m at a variable 3-month Euribor rate with a floor of -0.4%. The two variable-rate tranches also have a 1.45% margin.

As part of the acquisition of Passy Kennedy, the Cegereal Group entered into a credit agreement for EUR 148.5m on December 5, 2018. The agreement provides for a four-year loan with an optional one-year extension, of which 1% of the principal amount is repayable in the third year, 2.5% in the fourth year (and the fifth year if the agreement is extended), and the remainder at maturity. The loan carries interest at 3-month Euribor plus a spread of 1.20%. Euribor is considered to be zero if the published rate is negative.

At June 30, 2020, the Group held three hedges:

In thousands of euros

Financial institution	Société Générale	Société Générale	Société Générale
Type of hedge	Cap	Swap	Cap
Nominal amount (in thousands of euros)	15,000	25,000	148,500
Fixed rate	2.00%	0.10%	0.60%
Hedged amount	3-month Euribor	3-month Euribor	3-month Euribor
Start date	Oct. 15, 2019	Dec. 15, 2016	Dec. 5, 2018
Maturity	Dec. 15, 2021	Dec. 15, 2021	Dec. 5, 2022

5. Notes to the consolidated statement of financial position at June 30, 2020 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	Hanami campus	Passy Kennedy	Total
Dec. 31, 2019	**174,720**	**416,980**	**458,500**	**174,500**	**239,220**	**1,463,920**
Acquisitions	0	4,304	172	332	0	4,807
Indemnity received	0	0	0	0		(0)
Subsequent expenditure	0	(258)	319	(77)	46	30
Disposals	0	0	0	0		(0)
Change in fair value	(9,350)	9,994	(4,340)	(5,375)	694	(8,377)
June 30, 2020	**165,370**	**431,020**	**454,650**	**169,380**	**239,960**	**1,460,380**

MAIN FAIR VALUE ASSUMPTIONS

The real estate valuers' estimation of the fair value of the buildings at June 30, 2020 is indicated below, along with the information used in the calculation:

Building	Estimated value at June 30, 2020 (net of taxes)		Gross leasable area(1) at June 30, 2020		Annual rent (net of taxes)(2)	
	in millions of euros	%	sq.m	%	in thousands of euros	%
Europlaza (1999(3))	431	29.51%	52,078	27.49%	24,494	31.20%
Arcs de Seine (2000(3))	455	31.13%	47,222	24.93%	19,751	25.16%
Rives de Bercy (2003(3))	165	11.32%	31,942	16.86%	12,525	15.95%
Hanami campus (2011/2016(3))	169	11.60%	34,381	18.15%	10,879	13.86%
Passy Kennedy	240	16.43%	23,813	12.57%	10,860	13.83%
Total	**1,460**	**100%**	**189,436**	**100%**	**78,509**	**100%**

(1) The gross leasable area includes the surface area of the offices and a share of common areas (including any restaurants).
(2) Annual rent includes rent billed to lessees for space occupied at June 30, 2020 and market rent, as estimated by valuers, in relation to vacant premises.
(3) Year of construction or restoration.

In light of the nature of the French real estate market and the relative lack of publicly available data, real estate assets have been categorized within Level 3 of the IFRS 13 fair value hierarchy.

5.2. NON-CURRENT LOANS AND RECEIVABLES

This item can be broken down as follows:

In thousands of euros

	June 30, 2020	Dec. 31, 2019	June 30, 2019
Security deposits paid	34	33	33
Lease incentives (non-current portion)	20,186	23,113	22,265
Non-current loans and receivables	**20,220**	**23,146**	**22,298**

Non-current lease incentives correspond to the non-current portion of rent-free periods, rent discounts and lease premiums paid to lessees recognized over the non-cancelable term of the lease in accordance with the accounting policies stated in Note 2.11.

5.3. TRADE ACCOUNTS RECEIVABLE

This item can be broken down as follows:

In thousands of euros

	June 30, 2020	Dec. 31, 2019	June 30, 2019
Trade accounts receivable	14,595	9,720	13,130
Impairment of trade accounts receivable	0	0	0
Trade accounts receivable, net	**14,595**	**9,720**	**13,130**

5.4. OTHER OPERATING RECEIVABLES

This item can be broken down as follows:

In thousands of euros

	June 30, 2020	Dec. 31, 2019	June 30, 2019
Lease incentives (current portion)	7,014	5,502	3,831
VAT	2,581	4,171	2,355
Taxes	0	0	0
Supplier accounts in debit and other receivables	3,167	1,687	3,421
French State – Accrued income – 3% contribution	0	0	0
Liquidity account/treasury shares	194	247	215
Notary fees	0	0	115
Other operating receivables	**12,955**	**11,607**	**9,938**

5.5. CASH AND CASH EQUIVALENTS

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

Current bank account balances recorded in this caption represent EUR 47,062k.

5.6. AGING ANALYSIS OF RECEIVABLES

The aging analysis of receivables at June 30, 2020 is as follows:

In thousands of euros

	Receivables (net of impairment) at June 30, 2020	Receivables not yet due (net of impairment)	Receivables past due (net of impairment)	o/w receivables less than 6 months past due	o/w receivables more than 6 months and less than 1 year past due	o/w receivables more than 1 year past due
Non-current receivables						
Non-current loans and receivables	20,220	20,220	-	-	-	-
Total non-current receivables	**20,220**	**20,220**	-	-	-	-
Current receivables						
Trade accounts receivable(1)	14,595	12,845	1,750	1,906	221	(377)
Other operating receivables	12,955	12,955	-	-	-	-
Prepaid expenses	188	188	-	-	-	-
Total current receivables	**27,738**	**25,988**	**1,750**	**1,906**	**221**	**(377)**
Total receivables	**47,958**	**46,208**	**1,750**	**1,906**	**221**	**(377)**

(1) The amount of trade accounts receivable pledged as collateral for loans and borrowings amounts to EUR 14,595k at June 30, 2020 and is detailed in Note 5.26.

The aging analysis of receivables at December 31, 2019 was as follows:

In thousands of euros

	Receivables (net of impairment) at Dec. 31, 2019	Receivables not yet due (net of impairment)	Receivables past due (net of impairment)	o/w receivables less than 6 months past due	o/w receivables more than 6 months and less than 1 year past due	o/w receivables more than 1 year past due
Non-current receivables						
Non-current loans and receivables	23,146	23,146	0	0	0	0
Total non-current receivables	**23,146**	**23,146**	**0**	**0**	**0**	**0**
Current receivables						
Trade accounts receivable(1)	9,720	8,265	1,454	1,522	60	(128)
Other operating receivables	11,607	11,607	0	0	0	0
Prepaid expenses	292	292	0	0	0	0
Total current receivables	**21,620**	**20,165**	**1,454**	**1,522**	**60**	**(128)**
Total receivables	**44,766**	**43,311**	**1,454**	**1,522**	**60**	**(128)**

(1) The amount of trade accounts receivable pledged as collateral for loans and borrowings amounted to EUR 9,720k at December 31, 2019 and is detailed in Note 5.26.

5.7. FAIR VALUE OF FINANCIAL ASSETS

The fair value of financial assets at June 30, 2020 can be analyzed as follows:

In thousands of euros

	June 30, 2020		Dec. 31, 2019		June 30, 2019		Fair value hierarchy(2)
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	
Interest rate cap(1)	38	38	34	34	57	57	Level 2
Total non-current assets	**38**	**38**	**34**	**34**	**57**	**57**	

(1) Derivative financial instruments.
(2) Classification under IFRS 13 (see Note 2.4).

The characteristics of non-current assets are described in Notes 4.7 and 5.12.

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

5.8. FINANCIAL ASSETS AND LIABILITIES

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

In thousands of euros

Summary of financial assets and liabilities	June 30, 2020	Dec. 31, 2019	June 30, 2019
Financial assets at fair value through profit or loss	38	34	57
Held-to-maturity investments	0	0	0
Loans and receivables			
Non-current loans and receivables	20,220	23,146	22,298
Current receivables	27,550	21,327	23,068
Available-for-sale financial assets	0	0	0
Cash and cash equivalents	47,062	44,880	29,187
Total financial assets	**94,870**	**89,387**	**74,610**
Financial liabilities at fair value through profit or loss	637	682	741
Financial liabilities measured at amortized cost			
Non-current liabilities	775,000	774,061	773,045
Current liabilities	31,218	26,253	23,197
Total financial liabilities	**806,855**	**800,996**	**796,983**

5.9. CHANGES IN IMPAIRMENT OF FINANCIAL ASSETS

No impairment was recognized against financial assets in the period.

5.10. CONSOLIDATED EQUITY

Composition of and changes in shareholders' equity

In thousands of euros

	Number of shares	Par value of shares	Share capital	Legal reserve and additional paid-in capital	Consolidated reserves and retained earnings	Total
		in euros	in thousands of euros	in thousands of euros	in thousands of euros	in thousands of euros
Shareholders' equity at Dec. 31, 2019	**15,906,440**	**5**	**79,532**	**66,462**	**584,274**	**730,268**
Dividends paid				(11,344)	(575)	(11,919)
Other changes						(0)
Other comprehensive income						0
Interim dividend						(0)
Net income for the period					8,945	8,945
Capital increase by increasing par value						(0)
Capital reduction by reducing par value						(0)
Change in treasury shares held					(53)	(53)
Shareholders' equity at June 30, 2020	**15,906,440**	**5**	**79,532**	**55,118**	**592,591**	**727,240**

Treasury shares

In euros (except number of shares)

	Amount at June 30, 2020	Amount at Dec. 31, 2019	Amount at June 30, 2019
Acquisition cost	560,011	519,765	517,130
Number of treasury shares at reporting date	14,004	12,647	13,550

5.11. BORROWINGS

The maturity schedule of loans taken out by the Group, valued at amortized cost less transaction costs, is as follows:

In thousands of euros

	Bank loan	Due in 1 year or less	Due in 1 to 2 years	Due in 2 to 5 years	Due in more than 5 years
Current and non-current bank borrowings					
- Fixed rate	464,078	750	463,328	0	
- Variable rate	304,547	1,493	157,896	145,159	
Accrued interest not yet due	2,136	2,136	(0)	(0)	
Bank fees deferred at effective interest rate	(3,008)	(508)	(1,985)	(515)	
Total at June 30, 2020	**767,754**	**3,871**	**619,239**	**144,644**	**(0)**

At June 30, 2020, the Group was compliant with its bank covenants. The loan-to-value ratio stood at 52.6%, and the interest coverage ratio (DSCR) at 501%.

The loan characteristics are described in Notes 4.1 and 4.7.

5.12. FINANCIAL INSTRUMENTS

The table below presents a summary of financial instruments:

In thousands of euros

	June 30, 2020	Dec. 31, 2019
Interest rate cap	38	34
Assets	**38**	**34**
Share subscription warrants	429	453
Interest rate swap	208	229
Liabilities	**637**	**682**

The characteristics of the cap and swap agreements are described in Note 4.7.

The share subscription warrants and the swap are considered to be derivative financial instruments and are measured at fair value at the end of each reporting period with any gains or losses recognized in income (see Note 2.5).

On April 14, 2016, Cegereal issued 865,000 share subscription warrants (BSA) to Northwood Investors France Asset Management SAS at a unit price of EUR 0.01. These warrants were subscribed in a total amount of EUR 8,650 at April 22, 2016. A total of 303,672 warrants were exercised in March 2019. The remaining warrants must be exercised no later than June 30, 2022. The holder may not subscribe to new shares by exercising share subscription warrants if doing so would result in a shareholder, acting alone or in concert, holding directly or indirectly 60% or more of the Company's share capital or voting rights.

Each share subscription warrant entitles the holder to subscribe for 1.005 new shares of the Company. The subscription price for one share will be calculated based on the volume-calculated average share price during the 20 trading days prior to the exercise date.

5.13. FAIR VALUE OF FINANCIAL LIABILITIES

The fair value of financial liabilities at June 30, 2020 can be analyzed as follows:

In thousands of euros

	June 30, 2020		Dec. 31, 2019		June 30, 2019		Fair value hierarchy[2]
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	
Bank loan	765,617	770,647	765,267	771,837	764,894	774,055	Level 2
Interest rate swap[1]	208	208	229	229	342	342	Level 2
Share subscription warrants[1]	429	429	453	453	399	399	Level 1
Total non-current liabilities	**766,254**	**771,284**	**765,949**	**772,519**	**765,635**	**774,796**	

(1) Derivative financial instruments.
(2) Classification under IFRS 13 (see Note 2.4).

The characteristics of non-current liabilities are described in Notes 4.7 and 5.12. There was no difference between the carrying amounts and fair values of financial liabilities other than those mentioned above.

5.14. OTHER NON-CURRENT BORROWINGS AND DEBT

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

5.15. OTHER OPERATING LIABILITIES

These can be broken down as follows:

In thousands of euros

	June 30, 2020	Dec. 31, 2019	June 30, 2019
Personnel	59	110	75
Directors' fees	85	0	104
Accrued VAT, other taxes and social security charges(1)	8,714	4,819	8,762
Accrued rental expenses rebilled to lessees	1,102	1,608	1,473
Advance payments by lessees	1,748	2,010	1,772
Miscellaneous	60	198	280
Other operating liabilities	**11,767**	**8,745**	**12,468**
Amounts due to fixed asset suppliers	659	1,691	1,486
Amounts due to fixed asset suppliers	**659**	**1,691**	**1,486**
Other liabilities	**12,427**	**10,437**	**13,953**

(1) Including IFRIC 21 at June 30.

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

5.16. MATURITY SCHEDULE FOR LIABILITIES WITH UNDISCOUNTED CONTRACTUAL VALUES

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

In thousands of euros

			Undiscounted contractual value		
	Carrying amount at June 30, 2020	Undiscounted contractual value	Due in 1 year or less	Due in more than 1 year but less than 5 years	Due in more than 5 years
Non-current liabilities					
Non-current borrowings	763,883	766,383		766,383	
Other non-current borrowings and debt	11,117	11,117			11,117
Other financial liabilities	637	637			
Total non-current liabilities	**775,637**	**778,137**	**(0)**	**766,383**	**11,117**
Current liabilities					
Current borrowings	3,871	4,423	4,423		
Trade accounts payable	14,920	14,920	14,920		
Other operating liabilities	12,427	12,427	12,427		
Total current liabilities	**31,218**	**31,770**	**31,770**	**(0)**	**(0)**

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

Other financial liabilities correspond to share subscription warrants, which must be exercised no later than June 30, 2022, and the swap described in Notes 4.7 and 5.12.

5.17. PREPAID REVENUE

Prepaid revenue consists of rents billed in advance for the third quarter of 2020.

5.18. RENTAL INCOME

Including the impact of lease incentives, rental income can be broken down by building as follows:

In thousands of euros

	June 30, 2020 6 months	Dec. 31, 2019 12 months	June 30, 2019 6 months
Europlaza	7,545	15,259	7,807
Arcs de Seine	8,666	17,914	8,665
Rives de Bercy	5,298	10,366	5,183
Hanami campus	5,014	9,938	4,705
Passy Kennedy	5,045	9,892	4,930
	31,567	**63,369**	**31,290**

5.19. INCOME FROM OTHER SERVICES

Income from other services can be analyzed as follows:

In thousands of euros

	June 30, 2020 6 months	Dec. 31, 2019 12 months	June 30, 2019 6 months
Rental expenses and maintenance rebilled to lessees	5,523	10,999	5,632
Real estate taxes rebilled to lessees	7,269	6,931	7,258
Other amounts rebilled to lessees and miscellaneous income	293	134	179
Indemnities	34	1,942	1,960
Miscellaneous income	92	39	0
Income from other services	**13,211**	**20,045**	**15,030**

5.20. BUILDING-RELATED COSTS

These can be broken down as follows:

In thousands of euros

	June 30, 2020 6 months	Dec. 31, 2019 12 months	June 30, 2019 6 months
Rental expenses	5,559	11,038	5,451
Taxes	7,387	7,062	7,378
Fees	5,794	11,688	4,023
Maintenance costs	4	113	82
Rental expenses and tax on vacant premises	1,184	1,752	925
Other expenses	9	(32)	(41)
Building-related costs	**19,938**	**31,621**	**17,818**

Fees mainly comprise asset management fees with Northwood Investors Asset Management SAS, which amounted to EUR 5,220k at June 30, 2020. These fees are calculated based on the Group's net asset value.

The fees break down as follows:

- EUR 2,688k attributable to the advisory fee under the asset management agreement;
- EUR 2,533k attributable to the incentive fee under the asset management agreement.

5.21. ADMINISTRATIVE COSTS

Administrative costs mainly comprise professional fees for EUR 891k, taxes and duties for EUR 280k and payroll expenses for EUR 161k.

5.22. OTHER OPERATING INCOME AND EXPENSES

Other operating income and expenses comprise items that, due to their nature, are not included in assessing the Group's recurring operating performance, such as:

- a lump sum from the group that manages the intercompany restaurant service to fund the purchase and renovation of kitchen equipment, in the amount of EUR 600k;
- changes in the fair value of share subscription warrants as described in Note 5.12;
- depreciation of fixtures and fittings at Cegereal's registered office.

5.23. FINANCIAL INCOME AND EXPENSES

Financial income and expenses can be broken down as follows:

In thousands of euros

	June 30, 2020 6 months	Dec. 31, 2019 12 months	June 30, 2019 6 months
Financial income	0	0	0
Financial expenses	(6,362)	(13,529)	(7,120)
Net financial expense	**(6,362)**	**(13,529)**	**(7,120)**

Financial expenses comprise interest expense and charges on bank borrowings in an amount of EUR 6,386k, and positive fair value adjustments on swaps and caps in an amount of EUR 24k.

5.24. 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 or the SPPICAV tax regime for companies investing predominantly in real estate with a variable share capital, and are not liable for corporate income tax in respect of their property rental activities.

5.25. EARNINGS PER SHARE

Earnings per share is calculated by dividing consolidated net income attributable to owners of Cegereal SA by the number of ordinary shares net of treasury shares at June 30, 2020, i.e., EUR 0.56.

Pursuant to IAS 33, the potential shares (warrants) were considered to be dilutive at June 30, 2020. Diluted earnings per share came out at EUR 0.54.

In thousands of euros

	June 30, 2020 6 months	Dec. 31, 2019 12 months	June 30, 2019 6 months
Net attributable income (in thousands of euros)	8,945	80,760	42,739
Weighted average number of shares before dilution	15,893,038	15,829,593	15,764,027
Earnings per share (in euros)	**0.56**	**5.10**	**2.71**
Net attributable income, including impact of dilutive shares (in thousands of euros)	8,921	80,595	42,520
Weighted average number of shares after dilution	16,457,173	16,393,728	16,328,161
Diluted earnings per share (in euros)	**0.54**	**4.92**	**2.60**

5.26. OFF-BALANCE SHEET COMMITMENTS AND SECURITY PROVIDED

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

COMMITMENTS GIVEN

In thousands of euros

	Expiration	June 30, 2020 6 months	Dec. 31, 2019 12 months
Commitments linked to the consolidated group			
Equity interest purchase commitments			
Commitments given within the scope of specific transactions			
Off-balance sheet commitments linked to Company borrowings			
Financial guarantees (of which mortgages and lender's lien)(1)	From 2020 to 2023	770,788	771,550
Off-balance sheet commitments linked to the issuer's operating activities			
Other contractual commitments given in relation to the Company's activities			
Assets given as collateral, mortgages or pledges, and security deposits given			

(1) Balance of loans and drawn-on credit lines guaranteed by mortgages.

ADVISORY SERVICES AGREEMENTS

Under the Advisory Services Agreement entered into by Northwood Investors France Asset Management SAS (the "Advisor") and Prothin, effective January 1, 2016 for an initial term of six years and amended on December 23, 2016 (the "Prothin ASA"), an incentive fee is paid to encourage the Advisor to create value for the shareholders ("Value Growth").

Value Growth is determined on the basis of growth in the Group's EPRA NNNAV over a period of three years adjusted upwards for dividend distributions and downwards for capital increases made over that period (the calculation only includes the proportion of net asset value that Prothin represents relative to that of Cegereal and its subsidiaries or affiliates). The incentive fee is equal to a maximum of 10% of Value Growth, provided that an annualized IRR of at least 6% is achieved (the "Initial Hurdle"). A catch-up clause divides the proportion of Value Growth in excess of the Initial Hurdle equally between the Advisor and Prothin until the point that the incentive fee reaches 10% of Value Growth. Beyond that hurdle, the total incentive fee is 10% of Value Growth.

On December 23, 2016, Northwood Investors France Asset Management SAS (the "**Advisor**") and Hanami Rueil SCI entered into an Advisory Services Agreement, effective December 23, 2016 for an initial term of six years (the "**Hanami Rueil SCI ASA**") along the same lines as the Prothin ASA.

On December 5, 2018, Northwood Investors France Asset Management SAS (the "**Advisor**") and CGR Propco SCI entered into an Advisory Services Agreement, effective December 5, 2018 for an initial term of six years (the "**CGR Propco SCI ASA**") along the same lines as the Prothin ASA.

COMMITMENTS RECEIVED

In thousands of euros

Main characteristics	Expiration	June 30, 2020 6 months	Dec. 31, 2019 12 months
Commitments linked to the consolidated group			
Equity interest purchase commitments			
Commitments received within the scope of specific transactions			
Off-balance sheet commitments linked to Company borrowings			
Financial guarantees received			
Off-balance sheet commitments linked to the issuer's operating activities			
Other contractual commitments received in relation to the Company's activities			
Assets received as collateral, mortgages or pledges, and security deposits received		16,788	18,595

Minimum guaranteed rental income from current operating leases:

At June 30, 2020, the minimum annual rental income (excluding VAT, rebilling of taxes and expenses, and rent decreases agreed after the end of the reporting period) due to the Group until the earliest possible termination dates of the different operating leases was as follows:

In thousands of euros

	Future minimum annual rental income		
	June 30, 2020	Dec. 31, 2019	June 30, 2019
2020	61,404	61,649	65,393
2021	54,902	52,816	65,827
2022	34,152	32,028	58,825
2023	23,977	21,901	64,814
2024	17,768	15,721	70,197
2025	17,203	15,077	71,976
2026	15,695	13,597	74,057
2027	13,403	9,474	72,343
2028	6,976	1,300	66,285
2029	5,997	210	62,128
2030	5,992		

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

5.27. TRANSACTIONS WITH RELATED PARTIES

TRANSACTIONS WITH RELATED COMPANIES

Transactions with related parties mainly comprise the asset management agreements entered into with Northwood Investors France Asset Management SAS.

On April 14, 2016, Cegereal issued 865,000 share subscription warrants (BSA) to Northwood Investors France Asset Management SAS at a unit price of EUR 0.01. These warrants were subscribed in a total amount of EUR 8,650 at April 22, 2016. A total of 303,672 warrants were exercised in March 2019. The remaining warrants must be exercised no later than June 30, 2022. The holder may not subscribe to new shares by exercising share subscription warrants if doing so would result in a shareholder, acting alone or in concert, holding directly or indirectly 60% or more of the Company's share capital or voting rights.

Each share subscription warrant entitles the holder to subscribe for 1.005 new shares of the Company. The subscription price for one share will be calculated based on the volume-calculated average share price during the 20 trading days prior to the exercise date.

In thousands of euros

	June 30, 2020 6 months	Dec. 31, 2019 12 months	June 30, 2019 6 months
Impact on operating income			
Building-related costs: Asset management and advisory fees	2,688	5,047	2,489
Building-related costs: Incentive fee	2,533	5,061	534
Administrative costs: Fees	0	0	
Impact on net financial expense			
Financial expenses	0	0	0
Total impact on income statement	**5,221**	**10,108**	**3,023**
Impact on assets			
Prepaid expenses	0	0	0
Other operating receivables	0	0	0
Total impact on assets	**(0)**	**(0)**	**(0)**
Impact on liabilities			
Non-current borrowings	0		0
Trade accounts payable	3,040	6,073	641
Total impact on liabilities	**3,040**	**6,073**	**641**

TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

Compensation of the Chairman of the Board of Directors

The Chairman of the Board of Directors does not receive any compensation.

Compensation of the Chief Executive Officer

The Chief Executive Officer does not receive any compensation.

Other commitments

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

Directors' fees

Directors' fees of EUR 195k were paid for 2019.

Directors' fees of up to EUR 240k have been allocated for 2020.

Loans and securities granted to or on behalf of executives

None

Transactions entered into with executives

None

Entities having key management personnel in common with the Group

The Group has key management personnel in common with Northwood Investors, some of whom are directors.

5.28. PERSONNEL

At June 30, 2020, the Group had two employees compared to three employees at December 31, 2019.

5.29. STATUTORY AUDITORS

The Statutory Auditors are:

KPMG Audit FS I
Tour Eqho
2, avenue Gambetta
92066 Paris-La Défense Cedex
Tenure renewed at the Ordinary and Extraordinary Shareholders' Meeting of April 20, 2017.

Denjean & Associés
35, avenue Victor Hugo
75116 Paris
Tenure renewed at the Ordinary and Extraordinary Shareholders' Meeting of April 20, 2017.

Fees paid to the Statutory Auditors for the six-month period ended June 30, 2020:

In thousands of euros

	KPMG				Denjean				Deloitte				Total			
	Amount (excl. tax)		%		Amount (excl. tax)		%		Amount (excl. tax)		%		Amount (excl. tax)		%	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Statutory audit of the financial statements	115	94	94	93	25	24	100	100	11	19	81	100	151	137	94	95
- Holding company	51	46	41	46	25	24	100	100	(0)	(0)	(0)	(0)	76	70	47	49
- Subsidiaries	65	48	53	47	(0)	(0)	(0)	(0)	11	19	81	100	75	67	47	46
								(0)								
Advisory services and non-audit services[(1)]	7	7	6	7	(0)	(0)	(0)	(0)	2	(0)	19	(0)	10	7	6	5
- Holding company	7	7	6	7	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	7	7	5	5
- Subsidiaries	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	2	(0)	19	(0)	2	(0)	2	(0)
								(0)								
Total	**123**	**101**	**100**	**100**	**25**	**24**	**100**	**100**	**13**	**19**	**100**	**100**	**160**	**144**	**100**	**100**

(1) Fees linked to non-audit services, provided at the request of the entity and required by law and regulations, relate to the voluntary review of the non-financial information statement (NFIS).

5.30. SUBSEQUENT EVENTS

None

6. Statutory Auditors' Report

KPMG Audit FS I
Tour Eqho
2, avenue Gambetta
CS 60055
92066 Paris La Défense Cedex
France

Denjean & Associés
35, avenue Victor Hugo
75016 Paris
France

Cegereal SA
Registered office: 42, rue de Bassano, 75008 Paris
Share capital: EUR 79,532,200

STATUTORY AUDITORS' REVIEW REPORT ON THE 2020 INTERIM FINANCIAL INFORMATION

Six-month period ended June 30, 2020

This is a free translation into English of the Statutory Auditors' review report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In compliance with the assignment entrusted to us by your General Shareholders' Meeting and in accordance with the requirements of Article L.451-1-2 III of the French Monetary and Financial Code (*Code monétaire et financier*), we hereby report to you on:

- the review of the accompanying interim consolidated financial statements of Cegereal SA for the six months ended June 30, 2020;
- the verification of the information contained in the interim activity report.

These interim consolidated financial statements were prepared under the responsibility of the Board of Directors on July 28, 2020 based on information available at that date and in the evolving context of the Covid-19 crisis and the difficulties in assessing its impacts and the future prospects of the Company. Our role is to express a conclusion on these financial statements based on our review.

I - CONCLUSION ON THE FINANCIAL STATEMENTS

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements have not been prepared, in all material respects, in accordance with International Financial Reporting Standards as adopted by the European Union, or that they do not give a true and fair view of the assets, financial position and results of the Company and all companies included in the consolidation scope.

II - SPECIFIC VERIFICATION

We have also verified the information given in the interim activity report prepared on July 28, 2020 on the interim consolidated financial statements subject to our review. We have no matters to report as to its fair presentation and its consistency with the interim consolidated financial statements.

Paris-La Défense, July 28, 2020

KPMG Audit FS I

Régis Chemouny

Partner

Paris, July 28, 2020

Denjean & Associés

Céline Kien

Partner

CeGeREAL