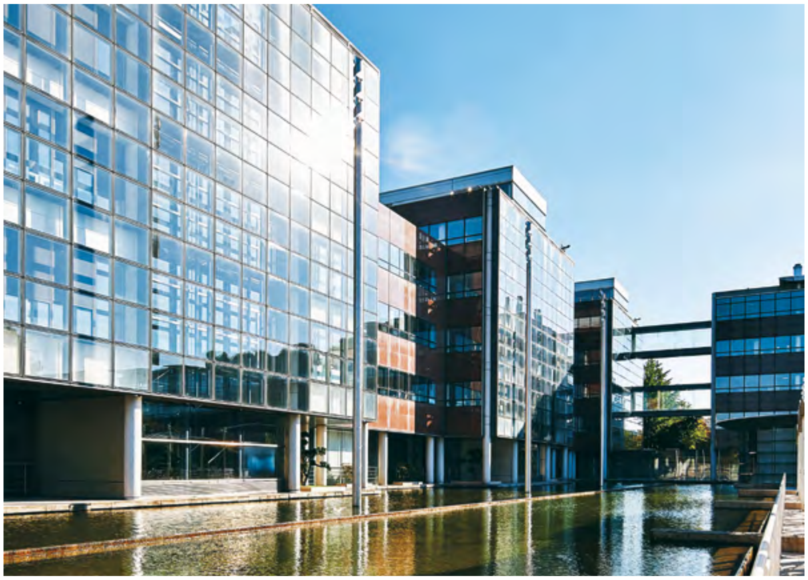
INTERIM FINANCIAL REPORT

SIX-MONTH PERIOD ENDED JUNE 30, 2018



2018

SMART PLACES
FOR BUSINESS

CeGeREAL

CONTENTS

CeGeREAL

A French *société anonyme* (joint-stock corporation) with share capital of EUR 66,862,500
Registered office: 42, rue Bassano, 75008 Paris
422 800 029 RCS Paris
SIRET No. 422 800 029 00031

Interim financial report
Six-month period ended June 30, 2018

(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, 2018 prepared in accordance with the provisions of Article L.451-1-2 III of the French Monetary and Financial Code and Articles 222-4 et seq. of the General Regulations of the AMF. This report has been distributed in accordance with the provisions of Article 221-3 of the General Regulations of the AMF.
It can also be consulted on the Company's website at www.cegereal.com.

1. Attestation by the person responsible for the 2018 interim report

"I certify that to my knowledge, the complete consolidated financial statements for the six-month period ended June 30, 2018 have been prepared in accordance with the applicable accounting standards and give a true and fair view of the assets, financial position and results of the Company and all companies included in the consolidation scope, and that the attached interim activity report includes a fair review of the material events of the first six months of the year and their impact on the interim financial statements, the principal related-party transactions, as well as a description of the main risks and uncertainties for the remaining six months of the year."

Paris, July 25, 2018

Jérome Anselme
Chief Executive Officer

2. Interim activity report

2.1. COMMENTS ON ACTIVITY

2.1.1. RENTAL ACTIVITY

Cegereal's rental activity was brisk during first half-2018, with new leases signed.

KPMG signed a lease for 2,484 sq.m of office space in the Europlaza building (corresponding to the first two floors) for a minimum term of nine years.

Robert Half also leased a further 675 sq.m of space on the 10th floor of the Europlaza building for a minimum term of six years and 11 months, bringing its total footprint to 1,295 sq.m.

Yxime gave notice at the end of March 2018 on the space it occupied at Europlaza, representing 1,296 sq.m of office space in total.

Property occupancy rate

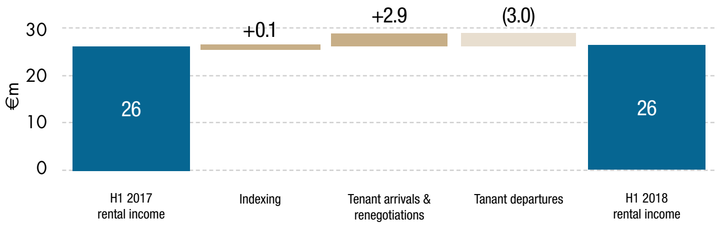
The occupancy rate at June 30, 2018 takes into account premises for which the Company receives rent or rental expenses under a lease agreement.

At June 30, 2018, the occupancy rate stood at 90.5%, compared with 89.6% at June 30, 2017. The occupancy rates for each property are as follows:

June 30, 2018	Europlaza	Arcs de Seine	Rives de Bercy	Campus Hanami	Total
Occupancy rate	71.0%	98.4%	100%	100%	90.5%

Change in rental income (June 30, 2017 – June 30, 2018)

Front-end incentives are fully amortized over the non-cancellable term of the lease.



2.1.2. NET INCOME BY KEY INDICATOR FOR THE PERIOD

In thousands of euros

Statement of comprehensive income caption	Amount	Breakdown
Net rental income	20,707	Net rental income corresponds to rental income for the period (EUR 26,036k) and rental expenses rebilled to lessees (EUR 10,746k), less building-related costs (EUR 16,074k). During the first half of 2018, net rental income decreased compared to the same period in 2017, chiefly due to the EUR 1,882k increase in asset manager incentive fees.
Administrative costs	(2,377)	Administrative costs chiefly comprise fees, insurance premiums and personnel costs.
Other operating expenses	(138)	Other operating expenses mainly correspond to the change in fair value of share subscription warrants.
Change in fair value of investment property	(1,397)	The EUR 1.4m decrease in fair value of investment property in first-half 2018 breaks down as a EUR 5m increase in the value of the real estate portfolio from EUR 1,169m at December 31, 2017 to EUR 1,174m at June 30, 2018, as well as a EUR 6.4m decrease in work.
Net operating income	**16,795**	
Net financial expense	(5,637)	Net financial expense is primarily made up of financial expenses in the amount of EUR 5,643k.
Net income	**11,158**	

2.2. FINANCIAL RESOURCES

STRUCTURE OF NET DEBT AT JUNE 30, 2018

Net debt stood at EUR 601m at June 30, 2018, compared with EUR 557m at December 31, 2017.

Prothin

Prothin refinanced in full the credit agreement of July 26, 2012, signed with (i) Aareal Bank AG, Deutsche Pfanbriefbank Aktiengesellschaft, Bayerische Landesbank, and Landesbank Berlin AG, and (ii) Cegereal, which represented a principal amount of EUR 405m (the "**Initial Loan**").

In this respect, on July 26, 2016, Prothin entered into a credit agreement (the "**Prothin Credit Agreement**") with Aareal Bank AG, Natixis, and Natixis Pfandbriefbank AG (the "**Banks**") for a principal amount of EUR 525m, which enabled it in particular to pay back the Initial Loan and finance certain work and expenditures. The initial due date is July 26, 2021.

Early repayment in the event of a change in control

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

Early repayment indemnity

Under the Prothin Credit Agreement, should Prothin make any (x) voluntary early repayments of all or part of the outstanding loan, or (y) mandatory, in certain cases, early repayments of all or part of the outstanding loan, or cancel all or part of the available amount, Prothin will have to pay, in addition to breakage costs, an early repayment indemnity equal to:

- one percent (1%) of any loan amounts repaid or canceled between the date of signature and the first anniversary of the date of signature; then
- zero point seventy-five percent (0.75%) of any loan amounts repaid or canceled between the first anniversary of the date of signature and the second anniversary of the date of signature;
- zero point fifty percent (0.50%) of any loan amounts repaid or canceled between the second anniversary of the date of signature and the third anniversary of the date of signature.

No early repayment indemnity will be payable in the case of amounts repaid as of the third anniversary of the date of signature.

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 Credit Entreprises and Société Générale for a principal amount of EUR 100m. The due date is December 15, 2021.

Early repayment indemnity

Under the Hanami Rueil Credit Agreement, should Hanami Rueil make any (x) voluntary early repayments of all or part of the outstanding loan (with the exception, where applicable, of any amortizing payments made in accordance with the Credit Agreement), or (y) mandatory early repayments of all or part of the outstanding loan, Hanami Rueil will have to pay, in addition to breakage costs, an early repayment indemnity equal to:

- one percent (1%) of any loan amounts repaid between the date of signature and the first anniversary of the date of signature; then
- zero point seventy-five percent (0.75%) of any loan amounts repaid between the first anniversary of the date of signature and the second anniversary of the date of signature;
- zero point twenty-five percent (0.25%) of any loan amounts repaid between the second anniversary of the date of signature and the third anniversary of the date of signature.

No early repayment indemnity will be payable in respect of this article in the case of amounts repaid as of the third anniversary of the date of signature and any early repayment indemnities payable in relation to amounts repaid following a change in control will be reduced by fifty percent (50%).

MAIN GUARANTEES

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

- exclusive senior pledge in favor of the banks of the credit balance of the bank accounts;
- assignment of professional receivables under the Dailly Law mechanism;
- mortgage collateral;
- exclusive senior pledge of the shares held by Cegereal in the capital of Prothin and of the shares held by K Rueil and Cegereal in the capital of Hanami Rueil SCI; and
- pledge of subordinated loan receivables.

MAIN FINANCIAL RATIOS

Cegereal's financial position at June 30, 2018 satisfies the various limits that could affect the conditions set out in the 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, 2018	Dec. 31, 2017	Dec. 31, 2016
Gearing ratio			
Non-current borrowings/ adjusted net assets	53.1%	53.4%	52.1%
Interest coverage ratio			
Projected net rental income/ interest expenses	506%	471%	513%

Projected net rental income designates total projected net rental income for the following 12 months (for the Prothin 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.

Operating 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.

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" (BPRs) whose purpose is to improve transparency and comparability of financial reporting by listed real estate companies.

2.3.1. EPRA EARNINGS

In thousands of euros

	June 30, 2018	Dec. 31, 2017	June 30, 2017
Net income under IFRS	11,158	62,408	29,738
Restatement of the changes in fair value of investment property	1,397	(37,178)	(14,095)
Other restatements of changes in fair value	253	17	(733)
Restatement of other fees	1,862	7,443	0
EPRA earnings	**14,670**	**32,689**	**14,910**

2.3.2. EPRA NAV & EPRA NNNAV

In thousands of euros, except per share data

	June 30, 2018	Dec. 31, 2017	June 30, 2017
Shareholders' equity under IFRS	573,697	617,532	584,847
Portion of rent-free periods	(27,649)	(26,832)	(26,865)
Elimination of fair value of interest rate caps	76	79	34
Elimination of fair value of interest rate swaps	107	7	0
Elimination of fair value of share subscription warrants	674	541	0
EPRA NAV	**546,905**	**591,327**	**558,016**
Market value of the loan	(623,728)	(622,535)	(583,372)
Carrying amount of the loan*	617,579	617,190	578,547
Revaluation to fair value of interest rate caps	(76)	(79)	(34)
Revaluation to fair value of interest rate swaps	(107)	(7)	0
Revaluation to fair value of share subscription warrants	(674)	(541)	0
NNNAV per share	**539,900**	**585,355**	**553,157**
Number of shares (excl. treasury shares)	13,357,191	13,362,891	13,358,601
NAV per share	**40.4**	**43.8**	**41.4**

* Reflects the balance sheet amount of the loan under IFRS.

NNNAV PER SHARE

In euros per share

2.4. SIGNIFICANT EVENTS BETWEEN THE DATE ON WHICH THE 2017 FINANCIAL STATEMENTS WERE APPROVED FOR ISSUE AND JUNE 30, 2018

The main significant events since the date on which the 2017 financial statements were approved for issue are stated in Note 5.30 to the interim consolidated financial statements.

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

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

Consequently, reference should be made to the Company's Registration Document filed with the AMF on March 27, 2018 under no. DDR.18-0188.

3. Interim consolidated financial statements

(for the six-month period ended June 30, 2018)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018

In thousands of euros, except per share data

	Notes	June 30, 2018	Dec. 31, 2017	June 30, 2017
		6 months	12 months	6 months
Rental income	5.18	26,036	51,259	25,975
Income from other services	5.19	10,746	16,166	10,675
Building-related costs	5.20	(16,074)	(29,416)	(14,306)
Net rental income		**20,707**	**38,008**	**22,344**
Sale of building		0	0	0
Administrative costs	5.21	(2,377)	(4,765)	(2,513)
Net additions to provisions & depreciation and amortization		(5)	(10)	(5)
Other operating expenses	5.22	(133)	0	0
Other operating income		0	175	716
Increase in fair value of investment property		4,291	41,978	14,095
Decrease in fair value of investment property		(5,688)	(4,800)	0
Total change in fair value of investment property	5.1	*(1,397)*	*37,178*	*14,095*
Net operating income		16,795	70,587	34,636
Financial income		6	597	204
Financial expenses		(5,643)	(10,542)	(5,102)
Net financial expense	**5.23**	**(5,637)**	**(9,945)**	**(4,898)**
Corporate income tax	**5.24**	**0**	**1,765**	**0**
CONSOLIDATED NET INCOME		11,158	62,408	29,738
of which attributable to owners of the Company		***11,158***	***62,408***	***29,738***
of which attributable to non-controlling interests		***0***	***0***	***0***
Other comprehensive income				
TOTAL COMPREHENSIVE INCOME		11,158	62,408	29,738
of which attributable to owners of the Company		***11,158***	***62,408***	***29,738***
of which attributable to non-controlling interests		***0***	***0***	***0***
Basic earnings per share (in euros)		0.84	4.67	2.23
Diluted earnings per share (in euros)		0.79	4.37	2.04

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT JUNE 30, 2018

In thousands of euros

	Notes	June 30, 2018	Dec. 31, 2017	June 30, 2017
Non-current assets				
Property, plant and equipment		53	56	56
Investment property	5.1	1,174,400	1,169,400	1,143,700
Non-current loans and receivables	5.2	21,289	21,591	15,359
Financial instruments	5.12	10	31	101
Total non-current assets		**1,195,752**	**1,191,078**	**1,159,216**
Current assets				
Trade accounts receivable	5.3	13,902	18,481	10,808
Other operating receivables	5.4	11,866	10,200	16,065
Prepaid expenses		196	347	247
Total receivables		**25,964**	**29,029**	**27,120**
Cash and cash equivalents	5.5	18,879	61,718	42,321
Total cash and cash equivalents		**18,879**	**61,718**	**42,321**
Total current assets		**44,843**	**90,747**	**69,441**
TOTAL ASSETS		1,240,595	1,281,825	1,228,657
Shareholders' equity				
Share capital		66,863	66,863	66,863
Legal reserve and additional paid-in capital		25,314	77,600	77,600
Consolidated reserves and retained earnings		470,363	410,662	410,646
Net attributable income		11,158	62,408	29,738
Total shareholders' equity	**5.10**	**573,697**	**617,532**	**584,847**
Non-current liabilities				
Non-current borrowings	5.11	616,418	616,043	577,061
Other non-current borrowings and debt	5.14	6,505	5,929	5,374
Non-current corporate income tax liability		0	0	0
Financial instruments	5.12	780	548	(1)
Total non-current liabilities		**623,704**	**622,519**	**582,434**
Current liabilities				
Current borrowings	5.11	2,970	2,979	3,160
Trade accounts payable	5.16	14,698	11,589	2,880
Corporate income tax liability		0	0	0
Other operating liabilities	5.15	11,363	9,644	39,250
Prepaid revenue	5.17	14,163	17,561	16,086
Total current liabilities		**43,194**	**41,774**	**61,376**
Total liabilities		**666,898**	**664,293**	**643,810**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		1,240,595	1,281,825	1,228,657

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018

In thousands of euros

	June 30, 2018	Dec. 31, 2017	June 30, 2017
OPERATING ACTIVITIES			
Consolidated net income	11,158	62,408	29,738
Elimination of items related to the valuation of buildings:			
Fair value adjustments to investment property	1,397	(37,178)	(14,095)
Reversal of depreciation and amortization	0	0	0
Indemnity received from lessees for the replacement of components	0	0	0
Elimination of other income/expense items with no cash impact:			
Depreciation of property, plant and equipment (excluding investment property)	5	9	5
Free share grants not vested at the reporting date	0	0	103
Fair value of financial instruments (share subscription warrants, interest rate caps and swaps)	253	(219)	(838)
Adjustments for loans at amortized cost and fair value of embedded derivatives	1,208	1,752	957
Contingency and loss provisions	0	0	0
Corporate income tax	0	(1,765)	0
Penalty interest	0	(165)	0
Cash flows from operations before tax and changes in working capital requirements	**14,021**	**24,841**	**15,870**
Change in shareholder debt			28,082
Other changes in working capital requirements	3,965	14,380	12,216
Working capital adjustments to reflect changes in the scope of consolidation			
Change in working capital requirements	**3,965**	**14,380**	**40,298**
Net cash flows from operating activities	**17,986**	**39,221**	**56,168**
INVESTING ACTIVITIES			
Acquisition of fixed assets	(6,399)	(8,126)	(5,505)
Net increase in amounts due to fixed asset suppliers	833	493	207
Net cash flows used in investing activities	**(5,567)**	**(7,633)**	**(5,297)**
FINANCING ACTIVITIES			
Share capital increase	0	0	0
Change in bank debt	(750)	37,875	(375)
Issue of financial instruments (share subscription warrants)	0	0	0
Refinancing transaction costs	(68)	(508)	(106)
Purchases of hedging instruments	0	0	0
Net increase in current borrowings	0	729	0
Net decrease in current borrowings	(23)	0	571
Net increase in other non-current borrowings and debt	577	1,323	769
Net decrease in other non-current borrowings and debt	0	0	0
Purchases and sales of treasury shares	(180)	130	40
Dividends paid	(54,813)	(28,053)	(28,082)
Net cash flows from (used in) financing activities	**(55,258)**	**11,496**	**(27,184)**
Change in cash and cash equivalents	**(42,839)**	**43,084**	**23,687**
Cash and cash equivalents at beginning of the period*	61,718	18,634	18,634
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	**18,879**	**61,718**	**42,321**

* 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, 2018

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, 2016	66,863	115,043	(259)	401,401	583,048	0	583,048
Comprehensive income	**0**	**(9,361)**	**0**	**71,769**	**62,408**	**0**	**62,408**
- Net income for the period				62,408	62,408		62,408
- Other changes		(9,361)		9,361	0		0
- Other comprehensive income							
Capital transactions with owners	**0**	**(28,082)**	**130**	**29**	**(27,923)**	**0**	**(27,923)**
- Dividends paid (€2 per share)		(28,082)		29	(28,053)		(28,053)
- Decrease in nominal share capital					0		0
- Change in treasury shares held			130		130		130
Shareholders' equity at Dec. 31, 2017	66,863	77,600	(129)	473,199	617,532	0	617,532
Comprehensive income	**0**	**0**	**0**	**11,158**	**11,158**	**0**	**11,158**
- Net income for the period				11,158	11,158		11,158
- Other changes				0	0		0
- Other comprehensive income							
Capital transactions with owners	**0**	**(52,286)**	**(180)**	**(2,527)**	**(54,993)**	**0**	**(54,993)**
- Dividends paid (€4.10 per share)		(52,286)		(2,527)	(54,813)		(54,813)
- Decrease in nominal share capital					0		0
- Change in treasury shares held			(180)		(180)		(180)
Shareholders' equity at June 30, 2018	66,863	25,314	(309)	481,830	573,697	0	573,697

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, 2018

1.1. OPERATIONAL CONTEXT

The Group, made up of Cegereal SA and its subsidiaries, did not experience any significant changes in its operating environment during the six-month period ended June 30, 2018.

The Group did not acquire or dispose of any real estate assets during the year ended December 31, 2017.

RENTAL ACTIVITY

Cegereal's rental activity was brisk during first-half 2018, with new leases signed.

KPMG signed a lease for 2,484 sq.m of office space in the Europlaza building (corresponding to the first two floors) for a minimum term of nine years.

Robert Half also leased a further 675 sq.m of space on the 10th floor of the Europlaza building for a minimum term of six years and 11 months with no break option, bringing its total footprint to 1,295 sq.m.

Yxime gave notice at the end of March 2018 on the space it occupied at Europlaza, representing 1,296 sq.m of office space in total.

1.2. PRESENTATION OF COMPARATIVE FINANCIAL INFORMATION

For the purposes of comparison, the financial information presented in the IFRS consolidated financial statements for the six-month period ended June 30, 2018 includes:

- the IFRS consolidated financial statements for the year ended December 31, 2017; and
- the IFRS consolidated financial statements for the six-month period ended June 30, 2017.

1.3. REGULATORY CONTEXT

The Group's consolidated financial statements for the six-month period ended June 30, 2018 were prepared in accordance with International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) applicable to accounting periods ended June 30, 2018, 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 an SIIC (see Note 2.8).

The interim consolidated financial statements were adopted by the Board of Directors on July 25, 2018.

2. Significant accounting policies used to prepare the consolidated financial statements for the six-month period ended June 30, 2018

2.1. PRESENTATION OF THE IFRS FINANCIAL STATEMENTS

ACCOUNTING STANDARDS

The Group's consolidated financial statements for the six-month period ended June 30, 2018 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, 2018 and applicable at that date. For the purposes of comparison, the financial statements for the year ended December 31, 2017 have also been prepared according to the same standards.

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

The consolidated financial statements have been prepared using the historical cost convention, except in the case of investment property, financial instruments and assets held for sale, which are carried at fair value in accordance with IAS 40, IAS 32, IFRS 9 and IFRS 5.

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, 2018

As from January 1, 2018, the Company applies:

- IFRS 9 – Financial Instruments, which has replaced IAS 39. IFRS 9 includes improvements to the classification and measurement of financial assets, and provides a single impairment model for "expected credit losses" and a significantly revised approach to hedge accounting. Since the Group's financial assets chiefly consist of trade receivables, the impact of IFRS 9 on the calculation of impairment was not deemed material.
- IFRS 15 – Revenue from Contracts with Customers became effective for reporting periods beginning on or after January 1, 2018. The impact of IFRS 15 was not deemed material.

The standards below, effective for reporting periods beginning on or after January 1, 2018, do not have a material impact on the Group's financial statements:

- Annual Improvements to IFRSs 2014-2016 Cycle
- Amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transactions
- Amendments to IAS 40 – Transfers of Investment Property

PUBLISHED STANDARDS AND INTERPRETATIONS THAT ARE NOT YET EFFECTIVE

The IASB has published the following standards, amendments to standards and interpretations that have yet to be adopted by the European Union and are applicable to the Group:

- Interpretation of IFRIC 23 – Uncertainty over Income Tax Treatments (applicable as of January 1, 2019)
- Amendments to IAS 28 – Long-term Interests in Associates and Joint Ventures (applicable as of January 1, 2019)
- Annual Improvements to IFRSs 2015-2017 Cycle (applicable as of January 1, 2019)

IFRS 16 – Leases will be effective for reporting periods beginning on or after January 1, 2019. It contains new principles for recognizing leases, primarily for lessees, which will be required to recognize assets and liabilities for the majority of leases, as is already the case for finance leases. The Group elected not to early adopt IFRS 16.

These interpretations and amendments 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 to or is entitled to the variable returns generated by such activities, and has the power to influence such returns.

At June 30, 2018, no entities were jointly controlled or significantly influenced by the Group.

SCOPE OF CONSOLIDATION

At June 30, 2018, 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, 2018
Prothin SAS	533,212,445	100%	100%	Full consolidation	January 1 to June 30, 2018
OPPCI K Rueil	814,319,513	100%	100%	Full consolidation	January 1 to June 30, 2018
Hanami Rueil SCI	814,254,512	100%	100%	Full consolidation	January 1 to June 30, 2018
CGR Holdco EURL	833,876,568	100%	100%	Full consolidation	January 1 to June 30, 2018
CGR Propco SCI	834,144,701	100%	100%	Full consolidation	January 1 to June 30, 2018

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

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

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

K Rueil OPPCI 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 rentals or for capital appreciation or both, and not occupied by the Group, is classified as investment property. Investment property includes owned land and buildings.

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 below in Note 2.4.

Subsequent expenditure may only be allocated to the assets' carrying amount when it is probable that the future economic benefits associated with the property will flow to the Group, and the cost of the property can be measured reliably. All other repair and maintenance costs are recognized in the statement of comprehensive income during the period in which they are incurred. Changes in 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 in order to obtain a new analysis of an asset's qualities and market value. At June 30, 2018, the Company's external real estate valuers were BNPP RE for Europlaza and Rives de Bercy, Catella for Arcs de Seine and Cushman Wakefield for 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 values of investment property measured by the real estate valuers represent the best estimates at June 30, 2018, based on recent market observations and valuation methods commonly used within the profession. These estimates are not intended to anticipate any market changes.

Valuation methods

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

The market value of the property is measured using its estimated rental value and the Discounted Cash Flow (DCF) and capitalization methods.

ESTIMATED RENTAL VALUE

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

MARKET VALUE

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

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

<u>DCF method</u>
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.

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

FAIR VALUE HIERARCHY UNDER IFRS 13

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

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

The three levels are as follows:

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

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

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

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 may 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.

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, net of tax, from additional paid-in capital.

2.7. TREASURY SHARES

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

Within the scope of these liquidity agreements, the Group owned 15,309 treasury shares (representing 0.11% of its total issued shares) for a total amount of EUR 613k at June 30, 2018.

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

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

2.8. ELECTION FOR TAX TREATMENT AS AN SIIC

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

Owing to this tax treatment, no corporate income tax is payable directly or indirectly through income from subsidiaries in respect of the real estate leasing business and no deferred taxes were recognized at June 30, 2018. 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.

In addition, K Rueil is a SPPICAV and is therefore not subject to corporate income tax. Hanami SCI is transparent for tax purposes, within the meaning of Article 8 of the French Tax Code.

Terms and conditions and impact of tax treatment as an SIIC

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

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

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

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

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

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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 four 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, 2018.

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 under operating leases. Assets leased under operating leases are recognized in the consolidated statement of financial position within investment property.

Rental income is recognized over the lease term.

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

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

2.12. RENTAL EXPENSES AND REBILLING OF EXPENSES TO LESSEES

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

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

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

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

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

2.13. DISCOUNTING OF DEFERRED PAYMENTS

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

- Security deposits received from lessees are not discounted because they are indexed annually based on an index used for annual rent reviews.

- There are no provisions for material liabilities, as defined in IAS 37.

2.14. EARNINGS PER SHARE

Earnings per share is a key indicator used by the Group, and is calculated by dividing net attributable income by the weighted average number of shares outstanding during the period. 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.

2.15. PRESENTATION OF THE FINANCIAL STATEMENTS

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

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

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

3. Critical accounting estimates and judgments

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

Estimates that could lead to a significant adjustment in the carrying amount of assets and liabilities in the subsequent period mainly concern the determination of the fair value of the Group's real estate assets 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 rate of return, based on observations of the rates prevailing in the real estate market.

In thousands of euros

	Changes in potential rate of return								
Building	**0.500%**	**0.375%**	**0.250%**	**0.125%**	**0.000%**	**(0.125%)**	**(0.250%)**	**(0.375%)**	**(0.500%)**
Europlaza	342.0	348.6	355.4	362.6	370.0	377.7	385.8	394.2	403.0
Arcs de Seine	401.8	412.0	422.7	434.0	446.0	458.6	472.0	486.2	501.2
Rives de Bercy	174.6	178.1	181.7	185.5	189.4	193.5	197.8	202.2	206.9
Campus Hanami	155.0	158.3	161.7	165.3	169.0	172.9	177.0	181.3	185.8
Total	**1,073.4**	**1,097.0**	**1,121.5**	**1,147.4**	**1,174.4**	**1,202.7**	**1,232.6**	**1,263.9**	**1,296.9**
Impact on portfolio value	(8.60%)	(6.59%)	(4.50%)	(2.30%)	0.00%	2.41%	4.96%	7.62%	10.43%

Source: BNP Paribas Real Estate, Catella Valuation 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, 2018	+0.5%	+1%
Cap	320,000 (1)	6-month Euribor	1.50%	0	0	1	16	111
Cap	15,000	3-month Euribor	1.50%	0	2	9	26	58
Cap	15,000	3-month Euribor	2.00%	0	0	0	1	6
Swap	25,000	3-month Euribor	0.10%	(1,010)	(565)	(129)	297	713
Total				**(1,010)**	**(563)**	**(119)**	**340**	**888**

(1) The nominal amount of the cap was reduced to EUR 320 million as from January 16, 2017 inclusive.

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.

The first tranche was drawn down in full on July 26, 2016 and the second tranche was drawn down in an amount of EUR 41m on December 12, 2016. The remaining portion of the second tranche, i.e., EUR 39m, was drawn down on July 7, 2017.

Following the acquisition of Hanami Rueil SCI, Cegereal 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.

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

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

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

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

4.4. RISK RELATED TO THE REGULATORY FRAMEWORK APPLICABLE TO LEASES

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

4.5. COUNTERPARTY RISK

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

At June 30, 2018, the Group was dependent on five lessees who collectively represented approximately 54% of the total rental income collected during the first half of 2018 and individually more than 7%. 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 5.25 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). At December 31, 2017, tranches A and B had been drawn down in full.

The interest rate for tranche A was set at 1.35% until November 1, 2016. As of November 2, 2016, 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, 2018 and June 30, 2018.

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, Cegereal 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.

The Group has purchased four hedges:

In thousands of euros

FINANCIAL INSTITUTION	Commonwealth Bank of Australia	Commonwealth Bank of Australia	Société Générale	Société Générale
Type of hedge	Cap	Cap	Cap	Swap
Nominal amount (in thousands of euros)	320,000 (1)	15,000	15,000	25,000
Fixed rate	1.50%	1.50%	2.00%	0.10%
Hedged rate	6-month Euribor	3-month Euribor	3-month Euribor	3-month Euribor
Start date	October 15, 2016	December 15, 2016	October 15, 2019	December 15, 2016
Maturity	October 15, 2019	October 15, 2019	December 15, 2021	December 15, 2021

(1) The nominal amount of the cap was reduced to EUR 320 million as from January 16, 2017 inclusive.

5. Notes to the consolidated statement of financial position at June 30, 2018 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	Campus Hanami	Total
June 30, 2017	195,500	368,000	427,500	152,700	1,143,700
Acquisitions	0	626	503	996	2,125
Indemnity received	0	0	0	0	0
Subsequent expenditure	0	743	20	(287)	476
Disposals	0	0	0	0	0
Change in fair value	(5,500)	631	12,977	14,991	23,099
Dec. 31, 2017	190,000	370,000	441,000	168,400	1,169,400
Acquisitions	0	12	0	97	109
Indemnity received	0	0	0	0	0
Subsequent expenditure	31	5,045	1,018	195	6,288
Disposals	0	0	0	0	0
Change in fair value	(631)	(5,057)	3,982	308	(1,397)
June 30, 2018	189,400	370,000	446,000	169,000	1,174,400

MAIN FAIR VALUE ASSUMPTIONS

The real estate valuer's estimation of the fair value of the buildings at June 30, 2018 is indicated below, along with the supporting information:

Building	Estimated value at June 30, 2018 (net of taxes)		Gross leasable area(1) at June 30, 2018		Annual rent (net of taxes)(2)	
	in millions of euros	%	m²	%	in thousands of euros	%
Europlaza (1999(3))	370	31.51	52,078	31.44	23,429	35.15
Arcs de Seine (2000(3))	446	37.98	47,222	28.51	21,248	31.88
Rives de Bercy (2003(3))	189	16.13	31,942	19.29	11,269	16.91
Campus Hanami (2011/2016(3))	169	14.39	34,381	20.76	10,709	16.07
Total	1,174	100	165,623	100	66,655	100

(1) The gross leasable area includes the surface area of the offices, storage areas and a share of common areas.
(2) Annual rent includes rent billed to lessees for space occupied at December 31, 2017 and market rent, as estimated by valuers for vacant space.
(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, 2018	Dec. 31, 2017	June 30, 2017
Security deposits paid	24	24	24
Benefits granted to lessees (non-current portion)	21,265	21,567	15,335
Non-current loans and receivables	21,289	21,591	15,359

Non-current benefits granted to lessees concern rent-free periods, rent discounts and lease premiums paid to lessees recognized over the firm 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, 2018	Dec. 31, 2017	June 30, 2017
Trade accounts receivable	13,902	18,481	10,808
Provision for impairment of trade accounts receivable	0	0	0
Trade accounts receivable	13,902	18,481	10,808

5.4 OTHER OPERATING RECEIVABLES

This item can be broken down as follows:

In thousands of euros

	June 30, 2018	Dec. 31, 2017	June 30, 2017
Benefits granted to lessees (current portion)	6,384	5,264	11,529
VAT	0	0	1,429
Supplier accounts in debit and other receivables	5,080	2,697	2,820
French State – Accrued income – 3% contribution	0	1,930	0
Liquidity account/treasury shares	402	309	286
Other operating receivables	11,866	10,200	16,065

NOTE 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 18,879k.

5.6 AGEING ANALYSIS OF RECEIVABLES

The ageing analysis of receivables at June 30, 2018 is as follows:

In thousands of euros

	Receivables (net of impairment) June 30, 2018	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	21,289	21,289	0	0	0	0
Total non-current receivables	**21,289**	**21,289**	**0**	**0**	**0**	**0**
Current receivables						
Trade accounts receivable [1]	13,902	12,814	1,088	818	437	(167)
Other operating receivables	11,866	11,866	0	0	0	0
Prepaid expenses	196	196	0	0	0	0
Total current receivables	**25,964**	**24,876**	**1,088**	**818**	**437**	**(167)**
Total receivables	47,253	46,164	1,088	818	437	(167)

(1) The amount of trade accounts receivable pledged as collateral for loans and borrowings amounts to EUR 13,902k at June 30, 2018 and is detailed in Note 5.25.

The aging analysis of receivables at December 31, 2017 is as follows:

In thousands of euros

	Receivables (net of impairment) Dec. 31, 2017	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	21,591	21,591	0	0	0	0
Total non-current receivables	**21,591**	**21,591**	**0**	**0**	**0**	**0**
Current receivables						
Trade accounts receivable (1)	18,481	7,183	11,298	7	6	0
Other operating receivables	10,200	10,200	0	0	0	0
Prepaid expenses	347	347	0	0	0	0
Total current receivables	**29,028**	**17,730**	**11,298**	**7**	**6**	**0**
Total receivables	50,619	39,322	11,298	7	6	0

(1) The amount of trade accounts receivable pledged as collateral for loans and borrowings amounts to EUR 18,481k at December 31, 2017 and is detailed in Note 5.25.

5.7 FAIR VALUE OF FINANCIAL ASSETS

The fair value of financial assets at June 30, 2018 can be analyzed as follows:

In thousands of euros

	June 30, 2018		Dec. 31, 2017		June 30, 2017		Fair value hierarchy (2)
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	
Interest rate cap (1)	10	10	31	31	101	101	Level 2
Total non-current assets	10	10	31	31	101	101	

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

The characteristics of non-current assets are described in Note 4.7 and Note 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, 2018	Dec. 31, 2017	June 30, 2017
Financial assets at fair value through profit or loss	10	31	101
Held-to-maturity investments	0	0	0
Loans and receivables			
Non-current loans and receivables	21,289	21,591	15,359
Current receivables	25,768	28,682	26,873
Available-for-sale financial assets	0	0	0
Cash and cash equivalents	18,879	61,718	42,321
Total financial assets	65,946	112,022	84,654
Financial liabilities at fair value through profit or loss	780	548	0
Financial liabilities measured at amortized cost	0	0	0
Non-current liabilities	622,923	621,971	582,435
Current liabilities	29,031	24,213	45,290
Total financial liabilities	652,735	646,732	627,726

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 in euros	Share capital in thousands of euros	Legal reserve and additional paid-in capital in thousands of euros	Consolidated reserves and retained earnings in thousands of euros
Shareholders' equity at Dec. 31, 2017	13,372,500	5	66,863	77, 600	473,070
Dividends paid	0	0	0	(52,286)	(2,527)
Other changes	0	0	0	0	0
Other comprehensive income	0	0	0	0	0
Interim dividend	0	0	0	0	0
Net income for the period	0	0	0	0	11,158
Decrease in nominal share capital	0	0	0	0	0
Change in treasury shares held	0	0	0	0	(180)
Shareholders' equity at June 30, 2018	13,372,500	5	66,863	25,314	481,523

Treasury shares

In euros (except number of shares)

	Amount at June 30, 2018	Amount at Dec. 31, 2017	Amount at June 30, 2017
Acquisition cost	612,760	365,189	443,844
Number of treasury shares at reporting date	15,309	9,609	13,899

5.11 NON-CURRENT 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	465,578	750	750	464,078	0
- Variable rate	157,547	750	750	156,047	0
Accrued interest not yet due	1,809	1,809	0	0	0
Bank fees to spread at effective interest rate	(5,546)	(339)	(270)	(4,937)	0
Total at June 30, 2018	619,388	2,970	1,230	615,188	0

The Group complies with the ratios described in Note 5.26, which were calculated on April 15, 2018. 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, 2018	Dec. 31, 2017
Interest rate cap	10	31
Assets	10	31
Share subscription warrants	674	541
Interest rate swap	107	7
Liabilities	780	548

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 to Northwood Investors France Asset Management SAS at a unit price of EUR 0.01. These warrants were subscribed in a total amount of EUR 8,650 as at April 22, 2016 and must be exercised no later than June 30, 2022. Each share subscription warrant entitles the holder to subscribe to one new share in the Company. The subscription price for one share will be calculated based on the volume-weighted average share price during the 20 trading days prior to the exercise date.

5.13 FAIR VALUE OF FINANCIAL LIABILITIES

The fair value of financial liabilities at June 30, 2018 can be analyzed as follows:

In thousands of euros

	June 30, 2018		Dec. 31, 2017		June 30, 2017		Fair value hierarchy [2]
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	
Bank loan	617,579	623,728	617,190	622,535	578,547	583,372	Level 2
Interest rate swap [1]	107	107	7	7	0	0	Level 2
Share subscription warrants [1]	674	674	541	541	0	0	Level 1
Total non-current liabilities	**618,360**	**624,508**	**617,738**	**623,083**	**578,548**	**583,372**	

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

The characteristics of non-current liabilities are described in Note 4.7 and Note 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, 2018	Dec. 31, 2017	June 30, 2017
Personnel	123	82	183
Directors' fees	111	222	70
Accrued VAT, other taxes and social security charges	6,398	3,328	7,246
Accrued rental expenses rebilled to lessees	1,303	1,227	1,192
Advance payments by lessees	1,242	3,592	1,136
Miscellaneous	549	324	28 082
Other operating liabilities	**9,726**	**8,776**	**37,909**
Amounts due to fixed asset suppliers	1,637	868	1,341
Amounts due to fixed asset suppliers	**1,637**	**868**	**1,341**
Other liabilities	**11,363**	**9,644**	**39,250**

"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

	Carrying amount at June 30, 2018	Undiscounted contractual value	Undiscounted contractual value		Due in more than 5 years
			Due in 1 year or less	Due in more than 1 year but less than 5 years	
Non-current liabilities					
Non-current borrowings	616,418	621,625		621,625	
Other non-current borrowings and debt	6,505	6,505			6,505
Other financial liabilities	780	780			
Total non-current liabilities	623,704	628 911	0	621,625	6,505
Current liabilities					
Current borrowings	2,970	3,309	3,309		
Trade accounts payable	14,698	14,698	14,698		
Other operating liabilities	11,363	11,363	11,363		
Total passifs courants	29,031	29,370	29,370	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 agreement described in Note 4.7 and Note 5.12.

5.17 PREPAID REVENUE

Prepaid revenue consists of rents billed in advance for the third quarter of 2018.

5.18 RENTAL INCOME

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

In thousands of euros

	June 30, 2018 6 months	Dec. 31, 2017 12 months	June 30, 2017 6 months
Europlaza	7,367	16,635	9,203
Arcs de Seine	8,640	15,256	6,995
Rives de Bercy	5,030	9,907	4,954
Hanami Campus	4,999	9,460	4,823
	26,036	51,259	25,975

5.19 INCOME FROM OTHER SERVICES

Income from other services can be analyzed as follows:

In thousands of euros

	June 30, 2018 6 months	Dec. 31, 2017 12 months	June 30, 2017 6 months
Rental expenses rebilled to lessees	4,244	8,382	4,319
Real estate taxes rebilled to lessees	6,017	5,604	6,127
Other amounts rebilled to lessees and miscellaneous income	307	593	229
Indemnities	177	1,587	0
Income from other services	10,746	16,166	10,675

5.20 BUILDING-RELATED COSTS

These can be broken down as follows:

In thousands of euros

	June 30, 2018 6 months	Dec. 31, 2017 12 months	June 30, 2017 6 months
Rental expenses	3,446	6,512	4,494
Taxes	6,483	6,472	6,641
Fees	4,244	12,648	2,265
Maintenance costs	1,097	2,103	192
Expenses on vacant premises	584	1,363	670
Other expenses	220	318	44
Building-related costs	16,074	29,416	14,306

Fees mainly comprise asset management fees with Northwood Investors Asset Management SAS, which amounted to EUR 4,060k in first-half 2018. These fees are calculated based on the Group's net asset value.

The fees break down as follows:

- EUR 2,199k attributable to the advisory fee under the asset management agreement;

- EUR 1,861k attributable to the incentive fee under the asset management agreement, corresponding to the estimated amount of debt at December 31, 2017 and payable in 2019.

Expenses on vacant premises (EUR 584k), taxes on vacant premises (EUR 289k) and insurance on vacant premises concerned the Europlaza, Arcs de Seine and Hanami buildings and amounted to EUR 926k in total.

5.21 ADMINISTRATIVE COSTS

Administrative costs mainly comprise professional fees for EUR 1,100k and payroll expenses for EUR 617k.

5.22 OTHER OPERATING INCOME AND EXPENSES

Other operating income corresponds to changes in the fair value of the share subscription warrants described in Note 5.12.

5.23 FINANCIAL INCOME AND EXPENSES

Financial income and expenses can be broken down as follows:

In thousands of euros

	June 30, 2018 6 months	Dec. 31, 2017 12 months	June 30, 2017 6 months
Financial income	6	597	204
Financial expenses	(5,643)	(10,542)	(5,102)
Interest and charges on bank borrowings	*(5,522)*	*(10,437)*	*(5,102)*
Net financial expense	**(5,637)**	**(9,945)**	**(4,898)**

Financial expenses comprise interest expenses and charges on bank borrowings, in an amount of EUR 5,522k.

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.

At December 31, 2017, accrued income totaling EUR 1,765k was recorded in respect of claims for the reimbursement of the 3% additional corporate income tax contribution on dividend distributions paid in 2015 and 2016. This amount was reimbursed in March 2018.

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

In thousands of euros

	June 30, 2018 6 months	Dec. 31, 2017 12 months	June 30, 2017 6 months
Corporate income tax (1)	0	0	0
Additional corporate income tax contribution (2)	0	(1,765)	0
Corporate income tax	**0**	**(1,765)**	**0**

(1) Corporate income tax on other taxable activities (other than property rental activities).
(2) Additional corporate income tax contribution on amounts distributed.

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, 2018, i.e., EUR 0.84.

Pursuant to IAS 33, the potential shares (warrants) were considered to be dilutive at June 30, 2018. Diluted earnings per share came out at EUR 0.79.

In thousands of euros

	June 30, 2018 6 months	Dec. 31, 2017 12 months	June 30, 2017 6 months
Net attributable income (in thousands of euros)	11,158	62,408	29,738
Weighted average number of shares before dilution	13,361,883	13,360,241	13,358,601
Earnings per share (in euros)	**0.84**	**4.67**	**2.23**
Net attributable income, including impact of dilutive shares (in thousands of euros)	11,291	62,233	29,022
Weighted average number of shares after dilution	14 226,883	14 225,241	14 223,601
Diluted earnings per share (in euros)	**0.79**	**4.37**	**2.04**

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

Credit agreement

Pursuant to the credit agreement of July 26, 2016, the amounts provided shall be used solely to:

- repay the initial loan of EUR 405m as well as the related interest and expenses (i.e., EUR 412m);
- and, in a maximum amount of EUR 120m:
  - finance certain work/expenses
  - repay a portion of the issue or merger premium,
  - repay any existing or future intragroup loans,
  - refund shareholders in the event of a capital reduction.
- registration of contractual mortgages carried out on Prothin's real estate assets;
- assignment of rent receivables relating to Prothin's real estate assets under the Dailly Law mechanism;
- senior pledge of Prothin's bank accounts. The Group agrees not to close these accounts or open bank accounts other than those identified in the credit agreement;
- pledge of Prothin Shares from the securities account held in Cegereal's name;
- pledge of receivables relating to the current account agreement between Cegereal and Prothin;
- to ensure that the loan-to-value ratio (LTV) (outstanding loan/market value of real estate assets) remains below 70% (65% in the event that the credit agreement is extended until July 21, 2021). Non-compliance with this ratio (calculated on each drawdown date and on July 26 of each year) results in an obligation to repay the outstanding loan in the amount required for the ratio to be below 60%;

- when the LTV ratio is above 65% (60% if the agreement is extended), to repay the loan in advance, on each Interest Payment Date, in tranches of 0.50% of the loan while the LTV ratio is above 60%;
- to ensure that the ISC ratio (available income/[projected interest + agency fees]) remains above 200%. Non-compliance with this ratio (calculated on each drawdown date and on each interest payment date) results in an obligation to repay the outstanding loan in the amount required for the ratio to be complied with;
- not to grant liens on these assets, rights or income other than security interests;
- to provide the agency with accounting and financial documents, valuation reports, financial ratio calculations and other information relating to the buildings described in the credit agreement;
- to allow the agency to carry out audits and visits as set out in the credit agreement;
- to take out insurance as set out in the credit agreement;
- to set up a hedge;
- not to take out any borrowings other than those provided for in the credit agreement;
- not to grant any loans apart from those set out in the credit agreement;
- (applicable to Prothin only) not to acquire any new real estate assets (except by means of equity financing) or interests;
- to repay some or all of the loan in advance in the event of a change of control of the Company or the total or partial sale of one of the buildings, expropriation or a major incident;
- to repay the loan in advance, which would give rise to breakage costs and an early repayment indemnity.
- in the event that the Group no longer benefits from the SIIC regime, to show that the Group has sufficient equity to pay all the taxes and indemnities for which it may be liable and that the fact of no longer benefiting from the regime will not lead to an effective payment of corporate income tax during the term of the loan resulting in a materially unfavorable event.

Under the EUR 100m credit agreement of December 15, 2016, the amounts borrowed should be used solely to refinance in full the amounts due under the previous loan. The Group's main commitments under the agreement are as follows:

- registration of contractual mortgages on Hanami Rueil SCI's real estate assets;
- assignment of rent receivables relating to Hanami Rueil SCI's real estate assets under the Dailly Law mechanism;
- senior pledge of Hanami Rueil SCI's bank accounts. The Group agrees not to close these accounts or open bank accounts other than those identified in the credit agreement;
- pledge of Hanami Rueil SCI shares from the securities account held in the name of K Rueil and Cegereal;
- pledge of receivables relating to subordinate loans granted by K Rueil or Cegereal;
- to ensure that the loan-to-value ratio (LTV) (outstanding loan/market value of real estate assets) remains below 70%;
- to ensure that the debt service coverage ratio (DSC) (available income/[interest expenses + agency fees + principal repaid]) remains above 115%;
- not to grant liens on these assets, rights or income other than security interests;
- to provide the agency with accounting and financial documents, valuation reports, financial ratio calculations and other information relating to the buildings described in the credit agreement;
- to allow the agency to carry out audits and visits as set out in the credit agreement;
- to take out insurance as set out in the credit agreement;
- to set up hedges;
- not to take out any borrowings other than those provided for in the credit agreement;
- not to grant any loans apart from those set out in the credit agreement;
- (applicable to Hanami Rueil SCI only) not to acquire any new real estate assets (except by means of equity financing) or interests;
- early repayment of all or part of the loan in the event of a change of control of the Company or the total or partial sale of one of the buildings, expropriation or a major incident;
- repaying the loan in advance, which would give rise to breakage costs and an early repayment indemnity;
- Hanami Rueil SCI undertakes to remain transparent for tax purposes, within the meaning of Article 8 of the French Tax Code, and not to elect for corporate income tax liability.

ADVISORY SERVICES AGREEMENT

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.

COMMITMENTS RECEIVED

Security deposits received from lessees amounted to EUR 18,342k at June 30, 2018.

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

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

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

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

Minimum guaranteed rental income from current operating leases:

At June 30, 2018, the minimum annual rental income (excluding VAT, rebilling of taxes and expenses, and rent decreases agreed after December 31, 2017) due to the Group until the earliest possible termination dates of the different operating leases was as follows:

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

In thousands of euros

	Minimum annual rental income		
	June 30, 2018	Dec. 31, 2017	June 30, 2017
2018	26,011	51,039	49,655
2019	49,437	48,125	47,064
2020	41,118	39,292	42,164
2021	34,679	32,563	38,470
2022	17,387	14,669	22,148
2023	16,277	12,677	18,814
2024	14,780	7,614	16,330
2025	14,535	7,232	15,762

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.

Northwood Investors France Asset Management SAS subscribed for 865,000 share subscription warrants, at a unit price of EUR 0.01 in a total amount of EUR 8,650 (see Note 5.12).

In thousands of euros

	June 30, 2018 6 months	Dec. 31, 2017 12 months	June 30, 2017 6 months
Impact on operating income			
Building-related costs: Asset management and advisory fees	2,199	4,156	2,068
Building-related costs: Incentive fee	1,862	7,443	0
Administrative costs: Fees	0	0	11
Impact on net financial expense			
Financial expenses	0	0	0
Total impact on income statement	**4,060**	**11,599**	**2,079**
Impact on assets			
Prepaid expenses	0	0	0
Other operating receivables	0	0	6
Total impact on assets	**0**	**0**	**6**
Impact on liabilities			
Non-current borrowings	0	0	0
Trade accounts payable	11,166	8,932	0
Total impact on liabilities	**11,166**	**8,932**	**0**

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 key management personnel

In thousands of euros

Categories of employee benefits	June 30, 2018 6 months	Dec. 31, 2017 12 months	June 30, 2017 6 months
Short-term employee benefits	0	458	300
Post-employment benefits	0	0	0
Other long-term employment benefits	0	0	0
Non-compete benefits	200	100	0
Share-based payment	0	196	103
Total	**200**	**754**	**403**

On October 25, 2017, the Board of Directors entered into a post-termination settlement agreement with Raphaël Tréguier providing for:

(i) the payment of an amount of EUR 130,208, recognized and paid on December 31, 2017;

(ii) the payment of non-compete benefits in an amount of EUR 50,000 per month for a period of six months, i.e., EUR 300,000 paid in full on June 30, 2018. This undertaking replaced the non-compete, non-solicitation, non-disparagement and confidentiality agreement entered into and authorized by the Board of Directors on November 5, 2015; The balance of EUR 200,000 was paid in 2018.

(iii) his continued entitlement to the shares awarded and vested on July 7, 2016 and July 20, 2017, i.e., a total of 9,500 shares of the Company, for which a provision was set aside at December 31, 2017 in an amount of EUR 235,610 (including employer contributions).

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 175,000 were paid for 2017.

Directors' fees of up to EUR 200k were allocated for 2018.

Loans and securities granted to or on behalf of executives

None

Transactions entered into with executives

None

Entities having key management personnel in common with the Group

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

5.28 PERSONNEL

At June 30, 2018, the Group had four employees, unchanged from December 31, 2017.

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 et Associés
35, avenue Victor Hugo
75016 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, 2018 were as follows:

In thousands of euros

	Amount (net of taxes)			%		
	June 30, 2018	Dec. 31, 2017	June 30, 2017	June 30, 2018	Dec. 31, 2017	June 30, 2017
Statutory audit of the financial statements	136	307	156	95	96	96
Advisory services and services not related to the statutory audit engagement	7	13	7	5	4	4
Total	143	320	162	100	100	100

5.30 SUBSEQUENT EVENTS

None

6. STATUTORY AUDITOR'S REPORT

This is a free translation into English of the statutory auditors' review report on the half-yearly financial information issued in French and is provided solely for the convenience of English-speaking users. This report includes information relating to the specific verification of information given in the Group's half-yearly management report. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

Cegereal S.A.
Registered office: 42, rue de Bassano - 75008 Paris
Share capital: € 66,862,500

STATUTORY AUDITORS' REVIEW REPORT ON THE HALF-YEARLY FINANCIAL INFORMATION 2018

For the period from January 1 to June 30, 2018

To the Shareholders,

In compliance with the assignment entrusted to us by your General Assembly 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 half-yearly consolidated financial statements of Cegereal S.A, for the period from 1st of January 2018 to 30th June 2018,
• the verification of the information presented in the half-yearly management report.
These half-yearly consolidated financial statements are the responsibility of the Board of Directors. Our role is to express a conclusion on these financial statements based on our review.

I - Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.
Based on our review, nothing has come to our attention that causes us to believe that the accompanying half-yearly consolidated financial statements do not give a true and fair view of the assets and liabilities and of the financial position of the Group as at 30, June, 2018 and of the results of its operations for the period then ended in accordance with IFRSs as adopted by the European Union.

II – Specific verification

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

Paris-La Défense, on the july 25, 2018

KPMG Audit FS I

Regis Chemouny
Partner

KPMG

Denjean & Associés

Céline Kien
Partner

Denjean Associés

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