INTERIM FINANCIAL REPORT

FIRST-HALF 2019

KLEPIERRE

CONTENTS

FOR MORE INFORMATION,
PLEASE VISIT
KLÉPIERRE WEBSITE:
www.klepierre.com

1 MANAGEMENT REPORT

1.1 STRATEGY

Since 2013, Klépierre has focused on shopping centers only and has constantly upgraded the quality of its portfolio by pursuing a clear strategy aimed at anticipating retail trends to continuously enrich the shopping experience in the malls it owns and manages.

1.1.1 A leading, pan-European platform

Located in the most attractive regions in Continental Europe, Klépierre shopping centers offer international brands unique locations that enable them to develop and enjoy access to more than 150 million consumers in more than 50 cities.

The relevance of the Klépierre platform is built on a dense network of high potential territories. The Group targets Continental European metropolitan areas whose demographic or economic growth exceeds the national average and that offer opportunities to strengthen its positions. Klépierre is positioned in large catchment areas, wealthy regions and in growing cities.

The principal assets, whether they were developed by the Group or recently acquired, occupy leading positions in the heart of their catchment area.

1.1.2 Shop. Meet. Connect.®

In early 2018, Klépierre adopted a new baseline that better encapsulates its vision of a mall: Shop. Meet. Connect.® The Group develops shopping centers as local hubs where people can:

> **Shop,** because Klépierre is convinced that the type of physical retail it offers will continue to expand and flourish. Shoppers like going to Klépierre's shopping centers because they are places where new products are best showcased and brand loyalty is actually built and strengthened;

> **Meet**, because customers are looking for more than just shopping when they come to a mall. They are looking to have an experience;

> **Connect**, because Klépierre's shopping centers are not only part of retail's transformation to phygital, by integrating retailers' omnichannel platforms and offering digital services, they are also at the center of local ecosystems where multiple and diverse communities interact.

1.1.3 Customer-centric mall management

Over many years, Klépierre has been evolving from a mere property owner to a retail-focused company concentrating its efforts on better serving its primary customers: retailers.

Retailers are experiencing the fast and profound revolution of their industry. Klépierre facilitates their transformation by creating the conditions for the renewal of physical retail. This is the main purpose of its "Retail First" initiative.

Klépierre also pays increasing attention to its end customers through an active marketing policy and specific mall design guidelines, both aimed at enhancing the customer experience in its malls. This attention is embodied in two concepts that supplement Klépierre's client-centric management: Let's Play® and Clubstore®.

Retail First

As the principal landlord of most of the international retailers present in Europe, Klépierre interacts regularly with them. These privileged relationships enable Klépierre to facilitate their growth efficiently, whether this means optimizing their presence and store format or offering new points of sale. They also foster acceleration in terms of upgrading the retail mix through a better understanding of the challenges and needs of retail tenants.

Retail First consists of several initiatives that Klépierre implements as part of its leasing management. The main two are:

> **Right-sizing** which aims at ensuring that retailers are able to offer the right format at the right location. In many cases, it implies expanding or reducing the size of their stores, and/or relocating them in more appropriate sites within a given shopping center;

> **Destination Food®,** a comprehensive plan to develop and enhance the food and beverage offer in Klépierre malls.

Let's Play®

Let's Play® sums up the positioning of Klépierre malls. It consists of promoting shopping as a game and infusing a "retailtainment" spirit into all Klépierre shopping centers. Marketing efforts are harmonized across the portfolio to foster high-quality events and services that enrich the customer experience, always with a twist of fun.

Clubstore®

Clubstore® is Klépierre's comprehensive approach to the customer experience. The Group has developed a holistic set of detailed standards with respect to 15 touch points with customers, from digital access to welcome desks, from parking to storefronts, from lighting to sound and smell, from break zones to kids' entertainment, etc. These standards are being rolled out across the portfolio to offer a sense of hospitality and a seamless journey to all who visit Klépierre malls.

1.1.4 Corporate and social responsibility policy: Act for Good®

In late 2017, Klépierre launched a new CSR approach: Act for Good® with Klépierre. This approach, which was developed with external stakeholders further combines the requirements of operational excellence with environmental, societal, and social performance. Act for Good® with Klépierre rests on three pillars:

> **"Act for the Planet,"** which sums up the Group's ambition to make a positive contribution to the environment. Over the last six years, Klépierre has achieved excellent environmental results it can draw on in order to speed up innovation and differentiation across its industry;

> **"Act for Territories,"** which illustrates the importance of the Group's local involvement in the regions in which it operates. While Klépierre malls pursue many local initiatives, this pillar is intended both to oversee these initiatives and increase their visibility, while strengthening the socio-economic fabric around its centers. It is being developed around employment, citizen engagement and the co-design of tomorrow's shopping centers;

> **"Act for People,"** which is about the people involved with our shopping centers. It is devoted to the well-being of our visitors, our employees and our retail tenants' employees. It engages all of the communities with which the Group interacts and promotes value creation for everyone.

Each of the three pillars is broken down into specific quantified commitments, with a five-year timeframe (2022) supplemented by medium-term goals (2030).

1.1.5 Targeted development and strict financial discipline

Based on a conservative approach to risk management and constant asset value enhancement, the Group's development strategy favors the extension-refurbishment of shopping centers that have already carved out strong competitive positions. However, it does not rule out designing and developing new projects in its preferred regions that are exceptional due to their locations and quality.

Klépierre also works to constantly improve its debt conditions and its financial profile. Since April 2014, the Group has enjoyed an A– credit rating from Standard & Poor's, placing it among the world's top three real estate companies. This financial strength is further buttressed by robust operating results, a tightly-managed debt level, and a high level of hedging, ensuring efficient access to the capital markets.

1.2 RISK FACTORS

There has been no significant change in the risk factors identified and presented in the 2018 Registration Document. Readers are invited to refer to section 1.7.4 of the 2018 Registration Document filed with the AMF on March 6, 2019 under number D.19-0119.

1.3 BUSINESS OVERVIEW

1.3.1 Economic environment

European economic growth slowed down during the first half of 2019, with eurozone Gross Domestic Product (GDP) expected to increase by just 1.2% for full-year 2019 (compared to 1.8% in full-year 2018). Weak external demand and low business confidence weighed on private investment, while trade tensions penalized exports over the period. Private consumption and public spending held up well however, supporting the labor market, with unemployment declining further to 7.9% and wages rising in most countries. Inflation is projected to be moderate at 1.2% in 2019 as a whole, reflecting modest domestic demand.

However, the tapering off of the real economy was offset by an unexpected fall in interest rates to an all-time low; at the beginning of the year, the macroeconomic consensus had been for a gradual tightening of financing conditions.

► **2019 AND 2020 MACROECONOMIC FORECASTS BY GEOGRAPHY**

	Real GDP growth rate			Unemployment rate			Inflation rate		
Geography	**2018**	**2019E**	**2020E**	**2018**	**2019E**	**2020E**	**2018**	**2019E**	**2020E**
EUROZONE	**1.8%**	**1.2%**	**1.4%**	**8.2%**	**7.9%**	**7.7%**	**1.8%**	**1.2%**	**1.5%**
France	**1.6%**	**1.3%**	**1.3%**	**9.1%**	**8.7%**	**8.5%**	**2.1%**	**1.1%**	**1.3%**
Belgium	**1.4%**	**1.2%**	**1.3%**	**6.0%**	**5.7%**	**5.6%**	**2.3%**	**1.6%**	**1.5%**
Italy	**0.7%**	**0.0%**	**0.6%**	**10.6%**	**11.7%**	**12.3%**	**1.2%**	**0.6%**	**1.0%**
Scandinavia									
Norway	1.4%	1.8%	2.1%	3.8%	3.6%	3.5%	2.8%	2.5%	2.1%
Sweden	2.4%	1.6%	1.6%	6.3%	6.2%	6.2%	2.0%	1.7%	2.0%
Denmark	1.4%	2.1%	1.7%	5.0%	4.9%	4.8%	0.8%	1.2%	1.7%
Iberia									
Spain	2.6%	2.2%	1.9%	15.3%	13.8%	12.7%	1.7%	1.0%	1.6%
Portugal	2.1%	1.8%	1.9%	7.0%	6.3%	5.9%	1.2%	0.7%	1.3%
CE & Other									
Czech Republic	2.9%	2.6%	2.5%	2.2%	2.1%	2.1%	2.1%	2.6%	2.2%
Poland	5.1%	4.2%	3.5%	3.9%	3.5%	3.3%	1.8%	1.9%	3.0%
Hungary	5.0%	3.9%	3.0%	3.7%	3.4%	3.1%	2.9%	3.0%	3.8%
Turkey	2.6%	−2.6%	1.6%	11.0%	13.3%	14.0%	16.3%	17.3%	12.6%
Netherlands	**2.6%**	**1.6%**	**1.5%**	**3.8%**	**3.6%**	**3.9%**	**1.6%**	**2.2%**	**1.4%**
Germany	**1.5%**	**0.7%**	**1.2%**	**3.4%**	**3.1%**	**2.8%**	**1.9%**	**1.5%**	**1.7%**

Source: OECD Economic Outlook, May 2019. Data correspond to the percentage change over the previous year.

1.3.2 Retailer sales

On a like-for-like basis,[1] total retailer sales at Klépierre malls rose by 1.6% over the first six months of 2019, accelerating slightly compared to full-year 2018 (growth of 0.9%). The overall trend improved during the second quarter of the year, with retailer sales up 2.8% (versus 0.3% in the first quarter), supported partly by a favorable calendar effect, notably relating to the timing of Easter.

On a geographical basis, the most dynamic regions were Iberia (up 6.0%) and Central Europe & Other (up 5.3%). Growth in Spain came out at 5.8% on the back of supportive consumer spending trends and the leading positioning of Klépierre malls, further boosted by recent re-tenanting initiatives. The performance of Central Europe & Other was mostly driven by strong growth in the Czech Republic and Hungary (up 8.9% and 5.0%, respectively). Following the dissipation of the "yellow vest" protests, retailer sales growth recovered to expand by 0.7% in France under the impetus of greater purchasing power and dynamic re-tenanting activity. Retailer sales in Italy also improved, with growth of 0.9% over the first six months of the year, thanks to a very solid second quarter (up 2.9%) and notwithstanding a challenging economic environment.

(1) Like-for-like change is on a same-center basis and excludes the impact of asset sales, acquisitions and foreign exchange.

▸ **YEAR-ON-YEAR CHANGE IN RETAILER SALES FOR THE SIX MONTHS ENDED JUNE 30, 2019**
(by country)

Country	Like-for-like change[a]	Share in total reported retailer sales
France	+0.7%	31%
Belgium	−1.0%	2%
France-Belgium	**+0.6%**	**33%**
Italy	**+0.9%**	**25%**
Norway	−3.0%	7%
Sweden	−1.9%	7%
Denmark	−1.6%	4%
Scandinavia	**−2.3%**	**18%**
Spain	+5.8%	8%
Portugal	+6.6%	2%
Iberia	**+6.0%**	**11%**
Czech Republic	+8.9%	2%
Poland	+2.5%	3%
Hungary	+5.0%	2%
Turkey	+5.9%	2%
CE & Other	**+5.3%**	**10%**
Netherlands[b]	**n.m.**	**n.m.**
Germany	**+2.3%**	**3%**
TOTAL	**+1.6%**	**100%**

(a) Like-for-like change is on a constant-center basis and excludes the impact of asset sales and acquisitions.
(b) Only recently-opened stores at Hoog Catharijne (Utrecht) and a few retailers at Alexandrium (Rotterdam) report their sales to Klépierre.

From a segment standpoint, Food & Beverage (up 5.1%) continued to grow at a sustained pace over the first six months, supported by the rollout of Klépierre's Destination Food® concept across the portfolio, with McDonald's, Burger King, Exki and Vapiano among the banners posting significant increases. Health & Beauty was up 4.7% thanks to proactive leasing initiatives in favor of expanding cosmetic brands such as Sephora, Rituals, Normal, Kiehl's and Yves Rocher. The Culture, Gifts & Leisure segment (up 0.3%) was mainly driven by Sports (up 7.7%), with the success of JD Sports, Courir, Snipes and Decathlon offsetting the downsizing in the Toys segment. In what remains a highly competitive market, Fashion sales edged up by 0.5% thanks to the Group's efforts to constantly upgrade the mix by implementing up-to-the-minute national and international retail concepts while scaling back exposure to fashion brands.

▸ **YEAR-ON-YEAR CHANGE IN RETAILER SALES FOR THE SIX MONTHS ENDED JUNE 30, 2019**
(by segment)

Segment	Year-on-Year change	Share in total reported retailer
Fashion	+0.5%	39%
Culture, Gifts & Leisure	+0.3%	17%
Health & Beauty	+4.7%	14%
Food & Beverage	+5.1%	12%
Household Equipment	+1.8%	10%
Others	−0.3%	8%
TOTAL	**+1.6%**	**100%**

1.3.3 Gross rental income

GROSS RENTAL INCOME
(on a total share basis)

In millions of euros	06/30/2019	06/30/2018	Reported change
France-Belgium	224.5	223.5	+0.5%
Italy	102.6	106.4	−3.5%
Scandinavia	93.6	94.8	−1.2%
Iberia	69.8	67.2	+4.0%
CE & Other	56.4	60.9	−7.4%
Netherlands	41.2	35.4	+16.3%
Germany	26.4	26.2	+0.7%
TOTAL SHOPPING CENTERS	**614.6**	**614.4**	**0.0%**
Other retail properties	12.3	12.7	−3.8%
TOTAL	**626.9**	**627.1**	**0.0%**

On a total share basis, shopping center gross rental income came in at €614.6 million for the six months ended June 30, 2019, broadly on a par with the same year-ago period on a reported basis. Gross rental income surged in the Netherlands thanks to a major contribution from the newly-opened sections of Hoog Catharijne (Utrecht, see sections 1.4.6 and 1.6.3.2), and Iberia benefited from recent re-tenanting efforts amid a buoyant macroeconomic environment. Gross rental income in Italy declined by 3.5% as a result of the disposals carried out in late 2018, while Scandinavia was held back by an adverse forex impact.

Factoring in gross rental income from Other retail properties, which decreased by 3.8% due to the reduction in scope of this segment, total gross rental income amounted to €626.9 million on a total share basis for the first half of 2019, broadly stable compared to the same period last year.

1.3.4 Net rental income

NET RENTAL INCOME
(on a total share basis)

In millions of euros	06/30/2019	06/30/2018	Reported change	Like-for-like change	Index-linked change
France-Belgium	204.3	201.2	+1.6%	+2.7%	+2.1%
Italy	93.4	96.1	−2.9%	+3.4%	+0.8%
Scandinavia	84.9	85.2	−0.3%	+2.4%	+2.1%
Iberia	64.0	60.4	+5.8%	+7.1%	+1.4%
CE & Other	52.2	56.0	−6.7%	+1.9%	+1.0%
Netherlands	33.4	24.1	+38.9%	+4.2%	+1.2%
Germany	19.7	19.2	+2.6%	+0.2%	+1.4%
TOTAL SHOPPING CENTERS	**552.0**	**542.2**	**+1.8%**	**+3.1%**	**+1.6%**
Other retail properties	11.5	12.2	−5.6%		
TOTAL	**563.5**	**554.4**	**+1.6%**		

Net rental income (NRI) generated by shopping centers totaled €552.0 million for the six-month period ended June 30, 2019, up 1.8% on a reported-portfolio, total share basis compared with the same period in 2018. Restated for the impact of the first-time application of IFRS 16, net rental income growth came out at 0.5%.(1)

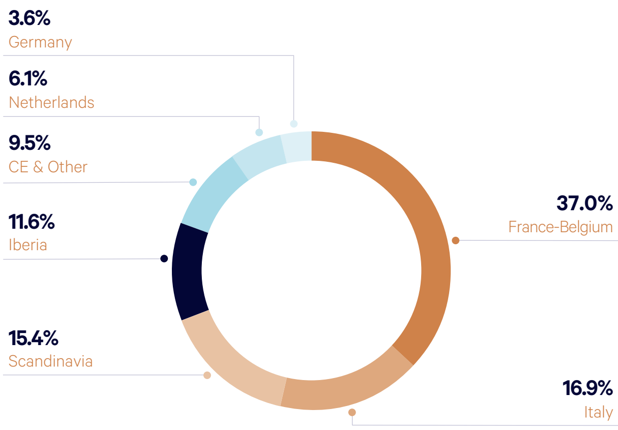
(1) *Effective January 1, 2019, the first-time application of IFRS 16 has modified the Group's accounting for lease payments. At the level of net rental income, the major impact of IFRS 16 for Klépierre relates to ground leases, whose costs have been almost entirely transferred from "Land expenses" to "Change in value of investment properties" and "Interest expense on lease liabilities".*

The 1.8% reported increase in net rental income reflected the combined effect of the following factors:

- A €15.8 million like-for-like increase (up 3.1%)[1] driven by indexation (positive 1.6% impact), solid reversion, higher income from specialty leasing and optimized service charges;
- A €6.9 million positive impact related to the first-time application of IFRS 16;[1]
- A €6.4 million positive scope impact reflecting the contribution of additional spaces acquired last year at Milanofiori (Assago, Italy), Shopville Le Gru (Turin, Italy) and Nový Smíchov (Prague, Czech Republic), as well as the openings at Hoog Catharijne (Utrecht, Netherlands) and Prado (Marseille, France);
- A €14.5 million negative impact from disposals closed in 2018 and the first half of 2019; and
- A negative €3.9 million foreign exchange impact attributable to the depreciation of the Turkish lira, the Swedish krona and the Norwegian krone, as well as other non-recurring items.

BREAKDOWN OF SHOPPING CENTER NRI BY REGION FOR THE SIX MONTHS ENDED JUNE 30, 2019

(on a total share basis)



FOREIGN EXCHANGE IMPACT ON LIKE-FOR-LIKE NRI YEAR-ON-YEAR GROWTH FOR THE SIX MONTHS ENDED JUNE 30, 2019

	Like-for-like NRI change		Forex impact on like-for-like NRI change
	At constant forex	At current forex	
Norway	+3.2%	+1.8%	−146 bps
Sweden	+1.2%	−2.4%	−353 bps
Denmark	+2.5%	+2.3%	−24 bps
Scandinavia	**+2.4%**	**+0.6%**	**−177 bps**
Czech Republic	+4.0%	+4.1%	+10 bps
Poland	+1.3%	+1.3%	0 bps
Hungary	+6.2%	+6.7%	+46 bps
Turkey[a]	−4.0%	−25.1%	−2,105 bps
CE & Other	**+1.9%**	**−2.8%**	**−474 bps**
TOTAL	**+3.1%**	**+2.3%**	**−77 BPS**

(a) As per the Turkish Presidential Decree and following the sharp depreciation of the Turkish lira, the rents were translated from euros or US dollars into Turkish lira in the fourth quarter of 2018.

1.3.5 Contribution of equity-accounted companies

The contribution of equity-accounted companies[2] to net current cash flow amounted to €27.7 million in the first half of 2019. The Group's equity-accounted investments are listed below:

- **France**: Les Passages (Boulogne), Espace Coty (Le Havre), Mayol (Toulon), Le Millénaire (Paris);
- **Italy**: Porta di Roma (Rome), Il Leone (Lonato), Il Corti Venete (Verona), Il Destriero (Milan), Città Fiera (Udine);
- **Norway**: Økernsenteret (Oslo), Metro Senter (Oslo), Nordbyen (Larvik);
- **Portugal**: Aqua Portimão (Portimão); and
- **Turkey**: Akmerkez (Istanbul).

The following tables present the contributions of each of these countries to gross and net rental income, EBITDA, net current cash flow, and net income. The decrease in net income from equity-accounted companies stems from the decline in the valuation of jointly-owned shopping malls, especially in Turkey and France.

(1) Like-for-like data exclude the contribution of new spaces (acquisitions, greenfield projects and extensions), spaces being restructured, disposals completed since January 2017, and foreign exchange impacts.

(2) Equity-accounted companies include investments in jointly-controlled companies and companies in which the Group exercises significant influence.

CONTRIBUTION OF EQUITY-ACCOUNTED COMPANIES

GROSS RENTAL INCOME — TOTAL SHARE

In millions of euros	06/30/2019	06/30/2018
France	11.4	10.9
Italy	20.3	19.8
Norway[(a)]	3.9	3.8
Portugal	1.8	1.6
Turkey	4.4	5.7
TOTAL	**41.9**	**41.9**

NET RENTAL INCOME — TOTAL SHARE

In millions of euros	06/30/2019	06/30/2018
France	8.1	8.1
Italy	17.5	17.2
Norway[(a)]	3.4	3.2
Portugal	1.7	1.4
Turkey	3.3	3.9
TOTAL	**33.9**	**33.8**

EBITDA — TOTAL SHARE

In millions of euros	06/30/2019	06/30/2018
France	7.9	8.0
Italy	17.4	17.1
Norway[(a)]	3.4	3.2
Portugal	1.7	1.4
Turkey	3.1	3.6
TOTAL	**33.5**	**33.4**

NET CURRENT CASH FLOW — TOTAL SHARE

In millions of euros	06/30/2019	06/30/2018
France	6.7	6.7
Italy	13.5	13.0
Norway[(a)]	3.4	3.2
Portugal	0.5	0.3
Turkey	3.7	3.9
TOTAL	**27.7**	**27.1**

NET INCOME — TOTAL SHARE[(b)]

In millions of euros	06/30/2019	06/30/2018
France	(6.2)	7.0
Italy	8.2	9.2
Norway[(a)]	2.2	(1.6)
Portugal	0.3	(0.7)
Turkey	0.6	22.1
TOTAL	**5.2**	**36.0**

(a) To determine the Group's share for Norway, data must be multiplied by 56.1%.
(b) Net income includes non-cash and non-recurring items, including changes in the value of investment properties.

1.3.6 Shopping center business summary: leasing highlights

KEY PERFORMANCE INDICATORS

Geography	Renewed and re-let leases *(in €m)*	Reversion *(in %)*	Reversion *(in €m)*	OCR[(a)]	EPRA Vacancy Rate	Bad debt rate[(b)]
France-Belgium	20.2	+7.8%	1.5	12.9%	3.3%	2.0%
Italy	17.7	+8.4%	1.4	11.3%	1.5%	2.5%
Scandinavia	13.2	+8.1%	1.0	11.8%	4.1%	0.4%
Iberia	7.5	+24.5%	1.5	13.4%	2.1%	0.3%
CE & Other	7.2	+16.1%	1.0	13.3%	4.6%	3.8%
Netherlands	0.3	+29.3%	0.1	-	2.4%	1.4%
Germany	3.9	−8.6%	(0.4)	11.4%	4.0%	3.4%
TOTAL	**70.0**	**+9.4%**	**6.0**	**12.4%**	**3.0%**	**1.8%**

All assets (including equity-accounted companies) are presented on a 100% share basis.
(a) Occupancy cost ratio. Occupancy cost ratio is not calculated for the Netherlands as only a few Dutch retailers report their sales to Klépierre.
(b) On a rolling 12-month basis.

In a subdued business environment, Klépierre continued to post robust leasing performances. This is the direct result of the Group's Retail First® strategy to anticipate the transformation of retail. Retail First® consists in rapidly adapting the retail offering of Klépierre malls by (a) deploying existing retailers under their most up-to-date format ("right-sizing"), (b) replacing struggling segments with more profitable ones, and (c) attracting new, on-trend concepts to Klépierre shopping malls as well as supporting their international expansion. The strategy is anchored in Klépierre's strong pan-European platform and the extensive relations that the Group has been cementing with the best-performing retailers on the continent.

Retailers' appetite for Klépierre malls was vigorous. Over the first half of 2019, the Group signed 821 leases in total, including 689 renewals and re-lettings, generating €6.0 million in additional minimum guaranteed rents (MGR; excluding extensions and greenfield projects), and representing a positive 9.4% rental reversion. Retailers' demand for newly-developed retail surfaces is particularly vigorous, as evidenced by the successful leasing of the Créteil Soleil (Paris region, France) and Gran Reno (Bologna, Italy) extensions. The firm level of leasing activity contributed to a slight decline in the EPRA Vacancy rate from 3.2% as of December 31, 2018, to 3.0% as of June 30, 2019.

The deal flow has also been strong with **key accounts** such as Inditex (8 deals), H&M (6 deals), Calzedonia (10 deals), Parfois (8 deals), Vodafone (10 deals) and Yves Rocher (5 deals). Monki, the new brand in the H&M galaxy, has chosen Créteil Soleil (Paris region, France) to kick off its deployment in French shopping centers and is also scheduled to open a new store at Hoog Catharijne.

Across its portfolio, Klépierre continued to close small fashion and toy stores, two segments expected to remain lackluster in the current retail environment. Over the first half of 2019, more than 15,000 sq.m. of fashion stores (of which 11,000 sq.m. of store space and 4,000 sq.m. of mid-size units) and 3,000 sq.m. of mid-size toy units were replaced by stores in more **dynamic segments** such as Sports, Leisure and Health & Beauty. A variety of banners such as JD Sports, Courir, Snipes, Foot Locker, Adidas, Decathlon, Décimas and XXL continued to expand, opening 25 new stores in Klépierre's malls over the first half of 2019. The Group also introduced new Lego stores at Créteil Soleil (Paris region, France), Blagnac (Toulouse, France) and Milanofiori (Milan, Italy) and a movie theater at El Ferial (Madrid region, Spain), while a new fitness center will round out the mix at Parque Nascente (Porto region, Portugal).

Attracted by the strength of its malls, a host of **newcomers** chose Klépierre to enter the shopping center market. Dyson, the British household appliance brand decided to open four new stores in Klépierre's Italian malls (Porta di Roma, Shopville Le Gru, Campania and Nave de Vero) while Hoog Catharijne, the Netherlands' leading mall, welcomed the first Samsung store in Klépierre's portfolio. In addition, the Group signed leases with other newcomers such as Daniel Wellington (2 leases), Vans, online sunglasses specialist Hawkers (5 leases) and Renault. In March 2019, the leading sports brand Under Armour opened its first store in Central Europe at Nový Smíchov (Prague, Czech Republic) and the personal care products chain Normal is slated to open its first French stores in Klépierre's malls in the second half of 2019. The Group has continued to leverage specialty leasing—especially pop-up stores—as an effective way of introducing brands to shopping malls. Using this approach over the half year, Klépierre welcomed: Chanel at La Gavia (Madrid, Spain); Netflix, Garnier and Magnum at Hoog Catharijne (Utrecht, Netherlands); Husqvarna at Marieberg Galleria (Örbro, Sweden); and Nestlé at Val d'Europe (Paris region, France).

Using proactive re-tenanting initiatives, Klépierre continued the process of transforming entire malls over the first six months of 2019:

> **Alexandrium**, the leading shopping destination in Rotterdam, which is soon to be refurbished, has benefited from a makeover of its retail offering prior to the start of work. In the first half of 2019 alone, Klépierre signed 5 new leases. The Albert Heijn supermarket was downsized, providing the opportunity to deliver an enlarged H&M store (3,300 sq.m.) and introduce H&M Home in the mall, while the Sting store was upsized. Lastly, newcomer Clinique, a subsidiary of Estée Lauder, chose Alexandrium to open its first store in a mall, inaugurating its first boutique in the Benelux region in April 2019;

> **Milanofiori**, a leading mall in southern Milan (Italy) that was comprehensively renovated in 2018, saw Inditex finalize the unveiling of its new offering with the opening of Stradivarius, the enlargement of Bershka and Pull&Bear and the refurbishment of the Zara Home and Oysho shopfronts. Yves Rocher launched its new boutique in April while Dmail, the Italian household equipment specialist, opened its new store in May. The Food & Beverage offer has also been enhanced and enlarged with the arrival of Rossopomodoro, a pizza and pasta restaurant chain;

> **La Gavia**, one of the top shopping destinations in Madrid attracting 13 million visitors each year, is soon to be refurbished. Ahead of the refurbishment works, 30 leases were signed in the first half of 2019. Bershka opened its enlarged store last May and new tenants such as Futbol Factory and online retailer Hawker also joined the mall. Its attractiveness will be further enhanced with the extension of JD Sports and Adidas, as well as the relocation and extension of Pull&Bear.

1.4 BUSINESS ACTIVITY BY REGION

1.4.1 France-Belgium (36.3% of net rental income)

► **NRI & EPRA VACANCY RATE IN FRANCE-BELGIUM**

	Reported porfolio NRI			Like-for-like portfolio NRI			EPRA Vacancy rate	
In millions of euros	06/30/2019	06/30/2018	Change	06/30/2019	06/30/2018	Change	06/30/2019	06/30/2018
France	195.6	192.5	+1.6%	188.3	183.1	+2.8%	3.4%	3.5%
Belgium	8.8	8.7	+0.5%	8.7	8.7	–0.4%	1.2%	0.2%
FRANCE-BELGIUM	**204.3**	**201.2**	**+1.6%**	**197.0**	**191.9**	**+2.7%**	**3.3%**	**3.3%**

GDP growth in France is projected to slow to 1.3% in 2019 from 1.6% in 2018. Global economic conditions may hamper exports, but tax cuts and emergency social measures should boost disposable income and support domestic demand. The unemployment rate is expected to fall to 8.7% by end-2019 (versus 9.1% at end-2018), while inflation is set to decline to 1.1% in line with the stabilization of the oil price.

Like-for-like **retailer sales** growth at Klépierre malls came out at 0.7%, outpacing the national shopping center retail index by 90 bps.[(1)] Since the beginning of the year, the "yellow vest" protests have gradually died down, with sales rising by 0.2% in the first quarter and by 1.2% in the second, despite the unfavorable calendar effects in June. This recovery was partly fueled by government measures to support purchasing power and proactive re-tenanting activity in Klépierre malls. As a result, the performance of numerous malls was powered by the recent openings of leading anchors such as Decathlon at Nice TNL (5,000 sq.m.) and Bègles Rives d'Arcins (Bordeaux region), and Action at Le Millénaire (Paris region, 1,000 sq.m.) and Grand Littoral (Marseille, 1,800 sq.m.). Val d'Europe continued to post strong figures, supported by the recent renovation and extension work. Lastly, Saint-Lazare (Paris) registered strong retailer sales growth following the renewal campaign and the arrival of distinctive new brands such as Nespresso, together with the opening of the Sephora flagship.

Over the period, the most dynamic sectors were Health & Beauty (up 3.7%), Culture, Gifts & Leisure (up 2.2%, boosted especially by the ongoing development of the Sports segment) and Food & Beverage (up 3.8%).

Net rental income in France-Belgium grew by 2.7% on a like-for-like basis, outperforming indexation by 60 bps, due mainly to the impact of positive rental reversion and additional revenues from specialty leasing. On a reported-portfolio basis (up 1.6%), the performance includes the impact of the disposal of the Saint-Maximin shopping mall (Creil, France) in March 2019.

Leasing activity was vigorous in the first half of 2019, with 199 leases signed in France and Belgium. However, rental reversion declined compared to the first half of 2018 (positive 7.8% in first-half 2019 versus 13.8% one year earlier) due to the completion of several large-scale re-tenanting campaigns, mainly at Saint-Lazare (Paris), while new such campaigns having only just got under way.

Over the first half of the year, several retailers opened (or have scheduled to open) their first stores in a Klépierre mall. Vans will join Rives d'Arcins (Bordeaux region) and Danish retailer Normal, which is expanding in France, will soon unveil two new stores in Klépierre's French malls. Lastly, the retail mix at Val d'Europe will be enriched by Daniel Wellington, the innovative food concept; Pazzi (robot-made pizzas), and the ground-breaking new Renault showroom which is paving the way for a new retail category in Klépierre malls. Several French malls overhauled their retail mix, including Écully (Lyon; six leases) with Sephora, Maisons du Monde and Nature & Découvertes. A decade after its opening, Odysseum (Montpellier) signed ten new leases, bringing on-trend retailers such as Calvin Klein Jeans and Sunglass Hut into the mix and generating strong positive reversion.

The swift leasing up of the Créteil Soleil extension (see section 1.6.3.3) showcased retailers' keen appetite for Klépierre's malls.

1.4.2 Italy (16.6% of net rental income)

► **NRI & EPRA VACANCY RATE IN ITALY**

	Reported porfolio NRI			Like-for-like portfolio NRI			EPRA Vacancy rate	
In millions of euros	06/30/2019	06/30/2018	Change	06/30/2019	06/30/2018	Change	06/30/2019	06/30/2018
ITALY	**93.4**	**96.1**	**–2.9%**	**91.7**	**88.7**	**+3.4%**	**1.5%**	**1.4%**

Italian GDP is projected to stagnate in 2019 due mainly to a decline in private consumption coupled with weak external demand and a lackluster export performance amid global trade tensions. Political instability and cautious investment strategies from domestic corporates are also forecast to have a negative impact on GDP. Inflation is expected to moderate markedly to 0.6% in 2019 (versus 1.2% in 2018) amid easing energy price pressures and modest wage growth. Unemployment is set to remain stable at 11.7%.

Despite this lackluster economic environment, **retailer sales** turned positive (up 0.9%) in the first half of 2019, mainly supported by a strong second quarter (up 2.9%). Sales at Milanofiori (Assago) improved significantly on the back of recent re-tenanting initiatives (downsizing hypermarket space, opening a Zara flagship, rolling out Destination Food®) and the refurbishment of the center as a whole. Malls such as Porta di Roma (Rome), Campania (Naples), Le Vele & Milenium (Cagliari) and Nave de Vero (Venice) continued to post solid increases in retailer sales. Lastly, in northern Italy, the performance of shopping centers impacted by fresh competition in previous years leveled out.

(1) The CNCC index was up 0.4% for the first five months of 2019.

By segment, Health & Beauty (up 2.8%) and Food & Beverage (up 2.4%) remained the country's top performers, while the Fashion segment was stable year on year.

Overall, like-for-like **net rental income** growth remained strong at 3.4%, 260 bps above indexation. This outperformance was achieved thanks to solid positive rental reversion and an improvement in the gross-to-net rental income ratio. On a reported basis, net rental income decreased by 2.9%, reflecting the disposal of three malls last September in Milan and Brescia.

With 167 leases signed in the first half of 2019 (148 renewal and re-leasing agreements with an average positive rental reversion of 8.4%), **leasing activity** remained extremely buoyant, reflecting the high quality of Klépierre's portfolio in Italy. Dyson, the fast-expanding British technology company, which had previously only operated one store in Italy (Milan), chose Klépierre to expand in the country, signing a total of four leases (Campania, Le Gru, Porta di Roma and Nave de Vero). In Porta di Roma, Flying Tiger opened a 340-sq.m. store and in April, Snipes unveiled its first store (420 sq.m.) in Klépierre's Italian portfolio, while Bellavia, Napoli's historical pastry shop, rounded out the Food & Beverage offering. Lastly, the remodeling of Assago Milanofiori continued following the right-sizing of all Inditex satellite stores (Bershka, Pull&Bear, Zara Home and Oysho) in line with their latest format and concept during the first quarter. Dmail, a fast-expanding Italian retailer offering a wide variety of products from household goods to leisure equipment, moved into the mall in May, and Rossopomodoro, the pizza and pasta restaurant chain added flavor to the new food court. The Group also signed renewal and re-leasing agreements at Campania (Naples, 8 leases), Le Gru (Turin, 10 leases) and Porta di Roma (Rome, 18 leases), with high positive rental reversion. As is the case in France, retailers showed a lively appetite for new retail surfaces, as illustrated by the successful leasing of the Gran Reno extension (see section 1.6.3.4).

1.4.3 Scandinavia (15.1% of net rental income)

▶ **NRI & EPRA VACANCY RATE IN SCANDINAVIA**

	Reported porfolio NRI			Like-for-like portfolio NRI			EPRA Vacancy rate	
In millions of euros	06/30/2019	06/30/2018	Change	06/30/2019	06/30/2018	Change	06/30/2019	06/30/2018
Norway	32.1	32.3	−0.8%	31.9	30.9	+3.2%	2.7%	3.0%
Sweden	26.3	27.2	−3.4%	26.3	26.0	+1.2%	5.4%	4.5%
Denmark	26.6	25.6	+3.7%	25.4	24.8	+2.5%	5.1%	4.8%
SCANDINAVIA	**84.9**	**85.2**	**−0.3%**	**83.6**	**81.7**	**+2.4%**	**4.1%**	**3.9%**

The Scandinavian economies (Norway, Sweden and Denmark) are expected to prove resilient in 2019. In Norway, GDP growth should come out at 1.8% on the back of solid household consumption and dynamic oil-related activities. The unemployment rate continues to fall (3.6% expected in 2019), although inflation is forecast to remain above 2% during the year. While Sweden's **GDP** growth is expected to ease off in 2019 to 1.6% from 2.4% in 2018—notably as a result of sluggish domestic demand and global uncertainties weighing on business investment and exports—the Danish economy should remain strong, supported by robust private consumption and rising exports. GDP growth is estimated at 2.1% in 2019 while unemployment and inflation are projected to stand at 4.9% and 1.2% respectively.

Retailer sales in Scandinavia declined by 2.3% over the first six months, penalized by temporary vacancy and localized competitive pressure. In Denmark, the reshuffled retail mix at Field's (Copenhagen) positively impacted footfall (up 4.6% over the year). In Sweden, Emporia (Malmö) benefited from improved sales driven by a greater influx of Danish visitors on the back of the depreciation of the Swedish krona. In Norway, while Fashion acted as a drag on sales, the Health & Beauty and Food & Beverage segments showed steady increases. Further to proactive re-tenanting and restructuring initiatives, the Arkaden Torgterrassen (Stavenger), Metro Senter (Lørenskog) and Vinterbro Senter (Ås) shopping centers posted good performances.

Despite the sluggish business environment, like-for-like **net rental income** growth came out at 2.4% in the first half of 2019 (growth of 3.2%, 1.2% and 2.5% for Norway, Sweden and Denmark, respectively) driven by the 2.1% indexation rate and healthy positive rental reversion (8.1%) together with additional income from specialty leasing (mostly in Denmark).

On the **leasing front**, 141 leases were signed at an average positive 8.1% reversion. Thanks to a clear cross-fertilization strategy, several retailers expanded in our Scandinavian portfolio, with Zizzi signing eight deals, and Illums Bolighus, the Scandinavian design retailer, opening stores at Field's (Copenhagen, Denmark) and at Arkaden Torgterrassen (Stavanger, Norway). The Group's Scandinavian platform strengthened its capacity to attract differentiating international brands and demonstrated its ability to offer additional services while improving facilities (new parking operators in Field's, Bruun's and Oslo City):

> In **Norway**, 80 deals were signed with an average positive reversion of 10%, mainly driven by intense re-leasing and renewal activity at Oslo City, with highlights including the opening of Rituals Oslo flagship, as well as the right-sizing of the only directly-operated M.A.C. store in Norway. XXL opened a brand new store in Gulskogen (Drammen);

> In **Sweden**, 46 deals were signed in the first half of 2019, supported by strong business levels at Emporia (Malmö), including the right-sizing of Rituals. In addition, Chanel Beauty, Yves Rocher and Hugo Boss Orange signed at Emporia, confirming the mall's unique positioning in the Swedish retail landscape; and

> In **Denmark**, 15 deals were signed. At Field's (Copenhagen), the transformation of the best retail destination in Copenhagen is in progress, with the opening of the first kindergarten in a Danish mall. Two new restaurants have upgraded the existing food court, and Finnish womenswear brand Lindex returned to Denmark, opening a new 800-sq.m. store. At Bruun's Galleri (Aarhus), Nespresso signed a lease to relocate its city center store to our mall.

1.4.4 Iberia (11.3% of net rental income)

▸ **NRI & EPRA VACANCY RATE IN IBERIA**

	Reported porfolio NRI			Like-for-like portfolio NRI			EPRA Vacancy rate	
In millions of euros	06/30/2019	06/30/2018	Change	06/30/2019	06/30/2018	Change	06/30/2019	06/30/2018
Spain	53.2	49.7	+7.0%	52.6	49.5	+6.4%	1.7%	3.0%
Portugal	10.8	10.7	+0.4%	8.2	7.3	+11.7%	4.0%	5.4%
IBERIA	**64.0**	**60.4**	**+5.8%**	**60.8**	**56.8**	**+7.1%**	**2.1%**	**3.6%**

Economic growth in Spain is expected to remain robust in 2019, with GDP growth of 2.2% in 2019, driven by domestic demand and accommodating financial policies. Labor market conditions should continue to improve, with unemployment predicted to fall to 13.8% in 2019 (versus 15.3% in 2018). The Portuguese economy continues to expand significantly with GDP growth expected to reach 1.8% in 2019 thanks to solid private consumption sustained by wage increases and a favorable fiscal policy. The unemployment rate is set to decrease to 6.3% in 2019.

Once again, **retailer sales** grew at a sustained pace over the first six months (up 6.0% on a like-for-like basis). The trend was positive in both countries with Spain up 5.8% and Portugal up 6.6%. Klépierre continued to benefit from the leadership of its malls as well as proactive re-tenanting initiatives. Nueva Condomina (Murcia) posted a remarkable performance (retailer sales up 14.0%) after enhancing its retail mix and especially, relocating Bershka. At Plenilunio (Madrid), retailer sales were up 7.1%, mainly benefiting from the July 2018 refurbishment and the opening of Courir in April.

All retail segments performed well, including Health & Beauty (up 9.4%), Food & Beverage (up 5.6%), Fashion (up 5.0%) and Household Equipment (up 1.9%).

Net rental income saw like-for-like growth of 7.1% in Iberia (with Spain up 6.4% and Portugal up 11.7%) during the first half of 2019, 570 bps above Iberian indexation (positive 1.4%). This strong performance reflects high positive rental reversion combined with a significant improvement in occupancy (vacancy rate down 150 bps to 2.1%). Growth in specialty leasing and additional improvements in the gross-to-net ratio further boosted net rental income growth. On a reported-portfolio basis, Portuguese net rental income increased by only 0.4% due mainly to the disposals of Minho Center (Braga), Loures (Loures), Telheiras (Lisbon) and Gaia Jardim (Vila Nova de Gaia) in April 2019.

Accordingly, **leasing activity** was very dynamic in the region, with 96 leases signed in the first half of 2019 for an average positive reversion in excess of 20%. The Spanish malls maintain a vigorous commercial trend. At La Gavia, 30 leases were signed, including the right-sizing of Pull&Bear, JD Sports, Adidas and Décimas, the multi-brand sports retailer. Among the leading malls in the Madrid area, La Gavia has also welcomed new concepts such as the restaurant banner Ginos, ice cream specialist Wanderlust and optical expert +Visión. At Nueva Condomina (Murcia), a total of 8 leases were signed. Bershka opened its enlarged store (1,000 sq.m.) in May, further strengthening the mall's exceptional fashion offering whilst bringing on-board new tenants such as Fútbol Factory (300 sq.m.) and online sunglasses retailer Hawkers, which also joined Plenilunio (Madrid). The dominant destination of the eastern part of Madrid now hosts one of the city's favorite bakeries, Manolo Bakes. At Príncipe Pío (Madrid), Pimkie signed an extension to develop its full offering, while jewelry specialist Lovisa set up in Maremagnum. Lastly, at El Ferial, a 7-screen 1,500-sq.m. movie theater opened in June, rounding out the mall's comprehensive commercial offering.

In Portugal, 26 leases were signed, of which 14 in Parque Nascente (Porto region), which is set to see the popular Flying Tiger brand reinforce the tenant mix together with a number of new services and local restaurants and cafés. In Aqua Portimão (Portimão), 8 leases were signed including tenants such as Bijou Brigitte, among other well-known local brands. A deal was also signed with Hawkers for three malls: Parque Nascente, Aqua Portimão and Espaço Guimarães.

1.4.5 Central Europe and Other (9.3% of net rental income)

▸ **NRI & EPRA VACANCY RATE IN CE & OTHER**

	Reported porfolio NRI			Like-for-like portfolio NRI			EPRA Vacancy rate	
In millions of euros	06/30/2019	06/30/2018	Change	06/30/2019	06/30/2018	Change	06/30/2019	06/30/2018
Czech Republic	16.2	16.1	+0.9%	15.2	14.6	+4.0%	0.4%	1.4%
Poland	16.3	15.8	+3.3%	16.0	15.8	+1.3%	0.9%	2.1%
Hungary	10.0	11.6	−13.8%	9.2	8.6	+6.2%	1.8%	1.9%
Turkey	8.3	11.0	−24.3%	8.4	8.7	−4.0%	11.0%	8.3%
Others	1.3	1.5	−9.8%	1.3	1.4	−3.2%	4.9%	10.4%
CE & OTHER	**52.2**	**56.0**	**−6.7%**	**50.1**	**49.1**	**+1.9%**	**4.6%**	**4.4%**

After several quarters of resilient GDP growth, the **Central European economies** (Poland, Czech Republic, and Hungary) have also started to suffer from the international context and are forecast to slow down in 2019. Poland is still the region's most dynamic country, with GDP projected to grow by 4.2% this year, supported by an accommodating fiscal policy and rising social transfers that are driving private consumption. In the Czech Republic, household consumption will increase and support GDP growth, which is expected to come in at 2.6% this year. On the back of growing wages, inflation is projected to be at 2.6% whereas unemployment will fall further to 2.1%—one of the lowest levels in Europe.

After the financial crisis in the summer of 2018, Turkish GDP growth was still affected by political and financial upheaval as well as declining domestic consumption. In spite of the modest recovery expected in the second half of 2019, GDP is still forecast to contract by 2.6% year on year, with unemployment and inflation at 13.3% and 17.3%, respectively.

Retailer sales in the CE & Other region were up 5.3% over the first six months of 2019. The Czech Republic (up 8.9%) was the main contributor to this growth, powered by good performances from both Nový Smíchov (Prague), boosted by tenants such as Zara, Sephora, Bershka and Lindex, and the newly-restructured Plzeň Plaza (Plzeň).

Like-for-like **net rental income** in the CE & Other region climbed by 1.9%, outperforming the region's indexation by 90 bps. Hungary (up 6.2%) and the Czech Republic (up 4.0%) posted strong figures, while Turkey (down 4.0%)—still suffering from the temporary rental discounts granted to tenants suffering from the adverse macroeconomic environment—weighed on the overall performance. Overall, the region mainly benefited from high positive rental reversion and rising occupancy rates. On a reported basis, net rental income fell by 6.7%, principally reflecting the recent disposals in Hungary (see section 1.6.4 "Disposals") and the negative foreign change impact in Turkey.

During the first half of 2019, **leasing activity** was very dynamic in Central Europe. In Nový Smíchov (Prague) all transfers and releasing linked to the Tesco operation have been completed, less than six months after the opening of four new anchors (Zara, Sephora, Bershka and Lindex). This major transformation attracted new retailers to the mall and enabled the renewal of leases with large international brands such as Camaïeu, Napapijri, Kiehl's and Costa Coffee. In Poland, business levels were also very dynamic, with 24 deals signed over the first six months of the year. Successful Polish fitness operator City Fit will now anchor Lublin Plaza (Lublin) and Sadyba Best Mall (Warsaw) with two new venues of more than 1,500 sq.m. In addition, trendy shoes and bags chain CCC was introduced in Lublin Plaza (Lublin) in February under its latest format over more than 1,270 sq.m. At Poznan Plaza, Portuguese fashion retailer Parfois and Euro RTV AGD, Poland's leading consumer electronics specialist, have significantly enriched the retail mix. Lastly, in Turkey, two major leases were signed with Decathlon (1,800 sq.m.) and Mango (1,200 sq.m.) at Akmerkez (Istanbul), while Starbucks came on board at Tarsu (Tarsus).

1.4.6 Netherlands (5.9% of net rental income)

► NRI & EPRA VACANCY RATE IN THE NETHERLANDS

	Reported porfolio NRI			Like-for-like portfolio NRI			EPRA Vacancy rate	
In millions of euros	06/30/2019	06/30/2018	Change	06/30/2019	06/30/2018	Change	06/30/2019	06/30/2018
NETHERLANDS	33.4	24.1	+38.9%	17.9	17.1	+4.2%	2.4%	5.5%

Economic growth in the Netherlands is projected to ease off, with GDP growing by just 1.6% in 2019 compared to 2.6% last year. The lackluster European environment combined with international trade tensions and deteriorating domestic conditions have weakened the Dutch economy. However, unemployment is set to remain low at 3.6%, while inflation is projected to rise sharply to 2.2% reflecting the higher VAT rate and labor costs.

Net rental income grew 4.2% on a like-for-like basis, significantly outperforming the 1.2% indexation rate. Like-for-like growth was driven by the positive 29.3% reversion rate, higher occupancy and parking revenues, and a decline in bad debts. On a reported-portfolio basis, net rental income surged by 38.9%, mainly attributable to store openings at Hoog Catharijne.

Leasing activity remained vigorous in the Dutch portfolio. The successful opening of the South Mile last November at Hoog Catharijne (Utrecht) definitively sealed its positioning as the leading mall in the Netherlands. Popular new tenants such as Primark, Hudson's Bay, Pandora, Lucardi (jewelry brand), Livera (underwear specialist) and Bread & Co. joined the mall, while Samsung also chose Hoog Catharijne for its first "experience store." At Alexandrium (Rotterdam), ahead of its refurbishment, the retail mix of Rotterdam's leading shopping destination was significantly enhanced with five new leases signed. The downsizing of the Albert Heijn supermarket paved the way for new The Sting and Holland&Barrett stores to open in 2020. Besides, an enlarged H&M store (3,300 sq.m.) along with an H&M Home will be introduced to the mall. Lastly, Clinique, a subsidiary of Estée Lauder, also chose Alexandrium to inaugurate its first boutique in the Benelux region in April 2019.

1.4.7 Germany (3.5% of net rental income)

► **NRI & EPRA VACANCY RATE IN GERMANY**

	Reported porfolio NRI			Like-for-like portfolio NRI			EPRA Vacancy rate	
In millions of euros	06/30/2019	06/30/2018	Change	06/30/2019	06/30/2018	Change	06/30/2019	06/30/2018
GERMANY	19.7	19.2	+2.6%	21.3	21.3	+0.2%	4.0%	4.6%

Economic growth in **Germany** is expected to slow significantly in 2019, with GDP projected to edge up by just 0.7% compared to 1.5% in 2018. The economy is suffering from downbeat business levels among Germany's highly export-oriented corporates, especially in the automotive and chemicals sectors, under pressure from international trade tensions. Domestic political uncertainties are also weighing on business confidence and private investment. Despite this rather unsupportive environment, the labor market continues to improve, with unemployment set to fall to 3.1% in 2019, which is among the lowest rates in Western Europe. Inflation is expected to remain well below 2%.

Retailer sales increased by 2.3% during the period, showing an improvement on the back of the Group's leasing efforts. In the wake of the renewal campaign launched at Forum Duisburg in 2018, 20 retailers have opened or fully refurbished their stores, including New Yorker, Snipes, Jack & Jones and Vero Moda, while H&M has re-opened an enlarged flagship on a 3,000-sq.m. site. Boulevard Berlin was boosted by the recent openings of two new anchors: Maisons du Monde (first store in Berlin opened last December) and more recently, Vapiano in June 2019. Lastly, Arneken continued to reap the benefits of the successful opening of TK Maxx last September.

Like-for-like **net rental income** remained flat over the first six months of 2019, with positive indexation (up 1.4%) and a reduction in the EPRA Vacancy rate (down 60 bps to 4.0%) being offset by negative rental reversion. On a reported basis, net rental income increased by 2.6%, outpacing the like-for-like growth performance as a result of the settlement of service charges over previous years.

Overall, 40 **leases** representing 19,000 sq.m. were signed in the first half of 2019 in Germany. At Arneken, fast-growing German discount retailer Tedi is slated to open a new 800-sq.m. store in the second half of 2019. At Forum Duisburg meanwhile, the renewal campaign is now on the verge of completion following the signing of a host of leases, including KULT, the successful fashion multi-label retailer.

1.4.8 Other retail properties (2.0% of net rental income)

► **NRI & EPRA VACANCY RATE OF OTHER RETAIL PROPERTIES**

	Reported porfolio NRI			Like-for-Like Portfolio NRI			EPRA Vacancy rate	
In millions of euros	06/30/2019	06/30/2018	Change	06/30/2019	06/30/2018	Change	06/30/2019	06/30/2018
OTHER RETAIL PROPERTIES	11.5	12.2	−5.6%	11.4	11.8	−2.9%	9.3%	5.0%

This segment includes standalone retail units located in France and mostly in the vicinity of large regional retail destinations. On a reported-portfolio basis, the decrease in net rental income is attributable to the disposals completed over the past 18 months (see section 1.6 "Investments, developments and disposals").

1.5 NET CURRENT CASH FLOW

▶ **NET CURRENT CASH FLOW & EPRA EARNINGS**

In millions of euros	**06/30/2019**	**06/30/2018**	**Change**
Total share			
Gross rental income	626.9	627.1	0.0%
Rental and building expenses	(63.4)	(72.7)	-12.8%
Net rental income	**563.5**	**554.4**	**+1.6%**
Management and other income	46.1	45.8	+0.6%
General and administrative expenses	(83.2)	(96.0)	-13.4%
EBITDA	**526.4**	**504.2**	**+4.4%**
Adjustments to calculate operating cash flow:			
> Depreciation charge for right of use assets[a]	(4.3)	-	
> Employee benefits, stock option expense and non-current operating/expenses	3.8	10.7	
> IFRIC 21 impact	6.8	7.0	
Operating cash flow	**532.7**	**522.0**	**+2.1%**
Cost of net debt	(68.0)	(77.0)	-11.8%
Adjustments to calculate net current cash flow before taxes:			
> Amortization of Corio debt mark-to-market	(9.6)	(9.9)	
> Financial instrument close-out costs	10.5	14.9	
Net current cash flow before taxes	**465.7**	**450.0**	**+3.5%**
Share in equity-accounted companies	27.8	26.9	
Current tax expenses	(18.4)	(15.9)	
Net current cash flow	**475.0**	**460.9**	**+3.0%**
Group share			
NET CURRENT CASH FLOW	**409.8**	**395.6**	**+3.6%**
Adjustments to calculate EPRA Earnings add back:			
> Employee benefits, stock option expense and non-recurring operating expenses	(3.7)	(5.5)	
> Depreciation, amortization and provisions for contingencies and losses	(5.8)	(7.4)	
EPRA EARNINGS	**400.3**	**382.7**	**+4.6%**
Average number of shares[b]	295,908,706	301,032,676	-1.7%
Per share *(in euros)*			
NET CURRENT CASH FLOW	**1.38**	**1.31**	**+5.4%**
EPRA EARNINGS	**1.35**	**1.27**	**+6.4%**

(a) Right of use assets related to head office, IT and vehicle leases as per IFRS 16.
(b) Excluding treasury shares.

Over the first half of 2019, net current cash flow per share increased by 5.4% year on year to €1.38 (increase of 4.7% restated for the impact of the first-time application of IFRS 16).[1] This strong performance reflects the combined impact of the following factors:

> **Net rental income** increased by 1.6% on a total share basis (up 0.4% restated for the impact of the first-time application of IFRS 16),[1] supported by 3.1% like-for-like growth at Klépierre shopping centers (see section 1.3.4 "Net rental income");

> **Operating cash flow** advanced by 2.1% on a total share basis, growing at a faster pace than net rental income, primarily thanks to €3 million[2] in cost savings, especially other general expenses, with payroll costs remaining broadly flat. This translated into a further reduction in the EPRA Cost Ratio (from 15.4% to 13.9% excluding direct vacancy costs; see section 1.9.4);

> **Cost of net debt** decreased by €9.1 million to €68.0 million on a total share basis. Restated for non-cash and non-recurring items (amortization of Corio debt mark-to-market and financial instrument close-out costs), the cost of net debt came out at €66.9 million, representing a €5.1-million year-on-year reduction. Overall, the average cost of debt declined by 10 bps to 1.5% (see section 1.8.3 "Cost of debt");

> **Current tax expense** increased by €2.5 million on a total share basis to €18.4 million, mostly impacted by a change in legislation in Italy regarding the deduction of notional interest for income tax purposes; and

> **The average number of shares** outstanding fell from 301 million to 296 million as a result of the ongoing share buyback program.

See section 1.9.1 for the reconciliation of net current cash flow to EPRA Earnings and net income.

(1) Effective January 1, 2019, the first-time application of IFRS 16 has modified the Group's accounting for lease payments. At the level of net rental income, the major impact of IFRS 16 for Klépierre relates to ground leases, whose costs have been almost entirely transferred from "Land expenses" to "Change in value of investment properties" and "Interest expense on lease liabilities". In the first half, this impact added €6.9 million to NRI on a total share basis and increased the cost of net debt by €4.1 million. At the net current cash flow level, it translated into a €2.8 million positive impact (€2.6 million on a Group share basis), or ca. 1 cent per share.

(2) Restated for non-cash and for non-recurring items (employee benefits, stock option expense and severance packages).

1.6 INVESTMENTS, DEVELOPMENTS AND DISPOSALS

1.6.1 Investment market

Despite improved retailer sales since the beginning of 2019, retail property investment volumes decreased over the period, falling 19% on a trailing 12-month basis, with the anticipation of an economic slowdown and uncertainties around the prospects of retail combining to subdue investor sentiment.

Unlike in 2018 where the share of peripheral European geographies increased in the total investment volume, the market contraction in early 2019 was accompanied by renewed investor focus on core European markets. The traditional geographies accounted for two-thirds of total investment volumes over the first six months of 2019, in line with the historical average (Germany: 30%; United Kingdom: 21%, mostly high street; France: 11%, mostly supermarkets).

On the pricing front, yields on secondary assets expanded slightly across most European geographies, while the pricing of prime assets remained stable, although volumes remained low.

The number of transactions above the €100-million mark was more limited than in 2018 and private equity firms played a more active role in the market, taking advantage of a more benign competitive environment and more value-add opportunities at attractive prices.

1.6.2 Capital expenditure

Total capital expenditure in the first half of 2019 amounted to €127.7 million, breaking down as follows:

- €79.0 million allocated to the **development pipeline**, mostly relating to the extensions of Créteil Soleil, Gran Reno and Hoog Catharijne (see section 1.6.3 “Development pipeline” below);
- €41.5 million allocated to the **standing portfolio** (excluding investment on extensions), including leasing capex, technical maintenance capex, and refurbishment (see section 1.9.6 “EPRA capital expenditure”); and
- €7.3 million allocated to **other investments**, including capitalized interest and leasing fees.

1.6.3 Development pipeline

1.6.3.1 Development pipeline overview

Through its pipeline strategy, Klépierre is seeking to transform its assets while strengthening their leadership in their respective catchment areas. To do so, the Group is aiming both to modernize its shopping destinations and accelerate the transformation of their retail mix. Based on these objectives, the development pipeline strategy is to ensure tomorrow’s growth by taking reasonable risks. Considering the limited demand from retailers to expand on greenfield projects, the Group has focused its development strategy on extensions. Accordingly, Klépierre has a diversified risk profile and invests an average of roughly €70 million per project, securing the leasing of at least 40% of the leasable surface before starting the work.

As of June 30, 2019, the Group’s development pipeline represented €2.5 billion worth of potential investments, including €0.4 billion worth of committed project[(1)] with an average expected yield of 6.4%; €0.9 billion worth of controlled projects;[(2)] and €1.2 billion of identified projects.[(3)] On a Group-share basis, the total pipeline represented €2.3 billion, of which €0.4 billion committed, €0.8 billion controlled, and €1.2 billion identified.

The Group focused its development investments on its main geographies (France-Belgium, Scandinavia, Italy, Netherlands and Spain).

(1) *Projects that are under construction or for which the Klépierre Executive Board has taken the decision to start work.*

(2) *Projects under advanced review, for which Klépierre has control over the land (acquisition made or under offer, contingent on obtaining the necessary clearance and permits).*

(3) *Projects in the process of being defined and negotiated.*

▶ **DEVELOPMENT PIPELINE AS OF JUNE 30, 2019**

(on a total share basis)

Development projects	Country	Location	Type	Floor area *(in sq.m.)*	Expected opening date	Klépierre equity interest	Estimated cost[(a)] *(in millions of euros)*	Cost to date *(in millions of euros)*	Targeted yield on cost[(b)]
Hoog Catharijne Phase 3	Netherlands	Utrecht	Ext.-refurb.	23,844	2019-2020	100.0%	90	42	6.4%
Créteil Soleil	France	Paris region	Ext.-refurb.	11,400	2019-2020	80.0%	136	91	6.0%
Rives d'Arcins[(c)]	France	Bordeaux region	Extension	12,925	2019-2020	52.0%	21	15	6.9%
Gran Reno	Italy	Bologna	Ext.-refurb.	24,876	H1 2021	100.0%	147	22	6.7%
Other projects				3,785			8	3	5.0%
Total committed projects				**76,830**			**401**	**173**	**6.4%**
Campania	Italy	Naples	Redevelopment	14,200	H1 2021	100.0%	35	16	
Le Gru	Italy	Turin	Ext.-refurb.	14,610	2021-2022	100.0%	141	3	
Grand Place	France	Grenoble	Extension	16,200	H1 2021	100.0%	55	2	
Maremagnum	Spain	Barcelona	Ext.-refurb.	9,240	H2 2021	100.0%	51	0	
Odysseum[(c)]	France	Montpellier	Ext.-redev.	15,300	H2 2021	100.0%	47	8	
Porta di Roma[(d)]	Italy	Rome	Extension	4,880	H1 2022	50.0%	9	0	
Il Leone di Lonato[(d)]	Italy	Lombardy	Extension	9,300	H1 2022	50.0%	23	0	
Val d'Europe	France	Paris region	Extension	9,000	H1 2022	55.0%	59	0	
Blagnac	France	Toulouse region	Ext.-refurb.	5,600	H1 2022	53.6%	12	0	
Le Vele & Millenium	Italy	Sardinia	Ext.-refurb.	7,500	H2 2022	100.0%	50	0	
Allum	Sweden	Gothenburg region	Redevelopment	12,500	H2 2022	56.1%	61	5	
L'Esplanade	Belgium	Brussels region	Extension	19,475	H2 2022	100.0%	131	18	
Økernsenteret[(d)]	Norway	Oslo	Redevelopment	49,615	H2 2023	28.0%	76	24	
Viva	Denmark	Odense	New development	28,200	H1 2024	56.1%	117	23	
Other projects				15,600			67	0	
Total controlled projects				**231,220**			**934**	**99**	
Total identified projects				**249,840**			**1,173**	**4**	
TOTAL				**557,890**			**2,508**	**276**	

(a) Estimated cost as of June 30, 2019, including any fitting-out costs and excluding any step-up rents, internal development fees and finance costs.
(b) Targeted yield on cost as of June 30, 2019, based on targeted NRI with full occupancy and excluding any lease incentives, divided by the estimated cost price as defined above.
(c) Including restructured surfaces: Bègles Rives d'Arcins for 6,950 sq.m. and Odysseum for 9,200 sq.m.
(d) Equity-accounted companies. Estimated costs and costs to date are reported proportionately for Klépierre's share of equity. Floor areas correspond to the total surface area of the projects.

1.6.3.2 Redevelopment of Hoog Catharijne

Hoog Catharijne, located in Utrecht, is the most visited mall in the Netherlands, with footfall of 27.5 million in 2018. To enhance its leadership, Klépierre has been pursuing a very ambitious redevelopment project aimed at adding new retail and dining space and revamping the existing shopping center with state-of-the-art design to ensure the most enjoyable customer experience. Work on the large-scale redevelopment of this world-class mall has been carried out in several phases all slated for completion by 2021. The sections already opened, representing a total of 54,000 sq.m., are 95% let, and the mall's overall leasing rate stands at 85%.

In March 2019, Hudson's Bay opened a 17,000-sq.m. department store in a section of the shopping center not owned by Klépierre but connected to the mall, followed by Primark in May 2019. With 11,300 sq.m., the Primark store is the second largest in the country after Amsterdam City Center. In April, Samsung also opened an iconic "experience store." Work is now focused on the redevelopment of the lateral wings of the mall, which are used daily by train commuters as urban links to downtown Utrecht. Spread over 23,800 sq.m., the retail offering along these wings will be adding new services for commuters as well as a flagship Mediamarkt store.

1.6.3.3 Extension and refurbishment of Créteil Soleil

The extension of Créteil Soleil is expected to be completed by the end of 2019. Covering 11,400 sq.m., the extension is located at the main entrance of the shopping center, which welcomes 35% of the 21-million footfall. Spread over three floors, it will create a scenic connection between the subway station and the heart of the center. The program consists in creating 18 new retail premises, 15 restaurants, and 6 additional screens to the existing 12-screen movie theater, expanding the capacity to 3,650 seats. The shopping experience will be considerably enhanced, leveraging the synergy between the restaurants and the movie theater. Leasing is progressing well, with 90% of the space already let (signed or in advanced negotiations), notably including Lego, Nike and the first Monki store in a shopping center in France. This extension will be topped off by the full refurbishment of the entire mall, for which work started in the final quarter of 2018. As part of the refurbishment, Klépierre will be rolling out the Destination Food® concept, combining the existing food offering with the one added by the extension and bringing the total number of restaurants to 35, all set in a welcoming and stimulating new environment. Newcomers include Beer & Beef Sports Bar, Woko, Factory & Co, IT Trattoria, El Mercado, La Cantine Libanaise, 100 Montaditos and Five Guys.

1.6.3.4 Extension and refurbishment of Gran Reno

The Gran Reno shopping center is located near Bologna, in the main retail and leisure destination in the region with a total retail offering of 160,000 sq.m. comprising Gran Reno, Ikea, Leroy Merlin, Decathlon plus the Unipol Arena, the largest sports and culture complex in Italy. The 16,500-sq.m. extension, rounded out with the refurbishment of the existing center, will create a 54,400-sq.m. regional shopping center with an unrivalled competitive offering in Italy's wealthiest catchment area. Together with the Destination Food® concept, 70 new brands will be added to the center's offering, as well as indoor and outdoor event areas in a brand-new welcoming and stimulating environment.

Work started in April 2019 and pre-leasing activity is progressing well, with 50% of the space signed or under advanced negotiations, including with Zara, Bershka, Pull&Bear and Stradivarius. Opening is scheduled for the first half of 2021.

In addition, the acquisition of the first floor of the hypermarket will be finalized in the second half of 2019. This 8,500-sq.m. space will be redeveloped in order to bring on board new anchors, further reinforcing the center's regional appeal. The hypermarket will be renovated and repositioned over a single floor with a sales area of 7,500 sq.m.

1.6.3.5 Extension of Rives d'Arcins

The extension of Rives d'Arcins (Bègles, France), one of the largest shopping centers in the Bordeaux urban community, attracting more than 5 million visitors each year over more than 52,000 sq.m, is being delivered in phases. A new 6,000-sq.m. Decathlon store was opened in April 2019, to be followed by Go Sport and Maisons du Monde in the second half of 2019. In 2020, Zara will open a 3,300-sq.m., full-range store, and Stradivarius and Pull&Bear will also be joining the center.

1.6.4 Disposals

▶ DISPOSALS COMPLETED SINCE JANUARY 1, 2019

Assets (City, Country)	Area *(in sq.m.)*	Sale price[a] *(in millions of euros)*	Date
Novodvorská Plaza (Prague, Czech Republic)	26,926		01/10/2019
Creil (Saint Maximin, France)	4,066		03/08/2019
Minho Center (Braga, Portugal)	9,602		04/30/2019
Loures (Loures, Portugal)	17,370		04/30/2019
Telheiras (Lisbon, Portugal)	15,297		04/30/2019
Gaia Jardim (Vila Nova de Gaia, Portugal)	5,212		04/30/2019
Almere Centrum (Almere, Netherlands)	22,700		06/19/2019
Shopping centers	**101,173**	**252.6**	
Other properties	**4,200**	**4.1**	
TOTAL DISPOSALS	**105,373**	**256.7**	

(a) *Excluding transfer taxes, total share.*

Since January 1, 2019, the Group has completed disposals totaling €256.7 million (total share, excluding transfer taxes) as part of its ongoing portfolio streamlining. This amount includes the sale of:

> **Seven malls**: four in Portugal (Minho Center, Loures, Telheiras and Gaia Jardim), one in the Czech Republic (Novodvorská Plaza in Prague), one in France (Saint-Maximin in Creil) and one in the Netherlands (Almere Centrum, Almere);[1] and

> **Other properties** relating to buildings in France.

Beyond these disposals, the Group has signed promissory agreements for a total amount of €244.3 million. This includes the disposal of four shopping centers in Hungary (Corvin, Duna Plaza, Miskolc Plaza and Gyor Plaza) for a total consideration of €217.5 million (excluding transfer taxes). After the closing of this transaction, the Group will no longer own or operate any shopping centers in Hungary.

Closed disposals together with promissory agreements totaled €501 million (excluding transfer taxes), including 11 malls for €485 million (including transfer taxes). These malls were sold at a 5.5% premium to their more recent appraised value, 5.3% above their 2017 valuation, 13.2% above their 2016 valuation and 18.2% above their 2015 valuation, illustrating the Group's ability to crystalize high value creation through disposals.

1.6.5 Financial investments

During the first half of 2019 and as part of the €400-million share buyback program announced on February 6, 2019, the Group repurchased 5,091,144 of its own shares at an average price of €31.00 and an aggregate amount of €158 million.

(1) *A small portion of Almere has been kept within Klépierre's portfolio.*

1.7 PORTFOLIO VALUATION

1.7.1 Property portfolio valuation

1.7.1.1 Property portfolio valuation methodology

1.7.1.1.1 Scope of the portfolio appraised by external appraisers

As of June 30, 2019, 98% of the value of Klépierre's property portfolio, or €23,568 million (including transfer taxes, on a total share basis),[1] was estimated by external appraisers in accordance with the methodology described below. The remainder of the portfolio was valued as follows:

- Projects under development, which are carried at cost;[2] and
- Other non-appraised assets consisting mainly of assets held for sale and valued at the agreed transaction price, land valued at cost, and development projects internally valued at fair value.

BREAKDOWN OF THE PROPERTY PORTFOLIO BY TYPE OF VALUATION AS OF JUNE 30, 2019
(on a total share basis)

Type of asset	Value *(in millions of euros)*
Externally-appraised assets	**23,568**
Acquisitions	0
Investment property at cost	212
Other internally-appraissed assets (land, assets held for sale, etc.)	261
TOTAL PORTFOLIO	**24,042**

1.7.1.1.2 Methodology used by external appraisers

On December 31 and June 30 of each year, Klépierre updates the fair market value of its properties using valuations provided by independent appraisers. Engagement terms are issued for three-year periods, covering six campaigns, after which Klépierre is committed to rotating appraisers in accordance with the recommendations of the French financial markets authority (*Autorité des marchés financiers* – AMF).

Further to a tender process launched in 2017, Klépierre selected new appraisers to serve from the June 2018 campaign onwards. The selected appraisers are: BNP Paribas Real Estate, CBRE, Colliers, Cushman & Wakefield and Jones Lang LaSalle. The fees payable to these firms are set at the time of signing the three-year term and depend on the number of property units appraised.

BREAKDOWN BY APPRAISER OF THE APPRAISED PROPERTY PORTFOLIO AS OF JUNE 30, 2019

Appraiser	Countries covered	Share of total portfolio *(in %)*
Cushman & Wakefield	> France, Norway, Sweden, Denmark, Belgium, Poland and Hungary	43%
CBRE	> France, Spain, Italy, Netherlands, Czech Republic and Portugal	36%
Jones Lang LaSalle	> Italy, Turkey and Greece	16%
BNP Paribas Real Estate	> Germany and France (other retail properties)	5%
Colliers	> Italy (1 asset)	0%
TOTAL		**100%**

All appraisers appointed by Klépierre comply with the professional standards applicable in France (*Charte de l'Expertise en Évaluation Immobilière*), the recommendations of the AMF dated February 8, 2010, and RICS (Royal Institution of Chartered Surveyors) standards.

To calculate the value of each asset, appraisers use the discounted cash flow (DCF) method over a 10-year period. Klépierre provides them with all relevant information pertaining to rents in place (detailed rent rolls, footfall, retailer sales, occupancy cost ratios, etc.), which they use to make their assessment of projected rental revenue in addition to their own leasing assumptions (estimated rental values, vacancy, incentives, etc.). They also make their own estimates of future capital expenditure and non-recoverable operating expenses. The terminal value is calculated based on the net rental income for the tenth year (indexed one year), capitalized by an exit yield. Lastly, appraisers apply a discount rate to the future cash flows, combining the country risk-free rate, the liquidity premium related to the local investment market and an asset-specific risk premium reflecting the location, quality, size and technical specificities of the asset considered.

The Group's Statutory Auditors have performed audit procedures on the property values as part of the audit of the consolidated financial statements. A detailed report on the property valuation campaign is examined by the Audit Committee.

(1) Investments in equity-accounted assets are included based on the fair value of the equity owned by the Group in the companies holding the assets, taking into account receivables and facilities granted by the Group.

(2) Other projects (Gran Reno, Viva, Økern and Louvain) are carried at cost.

▶ **ASSUMPTIONS USED BY APPRAISERS FOR DETERMINING THE SHOPPING CENTER PORTFOLIO VALUATION AS OF JUNE 30, 2019[a]**

Geography	Annual rent[b] (in €/sq.m.)	Discount rate[c]	Exit rate[d]	NRI CAGR[e]
France-Belgium	367	5.7%	4.8%	2.8%
Italy	386	7.0%	5.6%	1.7%
Scandinavia	334	6.8%	4.8%	2.2%
Iberia	339	7.3%	5.7%	2.2%
CE & Other	217	9.2%	7.1%	3.7%
Netherlands	239	6.6%	6.0%	3.1%
Germany	225	5.1%	4.4%	1.1%
TOTAL	**315**	**6.5%**	**5.2%**	**2.4%**

(a) Discount rate and exit rate weighted by shopping center appraised value (including transfer taxes, Group share).
(b) Average annual rent (minimum guaranteed rent plus sales based rent) per asset per sq.m.
(c) Rate used to calculate the net present value of future cash flows to be generated by the asset.
(d) Rate used to capitalize the net rental income at the end of the DCF period and calculate the terminal value of the asset.
(e) Compound annual growth rate (CAGR) of net rental income as estimated by the appraiser over a 10-year period.

The value obtained by a DCF method is then benchmarked using metrics such as EPRA Net Initial Yield (NIY) for comparable property, value per sq.m., and recent market transactions.

1.7.1.2 Valuation

1.7.1.2.1 Property portfolio valuation

▶ **VALUATION OF THE PROPERTY PORTFOLIO**
(on a total share basis, including transfer taxes)

			Change over 6 months			Change over 12 months		
In millions of euros	**06/30/2019**	**% of total portfolio**	**12/31/2018**	**Reported**	**LfL[a]**	**06/30/2018**	**Reported**	**LfL[a]**
France	9,098	37.8%	9,231	−1.4%	−1.6%	9,255	−1.7%	−2.4%
Belgium	447	1.9%	454	−1.6%	−1.8%	452	−1.1%	−1.5%
France-Belgium	**9,545**	**39.7%**	**9,684**	**−1.4%**	**−1.6%**	**9,707**	**−1.7%**	**−2.3%**
Italy	**4,045**	**16.8%**	**4,052**	**−0.2%**	**−1.0%**	**4,112**	**−1.6%**	**−0.4%**
Norway	1,491	6.2%	1,424	+4.8%	+1.3%	1,510	−1.2%	−0.3%
Sweden	1,200	5.0%	1,252	−4.1%	−1.5%	1,232	−2.6%	−1.8%
Denmark	1,181	4.9%	1,196	−1.3%	−1.7%	1,179	+0.2%	−1.2%
Scandinavia	**3,873**	**16.1%**	**3,872**	**0.0%**	**−0.5%**	**3,921**	**−1.2%**	**−1.0%**
Spain	1,938	8.1%	1,918	+1.0%	+0.9%	1,878	+3.2%	+2.9%
Portugal	304	1.3%	394	−22.9%	+1.5%	394	−22.8%	+3.9%
Iberia	**2,242**	**9.3%**	**2,313**	**−3.1%**	**+1.0%**	**2,271**	**−1.3%**	**+3.0%**
Czech Republic	682	2.8%	696	−2.0%	+3.3%	680	+0.3%	+4.8%
Poland	375	1.6%	388	−3.5%	−4.7%	399	−6.2%	−9.0%
Hungary	215	0.9%	201	+6.9%	+6.4%	254	−15.3%	+11.6%
Turkey	315	1.3%	363	−13.3%	−4.7%	410	−23.2%	−5.7%
Others	22	0.1%	23	−5.8%	−6.3%	25	−11.7%	−12.2%
CE & Other	**1,609**	**6.7%**	**1,672**	**−3.8%**	**0.0%**	**1,768**	**−9.0%**	**−0.3%**
Netherlands	**1,433**	**6.0%**	**1,514**	**−5.3%**	**−1.2%**	**1,471**	**−2.6%**	**−1.1%**
Germany	**959**	**4.0%**	**976**	**−1.7%**	**−1.9%**	**978**	**−1.9%**	**−2.9%**
Total shopping centers	**23,706**	**98.6%**	**24,083**	**−1.6%**	**−0.9%**	**24,229**	**−2.2%**	**−1.1%**
Total other retail properties	**336**	**1.4%**	**357**	**−5.8%**	**−5.0%**	**365**	**−8.0%**	**−6.6%**
TOTAL PORTFOLIO	**24,042**	**100.0%**	**24,440**	**−1.6%**	**−1.0%**	**24,594**	**−2.2%**	**−1.2%**

(a) Like-for-like change. For Scandinavia and Turkey change is indicated on constant portfolio and forex basis. Central European assets are valued in euros.

▶ VALUATION OF THE PROPERTY PORTFOLIO

(on a Group share basis, including transfer taxes)

In millions of euros	06/30/2019	% of total portfolio	Change over 6 months			Change over 12 months		
			12/31/2018	Reported	LfL[(a)]	06/30/2018	Reported	LfL[(a)]
France	7,258	35.6%	7,385	−1.7%	−1.8%	7,418	−2.1%	−2.7%
Belgium	447	2.2%	454	−1.6%	−1.8%	452	−1.1%	−1.5%
France-Belgium	**7,705**	**37.8%**	**7,839**	**−1.7%**	**−1.8%**	**7,869**	**−2.1%**	**−2.7%**
Italy	**4,015**	**19.7%**	**4,021**	**−0.2%**	**−1.0%**	**4,072**	**−1.4%**	**−0.3%**
Norway	837	4.1%	799	+4.8%	+1.3%	847	−1.2%	−0.3%
Sweden	673	3.3%	702	−4.1%	−1.5%	691	−2.6%	−1.8%
Denmark	663	3.2%	671	−1.3%	−1.7%	661	+0.2%	−1.2%
Scandinavia	**2,173**	**10.6%**	**2,172**	**0.0%**	**−0.5%**	**2,200**	**−1.2%**	**−1.0%**
Spain	1,938	9.5%	1,918	+1.0%	+0.9%	1,878	+3.2%	+2.9%
Portugal	304	1.5%	394	−22.9%	+1.5%	394	−22.8%	+3.9%
Iberia	**2,242**	**11.0%**	**2,313**	**−3.1%**	**+1.0%**	**2,271**	**−1.3%**	**+3.0%**
Czech Republic	682	3.3%	696	−2.0%	+3.3%	680	+0.3%	+4.8%
Poland	375	1.8%	388	−3.5%	−4.7%	399	−6.2%	−9.0%
Hungary	215	1.1%	201	+6.9%	+6.4%	254	−15.3%	+11.6%
Turkey	295	1.4%	341	−13.5%	−4.8%	386	−23.6%	−6.2%
Others	22	0.1%	23	−5.8%	−6.3%	25	−11.7%	−12.2%
CE & Other	**1,589**	**7.8%**	**1,650**	**−3.7%**	**0.0%**	**1,745**	**−8.9%**	**−0.3%**
Netherlands	**1,433**	**7.0%**	**1,514**	**−5.3%**	**−1.2%**	**1,471**	**−2.6%**	**−1.1%**
Germany	**911**	**4.5%**	**927**	**−1.7%**	**−1.9%**	**929**	**−1.9%**	**−2.9%**
Total shopping centers	**20,068**	**98.4%**	**20,436**	**−1.8%**	**−1.0%**	**20,557**	**−2.4%**	**−1.1%**
Total other retail properties	**336**	**1.6%**	**357**	**−5.8%**	**−5.0%**	**365**	**−8.0%**	**−6.6%**
TOTAL PORTFOLIO	**20,404**	**100.0%**	**20,793**	**−1.9%**	**−1.1%**	**20,922**	**−2.5%**	**−1.2%**

(a) Like-for-like change. For Scandinavia and Turkey, change is indicated on a constant forex basis. Central European assets are valued in euros.

Including transfer taxes, the value of the property portfolio as of June 30, 2019 was €24,042 million on a total share basis (€20,404 million on a Group share basis). On a total share basis (including transfer taxes), shopping centers accounted for 98.6% of the portfolio and other retail properties for 1.4%.[(1)]

▶ VALUATION RECONCILIATION WITH THE STATEMENT OF FINANCIAL POSITION FIGURE

(on a total share basis)

In millions of euros	
Investment property at fair value	**21,525**
Right of use relating to ground leases[(a)]	(361)
Investment property at cost[(b)]	212
Fair value of property held for sale	239
Leasehold & lease incentives	16
Transfer taxes	1,086
Partners' share in assets consolidated under the equity method (incl. receivables)	1,325
TOTAL PORTFOLIO	**24,042**

(a) The right of use as defined by IFRS 16 is not included in the portfolio valuation by external appraisers, except for the upfront payments on ground leases.
(b) Including IPUC (investment property under construction).

1.7.1.2.2 Shopping center portfolio valuation

Including transfer taxes, the value of the shopping center portfolio stood at €23,706 million on a total share basis as of June 30, 2019, down by 1.6% or €377 million on a reported basis compared to the same period last year. This increase reflects the combined impact of the following factors:

- A €223-million like-for-like valuation decrease (down 0.9%);
- A €128-million increase related to acquisitions and development;
- A €256-million negative impact from disposals; and
- A €27-million negative impact related to foreign exchange.

(1) This segment refers to standalone retail units located in France and mostly in the vicinity of retail destinations.

▸ 12-MONTH SHOPPING CENTER PORTFOLIO VALUATION RECONCILIATION

(on a total share basis, including transfer taxes)

In millions of euros	
Shopping center portfolio at 06/30/2018	**24,229**
Disposals	(230)
Acquisitions/developments	230
Like-for-like change	(53)
Forex	(93)
Shopping center portfolio at 12/31/2018	**24,083**
Disposals	(256)
Acquisitions/developments	128
Like-for-like change	(223)
Forex	(27)
SHOPPING CENTER PORTFOLIO AT 06/30/2019	**23,706**

The slight 0.9% decrease in the like-for-like property valuation over the past six months was mostly driven by a higher risk premium used by external appraisers in their DCF model. Combined with a slightly lower risk-free rate and, accordingly, lower indexation, the higher risk premium translated into a broadly stable discount rate and a higher exit rate, ultimately leading to a negative 1.2% market effect on the valuation of the portfolio.

On the back of healthy rental transactions and despite slightly lower indexation assumptions, NRI growth as predicted by the appraisers in their valuation model was broadly unchanged compared to the December 2018 appraisal campaign, translating into a slightly positive cash flow effect on the valuation of the portfolio (positive 0.2% impact).

From a geographical perspective, Iberia was still the most dynamic region (up 1.0% over 6 months and up 3.0% over 12 months), boosted by a strong cash flow effect.

▸ LIKE-FOR-LIKE 6-MONTH CHANGE IN SHOPPING CENTER PORTFOLIO VALUATION: MARKET AND CASH FLOW EFFECTS[a]

Geography	LFL change	Market effect	Cash flow effect
France-Belgium	−1.6%	−1.6%	0.0%
Italy	−1.0%	−0.8%	−0.1%
Scandinavia	−0.5%	−1.5%	+1.0%
Iberia	+1.0%	−0.4%	+1.4%
CE & Other	0.0%	−0.9%	+0.8%
Netherlands	−1.2%	−0.7%	−0.5%
Germany	−1.9%	+0.2%	−2.1%
TOTAL SHOPPING CENTERS	**−0.9%**	**−1.2%**	**+0.2%**

(a) Figures may not add up due to rounding.

Overall, as of June 30, 2019, the average EPRA NIY rate[1] for the portfolio[2] stood at 4.9%, remaining flat versus six months ago. This compares with a blended risk-free rate of 0.7%,[3] which materializes the Klépierre portfolio's widest risk premium in a decade.

(1) EPRA Net Initial Yield is calculated as the annualized rental income based on passing cash rents, less non-recoverable property operating expenses, divided by the market value of the property (including transfer taxes).

(2) Group share for the shopping center portfolio appraised (i.e., excluding retail parks and movie theaters).

(3) Blended risk-free rate for the Klépierre countries based on 10-year Government bonds weighted by the share of each country in the Klépierre portfolio as of June 30, 2019.

▶ **CHANGE IN EPRA NET INITIAL YIELD OF THE SHOPPING CENTER PORTFOLIO**[(a)]

(on a group share basis, including transfer taxes)

Country	06/30/2019	12/31/2018	06/30/2018
France	4.3%	4.2%	4.2%
Belgium	4.0%	4.0%	3.9%
France-Belgium	**4.3%**	**4.2%**	**4.1%**
Italy	**5.5%**	**5.5%**	**5.5%**
Norway	4.8%	4.9%	4.8%
Sweden	4.2%	4.2%	4.3%
Denmark	4.5%	4.5%	4.4%
Scandinavia	**4.5%**	**4.5%**	**4.5%**
Spain	5.3%	5.1%	5.0%
Portugal	6.5%	6.7%	6.2%
Iberia	**5.5%**	**5.4%**	**5.2%**
Poland	7.9%	7.7%	7.6%
Hungary	8.6%	8.4%	8.9%
Czech Republic	4.5%	4.9%	4.6%
Turkey	7.6%	8.4%	7.0%
Others	12.6%	9.9%	11.3%
CE & Other	**6.3%**	**6.8%**	**6.6%**
Netherlands	**5.2%**	**5.1%**	**5.0%**
Germany	**4.5%**	**4.6%**	**4.6%**
TOTAL SHOPPING CENTERS	**4.9%**	**4.9%**	**4.8%**

(a) Excluding offices, retail parks, and retail boxes attached to shopping centers.

▶ **SHOPPING CENTER PORTFOLIO VALUATION: SENSITIVITY TO CHANGES IN THE DISCOUNT RATE AND EXIT RATE**

(on a total share basis, including transfer taxes)

The tables below present the change in the valuation of the shopping center portfolio using different discount rate and exit rate assumptions than those used by the appraisers.

	Discount rate variance					
Geography	**−100 bps**	**−50 bps**	**−25 bps**	**+25 bps**	**+50 bps**	**+100 bps**
France-Belgium	+7.9%	+3.8%	+1.9%	−1.9%	−3.7%	−7.2%
Italy	+7.8%	+3.3%	+1.9%	−1.8%	−3.6%	−7.1%
Scandinavia	+7.8%	+3.8%	+1.9%	−1.8%	−3.6%	−7.1%
Iberia	+7.6%	+3.7%	+1.8%	−1.8%	−3.6%	−7.0%
CE & Other	+7.1%	+3.5%	+1.7%	−1.6%	−3.3%	−6.4%
Netherlands	+10.0%	+4.4%	+1.8%	−3.3%	−5.7%	−10.3%
Germany	+8.6%	+4.2%	+2.1%	−2.0%	−4.0%	−7.7%
TOTAL SHOPPING CENTERS	**+7.9%**	**+3.8%**	**+1.9%**	**−1.9%**	**−3.8%**	**−7.3%**

	Exit rate variance					
Geography	**−100 bps**	**−50 bps**	**−25 bps**	**+25 bps**	**+50 bps**	**+100 bps**
France-Belgium	+18.8%	+8.1%	+3.8%	−3.4%	−6.5%	−11.6%
Italy	+13.5%	+6.1%	+2.9%	−2.6%	−5.0%	−9.3%
Scandinavia	+21.0%	+9.2%	+4.3%	−3.9%	−7.4%	−13.5%
Iberia	+13.5%	+6.0%	+2.9%	−2.6%	−5.0%	−9.2%
CE & Other	+10.8%	+4.9%	+2.3%	−2.1%	−4.1%	−7.5%
Netherlands	+14.8%	+6.2%	+2.5%	−3.7%	−6.5%	−11.2%
Germany	+21.1%	+9.2%	+4.3%	−3.8%	−7.3%	−13.3%
TOTAL SHOPPING CENTERS	**+17.0%**	**+7.4%**	**+3.5%**	**−3.2%**	**−6.1%**	**−11.0%**

1.7.1.2.3 Other retail properties

Including transfer taxes, the value of the other retail property portfolio stood at €336 million, down 5.8% over 6 months, due to the disposal of seven retail boxes, and down 5.0% on a like-for-like portfolio basis. The EPRA NIY of the portfolio came out at 6.8%, up 10 bps compared with December 31, 2018.

1.7.2 Management service activities

Klépierre's real estate management service activities include asset management, development and investment advisory services provided to property companies, most of which are owned by the Group.

These activities are valued once a year by Accuracy (as of the end of December), an independent external consultant, using a DCF method based on a sum-of-the-parts approach for each country in which Klépierre operates. The DCF is based on a business plan of future cash flows (fees charged to property companies, net of payroll costs and other general and administrative expenses) including a terminal value calculated with a normative expected cash flow. Future cash flows are discounted at 7.6% based on the weighted average cost of capital of comparable listed companies managing third-party real estate investments.

The fair market value of the Klépierre Group management service activities as of June 30, 2019 is the same as that as of December 31, 2018 since no major change occurred in the valuation assumptions. It stood at €373.5 million on a total share basis (€364.5 million, Group share) compared to €361.2 million (€353.7 million, Group share) as of June 30, 2018.

1.8 FINANCIAL POLICY

Based on a moderate use of financial leverage, Klépierre's financial policy aims at ensuring balance-sheet stability, continuous access to financial resources and the most competitive cost of capital. Financial conditions have shifted markedly towards lower financing costs with significant decreases in interest rates in the eurozone and tighter credit spreads over the first six months of the year. In that favorable context, Klépierre continued to enhance its debt profile by issuing long-term debt at a very competitive cost while also focusing on optimizing its liquidity and hedging positions.

1.8.1 Financial resources

1.8.1.1 Change in net debt

As of June 30, 2019, consolidated net debt totaled €8,818 million, versus €8,875 million as of December 31, 2018, representing a €57-million decrease that was mainly attributable to:

> Cash inflows from operations and other items (foreign exchange, changes in working capital), amounting to €444 million;
> Cash outflows in respect of corporate actions for €523 million (including the interim dividend in March for €312 million, distributions to non-controlling interests for €54 million and the buyback of Klépierre shares for an aggregate amount of €158 million);
> Cash outflows in respect of capital expenditure for €121 million (see section 1.9.6 "EPRA Capital Expenditure") including €79 million in development pipeline projects and €42 million in standing assets; and
> Cash inflows from disposals for €257 million, corresponding to the proceeds from assets sold mainly in France and Portugal.

1.8.1.2 Loan-to-Value ratio

Despite the reduction in net debt, the Loan-to-Value (LTV) ratio increased to 36.7% as of June 30, 2019, a 40-bp increase compared to year-end 2018 mainly attributable to a decrease in capital values. Nevertheless, the metric remains comfortably anchored within Klépierre's long-term LTV target of between 35% and 40%.

▶ LOAN-TO-VALUE CALCULATION AS OF JUNE 30, 2019

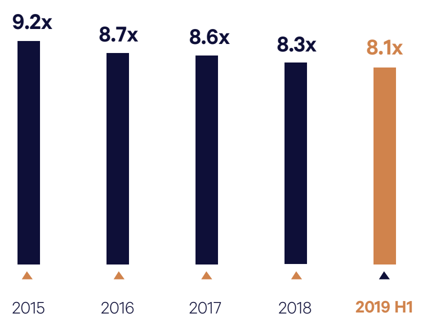
(as per covenant definitions, on a total share basis)

In millions of euros	06/30/2019	12/31/2018
Current financial liabilities	2,452.2	2,069.6
Bank facilities	68.5	224.7
Non-current financial liabilities	6,643.0	7,036.3
Revaluation due to fair value hedge	(13.1)	(18.2)
Fair value adjustment of debt[a]	(31.0)	(40.6)
Gross financial liabilities excluding fair value hedge	**9,119.6**	**9,271.8**
Cash and cash equivalents[b]	(301.6)	(396.7)
Net debt	**8,818.0**	**8,875.1**
Property portfolio value (incl. transfer taxes)	24,041.9	24,439.6
LOAN-TO-VALUE RATIO	**36.7%**	**36.3%**

(a) Corresponds to the outstanding amount of the market value adjustment for Corio's debt recognized at the acquisition date.
(b) Including cash managed for principals.

Thanks to the combined effect of deleveraging along with stronger operating performances, the net debt to EBITDA ratio continued on its downward trend to 8.1x as of the end of June 2019, compared to 8.3x as of December 31, 2018.

▶ NET DEBT TO EBITDA



1.8.1.3 Available resources

During the first half of the year, Klépierre's liquidity position increased by €1 billion to €3.2 billion as of July 1, 2019, as a result of the following initiatives:

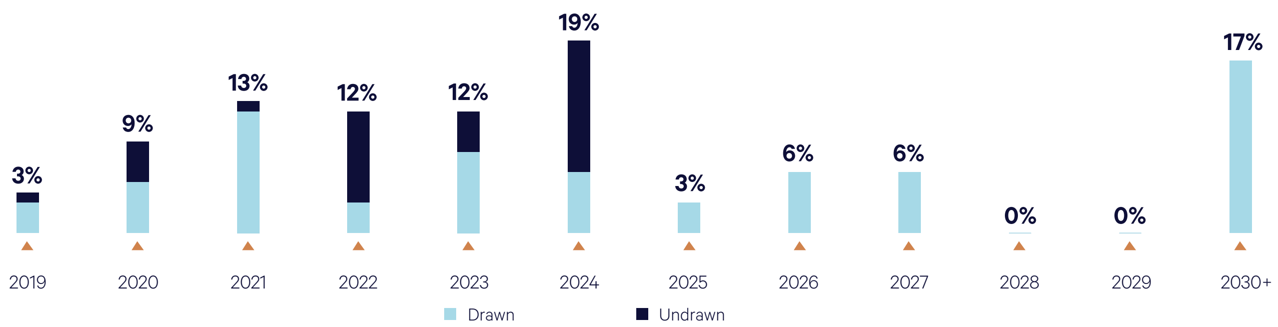
- A new €200 million bilateral revolving credit facility was signed with a five-year maturity;
- Eight bilateral facilities originally maturing in 2023 were extended to 2024 for an aggregate amount of €1,100 million; and
- €600 million worth of new 11-year notes were sold at the end of June (settlement on July 1, 2019) bearing a 0.625% coupon. This new bond aims at pre-financing the shortest bonds maturing in 2019 and 2020.

In Scandinavia, Steen & Strøm, Scandinavia's leading shopping center real estate company in which Klépierre has a controlling stake, raised €169 million in NOK and SEK in the capital markets (bonds and commercial paper), set aside to refinance €194 million in financing in the same currencies and falling due during the first half of the year.

Taking into account these transactions, the Group's average debt maturity stood at 5.7 years, unchanged from year-end 2018. The average remaining maturity of undrawn committed credit facilities remained high, at 4.7 years, compared to 4.6 years at year-end 2018.

▶ DEBT MATURITY SCHEDULE AS OF JUNE 30, 2019

(% of authorized debt)

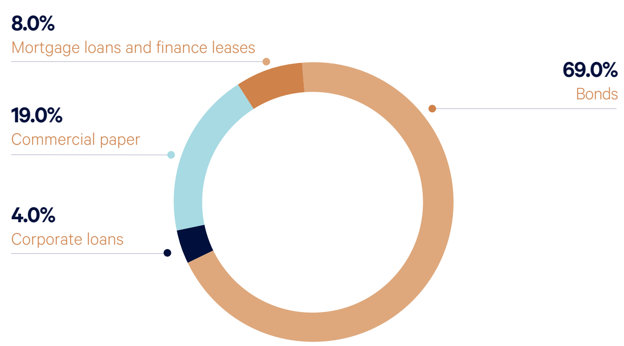


1.8.1.4 Debt structure

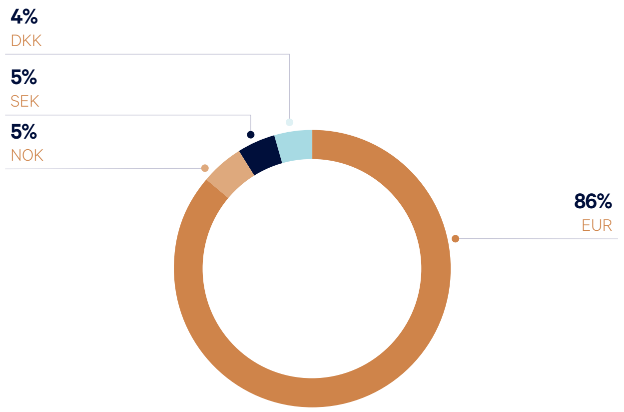
As of June 30, 2019, the share of financing sourced from capital markets in total debt stood at 87%, enabling Klépierre to benefit from excellent financing conditions. Bank facilities accounted for 13%, of which 9% concerned asset-backed debt raised mainly in Scandinavia (7.1%), France (1.4%) and Italy (0.1%).

Klépierre's debt exposure to foreign currencies is adjusted to mirror that of its assets—except for the Czech Republic, Poland and Turkey. Considering the limited exposure of the Group's portfolio to these countries[1] and the cost of currency hedging, especially over long durations, the Group has decided not to hedge this position.

▸ FINANCING BREAKDOWN BY TYPE OF RESOURCE AS OF JUNE 30, 2019
(utilizations, total share)



▸ FINANCING BREAKDOWN BY CURRENCY AS OF JUNE 30, 2019
(utilizations, total share)



1.8.2 Interest-rate hedging

Over 2019, Klépierre strengthened its hedging profile through the following initiatives:

> In early January 2019, Klépierre continued to implement a new hedging program to increase the share of fixed-rate debt over the 2021-2025 period and consequently secure its cost of debt at an attractive level. Accordingly, Klépierre bought €500 million in payer swaptions in addition to €200 million already bought in December 2018 and €250 million worth of caps to renew the same amount of instruments maturing in 2019, with an average maturity of three years;

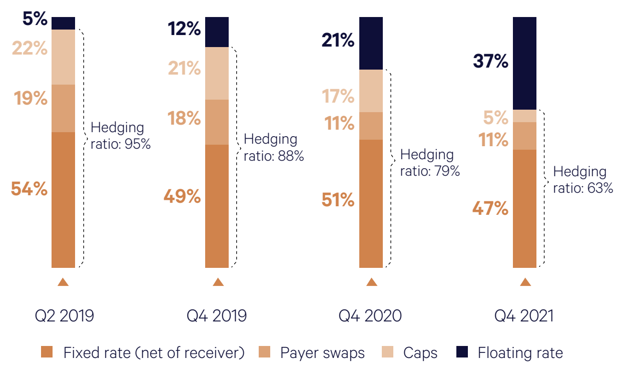
> From January to May 2019, Klépierre switched €400 million of its short-term fixed-rate exposure to optional hedging instruments. These transactions will limit the cost of carry of the hedging portfolio in the next two years;

> In June 2019, Steen & Strøm subscribed €72 million worth of hedging instruments denominated in NOK to maintain its hedging ratio at 76% as of June 30, 2019 (one percentage point lower than at year-end 2018); and

> At end-June 2019, Klépierre entered into a €600 million interest rate swap (starting July 1) in the context of preparing a new bond issuance (€600 million).

As of June, 30 2019, the proportion of fixed-rate debt (including hedging instruments) was set at 95%, while its average maturity remained around five years (4.6). Accordingly, the Group's cost of debt for the coming years is expected to remain stable, with low sensitivity to interest rate fluctuations.

▸ DEBT BY TYPE OF HEDGING INSTRUMENTS



Based on the interest rate yield curve as of June 30, 2019, the Group's annual cash-cost-at-risk stood at €1 million on a total share basis. In other words, the annual loss resulting from short-term interest rate movements would be less than €1 million 99% of the time. This calculation does not factor in any assumptions regarding changes in the credit spread.

(1) On a total-share basis, including transfer taxes, Czech Republic represented 2.8% of the total Klépierre portfolio, Poland 1.6% and Turkey 1.3%.

1.8.3 Cost of debt

During the first half, the Group's average cost of debt continued to fall to 1.5% versus 1.6% in 2018, benefiting from the low short-term interest rates and from the attractive refinancing operations carried out in recent years.

In view of the low cost of debt and robust operating performances, the interest coverage ratio (ICR, EBITDA divided by net interest expense) stood at 7.9x.

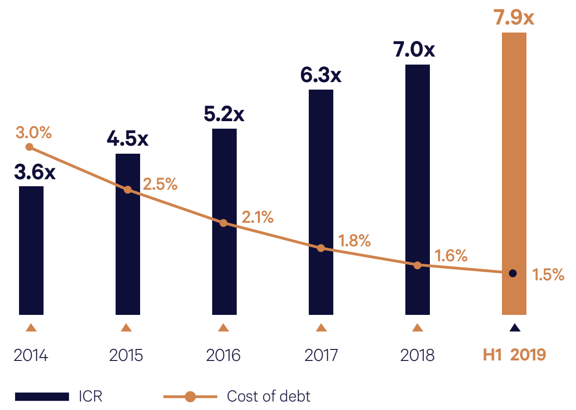
► **BREAKDOWN OF COST OF DEBT**

In millions of euros	06/30/2019	06/30/2018
Cost of net debt (as per IFRS consolidated income statement)	**68.0**	**77.0**
Non-recurring items	1.6	(1.6)
Non-cash impact	(1.1)	(6.1)
Interest on associate advances	5.8	6.9
Liquidity cost	(2.9)	(3.3)
Interest expense on lease liabilities[a]	(4.2)	-
Cost of debt (used for cost of debt calculations)	**67.2**	**72.9**
Average gross debt	**8,929.3**	**9,121.4**
COST OF DEBT *(in %)*	**1.5%**	**1.6%**

(a) As per IFRS 16.

Fixed-rate bonds to mature until end-2022 represent a total amount of €1.8 billion (out of which €0.7 billion are swapped) at an average coupon of 4.2% (2.7% restated for the swaps). Based on current market conditions, these future refinancings should lead to a further contraction in the cost of debt.

► **INTEREST COVERAGE RATIO AND COST OF DEBT**



1.8.4 Covenants and ratings

Standard & Poor's currently assigns a long-term A– rating (A2 short-term rating) with a stable outlook to Klépierre and Steen & Strøm, while Moody's continues to assign a rating of A3 (stable outlook) to the outstanding notes initially issued by Corio NV.

► **COVENANTS**

Financing	Ratios/covenants	Limit[a]	06/30/2019	12/31/2018
Syndicated loans and bilateral loans	Net debt/Portfolio value ("Loan to Value")	≤60%	36.7%	36.3%
	EBITDA/Net interest expenses[b]	≥2.0x	7.9x	7.0x
	Secured debt/Portfolio value[c]	≤20%	0.7%	0.7%
	Portfolio value[d]	≥€10bn	€20.4bn	€20.8bn
Bond issues	Secured debt/Revalued Net Asset Value[c]	≤50%	0.8%	0.8%

(a) Covenants are based on the 2015 revolving credit facility.
(b) Excluding the impact of liability management operations (non-recurring items).
(c) Excluding Steen & Strøm.
(d) Group share, including transfer taxes.

1.9 EPRA PERFORMANCE INDICATORS

The following performance indicators have been prepared in accordance with the best practice recommendations of EPRA (European Public Real Estate Association) as set out in the guide available on its website (**www.epra.com**).

1.9.1 EPRA Earnings

EPRA Earnings is a measure of the underlying operating performance of an investment property company excluding fair value gains, investment property disposals, and limited other items considered as non-core activities for an investment property company.

► **EPRA EARNINGS**

Group share *(in millions of euros)*	**06/30/2019**	**06/30/2018**
Net income as per IFRS consolidated statement of comprehensive income	**168.8**	**618.8**
Adjustments to calculate EPRA Earnings, exclude:		
(i) Changes in value of investment properties, development properties held for investment and other interests	(222.5)	386.0
(ii) Profit or losses on disposal of investment properties, development properties held for investment and other interests	8.7	(0.2)
(iii) Profit or losses on sales of trading properties including impairment charges in respect of trading properties	-	-
(iv) Tax on profits or losses on disposals	-	-
(v) Negative goodwill/goodwill impairment[(a)]	(5.6)	-
(vi) Changes in fair value of financial instruments and associated close-out costs	(16.7)	(10.4)
(vii) Acquisition costs on share deals and non-controlling joint venture interests	0.0	(5.3)
(viii) Deferred tax in respect of EPRA adjustements[(b)]	4.2	(67.0)
(ix) Adjustments (i) to (viii) above in respect of joint ventures (unless already included under proportional consolidation)	(22.6)	9.1
(x) Non-controlling interests in respect of the above	23.1	(76.2)
EPRA EARNINGS	**400.3**	**382.7**
Company-specific adjustments:		
> Employee benefits, stock option expense and non-current operating expenses	3.7	5.5
> Depreciation, amortization and provisions for contingencies and losses	5.8	7.4
Net current cash flow	**409.8**	**395.6**
Average number of shares[(c)]	*295,908,706*	*301,032,676*
Per share *(in euros)*		
EPRA EARNINGS[(d)]	**1.35**	**1.27**
Net current cash flow	**1.38**	**1.31**

(a) *Goodwill impairment mostly relates to a reduction in the valuation of management services companies following the disposals of assets in Hungary.*
(b) *In 2019, this item includes €11.7 million in deferred tax, −€0.7 million in non-current taxes (mostly related to disposals) and −€6.8 million related to the application of IFRIC 21 (i.e., property tax annualization).*
(c) *Excluding treasury shares.*
(d) *IFRS 16 impact on EPRA Earnings is strictly similar to that on net current cash flow (see footnote 1, section 1.5).*

1.9.2 EPRA Net Asset Values

EPRA Net Asset Value (NAV) is a measure of the fair value of net assets assuming a normal investment property company business model, *i.e.*, it is assumed that investment property is owned and operated over the long term. EPRA Triple Net Asset Value (NNNAV) is similar to EPRA NAV, but includes debt and financial instruments at fair value as well as the optimization of deferred tax liabilities.

1.9.2.1 Methodology

EPRA NAV and EPRA NNNAV are calculated by restating consolidated equity for several items.

1.9.2.2 Goodwill

Goodwill arising on deferred taxes is excluded from the NAV calculation, as the corresponding deferred tax liability is also eliminated as explained below. Goodwill arising on other assets relating to Klépierre's management services business is also excluded, because these assets are taken at fair market value in the calculation of NAV.

1.9.2.3 Unrealized capital gains on management companies

The management services companies are appraised annually. The difference between the market values and the carrying amounts recognized in the consolidated financial statements is included in the calculation of NAV and NNNAV.

1.9.2.4 Fair value of financial instruments

The net mark-to-market adjustment to the value of financial instruments used for hedging purposes—where Klépierre has the intention of holding the position until the end of the contractual duration—is excluded from the calculation of NAV but added back for the calculation of NNNAV. NNNAV also incorporates the fair value of debt and interest rate hedging instruments that are not recognized under consolidated net assets in accordance with IAS 32 and IFRS 9, which essentially involves marking fixed-rate debt to market.

1.9.2.5 Deferred taxes on asset values

Deferred taxes are deducted from the fair value of assets in the IFRS consolidated financial statements. These taxes are recognized as the difference between the net carrying amounts and the tax values, as determined by capital gains tax rates in force in each country where Klépierre does not benefit from tax exemption rules.

For EPRA NAV, which measures the fair value of net assets on an ongoing, long-term basis, deferred taxes must be restated as they become payable only when the assets are sold.

For EPRA NNNAV, taxes on unrealized capital gains are calculated property by property, on the basis of applicable local tax regulations, using the most likely transaction scenario between direct sales of property ("asset deals") and disposals *via* the sale of shares of a company owning the property ("share deals").

1.9.2.6 Transfer taxes

Originally valued by the external appraisers based on the assumption that all properties will be sold through asset deals, transfer taxes on the sale of assets are restated by Klépierre to reflect the most likely transaction scenario between share deals and asset deals, as is done to determine the effective tax on unrealized capital gains pursuant to applicable local tax regulations (see section 1.9.2.5 above).

1.9.2.7 Calculation of EPRA Net Asset Values

▶ **EPRA NET ASSET VALUES**

Group share *(in millions of euros)*	06/30/2019	12/31/2018	06/30/2018	6-month change	12-month change
Consolidated shareholders' equity[a]	**9,766**	**10,358**	**10,242**	**−5.7%**	**−4.6%**
Amounts owed to shareholders	308	0	0	-	-
Unrealized capital gains on management service activities[b]	336	346	336	−2.6%	+0.2%
Goodwill restatement[a]	(608)	(611)	(657)	−0.5%	−7.5%
Fair value of hedging instruments	12	8	2	-	-
Deferred taxes on asset values as per SOFP[a]	1,516	1,525	1,507	−0.6%	+0.6%
Transfer taxes restatement[c]	384	413	419	−6.9%	−8.4%
EPRA NAV	**11,714**	**12,038**	**11,848**	**−2.7%**	**−1.1%**
Optimized deferred taxes on unrealized capital gains	(373)	(400)	(386)	−6.5%	−3.4%
Fair value of hedging instruments	(12)	(8)	(2)	-	-
Fair value of fixed-rate debt	(299)	(39)	(116)	-	-
EPRA NNNAV	**11,030**	**11,591**	**11,345**	**−4.8%**	**−2.8%**
Number of shares, end of period	*293,216,592*	*297,430,644*	*300,243,165*		
Per share *(in euros)*[d]					
EPRA NAV	**40.00**	**40.50**	**39.50**	**−1.3%**	**+1.2%**
EPRA NNNAV	**37.60**	**39.00**	**37.80**	**−3.5%**	**−0.4%**

(a) As per the IFRS consolidated statements of financial position on a Group share basis, including equity-accounted items.
(b) The external valuation of Klépierre's management service activities stood at €365 million (see section 1.7.2), while their carrying amount in the consolidated financial statements was €29 million, giving rise to an unrealized capital gain on these activities in an amount of €336 million.
(c) External appraisers valued transfer taxes payable on the whole portfolio at €951 million, considering that all properties would be sold through asset deals. Klépierre's assessment of such transfer taxes totals €567 million, as the Group considered it would be likely to secure share deals instead of asset deals in several instances. The €384 million restatement is the difference between these two valuations.
(d) Per-share figures rounded to the nearest 10 cents.

▶ **EPRA NAV 6-MONTH RECONCILIATION PER SHARE**[a]

In euros per share	
EPRA NAV at 12/31/2018	**40.50**
Cash flow	+1.38
Like-for-like asset revaluation	−0.76
Dividend	−1.05
Forex and others	−0.07
EPRA NAV at 06/30/2019	**40.00**

(a) NAV per shares figures are rounded to the nearest 10 cents.

EPRA NAV per share amounted to €40.00 at the end of June 2019, versus €40.50 six months ago.[1] This reduction is the result of net current cash flow generation (€1.38 per share), more than offset by the decrease in the value of the like-for-like portfolio (€0.76 per share) and the dividend payment (€1.05 per share). Foreign exchange and other items had a negative impact of €0.07 per share.

(1) NAV per share figures are rounded to the nearest 10 cents.

1.9.3 EPRA Net Initial Yields

EPRA Net Initial Yield (NIY) is calculated as annualized rental income based on passing cash rents, less non-recoverable property operating expenses, divided by the gross market value of the property. EPRA "Topped-up" NIY is calculated by making an adjustment to EPRA NIY in respect of the expiration of rent-free periods (or other unexpired lease incentives such as discounted rent-free periods and step-up rents). See section 6.1.2.1 "Shopping center portfolio valuation" for the geographical breakdown of EPRA NIY.

► **EPRA NET INITIAL YIELDS**

In millions of euros	Shopping centers	Other retail properties	Total
Investment property - Wholly owned	18,798	336	19,134
Investment property - Share of joint ventures/funds	1,270	-	1,270
Total portfolio	**20,068**	**336**	**20,404**
Less: Developments, land and other	(1,152)	(1)	(1,152)
Completed property portfolio valuation (B)	**18,916**	**336**	**19,252**
Annualized cash passing rental income	1,043	24	1,067
Property outgoings	(117)	(1)	(119)
Annualized net rents (A)	**926**	**23**	**949**
Notional rent expiration of rent free periods or other lease incentives	31	-	32
Topped-up net annualized rent (C)	**957**	**23**	**980**
EPRA NET INITIAL YIELD (A/B)	**4.9%**	**6.8%**	**4.9%**
EPRA "TOPPED-UP" NIY (C/B)	**5.1%**	**6.9%**	**5.1%**

1.9.4 EPRA Vacancy rate

EPRA Vacancy rate is calculated by dividing the market rents of vacant spaces by the market rents of the total space of the whole property portfolio (including vacant spaces), excluding properties that are under development and strategic vacancies.

► **EPRA VACANCY RATE**[(a)]

In thousands of euros	Estimated rental value of vacant space (A)	Total estimated rental value (B)	EPRA Vacancy rate (A/B)
France-Belgium	14,566	444,422	3.3%
Italy	4,311	287,439	1.5%
Scandinavia	7,600	185,035	4.1%
Iberia	3,017	141,736	2.1%
CE & Other	5,660	123,562	4.6%
Netherlands	1,558	64,778	2.4%
Germany	1,557	38,835	4.0%
TOTAL	**38,269**	**1,285,808**	**3.0%**

(a) *Scope: all shopping centers, including those accounted for under the equity method, included based on a 100% share. The estimated rental values of leased and vacant spaces as of June 30, 2019, are based on internal assumptions. Shopping centers (or portions thereof) under restructuring that are excluded from the scope are as follows: Bourse and Prado (Marseille), Échirolles (Grenoble), Odysseum (Montpellier), the Val d'Europe extension (Paris region), Nailloux Village (Toulouse), Økern (Oslo), Allum (Partille) and Hoog Catharijne (Utrecht). Strategic vacancies are also excluded.*

1.9.5 EPRA Cost Ratio

The purpose of the EPRA Cost Ratio is to reflect the relevant overhead and operating costs of the business. It is calculated by expressing the sum of property expenses (net of service charge recoveries and third-party asset management fees) and administrative expenses as a percentage of gross rental income.

► **EPRA COST RATIO**

In millions of euros	**06/30/2019**	**06/30/2018**
Administrative and operating expenses[a]	(108.9)	(116.6)
Net service charge costs[a]	(37.0)	(38.1)
Net management fees[a]	41.4	41.8
Other net operating income intended to cover overhead expenses[a]	4.7	4.0
Share of joint ventures expenses[b]	(7.6)	(7.0)
Exclude (if part of the above):		
Service charge costs recovered through rents but not separately invoiced	4.8	4.0
EPRA Costs (including vacancy costs) (A)	**(102.6)**	**(111.9)**
Direct vacancy costs	(10.9)	(10.9)
EPRA Costs (excluding vacancy costs) (B)	**(91.7)**	**(100.9)**
Gross rental income less ground rents[a]	622.9	618.7
Less: service fee/cost component of gross rental income	(4.8)	(4.0)
Add: share of joint ventures (gross rental Income less ground rents)[b]	40.9	40.3
Gross rental income (C)	**659.0**	**655.0**
EPRA COST RATIO (INCLUDING DIRECT VACANCY COSTS) (A/C)	**15.6%**	**17.1%**
EPRA COST RATIO (EXCLUDING DIRECT VACANCY COSTS) (B/C)	**13.9%**	**15.4%**

(a) *As per the IFRS consolidated statements of comprehensive income.*
(b) *For more information, see section 1.3.5 "Contribution of equity-accounted investments".*

1.9.6 EPRA Capital Expenditure

Investments made over the course of the first half of 2019 are presented in detail in section 1.6 "Investments, developments and disposals". This section presents Klépierre's capital expenditure based on EPRA financial reporting guidelines.

► **EPRA CAPITAL EXPENDITURE[a]**

In millions of euros	**06/30/2019**	**06/30/2018**
Acquisitions	-	3.6
Development	79.0	114.5
Like-for-like portfolio	41.5	50.2
Others	7.3	8.3
TOTAL	**127.7**	**176.6**

(a) *Inclusive of expenses charged to tenants.*

1.9.6.1 Developments

Development capital expenditure includes investments related to new constructions and extensions of existing assets. Over the first six months of 2019, these investments amounted to €79.0 million, mainly relating to the Créteil Soleil extension (Paris region, France), Gran Reno (Bologna, Italy) and the Hoog Catharijne redevelopment (Utrecht, Netherlands).

1.9.6.2 Like-for-like portfolio

Capital expenditure on the like-for-like portfolio includes investments made to maintain or enhance standing assets without creating additional leasing space. In the first half of 2019, these investments amounted to €41.5 million (of which €8.9 million recharged to tenants), breaking down as follows:

> **€10.4 million in refurbishment**, consisting in renovation work, mainly in common areas. Most of this expenditure was invoiced to tenants;

> **€23.1 million in leasing capital expenditure**, mainly in connection with stores and other leasable units, including restructuring costs for re-leasing and initial leasing, fit-out contributions and eviction costs; and

> **€8.0 million in technical maintenance** capital expenditure aimed at replacing obsolete or dysfunctional equipment relating to assets. A large portion of these investments were rebilled to tenants.

1.9.6.3 Other capital expenditure

Other capital expenditure amounted to €7.3 million and consisted in development fees, leasing fees and capitalized interest (€2.7 million).

1.10 OUTLOOK

In 2019, Klépierre expects to generate net current cash flow per share of at least €2.76 (*i.e.*, an increase of at least 4.2% versus 2018), compared to the Group's initial guidance for full-year 2019 of €2.72–€2.75.

Despite the slightly dilutive net impact of disposals and share buybacks, this upward revision reflects the following:

> Klépierre's confidence in maintaining a good level of like-for-like net rental income;[1]

> Additional operating cost savings; and

> Lower financial costs thanks to the combination of improved financing conditions following the recent fall in interest rates and further liability management initiatives.

(1) *The first-time application of IFRS 16 had no impact on 2019 cash flow guidance.*

2

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2019

2.1 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

In millions of euros	Notes	06/30/2019	06/30/2018
Gross rental income	6.1	626.9	627.1
Land expenses (real estate)[(a)]	6.2/8	(3.9)	(8.4)
Service charge income	6.3	142.8	142.2
Service charge expenses	6.3	(186.6)	(187.3)
Building expenses (owner)	6.4	(15.7)	(19.1)
Net rental income		**563.5**	**554.4**
Management, administrative and related income		41.4	41.8
Other operating income	6.5	4.7	4.0
Survey and research costs		(0.3)	(0.5)
Payroll expenses	11.1	(59.8)	(59.8)
Other general expenses[(a)]		(23.1)	(35.7)
Depreciation, amortization and impairment of intangible assets and property, plant and equipment[(a)]	6.6/8	(10.1)	(6.7)
Provisions		(0.6)	(1.4)
Change in value of investment properties[(a)]	6.7/8	(222.5)	386.0
Proceeds from disposals of investment properties and equity investments	6.8	245.5	298.9
Carrying amount of investment properties and equity investments sold	6.8	(236.8)	(299.1)
Income from the disposal of investment properties and equity investments		**8.7**	**(0.2)**
Goodwill impairment	5.1	(5.6)	-
Operating income		**296.2**	**881.9**
Net dividends and provisions on non-consolidated investments		(0.0)	(0.0)
Financial income		36.1	35.5
Financial expenses		(99.9)	(112.5)
Interest expense on lease liabilities[(a)]	8	(4.2)	-
Cost of net debt	**6.9**	**(68.0)**	**(77.0)**
Change in the fair value of financial instruments		(15.8)	(5.4)
Share in earnings of equity-accounted companies	5.5	5.2	36.0
Profit before tax		**217.6**	**835.5**
Income tax	7	(7.4)	(75.9)
Consolidated net income		**210.2**	**759.6**
Of which			
> Attributable to owners of the parent		168.8	618.8
> Attributable to non-controlling interests		41.4	140.8
Average number of shares – undiluted		**295,908,706**	**301,032,676**
Undiluted earnings per share *(in euros)* **- Attributable to owners of the parent**		**0.57**	**2.06**
Average number of shares – diluted		**295,908,706**	**301,032,676**
Diluted earnings per share *(in euros)* **- Attributable to owners of the parent**		**0.57**	**2.06**

(a) From 2019, these lines are presented after IFRS 16 application. According to modified retrospective method, the consolidated statement of comprehensive income for 2018 was not restated.

In millions of euros	06/30/2019	06/30/2018
Consolidated net income	**210.2**	**759.6**
Other items of comprehensive income recognized directly in equity	**(14.2)**	**(121.1)**
> Effective portion of gains and losses on cash flow hedging instruments	4.7	17.8
> Translation gains and losses	(20.9)	(135.0)
> Tax on other items of comprehensive income	(2.2)	(5.4)
Items that will be reclassified subsequently to profit or loss	**(18.4)**	**(122.6)**
> Gains and losses on sales of treasury shares	1.8	1.5
> Actuarial gains and losses	2.4	0.0
Items that will not be reclassified subsequently to profit or loss	**4.2**	**1.5**
Share of other items of comprehensive income attributable to equity-accounted companies	-	-
Total comprehensive income	**196.1**	**638.5**
Of which		
> Attributable to owners of the parent	161.9	507.3
> Attributable to non-controlling interests	34.2	131.2
Undiluted comprehensive earnings per share *(in euros)* **– Attributable to owners of the parent**	**0.55**	**1.69**
Diluted comprehensive earnings per share *(in euros)* **– Attributable to owners of the parent**	**0.55**	**1.69**

2.2 CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

In millions of euros	Notes	06/30/2019	12/31/2018
Goodwill	5.1	607.3	611.8
Intangible assets	5.2	29.7	33.7
Property, plant and equipment	5.3	40.3	9.9
Investment properties at fair value	5.4	21,524.9	21,692.2
Investment properties at cost	5.4	212.5	170.2
Investments in equity-accounted companies	5.5	1,031.4	1,050.2
Other non-current assets	5.6	298.2	299.0
Long-term derivative instruments	5.12	17.1	30.4
Deferred tax assets	7	37.4	20.7
Non-current assets		**23,798.8**	**23,918.0**
Fair value of properties held for sale	5.4	239.2	72.7
Trade and other receivables	5.7	149.4	127.1
Other receivables	5.8	321.0	328.1
> Tax receivables		82.7	120.8
> Other		238.3	207.3
Short-term derivative instruments	5.12	26.9	19.2
Cash and cash equivalents	5.9	195.0	304.5
Current assets		**931.5**	**851.7**
TOTAL ASSETS		**24,730.2**	**24,769.7**
Share capital		426.4	440.1
Additional paid-in capital		5,188.2	5,650.0
Legal reserves		44.0	44.0
Consolidated reserves		3,938.3	3,384.6
> Treasury shares		(352.9)	(568.6)
> Hedging reserves		(21.8)	(26.1)
> Other consolidated reserves		4,313.0	3,979.2
Consolidated earnings		168.8	838.8
Equity attributable to owners of the parent		9,765.7	10,357.5
Equity attributable to non-controlling interests		2,517.6	2,535.7
Total equity	**5.10**	**12,283.3**	**12,893.3**
Non-current financial liabilities	5.11	6,643.0	7,036.3
Non-current leases liabilities	8	377.9	-
Long-term provisions	5.13	14.9	28.5
Pension obligations	11.3	10.8	13.5
Long-term derivative instruments	5.12	21.3	17.1
Deposits		147.7	147.1
Deferred tax liabilities	7	1,613.5	1,608.8
Non-current liabilities		**8,829.1**	**8,851.3**
Current financial liabilities	5.11	2,452.2	2,069.6
Current lease liabilities	8	14.7	-
Bank overdrafts	5.9	68.5	224.7
Trade payables		123.1	145.7
Due to suppliers of property		55.3	21.9
Other liabilities	5.14	675.8	369.7
Short-term derivative instruments	5.12	15.3	12.1
Payroll and tax liabilities	5.14	213.0	181.5
Current liabilities		**3,617.9**	**3,025.2**
TOTAL EQUITY AND LIABILITIES		**24,730.2**	**24,769.7**

2.3 CONSOLIDATED STATEMENTS OF CASH FLOW

In millions of euros	06/30/2019	06/30/2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income from consolidated companies	210.2	759.6
Elimination of expenditure and income with no cash effect or not related to operating activities		
> Depreciation, amortization and provisions	10.7	8.1
> Change in value of investment properties	222.5	(386.0)
> Goodwill impairment	5.6	-
> Capital gains and losses on asset disposals	(8.7)	0.2
> Current and deferred income taxes	7.4	75.9
> Share in earnings of equity-accounted companies	(5.2)	(36.0)
> Reclassification of interest and other items	100.0	102.1
Gross cash flow from consolidated companies	**542.7**	**523.9**
Income tax paid	13.3	3.0
Change in operating working capital	(13.4)	1.6
Net cash flows from operating activities	**542.6**	**528.5**
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investment properties	221.6	163.0
Proceeds from sales of other fixed assets	-	-
Proceeds from disposals of subsidiaries (net of cash disposed)	23.6	134.9
Acquisitions of investment properties	0.0	-
Payments in respect of construction work in progress	(94.5)	(157.5)
Acquisitions of other fixed assets	(1.8)	(1.5)
Acquisitions of subsidiaries (net of cash acquired)	(2.5)	(36.6)
Movements in loans and advance payments granted and other investments	10.0	48.1
Net cash flows from (used in) investing activities	**156.5**	**150.4**
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid to owners of the parent	(311.6)	(589.4)
Dividends paid to non-controlling interests	(53.8)	(60.2)
Change in capital of subsidiaries with non-controlling interests	(3.1)	(44.1)
Acquisitions/disposals of treasury shares	(134.5)	(63.2)
New loans, borrowings and hedging instruments	1,386.5	1,445.5
Repayment of loans, borrowings and hedging instruments	(1,432.1)	(1,717.2)
Net Payment of lease liabilities[(a)]	(7.3)	-
Interest paid	(88.5)	(93.8)
Interest paid on lease liability[(a)]	(4.2)	-
Other cash flows related to financing activities	-	-
Net cash flows used in financing activities	**(648.6)**	**(1,122.4)**
Effect of foreign exchange rate changes on cash and cash equivalents	**(3.9)**	**2.5**
CHANGE IN CASH AND CASH EQUIVALENTS	**46.6**	**(441.1)**
Cash and cash equivalents at beginning of period	**79.9**	**434.5**
Cash and cash equivalents at end of period	**126.5**	**(6.6)**

(a) From 2019, these lines are presented after IFRS 16 application. According to the modified retrospective method, the consolidated statement of cash flow for 2018 was not restated.

2.4 STATEMENTS OF CHANGES IN CONSOLIDATED EQUITY

In millions of euros	Share capital	Capital reserves	Treasury shares	Hedging reserves	Other consolidated reserves and retained earnings	Equity attributable to owners of the parent	Equity attributable to non-controlling interests	Total equity
Equity at 12/31/2017	**440.1**	**5,862.1**	**(419.2)**	**(50.2)**	**4,563.8**	**10,396.6**	**2,563.8**	**12,960.4**
Share capital transactions								
Share-based payments								
Treasury share transactions			(64.7)			(64.7)		(64.7)
Dividends		(168.1)			(421.3)	(589.4)	(60.2)	(649.6)
Net income for the period					**618.8**	**618.8**	**140.8**	**759.6**
Gains and losses recognized directly in equity								
> Proceeds from sales of treasury shares					1.5	1.5		1.5
> Gains and losses from cash flow hedging				16.3		16.3	1.5	17.8
> Translation gains and losses					(124.4)	(124.4)	(10.6)	(135.0)
> Actuarial gains and losses					0.0	0.0		0.0
> Tax on other items of comprehensive income				(4.9)		(4.9)	(0.4)	(5.4)
Other items of comprehensive income				**11.3**	**(122.9)**	**(111.5)**	**(9.6)**	**(121.1)**
Changes in the scope of consolidation					(8.0)	(8.0)	(69.8)	(77.8)
Other movements					0.0	0.0	(0.0)	0.0
Equity at 06/30/2018	**440.1**	**5,694.0**	**(483.9)**	**(38.8)**	**4,630.5**	**10,241.8**	**2,565.0**	**12,806.8**
Share capital transactions								
Share-based payments								
Treasury share transactions			(84.7)			(84.7)		(84.7)
Dividends					0.0	0.0	(40.2)	(40.2)
Net income for the period					**220.0**	**220.0**	**49.3**	**269.4**
Gains and losses recognized directly in equity								
> Proceeds from sales of treasury shares					0.8	0.8		0.8
> Gains and losses from cash flow hedging				15.9		15.9	1.5	17.3
> Translation gains and losses					(33.9)	(33.9)	(6.5)	(40.4)
> Actuarial gains and losses					1.0	1.0		1.0
> Tax on other items of comprehensive income				(3.2)		(3.2)	(0.5)	(3.5)
Other items of comprehensive income				**12.8**	**(32.1)**	**(19.4)**	**(5.4)**	**(24.8)**
Changes in the scope of consolidation					(0.1)	(0.1)	(33.2)	(33.3)
Other movements					(0.1)	(0.1)	0.2	0.0
Equity at 12/31/2018	**440.1**	**5,694.0**	**(568.6)**	**(26.1)**	**4,818.0**	**10,357.5**	**2,535.7**	**12,893.3**
Share capital transactions	(13.7)	(336.4)	350.1			0.0		0.0
Share-based payments								
Treasury share transactions			(134.4)			(134.4)		(134.4)
Dividends		(125.4)			(494.0)	(619.4)	(52.4)	(671.8)
Net income for the period					**168.8**	**168.8**	**41.4**	**210.2**
Gains and losses recognized directly in equity								
> Proceeds from sales of treasury shares					1.8	1.8		1.8
> Gains and losses from cash flow hedging				6.3		6.3	(1.6)	4.7
> Translation gains and losses[(a)]					(15.4)	(15.4)	(5.5)	(20.9)
> Actuarial gains and losses					2.4	2.4		2.4
> Tax on other items of comprehensive income				(2.1)		(2.1)	(0.1)	(2.2)
Other items of comprehensive income				**4.2**	**(11.2)**	**(7.0)**	**(7.2)**	**(14.2)**
Changes in the scope of consolidation					0.0	0.0	0.0	0.0
Other movements					0.2	0.2	0.0	0.2
EQUITY AT 06/30/2019	**426.4**	**5,232.2**	**(352.9)**	**(21.8)**	**4,481.8**	**9,765.7**	**2,517.6**	**12,283.3**

(a) The negative €15.4 million impact in translation gains and losses mainly concerns Turkey (negative €22.9 million), Sweden (negative €29.3 million), Norway (positive €29.8 million) and Czech Republic (positive €6.5 million).

2.5 APPENDICES

NOTE 1 SIGNIFICANT EVENTS OF THE PERIOD

1.1 Investments

In France, the renovation and extension works on Créteil Soleil are ongoing with a total of €28 million invested over the period.

The other main investments during the period concern the following ongoing projects: Hoog Catharijne in the Netherlands, the Rives d'Arcins extension in Bègles, Gran Reno in Italy, and Emporia in Sweden.

1.2 Main disposals

Since January 1, 2019, the Group has completed the following disposals:

> The Novo Plaza shopping center in Czech Republic (January 10);

> A portion of the Saint Maximin shopping center in France (March 8);

> Four shopping centers in Portugal: Minho, Loures, Telheiras, and Gaia (April 30);

> The Almere shopping mall in the Netherlands (June 19). A small portion of Almere shopping mall has been kept within Klépierre's portfolio.

In addition, a set of four retail units in France was divested over the period.

1.3 Dividend

On April 16, 2019, the General Meeting of Shareholders approved the payment of a €2.10 per share dividend in respect of the 2018 fiscal year, payable in cash. The total dividend approved by Klépierre shareholders amounted €619.4 million (excluding dividends payable on treasury shares).

On March 11, 2019, a €1.05 per share interim dividend was paid to shareholders, for a total amount of €311.6 million excluding taxes and fees. The remaining amount for €307.9 million was paid on July 10, 2019.

1.4 2019 share buyback program

On February 6, 2019, Klépierre announced a new share buyback program of up to €400 million. As of June 30, 2019, the Group had repurchased 5,091,144 shares under the program for an aggregate amount of €157.8 million.

1.5 Cancellation of shares

On February 20, 2019 and June 20, 2019, the Group cancelled a total of 9,761,424 shares acquired in 2017 under the March 13, 2017 share buyback program.

1.6 Debt

During the first half of the year, Klépierre's liquidity position increased by €1 billion to €3.2 billion as of July 1, 2019 as a result of the following initiatives:

> €200 million new bilateral revolving credit facility was signed with a five-year maturity;

> Eight bilateral facilities originally maturing in 2023 were extended to 2024 for an aggregate amount of €1.1 billion;

> In Scandinavia, Steen & Strøm raised €169 million in NOK and SEK in capital markets (bond and commercial papers), set aside to refinance €194 million of financings in the same currencies, falling due within the semester;

> €600 million worth of new 11 year notes were sold at the end of June (settlement on July 1, 2019) bearing a 0.625% coupon. This new bond aims at pre financing the shortest bonds maturing in 2019 and 2020.

NOTE 2 SIGNIFICANT ACCOUNTING PRINCIPLES

2.1 Corporate reporting

Klépierre is a French joint-stock corporation (*société anonyme*) subject to French company legislation, and more specifically the provisions of the French Commercial Code (*Code de commerce*). The Company's registered office is located at 26 boulevard des Capucines in Paris.

On July 19, 2019, the Executive Board approved the interim condensed consolidated financial statements of Klépierre SA for the period from January 1 to June 30, 2019 and authorized their publication.

The Klépierre share is listed on Euronext Paris (compartment A).

2.2 Application of IFRS

As per Regulation (EC) no. 1126/2008 of November 3, 2008 on the application of international accounting standards, the Klépierre Group's interim condensed consolidated financial statements for the six months ended June 30, 2019 have been prepared in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB), as adopted by the European Union and applicable on that date.

The IFRS framework as adopted by the European Union includes the IFRS, the International Accounting Standards (IAS) and their interpretations (SIC and IFRIC).

This framework is available on the following web page:
http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:02008R1126-20190101

The interim condensed consolidated financial statements for the six months ended June 30, 2019, have been prepared in accordance with IAS 34 Interim Financial Reporting. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should be read alongside the published consolidated financial statements (or the registration document) for the 2018 fiscal year.

The interim condensed consolidated financial statements include the financial statements of Klépierre SA and its subsidiaries. The financial statements of subsidiaries are prepared for the same accounting period as that of the parent company using consistent accounting methods.

The interim condensed consolidated financial statements are presented in millions of euros (€m), with all amounts rounded to the nearest hundred thousand, unless otherwise indicated. Slight differences between figures could exist in the different statements due to rounded amounts.

2.2.1 Standards, amendments and interpretations whose application was mandatory as of January 1, 2019

The accounting principles applied to the interim condensed consolidated financial statements for the period ended June 30, 2019 are identical to those used in the Group's annual consolidated financial statements for the year ended December 31, 2018, with the exceptions of the following new standards and interpretations, whose application is mandatory for the Group:

> Amendments to IFRS 9	Prepayment Features with Negative Compensation and Modifications of Financial Liabilities
> Annual improvements to IFRS	2015-2017 Cycle
> Amendments to IAS 28	Investments in Associates and Joint Ventures : Long-term Interests in Associates and Joint Ventures
> IFRS 16	Leases
> IFRIC 23	Uncertainty over Income Tax Treatments
> IAS 19 amendments	Plan Amendment, Curtailment or Settlement

IFRS 16 "Leases"

IFRS 16 "Leases" supersedes IAS 17 "Leases," IFRIC 4" Determining Wether an Agreement Contains a Lease", SIC-15 "Operating Leases-Incentives" and SIC-27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease." The standard is mandatory for annual reporting periods beginning on or after January 1, 2019.

This new standard is very close to the existing standard as regards the treatment of leases by the lessor and has no impact on the Group's interim condensed consolidated financial statements in this respect.

For lessees, the standard removes the distinction between finance and operating leases. A single balance sheet accounting model is required, for all leases, with an exemption for "low value assets" and "short-term leases." IFRS 16 requires lessees to:

> Recognize lease assets (right of use assets) and lease liabilities on the statement of financial position, initially measured at the present value of unavoidable lease payments;

> Depreciate right of use assets and interest on lease liabilities over the lease term; and

> Separate the total amount of cash paid into a principal portion and interest.

The discount rate used to determine the present value of lease liabilities was computed based on the incremental borrowing rate. The weighted average discount rate applied to lease liabilities restated at January 1, 2019 amounts to 2.10%. Furthermore, discounting was conducted based on the assumption of payments being made at the end of the fiscal year.

The main leases in the scope of IFRS 16 for the Group are ground leases, head office leases and vehicle leases. They are initially recognized as right of use assets and corresponding lease liabilities:

> Right of use assets relating to head office leases and vehicle leases are measured applying a cost model and are depreciated on straight-line basis over the lease term. There are recognized in property, plant and equipment;

> Right of use assets relating to ground leases meet the definition of investment property and are measured using the fair value model provided by IAS 40 as required by the standard. They are subsequently measured at an amount equal to the remaining lease debt. Right of use assets relating to ground leases are recognized in investment properties at fair value.

The Group has elected to apply the modified retrospective approach. According to this approach, the comparative financial statements from the previous periods are not restated and the cumulative impact of IFRS 16, calculated as of January 1, 2019, is recorded in consolidated equity. IFRS 16 has no impact on the Group's opening equity and has no significant impact on the overall reading of the financial statements.

The following table presents the impacts of the application of IFRS 16 on the opening consolidated statements of financial position:

In millions of euros	12/31/2018 Published	IFRS 16 Impact	01/01/2019 with IFRS 16
Goodwill	611.8		611.8
Intangible assets	33.7		33.7
Property, plant and equipment	9.9	33.2	43.0
Investment properties at fair value[(a)]	21,692.2	390.2	22,082.4
Investment properties at cost	170.2		170.2
Investments in equity-accounted companies	1,050.2		1,050.2
Other non-current assets	299.0	(26.6)	272.4
Long-term derivative instruments	30.4		30.4
Deferred tax assets	20.7		20.7
Non-current assets	**23,918.0**	**396.8**	**24,314.8**
Fair value of properties held for sale	72.7		72.7
Trade and other receivables	127.1		127.1
Other receivables	328.1		328.1
> Tax receivables	120.8		120.8
> Other	207.3		207.3
Short-term derivative instruments	19.2		19.2
Cash and cash equivalents	304.5		304.5
Current assets	**851.7**		**851.7**
TOTAL ASSETS	**24,769.7**	**396.8**	**25,166.5**
Share capital	440.1		440.1
Additional paid-in capital	5,650.0		5,650.0
Legal reserves	44.0		44.0
Consolidated reserves	3,384.6		3,384.6
> Treasury shares	(568.6)		(568.6)
> Hedging reserves	(26.1)		(26.1)
> Other consolidated reserves	3,979.2		3,979.2
Consolidated earnings	838.8		838.8
Equity attributable to owners of the parent	10,357.5		10,357.5
Equity attributable to non-controlling interests	2,535.7		2,535.7
Total equity	**12,893.3**		**12,893.3**
Non-current financial liabilities	7,036.3		7,036.3
Non-current leases liabilities	-	384.3	384.3
Long-term provisions	28.5		28.5
Pension obligations	13.5		13.5
Long-term derivative instruments	17.1		17.1
Deposits	147.1		147.1
Deferred tax liabilities	1,608.8		1,608.8
Non-current liabilities	**8,851.3**	**384.3**	**9,235.6**
Current financial liabilities	2,069.6		2,069.6
Current leases liabilities	-	14.9	14.9
Bank overdrafts	224.7		224.7
Trade payables	145.7		145.7
Due to suppliers of property	21.9		21.9
Other liabilities	369.7	(2.4)	367.2
Short-term derivative instruments	12.1		12.1
Payroll and tax liabilities	181.5		181.5
Current liabilities	**3,025.2**	**12.4**	**3,037.6**
TOTAL EQUITY AND LIABILITIES	**24,769.7**	**396.8**	**25,166.5**

(a) Of which €363.6 million corresponding to the initial recognition of right of use assets relating to ground leases and €26.6 million in upfront payments on ground lease reclassified from "Other non-current assets" to "Investment properties at fair value" as of January 1, 2019.

The following table presents the reconciliation between off-balance sheet commitments under operating leases disclosed as of December 31, 2018 and the IFRS 16 lease liability restated as of January 1, 2019:

In millions of euros	**01/01/2019**
Off-balance sheet commitments under operating leases as of 12/31/2018	**38.2**
Ground lease liability included in investment properties at fair value	363.6
Discounting effect	(0.9)
Other effects	(1.7)
IFRS 16 liability restated as of 01/01/2019	**399.2**
Of which IFRS 16 liability non-current	*384.3*
Of which IFRS 16 liability current	*14.9*

IFRIC 23

IFRIC 23 clarifies how the recognition and measurement requirements of IAS 12 "Income Taxes" are applied in cases of uncertainty concerning the measurement and treatment of income taxes.

The standard has no material impact on the Group's opening consolidated statements of financial position.

2.2.2 Standards, amendments and interpretations whose application was not mandatory as of January 1, 2019

The following amendments published by the IASB have not yet been adopted by the European Union:

> IFRS 17	Insurance Contracts
> Amendments to IFRS 3	Business Combinations
> Amendments to IAS 1	Presentation of Financial Statements
> Amendments to IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors

2.3 Use of material judgments and estimates

In preparing these interim condensed consolidated financial statements in accordance with IFRS, Group management used a number of estimates and made a number of realistic, reasonable assumptions. Changes in facts and circumstances may lead to changes in these estimates and assumptions, which would affect the value of the Group's assets, liabilities, equity and earnings.

The main assumptions made in respect of future events and other sources of uncertainty relating to the use of period-end estimates, for which there is a significant risk of material change to the carrying amounts of assets and liabilities in subsequent years, are presented below:

Measurement of goodwill

The Group tests goodwill for impairment at least once a year. This requires estimating the value in use of the cash-generating units to which the goodwill is allocated. In order to determine value in use, Klépierre prepares expected future cash flows for each cash-generating unit and applies a pre-tax discount rate to calculate the present value of these cash flows (see note 5.1).

Investment property

The Group appoints independent appraisers to perform half-yearly valuations of its real estate assets in accordance with the methods described in note 5.4. The appraisers make assumptions concerning future flows and rates that have a direct impact on the value of the buildings.

Financial instruments

The Group assesses the fair value of the financial instruments it uses in accordance with standard market models and IFRS 13, as described in note 5.11.1.

2.4 Translation of foreign currencies

The interim condensed consolidated financial statements are presented in euros (€), which is the presentation currency of the consolidated group, as well as the functional currency used by Klépierre SA. Each Group entity selects its own functional currency, and all items in its financial statements are measured using this functional currency.

The Group's foreign subsidiaries conduct some transactions in currencies other than their functional currency. These transactions are initially recorded in the functional currency at the exchange rate prevailing on the transaction date.

At the reporting date, monetary assets and liabilities stated in foreign currencies are translated into the functional currency at the exchange rate for that day. Non-monetary items stated in foreign currencies and measured at their historical cost are translated using the exchange rates prevailing on the dates of the initial transactions. Non-monetary items stated in foreign currencies and measured at their fair value are translated using the exchange rates applicable on the dates when the fair values were calculated.

For the preparation of the Group's interim condensed consolidated financial statements, the assets and liabilities of the subsidiaries are translated into Klépierre SA's presentation currency – the euro – at the exchange rate as of the reporting date. Their income statements are translated at the average exchange rate for the year. Any resulting translation differences are allocated directly to equity under a separate line item.

In the event of the disposal of an operation in foreign currency, the total accrued deferred exchange gain or loss recognized as a distinct component of equity for that foreign operation is recognized in the income statement.

2.5 Distinction between liabilities and equity

The difference between liabilities and equity is whether or not the issuer is obliged to make a cash payment to the counterparty. Being able to make such a decision regarding cash payments is the crucial distinction between the two items.

2.6 Earnings per share

Earnings per share is calculated by dividing net income for the period attributable to ordinary shareholders by the weighted average number of shares outstanding, excluding treasury shares.

Diluted earnings per share is calculated by dividing net income for the period attributable to ordinary shareholders by the weighted average number of shares outstanding, excluding treasury shares, adjusted to reflect the effects of the diluting options (if any).

NOTE 3 SEGMENT INFORMATION

Accounting policies

Segment information

In accordance with IFRS 8, operating segments are identified on the basis of the internal reporting used by management when evaluating performance and allocating resources.

3.1 Segment earnings

For management purposes, the Group is structured into business segments corresponding to geographic regions. There are in total seven operating segments, structured as follows:

> France-Belgium (including Other retail properties);

> Scandinavia (Steen & Strøm: Norway, Sweden and Denmark);

> Italy;

> Iberia (Spain & Portugal);

> Netherlands;

> Germany; and

> Central Europe & Other (Hungary, Poland, Czech Republic, Slovakia, Greece and Turkey).

The management team monitors the operating results of each operating segment independently as a basis for decision-making and performance evaluation.

Group financial policy (including the impact of financial income and expenses), corporate activities and income tax matters are handled at Group level, and the resulting impacts are not allocated to the operating segments. For the purposes of the presentation of segment earnings, goodwill impairment is treated as a corporate activity.

The “Scandinavia” segment includes all the legal entities of the Steen & Strøm Group in which the non-controlling shareholder owns a 43.9% interest. The fair value of the non-controlling interest in the Scandinavian segment amounted to €959.1 million as of June 30, 2019, versus €952.5 million as of December 31, 2018. As of June 30, 2019, the fair-value contribution of the Scandinavian portfolio represented an amount of €3,876.7 million in non-current assets, €74.0 million in current assets, €1,563.7 million in non-current liabilities and €336.4 million in current liabilities.

	France-Belgium[a]		Scandinavia		Italy		Iberia		Netherlands	
In millions of euros	06/30/2019	06/30/2018	06/30/2019	06/30/2018	06/30/2019	06/30/2018	06/30/2019	06/30/2018	06/30/2019	06/30/2018
Gross rents	**222.5**	**221.2**	**93.1**	**94.1**	**100.3**	**104.4**	**68.4**	**66.0**	**41.2**	**35.4**
Other rental income	14.3	15.1	0.5	0.7	2.4	2.0	1.4	1.1	0.0	0.0
Gross rental income	**236.8**	**236.3**	**93.6**	**94.8**	**102.6**	**106.4**	**69.8**	**67.2**	**41.2**	**35.4**
Rental and building expenses	(21.0)	(22.9)	(8.7)	(9.6)	(9.3)	(10.2)	(5.9)	(6.7)	(7.8)	(11.3)
Net rental income	**215.8**	**213.4**	**84.9**	**85.2**	**93.4**	**96.1**	**64.0**	**60.4**	**33.4**	**24.1**
Management and other income	21.6	24.2	4.3	4.0	8.7	6.4	5.2	3.2	2.2	3.3
Payroll and other general expenses	(28.5)	(33.1)	(9.2)	(9.6)	(11.2)	(11.0)	(6.6)	(6.8)	(5.5)	(6.4)
EBITDA	**208.9**	**204.5**	**80.0**	**79.7**	**90.9**	**91.5**	**62.6**	**56.8**	**30.1**	**21.0**
Depreciation, amortization and impairment	(6.3)	(6.0)	(1.6)	(1.1)	(0.8)	(0.2)	(0.7)	(0.1)	(0.1)	(0.2)
Change in value of investment properties	(151.3)	113.0	(18.3)	43.6	(36.7)	86.3	21.9	36.4	(11.1)	14.5
Net proceeds on disposal of investment properties and equity investments	(0.1)	0.6	0.0	1.9	(0.1)	-	4.9	(2.6)	4.0	(0.0)
Share in earnings of equity accounted companies	(6.2)	7.0	2.2	(1.6)	8.2	9.1	0.3	(0.7)	-	-
SEGMENT INCOME	**44.9**	**319.1**	**62.3**	**122.4**	**61.4**	**186.6**	**88.9**	**89.9**	**22.8**	**35.2**
Goodwill impairment										
Cost of net debt										
Change in the fair value of financial instruments										
PROFIT BEFORE TAX										
Income tax										
NET INCOME										

(a) Shopping centers and Other retail properties.

	Germany		CE & Other		Not allocated		Klépierre Group	
In millions of euros	06/30/2019	06/30/2018	06/30/2019	06/30/2018	06/30/2019	06/30/2018	06/30/2019	06/30/2018
Gross rents	**26.4**	**26.2**	**55.3**	**60.3**			**607.2**	**607.6**
Other rental income	0.0	0.0	1.1	0.7			19.7	19.6
Gross rental income	**26.4**	**26.2**	**56.4**	**60.9**			**626.9**	**627.1**
Rental and building expenses	(6.7)	(7.0)	(4.2)	(4.9)			(63.4)	(72.7)
Net rental income	**19.7**	**19.2**	**52.2**	**56.0**			**563.5**	**554.4**
Management and other income	2.1	2.7	2.1	2.0			46.1	45.8
Payroll and other general expenses	(4.1)	(5.0)	(5.7)	(6.0)	(12.4)	(18.1)	(83.2)	(96.0)
EBITDA	**17.7**	**17.0**	**48.7**	**52.0**	**(12.4)**	**(18.1)**	**526.4**	**504.2**
Depreciation, amortization and impairment	(0.2)	(0.2)	(0.9)	(0.3)			(10.7)	(8.1)
Change in value of investment properties	(18.5)	(2.9)	(8.4)	95.1			(222.5)	386.0
Net proceeds on disposal of investment properties and equity investments	-	(0.1)	(0.0)	0.0			8.7	(0.2)
Share in earnings of equity accounted companies	-	-	0.6	22.1			5.2	36.0
SEGMENT INCOME	**(1.0)**	**13.8**	**40.0**	**169.0**	**(12.4)**	**(18.1)**	**307.0**	**917.9**
Goodwill impairment							(5.6)	-
Cost of net debt							(68.0)	(77.0)
Change in the fair value of financial instruments							(15.8)	(5.4)
PROFIT BEFORE TAX							**217.6**	**835.5**
Income tax							(7.4)	(75.9)
NET INCOME							**210.2**	**759.6**

3.2 Investment properties by operating segment

In millions of euros	Value of investment properties at 06/30/2019[(a) (c)]	Value of investment properties at 12/31/2018[(a)]
France-Belgium[(b)]	8,858.3	8,901.8
Scandinavia	3,635.0	3,613.0
Italy	3,328.7	3,332.7
Iberia	2,158.8	2,198.9
Netherlands	1,585.5	1,416.3
Germany	913.6	926.2
CE & Other	1,257.4	1,473.4
TOTAL	**21,737.4**	**21,862.4**

(a) *Including investment properties at fair value, investment properties at cost and excluding investment properties held for sale.*
(b) *Including other retail properties.*
(c) *Including right of use relating to ground leases.*

3.3 New investments over the period by operating segment

In millions of euros	Investment properties at fair value	Investment properties at cost	Investments at 06/30/2019[(a)]
Shopping centers	**75.2**	**52.5**	**127.7**
France-Belgium[(b)]	27.0	23.5	50.5
Scandinavia	14.4	-	14.4
Italy	3.7	29.0	32.7
Iberia	2.8	-	2.8
Netherlands	19.4	-	19.4
Germany	1.7	-	1.7
CE & Other	6.2	-	6.2
TOTAL	**75.2**	**52.5**	**127.7**

(a) *Investments include acquisitions, capitalized expenses and changes in scope.*
(b) *Including other retail properties.*

The main investments over the period (including capitalized interest) in the France-Belgium segment concern the Créteil Soleil extension and refurbishment for a total amount of €27.7 million and the Rives d'Arcins extension in Bègles near Bordeaux for €4.9 million.

In the Netherlands, investments mainly concern the redevelopment of the Hoog Catharijne mall's lateral wings in Utrecht city center for €18.2 million.

Most of the capital expenditure in Italy is attributable to the Gran Reno shopping center, located in Casalecchio di Reno near Bologna, for €29.0 million.

Investments in the Scandinavia segment correspond to three projects: Emporia (Sweden), Gulskogen Senter (Norway) and Field's Copenhagen (Denmark).

NOTE 4 SCOPE OF CONSOLIDATION

Accounting policies

Scope of consolidation

The Klépierre Group's interim condensed consolidated financial statements include all companies over which Klépierre has control, joint control or significant influence.

The percentage of control takes account of any potential voting rights that entitle their holders to additional votes whenever these rights are immediately exercisable or convertible.

Subsidiaries are consolidated starting on the date at which the Group obtains effective control.

Consolidation method

The consolidation method is based on the degree of control exercised by the Group:

- **Control**: full consolidation. Control is presumed to exist when Klépierre directly or indirectly holds more than half of the Company's voting rights. Control is also presumed to exist where the parent company has the power to direct the financial and operational policies of the Company and appoint, dismiss or convene the majority of the members of the Board of Directors or equivalent management body;
- **Joint control and significant influence**: equity-method accounting. Joint control exists where operational, strategic and financial decisions require unanimous agreement between the partners. The agreement is contractual, *i.e.*, subject to bylaws and shareholder agreements. Influence is defined as the power to contribute to a company's financial and operating policy decisions, rather than to exercise control over those policies. Significant influence is presumed where the Group directly or indirectly holds 20% or more of an entity's voting rights. Investments in associates are initially recognized in the statement of financial position at acquisition cost, and are subsequently adjusted for the share of the net cash generated after the acquisition and the changes in fair value;
- **No influence**: the Company is not consolidated.

Changes in equity of companies accounted for using the equity method are reported on the asset side of the statement of financial position under "Investments in equity-accounted companies" and under the corresponding item in shareholder's equity. Goodwill in respect of companies accounted for using the equity method is also reported under "Investments in equity-accounted companies."

Intercompany transactions

Intercompany balances and profits resulting from transactions between Group companies are eliminated.

As of June 30, 2019, the Group's scope of consolidation included 267 companies, of which 232 fully consolidated companies and 35 companies accounted for using the equity method.

In accordance with IFRS 12, the Group discloses its control assessment to define the nature of its interest held in its subsidiaries and the associated risks (see note 9.4).

The main changes in scope of consolidation during first-half 2019 were as follows:

- On January 10, 2019, the Group sold its interest in Klépierre Praha SRO shares, a Czech entity that owns the Novo Plaza center in Prague;
- On May 28, 2019, in Italy, the Group incorporated Acquario Srl in partnership with Finim (95.06% held by Klépierre); and
- Klécar Europe Sud SCS merged with Klépierre SA.

NOTE 5 NOTES TO THE FINANCIAL STATEMENTS: STATEMENT OF FINANCIAL POSITION

5.1 Goodwill

Accounting policies

Accounting for business combinations

The accounting rules for business combinations comply with IFRS 3 (revised).

To decide whether a transaction is a business combination the Group considers whether an integrated set of activities is acquired besides the investment property. The criteria applied may include the number of property assets held by the target company, the extent of the acquired processes and, particularly, the auxiliary services provided by the acquired entity. If the acquired assets are not a business, the transaction is recorded as an asset acquisition.

All business combinations are recognized using the acquisition method. The consideration transferred is measured as the fair value of assets contributed, equity issued and liabilities incurred at the transfer date. The identifiable assets and liabilities of the acquiree are measured at their fair value at the acquisition date. Any liabilities are only recognized if they represent a real obligation at the date of the business combination and if their fair value can be reliably measured. For each business combination, the acquirer must measure all non-controlling interests held in the acquired company, either at their fair value at the acquisition date or at the corresponding share in the fair value of the assets and liabilities of the acquired company.

Any surplus of the consideration transferred and the value of non-controlling interests over the net fair value of the business' identifiable assets acquired and liabilities assumed, is recognized as goodwill. Costs directly linked to the acquisition are recognized as expenses.

IFRS 3 (revised) stipulates a maximum period of 12 months from the acquisition date for the accounting of the acquisition to be finalized: adjustments to values applied must be related to facts and circumstances existing at the acquisition date. Therefore, beyond this 12-month period, any earn-out adjustment must be recognized in income for the fiscal year unless the additional consideration is an equity instrument.

As regards the treatment of deferred tax assets, a gain in income for deferred tax assets unrecognized at the acquisition date or during the measurement period must be recognized.

Where a business is acquired in stages, the previous investment is remeasured at fair value at the date control is transferred. Any difference between fair value and carrying amount of this investment is recognized in income.

Any change in the Group's interest in an entity that results in a loss of control is recognized as a gain/loss on disposal and the remaining interest is remeasured at fair value with the change being recognized in income.

Transactions that do not affect control (additional acquisition or disposal) are accounted for as equity transactions for which the equity is allocated proportionally between the owners of the parent and the non-controlling interest without an impact on profit or loss and/or a goodwill adjustment.

Goodwill measurement and impairment

Goodwill is carried at cost less any accumulated impairment losses. In compliance with IAS 36, the Group performs impairment testing if there is any indication of impairment, and at least once a year. For the purposes of this test, assets are grouped into cash-generating units (CGUs). CGUs are standardized groups of assets whose continued use generates cash inflows that are largely separate from those generated by other asset groups.

An impairment loss must be recognized wherever the recoverable amount of the goodwill is less than its carrying amount.

Goodwill corresponding to optimized value of deferred taxes

This goodwill results from the recognition of deferred taxes at the date of the business combination. It represents the difference between the deferred tax liabilities recognized in the statement of financial position in accordance with IAS 12, and the tax expected to be paid in the event of a sale by means of a share deal. As a consequence, impairment tests performed on this type of goodwill at each reporting date consist in comparing its carrying amount with the amounts expected to arise from optimizing deferred taxes.

Goodwill of management companies

Goodwill may relate to management companies. Impairment tests are performed annually and are based on valuations as determined by independent appraisers. These valuations are based on the discounted cash flow (DCF) method in every country where the Klépierre Group conducts management activities. This method consists of three stages.

In the first stage, cash flows that may be generated in the future by each company's portfolio of business (*i.e.*, before consideration of explicit or implicit financing costs) are estimated on the basis of the specific business plans developed in each country where the Group conducts management activities for itself and for third parties.

In the second stage, forecast cash flows and the estimated future value of the management business portfolio at the end of the forecast period (terminal value) are discounted at an appropriate rate. This discount rate is determined on the basis of the capital asset pricing model (CAPM) and is the sum of the following three components: the risk-free interest rate, a general market risk premium (forecast average market risk premium multiplied by the beta coefficient for the business portfolio) and a specific market risk premium (which takes account of the proportion of specific risk not already included in cash flows).

In the third and final stage, the value of shareholders' equity is obtained by deducting the Company's net debt on the valuation date from the value of its business portfolio.

Impairment tests, performed annually based on independent appraiser valuation, consist in comparing the carrying amount of the entities with their Net Asset Value.

As of June 30, 2019, goodwill totaled €607.3 million, versus €611.8 million as of December 31, 2018, breaking down as follows:

Goodwill of management companies

As of June 30, 2019, goodwill of management companies totaled €249.0 million (after impairment), versus €252.1 million as of December 31, 2018.

In millions of euros	**12/31/2018**	**Change in scope**	**Disposals, retirement of assets**	**Impairment**	**Other movements**	**06/30/2019**
France	117.7	-	-	-	-	117.7
Italy	53.7	-	-	-	-	53.7
Spain	32.0	-	-	-	-	32.0
Portugal	7.4	-	-	-	-	7.4
Netherlands	14.0	-	-	-	-	14.0
Germany	13.7	-	-	-	-	13.7
Turkey	0.8	-	-	-		0.8
Scandinavia	9.5	-	-	-	0.2	9.7
Hungary	3.4	-	-	(3.4)	-	-
GOODWILL RELATING TO MANAGEMENT ACTIVITIES	**252.1**	**-**	**-**	**(3.4)**	**0.2**	**249.0**

Goodwill corresponding to the optimized value of deferred taxes

As of June 30, 2019, goodwill corresponding to the optimized value of deferred taxes totaled €358.3 million (after impairment), versus €359.6 million as of December 31, 2018.

In millions of euros	**12/31/2018**	**Change in scope**	**Disposals, retirement of assets**	**Impairment**	**Other movements**	**06/30/2019**
Former Corio assets	277.7	-	-	-	-	277.7
IGC	32.7	-	-	-	-	32.7
Oslo City	35.1	-	-	-	0.9	36.0
Nueva Condo Murcia	8.9	-	-	(2.2)	-	6.6
Other	5.3	-	-	-	-	5.3
GOODWILL ARISING ON DEFERRED TAX LIABILITIES	**359.6**	**-**	**-**	**(2.2)**	**0.9**	**358.3**

Further to the increase in fair value of Nueva Condomina, the related tax optimization decreased and the goodwill was impaired accordingly.

5.2 Intangible assets

Accounting policies

Intangible assets

An intangible asset is a non-monetary asset without physical substance. It must be simultaneously identifiable (and therefore separable from the acquired entity or arising from legal or contractual rights), controlled by the Company as a result of past events and provide an expectation of future financial benefits.

IAS 38 states that an intangible asset should be amortized only where it has an identified useful life. Intangible assets with an indefinite useful life should not be amortized, but should be tested annually for impairment (IAS 36) or whenever there is evidence of a loss of value.

Assets recognized as intangible assets with finite useful lives should be amortized on a straight-line basis over periods that equate to their expected useful life.

Impairment of intangible assets

After initial recognition, other intangible assets are recognized at cost, less any related amortization or impairment losses.

Useful lives are examined annually and an impairment test is conducted if there is any indication of impairment. Intangible assets with an indefinite useful life are not amortized. The "indefinite" nature of the useful life is reviewed at least annually. These assets are tested for impairment annually, or if there is any indication of impairment, by comparing their carrying amount with the recoverable amount. In the event of impairment, an impairment loss is recognized in income. The Klépierre Group's intangible assets are not subject to independent valuation.

"Software" includes software in service as well as ongoing IT projects. The increase in this item relates to the Group's investment in new software and applications.

In millions of euros	12/31/2018	Acquisitions and capitalized expenses	Disposals, retirement of assets	Allowances for the period	Currency movements	Changes in the scope of consolidation	06/30/2019
Leasehold rights	2.8	-	-	-	-	-	2.8
Goodwill	4.2	-	-	-	-	-	4.2
Software	87.8	0.5	-	-	0.5	-	88.8
Concessions, patents and similar rights	1.8	-	-	-	-	-	1.8
Other intangible assets	4.1	-	-	-	-	-	4.1
TOTAL GROSS VALUE	**100.7**	**0.5**	**-**	**-**	**0.5**	**-**	**101.7**
Leasehold rights	(1.1)	-	-	-	-	-	(1.1)
Goodwill	(2.5)	-	-	-	-	-	(2.5)
Software	(58.4)	-	-	(4.6)	(0.3)	-	(63.3)
Concessions, patents and similar rights	(1.4)	-	-	-	-	-	(1.4)
Other intangible assets	(3.4)	-	-	-	-	-	(3.4)
TOTAL AMORTIZATION	**(67.0)**	**-**	**-**	**(4.6)**	**(0.3)**	**-**	**(72.0)**
INTANGIBLE ASSETS - NET VALUE	**33.7**	**0.5**	**-**	**(4.6)**	**0.2**	**-**	**29.7**

5.3 Property, plant and equipment

Accounting policies

Property, plant and equipment

In accordance with IAS 16, property plant and equipment are valued at their historical cost, less accumulated depreciation and any decreases in value. Depreciation is calculated based on the useful life of each operating asset class.

Property, plant and equipment include operating assets such as fixtures and other office equipment owned by the Group, related to headquarters buildings and offices.

Property, plant and equipment also includes the remaining lease payments on head office leases, vehicle leases and other equipment leases, that are initially recognized in the form of a right of use asset in accordance with IFRS 16. They are subsequently depreciated on straight-line basis over the lease term.

In millions of euros	12/31/2018	IFRS 16 - First time application(a)	Acquisitions and capitalized expenses	Disposals, retirement of assets	Allowances for the period	Currency movements	Reclassifications and others movements(a)	06/30/2019
Non-depreciable assets	-	-	-	-	-	-	-	-
Depreciable assets and work in progress	33.0	-	1.4	(0.1)	-	(0.3)	0.5	34.5
Right of use relating to property, plant and equipment(a)	-	33.2	0.3	-	-	(0.1)	0.6	34.0
TOTAL GROSS VALUE	**33.0**	**33.2**	**1.7**	**(0.1)**	**-**	**(0.4)**	**1.1**	**68.5**
Depreciable assets	(23.1)	-	-	0.1	(1.1)	0.2	-	(23.9)
Right of use relating to property, plant and equipment(a)	-	-	-	-	(4.3)	-	-	(4.3)
TOTAL DEPRECIATION	**(23.1)**	**-**	**-**	**0.1**	**(5.4)**	**0.2**	**-**	**(28.2)**
Impairment	-							-
PROPERTY, PLANT AND EQUIPMENT AND WORK IN PROGRESS–NET VALUE	**9.9**	**33.2**	**1.7**	**-**	**(5.4)**	**(0.2)**	**1.1**	**40.3**

(a) *The impacts relating to the application of IFRS 16 are detailed in the note 8 "IFRS 16 Leases."*

5.4 Investment properties

Accounting policies

Investment properties (IAS 40, IFRS 13 and IFRS 16)

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the Group, is classified as investment property. Investment property also includes property that is being constructed or developed for future use as investment property. For all investment properties, current use equates to the best possible use.

As from January 1, 2019, land held under operating leases is classified and accounted for by the Group as right of use under the IFRS 16. After initial recognition, it is measured using the fair value model in accordance with IAS 40 "Investment Property."

Investment property is measured initially at cost, including related transaction costs and, where applicable, eviction and borrowing costs (see below).

After initial recognition, investment property is carried at fair value. Investment property under construction is measured at fair value if the fair value is considered to be reliably determinable. Investment properties under construction for which the fair value cannot be determined reliably, but for which the Company expects that the fair value of the property will be reliably determinable when construction is completed, are measured at cost less impairment until the fair value becomes reliably determinable or construction is completed, whichever is earlier.

In order to evaluate whether the fair value of an investment property under construction can be determined reliably, management considers the following factors, among others:

- The stage of completion;
- The level of reliability of cash inflows after completion; and
- The development risk specific to the property.

Additions to investment properties consist of capital expenditure, eviction costs, capitalized interest, letting fees and other internal costs related to development. Certain internal staff and associated costs directly attributable to the management of major projects during the construction phase are also capitalized.

The difference between the fair value of an investment property at the reporting date and its carrying amount prior to re-measurement is included in the income statement as a valuation surplus or deficit. The profit on disposal is determined as the difference between the sales proceeds and the carrying amount of the asset based on the latest appraisal value.

When the Group begins to redevelop an existing investment property for continued future use as an investment property, the property continues to be held as an investment property.

In addition, investment properties recorded at cost are tested for impairment at June 30 and December 31, whenever there is evidence of a loss of value. Where such evidence exists, the recoverable amount of the asset is compared with its carrying amount, and an impairment loss is recognized.

In determining the carrying amount of investment properties under the fair value model, an entity does not double-count assets or liabilities that are recognized as separate assets or liabilities.

Borrowing costs

Under IAS 23, borrowing costs directly attributable to the acquisition or construction of eligible assets are included in the cost of the respective assets.

When a loan is not directly attributable to an asset, Klépierre uses the capitalization rate applied to the expenses related to the asset in order to measure the attributable cost; if several non-specific borrowing lines exist, the capitalization rate is the weighted average rate of those loans observed during the fiscal year.

Fair value of investment property

The fair value of Klépierre's investment properties is determined by professionally qualified independent appraisers who have relevant expertise and recent industry experience in the locations and segments of the investment properties being valued. They perform their valuation of the Group's assets as of June 30 and December 31 of each year.

Investment properties are presented at fair value excluding transfer costs. These transfer costs are measured on a basis of an asset disposal. The fair values of investment properties are determined in compliance with the measurement rules described in IFRS 13. In addition, given the complexity of real estate asset valuations and the nature of certain non-public data (such as projected rent increases, capitalization and discount rates), the fair values of investment properties have been classified as level 3 according to IFRS 13 criteria. Accordingly, there are no transfers of properties between the fair value hierarchies.

Given the fact that these valuations are, by their nature, estimates, it is possible that the amount realized on the disposal of some real estate assets will differ from the estimated value of those assets, even where such disposal occurs within a few months of the reporting date.

Klépierre entrusts the task of valuing its real estate assets to various independent appraisers.

Shopping centers are valued by:

> Jones Lang LaSalle (JLL) values all Greek and Turkish assets and most of the Italian portfolio;

> CBRE values all assets in Portugal, Spain, Czech Republic, Slovakia and the Netherlands, and several assets in France and Italy;

> BNP Paribas Real Estate values all German assets;

> Colliers values the remaining Italian asset of the K2 fund; and

> Cushman & Wakefield values a portion of the French portfolio, all Danish, Swedish, and Norwegian assets, as well as Polish and Hungarian assets.

Retail assets are valued by BNP Paribas Real Estate.

All valuations are conducted in accordance with the principles of the *Charte de l'Expertise en Évaluation Immobilière*, the recommendations of the AMF dated February 8, 2010 and Royal Institution of Chartered Surveyors standards. The fees paid to appraisers, agreed prior to their valuation of the properties concerned, are determined on a lump sum basis to reflect the number and complexity of the assets appraised. The fee is entirely unrelated to the appraised value of the assets concerned.

The valuations performed by the independent appraiser are reviewed internally by senior management in charge of investments and relevant people within each operational division. This process includes discussions of the assumptions used by the independent appraiser, as well as a review of the resulting valuations. Discussions of the valuation process and results are held between senior management in charge of investments and the independent appraiser on a half-yearly basis.

All Klépierre Group assets are systematically appraised using two methods: the yield method (or capitalization methodology) and the discounted cash flows method. However, Klépierre only retains the latter.

According to the yield method, to determine the fair value of a shopping center, appraisers apply a yield rate to total net rent for occupied premises, and to the net market rent for vacant properties, discounted for the anticipated period of vacancy.

The yield rate is set by the appraiser based on a range of inputs, the most important of which are: retail sales area, layout, competition, type and percentage of ownership, gross rental income and extension potential and comparability with recent transactions in the market.

As regards the discounted cash flows approach, appraisers estimate the different cash flows over a 10-year period. To determine future cash flows, appraisers are provided with all relevant information (detailed rent rolls, footfall, retailer sales, occupancy cost ratios, etc.), which they use to make their own assessment. They factor in their own leasing assumptions (ERV, vacancy, incentives, etc.) as well as future capital expenditures and non-recoverable operating expenses. Lastly, they apply a discount rate that varies from one property to another since it is a combination of the risk-free rate and the risk premium attached to each property due to its location, quality, size, and technical specificities.

The terminal value is calculated based on the net rental income for the 10th year, capitalized by an exit yield.

5.4.1 Investment properties at fair value

In millions of euros	
INVESTMENT PROPERTIES AT FAIR VALUE – NET VALUE AS OF 12/31/2018	**21,692.2**
Right of use relating to ground leases as of 01/01/2019 - IFRS 16 First time application[a]	390.2
INVESTMENT PROPERTIES AT FAIR VALUE – NET VALUE AS OF 01/01/2019	**22,082.4**
Additions to the scope of consolidation	-
Investments	74.0
Capitalized interest	1.2
Disposals and removals from the scope of consolidation	(170.9)
Other movements, reclassifications	(232.5)
Currency movements	(7.9)
Fair value adjustments	(221.4)
INVESTMENT PROPERTIES AT FAIR VALUE – NET VALUE AS OF 06/30/2019	**21,524.9**

(a) *The impacts relating to the application of IFRS 16 on the opening consolidated statements are detailed in note 2, section 2.2.1.*

Investments for €74.0 million and capitalized interest for €1.2 million committed and recognized over the period mainly concern the development project of Hoog Catharijne in Utrecht for €18.2 million and a set of refurbishments and capital expenditures for €27.0 million in France and for €14.4 million over the Scandinavian area.

The Group has completed disposals totaling €170.9 million, mainly attributable to the sales of:

> Almere shopping mall near Amsterdam in the Netherlands;

> Four malls in Portugal (Telheiras in Lisbon, Gaia Jardim in Porto, Continente de Loures in Loures and the Minho Center in Braga); and

> Three retails units in France.

The table below presents the data used to determine the fair value of investment properties:

	06/30/2019				
Shopping centers *(weighted average)*	**Annual rent** *(in euros per sq.m.)*[a]	**Discount rate**[b]	**Exit rate**[c]	**CAGR of NRI**[d]	**EPRA NIY**
France-Belgium	367	5.7%	4.8%	2.8%	4.3%
Italy	386	7.0%	5.6%	1.7%	5.5%
Scandinavia	334	6.8%	4.8%	2.2%	4.5%
Netherlands	239	6.6%	6.0%	3.1%	5.2%
Iberia	339	7.3%	5.7%	2.2%	5.5%
Germany	225	5.1%	4.4%	1.1%	4.5%
CE & Other[e]	217	9.2%	7.1%	3.7%	6.3%
TOTAL GROUP	**315**	**6.5%**	**5.2%**	**2.4%**	**4.9%**

The discount rate and exit rate are weighted by shopping center portfolio valuation (including transfer taxes).
(a) *Average annual rent (minimum guaranteed rent plus sales-based rent) per asset per square meter.*
(b) *Rate used to calculate the present value of future cash flows.*
(c) *Rate used to capitalize the exit rent to determine the exit value of an asset.*
(d) *Compound annual growth rate of net rental income determined by the appraiser at 10 years.*
(e) *Turkey: the average annual rent per asset per square meter amounts to €128, the average discount rate stands at 15.3%, the average exit rate is 8.7%, the compound annual growth rate of net rental income is 8.3% and EPRA NIY stands at 6.7%.*

As of June 30, 2019, the average EPRA Net Initial Yield (NIY) of the portfolio stood at 4.9% (including transfer taxes). A 10-bp increase in yields would result in a €380 million loss in the portfolio valuation (attributable to owners of the parent).

5.4.2 Investment properties at cost

In millions of euros	
INVESTMENT PROPERTIES AT COST – NET VALUE AS OF 12/31/2018	**170.2**
Investments	51.8
Capitalized interest	0.7
Disposals and removals from the scope of consolidation	-
Other movements, reclassifications	(9.1)
Currency movements	-
Fair value adjustments	-
Impairment losses and reversals	(1.1)
INVESTMENT PROPERTIES AT COST – NET VALUE AS OF 06/30/2019	**212.5**

The investments over the period relate to the Créteil Soleil extension in France and the Shopville Gran Reno extension in Italy.

As of June 30, 2019, the main investment properties at cost comprise:

> In France: extension of the Créteil Soleil shopping center;

> In Italy: extension of the Shopville Gran Reno mall; and

> In Scandinavia: land in Odense.

5.4.3 Investment properties held for sale

Accounting policies

Investment properties held for sale

Investment properties that the Group has committed to sell or entered into an agreement to sell are presented according to IFRS 5.

The accounting impacts are as follows:

> Reclassification as held for sale at fair value less costs to sell; and

> Presentation on a separate line as current assets.

In millions of euros	
INVESTMENT PROPERTIES HELD FOR SALE – NET VALUE AS OF 12/31/2018	**72.7**
Disposals and removals from the scope of consolidation	(72.7)
Other movements, reclassifications	239.2
Currency movements	-
Fair value adjustments	-
INVESTMENT PROPERTIES HELD FOR SALE – NET VALUE AS OF 06/30/2019	**239.2**

During the first half of 2019, assets sold (€72.7 million) correspond to:

> A portion of the Creil Saint Maximin retail mall in France;

> The Novo Plaza gallery located in Prague, Czech Republic; and

> One retail unit in France.

5.4.4 Investment property portfolio reconciliation

The following table reconciles the carrying amount of investment properties to the value of the property portfolio disclosed in the management report:

	06/30/2019				
In millions of euros	Investment properties held by fully consolidated companies	Investments in equity accounted companies[a]	Transfer taxes	Lease liability[b]	Total portfolio value
Investment properties	21,137.3	1,324.8	1,085.9	-	23,548.0
Right of use relating to ground leases	387.6	-	-	(361.3)	26.3
(incl.) Upfront payments on ground lease	*26.3*	-	-	-	*26.3*
Investment properties at fair value	**21,524.9**	**1,324.8**	**1,085.9**	**(361.3)**	**23,574.3**
Investment properties at cost	212.5	-	-	-	212.5
Investment properties held for sale	239.2	-	-	-	239.2
Operating lease incentives	15.9	-	-	-	15.9
TOTAL	**21,992.5**	**1,324.8**	**1,085.9**	**(361.3)**	**24,041.9**

(a) Investments in equity-accounted assets are included based on the fair value of the shares held and taking into account receivables and facilities granted by the Group.
(b) Lease liability as defined by IFRS 16 is deducted from the investment property value in the portofolio valuation.

5.5 Investments in equity-accounted companies

In millions of euros	12/31/2018 Attributable to owners of the parent	Share in 2019 net income	Dividends received	Capital increases and decreases	Currency movements	06/30/2019 Attributable to owners of the parent
Investments in joint ventures	906.0	4.2	(13.6)	2.1	4.2	902.9
Investments in associates	144.3	1.0	(8.9)	-	(7.8)	128.6
EQUITY-ACCOUNTED COMPANIES	**1,050.2**	**5.2**	**(22.5)**	**2.1**	**(3.6)**	**1,031.4**

Thirty-five companies were accounted for using the equity method as of June 30, 2019, of which twenty-seven were joint ventures and eight were associates.

The main items of the statements of financial position and income statements of joint ventures[1] are presented below (the values shown below include consolidation adjustments):

	06/30/2019		12/31/2018	
In millions of euros	100%	Attributable to owners of the parent	100%	Attributable to owners of the parent
Non-current assets	2,528.1	1,250.5	2,548.2	1,260.1
Current assets	116.0	56.9	118.1	57.8
Cash and cash equivalents	101.6	48.4	64.9	30.4
Non-current external financial liabilities	(88.7)	(41.9)	(95.5)	(45.3)
Non-current financial liabilities (Group and associates)	(507.2)	(253.0)	(520.3)	(259.6)
Non-current liabilities	(251.0)	(128.6)	(247.8)	(126.9)
Current external financial liabilities	(14.7)	(7.2)	(13.4)	(6.6)
Current liabilities	(44.3)	(22.3)	(7.9)	(3.9)
NET ASSETS	**1,839.8**	**902.9**	**1,846.3**	**906.0**

(1) Cécobil SCS, Du Bassin Nord SCI, Le Havre Vauban SNC, Le Havre Lafayette SNC, Girardin SCI, Girardin 2 SCI, Société Immobilière de la Pommeraie SC, Parc de Coquelles SNC, Kleprim's SCI, Celsius Le Murier SNC, Celsius Haven SNC, Clivia SpA, Galleria Commerciale Il Destriero SpA, CCDF SpA, Galleria Commerciale Porta di Roma SpA, Galleria Commerciale 9 Srl, Italian Shopping Centre Investment Srl, Holding Klege Srl, Hovlandparken AS, Metro Senter ANS, Økern Sentrum ANS, Økern Eiendom ANS, Metro Shopping AS, Hovlandparken DA, Økern Sentrum AS, Nordal ANS, and Klege Portugal SA.

In millions of euros	06/30/2019 100%	06/30/2019 Attributable to owners of the parent	06/30/2018 100%	06/30/2018 Attributable to owners of the parent
Revenues from ordinary activities	73.8	36.5	71.3	35.3
Operating expenses	(14.7)	(7.3)	(12.7)	(6.3)
Change in value of investment properties	(35.6)	(17.2)	(21.3)	(10.1)
Financial income	(9.9)	(4.9)	(10.4)	(5.2)
Profit before tax	13.6	7.1	26.9	13.7
Tax	(5.8)	(2.9)	(13.4)	(6.7)
NET INCOME	**7.8**	**4.2**	**13.5**	**7.0**

Klépierre's share in the external net debt (current and non-current external financial liabilities adjusted for cash and cash equivalents) of its joint ventures amounted to €0.6 million as of June 30, 2019, versus €21.6 million as of December 31, 2018.

The main components of the statement of financial position and income statements of associates[1] are presented below (the values shown below include consolidation restatements):

In millions of euros	06/30/2019 100%	06/30/2019 Attributable to owners of the parent	12/31/2018 100%	12/31/2018 Attributable to owners of the parent
Non-current assets	303.6	130.9	330.3	143.2
Current assets	4.4	2.0	2.3	1.0
Cash and cash equivalents	6.1	2.6	8.6	3.8
Non-current external financial liabilities	(0.7)	(0.2)	(0.7)	(0.2)
Non-current financial liabilities (Group and associates)	(0.9)	(0.3)	(0.5)	(0.1)
Non-current liabilities	(1.7)	(0.6)	(1.7)	(0.6)
Current external financial liabilities	(0.1)	(0.0)	(0.1)	(0.0)
Current liabilities	(12.2)	(5.7)	(5.8)	(2.6)
NET ASSETS	**298.5**	**128.6**	**332.4**	**144.3**

In millions of euros	06/30/2019 100%	06/30/2019 Attributable to owners of the parent	06/30/2018 100%	06/30/2018 Attributable to owners of the parent
Revenues from ordinary activities	12.5	5.4	14.8	6.6
Operating expenses	(3.5)	(1.6)	(4.6)	(2.2)
Change in value of investment properties	(7.5)	(3.4)	55.5	24.2
Financial income	1.4	0.6	0.7	0.3
Profit before tax	2.9	1.0	66.4	29.0
Tax	-	-	-	-
NET INCOME	**2.9**	**1.0**	**66.4**	**29.0**

(1) *La Rocade SCI, La Rocade Ouest SCI, Du Plateau SCI, Achères 2000 SCI, Le Champs de Maïs SC, Société du bois des fenêtres SARL, Akmerkez Gayrimenkul Yatirim Ortakligi AS and Step In SAS.*

5.6 Other non-current assets

Accounting policies for financial assets (current and non-current)

Financial assets

Financial assets include long-term financial investments, current assets representing operating receivables, debt securities, investment securities (including derivatives) and cash. Under IFRS 9, financial assets are measured at fair value through profit or loss or at their amortized cost.

Measurement and recognition of financial assets

Loans and receivables

These include receivables from equity investments, other loans and other receivables. All are recognized at amortized cost, which is calculated using the effective interest rate method. The effective interest rate is the rate that precisely discounts estimated future cash flows to obtain the carrying amount of the instrument. Impairment losses are based on a forward-looking expected credit loss (ECL) approach.

Cash and cash equivalents

Cash and cash equivalents include cash held in bank accounts, short-term deposits maturing in less than three months, money market funds and other marketable securities. They are described in note 5.9 "Cash and cash equivalents."

In millions of euros	12/31/2018	Change in scope	Increases	Decreases	Other	06/30/2019
Other long-term investments	0.1	-	-	-	0.1	0.2
Loans and advances to non-consolidated companies and equity-accounted companies	282.0	-	16.0	(16.1)	(1.6)	280.3
Loans	0.3	-	0.8	(0.8)	-	0.3
Deposits	15.6	-	1.8	(1.0)	-	16.3
Other long-term financial investments	1.1	-	-	-	-	1.1
TOTAL	**299.0**	**-**	**18.6**	**(18.0)**	**(1.5)**	**298.2**

5.7 Trade and other receivables

Accounting policies

Trade and other receivables

Trade receivables are recognized and measured at invoice face value minus accruals for non-recoverable amounts, in accordance with IFRS 9, as described in note 5.6.

Other receivables under this heading include the effect of recognizing lease incentives granted to tenants over time (step-up rents and rent-free periods). All receivables have a maturity of less than one year, except step-up rents and rent-free periods, which are spread over the fixed term of the lease.

Impairment is based on the standard's simplified approach. The ECL is calculated based on lifetime expected credit losses, using the Group's historical credit loss experience.

In millions of euros	06/30/2019	12/31/2018
Trade receivables	186.4	167.2
Step-up rents and rent-free periods	38.9	37.6
GROSS VALUE	**225.3**	**204.7**
Provisions for bad debts	(75.9)	(77.6)
NET VALUE	**149.4**	**127.1**

5.8 Other receivables

	06/30/2019			12/31/2018
In millions of euros	Total	Less than one year	More than one year	Total
Tax receivables	**82.7**	**82.7**		**120.8**
Income tax	19.7	19.7		45.3
VAT	42.9	42.9		56.1
Other tax receivables	20.1	20.1		19.4
Other	**238.3**	**230.0**	**8.3**	**207.3**
Service charges due	17.6	17.6		13.7
Downpayments to suppliers	19.2	19.1	0.1	41.6
Prepaid expenses	9.1	9.1		35.0
Funds from principals	106.6	106.6		92.2
Other	85.7	77.5	8.2	24.8
TOTAL	**321.0**	**312.6**	**8.3**	**328.1**

VAT mainly includes outstanding refunds from local tax authorities in respect of recent acquisitions or construction projects in progress.

In accordance with IFRS 16, upfront payments on ground leases as of December 31, 2018, have been reclassified from prepaid expenses to right of use on ground leases for €26.6 million (see note 2.2.1).

Funds managed by Klépierre Management on behalf of its principals stood at €106.6 million as of June 30, 2019 versus €92.2 million as of December 31, 2018. The management accounts of the principals are recognized under "Other liabilities" (see note 5.14) for the same amount.

The line "Other" is mainly composed of dividends receivables and receivables related to construction works.

5.9 Cash and cash equivalents

In millions of euros	06/30/2019	12/31/2018
Cash equivalents	25.1	0.9
Treasury bills and certificates of deposit	0.1	0.1
Money-market investments	25.0	0.8
Cash	169.9	303.6
Gross cash and cash equivalents	**195.0**	**304.5**
Bank overdrafts	**(68.5)**	**(224.7)**
NET CASH AND CASH EQUIVALENTS	**126.5**	**79.9**

Bank overdrafts in the amount of €68.5 million mainly correspond to the gross debit position in notional cash-pooling. They are offset by a gross credit position included in cash and cash equivalents.

Cash equivalents comprise French term deposit for €25.0 million and Italian treasury bills for €0.1 million.

5.10 Equity

5.10.1 Share capital, additional paid-in capital and capital reserves

As of June 30, 2019, the share capital was made up of 304,594,639 fully paid-up shares each with a par value of €1.40. Shares are held in either registered or bearer form.

In euros	Number of shares	Share capital	Issue premiums	Merger premiums	Other premiums
As of January 1, 2019	314,356,063	440,098,488	4,906,584,902	310,095,156	433,330,000
Cancellation of shares in 2019	(9,761,424)	(13,665,994)	(336,374,725)	-	-
New shares issued in 2019	-	-	-	-	-
Dividend distribution in 2019	-	-	-	(125,463,828)	-
AS OF JUNE 30, 2019	**304,594,639**	**426,432,494**	**4,570,210,177**	**184,631,328**	**433,330,000**

On February 20, 2019 and June 20, 2019, the Group cancelled 9,761,424 shares acquired in 2017 under the March 13, 2017 share buyback program, as described in note 5.10.2. Pursuant to this transaction, the share capital was reduced to €426.4 million and issue premiums to €4,570.2 million.

On April 16, 2019, the General Meeting of Shareholders approved the payment of a €2.10 per share dividend in respect of the 2018 fiscal year, payable in cash. The total dividend approved by Klépierre shareholders amounted to €645.6 million (including dividends payable on treasury shares) and €619.4 million (excluding dividends payable on treasury shares).

A portion of the dividend distribution (€125.4 million) was deducted from merger premiums with the remaining portion (€494.0 million) deducted from other consolidated reserves, as described in note 5.10.3.

As of June 30, 2019, the mandatory legal reserve stood at €44 million.

5.10.2 Treasury shares

Accounting policies

Treasury shares

All treasury shares held by the Group are recognized at their acquisition cost and deducted from equity. Any gain arising on the disposal of treasury shares is recognized immediately as equity, such that disposal gains or losses do not impact net income for the fiscal year.

	06/30/2019						12/31/2018					
	Stock options	Performance shares	Liquidity agreement	External growth	March 2017 and February 2019 share buyback program	Total	Stock options	Performance shares	Liquidity agreement	External growth	March 2017 share buyback program	Total
Number of shares	14,052	898,468	12,500	706,442	9,746,585	11,378,047	418,034	869,902	335,423	885,195	14,416,865	16,925,419
> *Of which allocated*	-	*898,468*	-	-	-	*898,468*	-	*869,902*	-	-	-	869,902
Acquisition value *(in millions of euros)*	0.5	29.9	0.4	14.3	307.8	352.9	11.8	29.0	9.5	18.3	500.0	568.6
Proceeds from sale *(in millions of euros)*	(0.2)	(1.2)	1.3	-	-	(0.1)	(0.1)	(0.0)	(1.4)	-	-	(1.5)

As of June 30, 2019, Klépierre held 11,378,047 shares in treasury, versus 16,925,419 shares as of December 31, 2018, of which 9,746,585 arising from the March 2017 and February 2019 share buyback programs, breaking down as follows:

- In 2017 and 2018, Klépierre repurchased 14,416,865 of its own shares, as part of its share buyback program announced on March 13, 2017. On February 20, 2019 and June 20, 2019, Klépierre cancelled respectively 6,932,462 and 2,828,962 shares acquired in 2017 under this program. The residual number of shares amounts to 4,655,441 shares; and
- On February 6, 2019, Klépierre announced a new share buyback program of up to €400 million. As of June 30, 2019, the Group repurchased 5,091,144 shares for an aggregate amount of €157.8 million.

5.10.3 Other consolidated reserves

The decrease in other consolidated reserves is mainly attributable to the appropriation of 2018 consolidated net income for €838.8 million (before distribution) and to the 2018 dividend distribution for €494.0 million.

5.10.4 Non-controlling interests

Non-controlling interests decreased by €18.1 million during the first half of 2019. This change mainly reflects:

> Net income for the period attributable to non-controlling interests (positive €41.4 million impact);

> Payment of dividends (negative €52.4 million impact); and

> Foreign exchange impacts (negative €5.5 million impact), mainly in Scandinavia.

5.11 Current and non-current financial liabilities

Accounting policies

Financial liabilities

Financial liabilities include borrowings, other forms of financing, bank overdrafts, derivatives and operating payables.

IFRS 9 "Financial Instruments": describes how financial assets and liabilities must be measured and recognized.

Measurement and recognition of financial liabilities

With the exception of derivatives, all loans and other financial liabilities are measured at amortized cost using the effective interest method.

Recognition of liabilities at amortized cost

In accordance with IFRS, redemption premiums on bonds and debt issuance expenses are deducted from the nominal value of the loans concerned and incorporated into the calculation of the effective interest rate.

Application of the amortized cost method to liabilities hedged at fair value

Changes in the fair value of (the effective portion of) swaps used as fair value hedges are balanced by remeasurement of the hedged risk component of the debt.

Given that the characteristics of derivatives and items hedged at fair value are similar in most instances, any ineffective portion carried to hedging profit or loss may be minimal.

If a derivative is canceled before the due date of the hedged liability, the amount of the debt adjustment will be amortized over the residual term using the effective interest rate calculated at the date the hedging relationship ceased.

Measurement and recognition of derivatives

As the parent company, Klépierre takes responsibility for almost all Group funding and provides centralized management of interest and exchange rate risks. This financial policy involves Klépierre implementing the facilities and associated hedging instruments required by the Group.

Klépierre hedges its liabilities using derivatives and has consequently adopted hedge accounting in accordance with IFRS 9:

> Hedges to cover statement of financial position items whose fair value fluctuates in response to interest rate, credit or exchange rate risks (fair value hedge); and

> Hedges to cover the exposure to future cash flow risk (cash flow hedges), which consists of setting the amount of future cash flows arising on a variable-rate liability or asset.

The Klépierre derivatives portfolio qualified for hedge accounting meets all IFRS 9 hedge definition and effectiveness criteria.

The adoption of hedge accounting has the following consequences:

> Fair value hedges of existing assets and liabilities: the hedged portion of the asset/liability is accounted for at fair value in the statement of financial position. The gains or losses resulting from changes in fair value are recognized immediately in profit or loss. At the same time, there is an opposite corresponding adjustment in the fair value of the hedging instrument, in line with its effectiveness; and

> Cash flow hedges: the portion of the gain or loss on the fair value of the hedging instrument that is determined to be an effective hedge is recognized directly in equity and reclassified to the income statement when the hedged cash transaction affects profit or loss. The gain or loss from the change in value of the ineffective portion of the hedging instrument is recognized immediately in profit or loss.

Financial instruments qualified in the trading category are measured at fair value with fair value movements recognized in profit or loss of the period.

Recognition date: trade or settlement

IFRS aims to reflect the time value of financial instruments as closely as possible by ensuring that, wherever possible, instruments with a deferred start date are recognized on the trade date, thus allowing calculation of the deferred start date.

However, this principle cannot be applied to all financial instruments in the same way.

For example, commercial paper is often renewed a few days before its due date. If these instruments were recognized at their trade date, this would artificially inflate the amount concerned between the renewal trade date of a paper and its effective start date.

Klépierre applies the following rules:

> Derivatives are recognized at their trade date, since their measurement effectively takes account of any deferred start dates; and

> Other financial instruments (especially liabilities) are recognized on their settlement date.

Method used to calculate fair value of financial instruments

Financial assets and liabilities recognized at fair value are measured either on the basis of market price or by applying measurement models that apply the market inputs prevailing on the reporting date. The term “model” refers to mathematical methods based on generally-accepted financial theories. The realizable value of these instruments may differ from the fair value adopted when preparing the financial statements.

For any given instrument, an active, and therefore liquid, market is any market in which transactions take place regularly, supply and demand are reasonably balanced, or in which transactions involve instruments that are very similar to the instrument being measured.

Where prices quoted on an active market are available on the reporting date, they are used to determine fair value. Listed securities and derivatives traded on organized markets such as futures or option markets are therefore measured in this way.

Most over the counter (OTC) derivatives, swaps, futures, caps, floors and simple options are traded on active markets. They are measured using generally-accepted models (discounted cash flow, Black-Scholes, etc.) based on the market prices of such instruments or similar underlying assets.

Tax treatment of changes in fair value of financial instruments

In Klépierre’s case:

> The non-SIIC portion of the deferred tax on financial instruments recognized at fair value is calculated pro rata of net financial income; and

> The financial instruments of foreign subsidiaries recognized at fair value give rise to deferred tax calculated on the basis of the rates applying in the country concerned.

5.11.1 Change in debt

Change in debt presented below does not include leases liabilities according to IFRS 16 that are presented in note 8.

Current and non-current financial liabilities amounted to €9,095.2 million as of June 30, 2019 versus €9,106.0 million at year-end 2018.

In millions of euros	06/30/2019	12/31/2018
NON-CURRENT		
Bonds net of costs/premiums	**5,489.2**	**5,772.7**
> Of which fair value hedge adjustments	13.2	18.2
Bank loans and borrowings – long term	**961.8**	**1,096.3**
Fair value adjustments to debt(a)	**31.0**	**40.6**
Other loans and borrowings	**161.1**	**126.7**
> Advance payments to the Group and associates	153.9	119.4
> Other	7.2	7.2
TOTAL NON-CURRENT FINANCIAL LIABILITIES	**6,643.0**	**7,036.3**
CURRENT		
Bonds net of costs/premiums	**574.5**	**304.8**
> Of which fair value hedge adjustments		
Bank loans and borrowings – short term	**147.9**	**35.4**
Accrued interest	**69.3**	**81.2**
> On bonds	63.2	74.5
> On bank loans	5.1	4.8
> On advance payments to the Group and associates	1.0	1.9
Commercial paper	**1,659.0**	**1,646.7**
Other loans and borrowings	**1.5**	**1.6**
> Advance payments to the Group and associates	1.5	1.6
TOTAL CURRENT FINANCIAL LIABILITIES	**2,452.2**	**2,069.6**
TOTAL NON-CURRENT AND CURRENT FINANCIAL LIABILITIES	**9,095.3**	**9,106.0**

(a) Corresponds to the balance of the mark-to-market of Corio's debt recognized at the acquisition date.

Net debt totaled €8,818 million as of June 30, 2019, versus €8,875 million as of December 31, 2018. Net debt is the difference between financial liabilities (excluding both fair value hedge adjustments and the mark-to-market of Corio's debt recognized at the acquisition date) plus bank overdrafts minus available cash and marketable securities.

In millions of euros	06/30/2019	12/31/2018
Non-current and current financial liabilities	9,095.2	9,106.0
Bank overdrafts	68.5	224.7
Revaluation due to fair value hedge	(13.1)	(18.2)
Fair value adjustement of debt(a)	(31.0)	(40.6)
Cash and cash equivalents(b)	(301.6)	(396.7)
NET DEBT	**8,817.9**	**8,875.1**

(a) Corresponds to the balance of the mark-to-market of Corio's debt recognized at the acquisition date.
(b) Includes cash managed for principals for €106.6 million as of June 30, 2019 and €92.2 million as of December 31, 2018.

The €57 million decrease is mainly attributable to:

- Cash inflows from operations and other items (foreign exchange, changes in working capital), amounting to €444 million;
- Cash outflows in respect of corporate actions for €523 million (including the first instalment of dividend in March for €312 million, distribution to non-controlling interests for €54 million and the buyback of Klépierre shares for an aggregate amount of €158 million);
- Cash outflows in respect of capital expenditure for €121 million (see section 1.9.6 "EPRA Capital Expenditure") including €80 million in development pipeline projects and €45 million in standing assets; and
- Cash inflows from disposals for €257 million, corresponding to assets sold mostly in France and Portugal.

5.11.2 Main sources of financing

The Group's main financial resources are detailed in the table below (nominal value).

	Group's financing						
In millions of euros	Borrower	Issue currency	Reference rate	Maturity date	Repayment profile	Maximum amount	Amount used as at 06/30/2019
Bonds						**5,024**	**5,024**
	Klépierre SA	EUR	2.750%	09/17/2019	At maturity	275	275
	Klépierre SA	EUR	4.625%	04/14/2020	At maturity	300	300
	Klépierre SA	EUR	4.750%	03/14/2021	At maturity	565	565
	Klépierre SA	EUR	1.000%	04/17/2023	At maturity	750	750
	Klépierre SA	EUR	1.750%	11/06/2024	At maturity	630	630
	Klépierre SA	EUR	2.125%	10/22/2025	At maturity	255	255
	Klépierre SA	EUR	1.875%	02/19/2026	At maturity	500	500
	Klépierre SA	EUR	1.375%	02/16/2027	At maturity	600	600
	Klépierre SA	EUR	4.230%	05/21/2027	At maturity	50	50
	Klépierre SA	EUR	1.250%	09/29/2031	At maturity	600	600
	Klépierre SA	EUR	1.625%	12/13/2032	At maturity	500	500
						634	**634**
	Klépierre (formerly Corio)	EUR	5.448%	08/10/2020	At maturity	250	250
	Klépierre (formerly Corio)	EUR	3.250%	02/26/2021	At maturity	299	299
	Klépierre (formerly Corio)	EUR	3.516%	12/13/2022	At maturity	85	85
						426	**426**
	Steen & Strøm	NOK	NIBOR	08/09/2021	At maturity	72	72
	Steen & Strøm	NOK	2.620%	06/08/2022	At maturity	46	46
	Steen & Strøm	NOK	NIBOR	09/14/2022	At maturity	77	77
	Steen & Strøm	NOK	NIBOR	03/23/2023	At maturity	83	83
	Steen & Strøm	NOK	2.400%	11/07/2023	At maturity	52	52
	Steen & Strøm	NOK	2.980%	05/23/2029	At maturity	10	10
	Steen & Strøm	SEK	STIBOR	02/22/2021	At maturity	38	38
	Steen & Strøm	SEK	1.093%	12/08/2022	At maturity	47	47
Bank loans						**4,027**	**350**
	Klépierre	EUR	Euribor	06/04/2020	At maturity	475	
	Klépierre	EUR	Euribor	070/7/2022	At maturity	850	
	Klépierre	EUR	Euribor	(b)	At maturity	2,125	
	Klépierre Nederland	EUR	Euribor	01/14/2021	At maturity	350	350
	Steen & Strøm	NOK	NIBOR	2019	At maturity	103	
	Steen & Strøm	NOK	NIBOR	2021	At maturity	124	
Mortgage loans						**759**	**742**
	Massalia Shopping Mall	EUR	Euribor	06/23/2026	At maturity	131	114
	Steen & Strøm	SEK	STIBOR	(b)		242	242
	Steen & Strøm	DKK	CIBOR	(b)		307	307
	Steen & Strøm	DKK	Fixed	(b)		79	79
Property finance leases						**23**	**23**
Short-term facilities and bank overdrafts						**400**	
Commercial paper						**1,659**	**1,659**
	Klépierre	EUR	-	-	At maturity	1,500	1,500
	Steen & Strøm	NOK	-	-	At maturity	93	93
	Steen & Strøm	SEK	-	-	At maturity	66	66
GROUP TOTAL[(a)]						**11,293**	**8,858**

(a) Totals are calculated excluding backup lines of funding since the maximum amount of the "Commercial paper" line includes that of the backup line.
(b) These lines combine several facilities with different maturities.

As a general rule, the Group finances its assets with equity or debt contracted by Klépierre SA. In some cases, especially in partnerships or in Scandinavian countries, the Group may use mortgage loans to fund its activities. The total mortgages granted to secure these financings (€742 million) amounted to €927 million as of June 30, 2019.

5.11.3 Covenants

The Group's main credit agreements contain financial covenants. Failure to comply with these covenants could trigger mandatory repayment of the related debt.

Financial covenants applicable to Klépierre SA financings

As of June 30, 2019, Klépierre SA complies with all its obligation arising from its financial debt:

Financing	Ratios/covenants	Limit[a]	06/30/2019	12/31/2018
Syndicated loans and bilateral loans	Net debt/Portfolio value ("Loan to Value")	≤60%	36.7%	36.3%
	EBITDA/Net interest expenses[b]	≥2.0x	7.9x	7.0x
	Secured debt/Portfolio value[c]	≤20%	0.7%	0.7%
	Portfolio value[d]	≥€10 bn	€20.4 bn	€20.8 bn
Bond issues	Secured debt/Revalued Net Asset Value[c]	≤50%	0.8%	0.8%

(a) Covenants are based on the 2015 revolving credit facility.
(b) Excluding the impact of the liability management operations (non-recurring items).
(c) Excluding Steen & Strøm.
(d) Group share, including transfer taxes.

Financial covenants applicable to fully consolidated companies with minority interest

A portion of Steen & Strøm's debt is subject to a covenant that requires shareholders' equity to be equal to at least 20% of Net Asset Value at all times. On June 30, 2019, this ratio was 55%.

One of the Group's subsidiaries has a non-recourse mortgage loan and does not meet one of its financial covenants as of June 30, 2019. Discussions with the lenders are ongoing in order to remedy this situation.

5.11.4 Breakdown of borrowings by maturity date

Breakdown of borrowings by maturity date presented below do not include leases liabilities according to IFRS 16 that are presented in note 8.

► BREAKDOWN OF CURRENT AND NON-CURRENT FINANCIAL LIABILITIES

In millions of euros	Total	Less than one year	One to five years	More than five years
NON-CURRENT				
Bonds net of costs/premiums	**5,489.2**		**2,343.8**	**3,145.3**
> Of which fair value hedge adjustments	13.2		13.2	
Bank loans and borrowings – long term	**961.8**		**523.3**	**438.5**
Fair value adjustments to debt[a]	**31.0**		**31.0**	
Other loans and borrowings	**161.1**		**153.9**	**7.2**
> Advance payments to the Group and associates	153.9		153.9	
> Other	7.2			7.2
TOTAL NON-CURRENT FINANCIAL LIABILITIES CURRENT	**6,643.0**		**3,052.0**	**3,591.0**
CURRENT				
Bonds net of costs/premiums	**574.5**	**574.5**		
> Of which fair value hedge adjustments				
Bank loans and borrowings – short term	**147.9**	**147.9**		
Accrued interest	**69.3**	**69.3**		
> On bonds	63.2	63.2		
> On bank loans	5.1	5.1		
> On advance payments to the Group and associates	1.0	1.0		
Commercial paper	**1,659.0**	**1,659.0**		
Other loans and borrowings	**1.5**	**1.5**		
> Advance payments to the Group and associates	1.5	1.5		
TOTAL CURRENT FINANCIAL LIABILITIES	**2,452.2**	**2,452.2**		
TOTAL NON-CURRENT AND CURRENT FINANCIAL LIABILITIES	**9,095.2**	**2,452.2**	**3,052.0**	**3,591.0**

(a) Corresponds to the balance of the mark-to-market of Corio's debt recognized at the acquisition date.

As of June 30, 2019, the maturity schedule of contractual flows including principal and interest (non-discounted) was as follows:

Most outstanding commercial paper matures during 2019 (€1,172 million). Commercial paper essentially corresponds to short-term resources used on a rollover basis. It is fully covered by back-up credit facilities. One bond denominated in euros (€275 million) matures in September 2019.

Repayment year *In millions of euros*	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027 and beyond**	**Total**
Principal	1,575	1,069	1,359	301	951	708	287	532	2,074	8,858
Interest	72	125	82	73	61	55	45	31	98	641
GROUP TOTAL (PRINCIPAL + INTEREST)	**1,647**	**1,194**	**1,442**	**374**	**1,012**	**763**	**332**	**563**	**2,172**	**9,499**

As of December 31, 2018, the amortization table for the contractual flows was as follows:

Repayment year *In millions of euros*	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027 and beyond**	**Total**
Principal	2,023	582	1,359	300	947	708	288	646	2,068	8,921
Interest	144	125	83	75	64	59	49	35	114	747
GROUP TOTAL (PRINCIPAL + INTEREST)	**2,166**	**708**	**1,442**	**374**	**1,011**	**767**	**337**	**681**	**2,181**	**9,668**

5.12 Hedging instruments

As part of its risk management policy (see note 9 "Risk exposure and hedging strategy"), Klépierre has entered into interest-rate swap or cap agreements allowing it to convert debt from floating rate to fixed rate and vice-versa. As a result of these instruments, the proportion of total debt arranged or hedged at a fixed rate was 95% as of June 30, 2019 (notional amounts).

As of June 30, 2019, the breakdown of derivatives by maturity was as follows:

Hedging relationship *In millions of euros*	**Klépierre Group derivatives**													
	Currency	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**Total**
Cash flow hedge														**885**
	EUR			350					114					464
	NOK	62			52	31	41		31					217
	SEK		57	57	28									142
	DKK			62										62
Fair value hedge														**344**
	EUR		250	94										344
	NOK													
	SEK													
	DKK													
Trading														**5,070**
	EUR		1,600	1,625	200	75		700					600	4,800
	NOK													
	SEK		47	38		38								123
	DKK		40		107									147
GROUP TOTAL		**62**	**1,994**	**2,226**	**387**	**144**	**41**	**700**	**144**				**600**	**6,299**

The "trading" category includes a portfolio of caps (for a notional amount of €1.7 billion), a portfolio of payer swaps (€1 billion), a portfolio of swaptions (€700 million) and receiver swaps (€1.4 billion).

As of June 30, 2019, the corresponding contractual flows (interest) broke down as follows (positive flows = payer flows):

In millions of euros	**Hedging relationship**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**Total**
Swaps	Cash flow hedge	1	3	1	1	1	1	0	0	-	-	-	-	8
Swaps	Fair value hedge	(6)	(6)	(1)	-	-	-	-	-	-	-	-	-	(13)
Swaps/caps	Trading	(11)	3	(5)	(3)	(2)	(1)	0	2	3	4	4	2	(4)
EUR-denominated derivatives		**(16)**	**(0)**	**(5)**	**(2)**	**(1)**	**(0)**	**1**	**2**	**3**	**4**	**4**	**2**	**(8)**
NOK-denominated derivatives		**0**	**(0)**	**(0)**	**(0)**	**(0)**	**0**	**0**	**(0)**	**-**	**-**	**-**	**-**	**(1)**
SEK-denominated derivatives		**2**	**4**	**2**	**0**	**0**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**8**
DKK-denominated derivatives		**1**	**2**	**2**	**0**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**5**
GROUP TOTAL		**(13)**	**5**	**(1)**	**(1)**	**(1)**	**(0)**	**1**	**2**	**3**	**4**	**4**	**2**	**4**

As of December 31, 2018, the breakdown of derivatives by maturity date was as follows:

Hedging relationship *In millions of euros*	**Currency**	**Klépierre Group derivatives** 2019	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**Total**
Cash flow hedge													**913**
	EUR			350					114				464
	NOK	161			50	30							241
	SEK		59	59	29								146
	DKK			62									62
Fair value hedge													**344**
	EUR		250	94									344
	NOK												
	SEK												
	DKK												
Trading													**3,834**
	EUR	410	1,600	1,250	100			200					3,560
	NOK												
	SEK		49	39		39							127
	DKK		40		107								147
GROUP TOTAL		**571**	**1,997**	**1,854**	**287**	**69**		**200**	**114**				**5,092**

As of December 31, 2018, the corresponding contractual flows (interest) broke down as follows (positive flows = payer flows):

In millions of euros	**Hedging relationship**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**Total**
Swaps	Cash flow hedge	2	2	1	0	(0)	(0)	(1)	(1)	-	-	-	3
Swaps	Fair value hedge	(12)	(6)	(1)	-	-	-	-	-	-	-	-	(18)
Swaps/caps	Trading	(13)	12	(1)	0	-	-	-	-	-	-	-	(2)
EUR-denominated derivatives		**(23)**	**8**	**(1)**	**0**	**(0)**	**(0)**	**(1)**	**(1)**	**-**	**-**	**-**	**(17)**
NOK-denominated derivatives		**0**	**(0)**	**(0)**	**(0)**	**(0)**	**-**	**-**	**-**	**-**	**-**	**-**	**(1)**
SEK-denominated derivatives		**4**	**4**	**2**	**0**	**0**	**-**	**-**	**-**	**-**	**-**	**-**	**10**
DKK-denominated derivatives		**2**	**2**	**2**	**0**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**5**
GROUP TOTAL		**(17)**	**14**	**2**	**0**	**(0)**	**(0)**	**(1)**	**(1)**	**-**	**-**	**-**	**(3)**

Fair value of the interest rate derivatives portfolio:

In millions of euros	Fair value net of accrued interest as of 06/30/2019	Change in fair value during 2019	Matching entry
Cash flow hedge	(20.1)	(4.3)	*Shareholders' equity*
Fair value hedge	13.2	(5.0)	*Borrowings/Net income*
Trading	7.2	(15.8)	*Net income*
TOTAL	**0.3**	**(25.1)**	

5.13 Non-current provisions

Accounting policies

Provisions and contingent liabilities

In accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets," a provision is recognized where the Group has a liability towards a third party, and it is probable or certain that an outflow of resources will be required to settle this liability without an equivalent or greater amount expected to be received from the third party concerned.

This standard requires that non-interest-bearing long-term liabilities are discounted.

Non-current provisions amounted to €14.9 million as of June 30, 2019 versus €28.5 million as of December 31, 2018, dedicated mainly to covering business-related litigations and taxes outside the scope of IFRIC 23 in the different countries where Klépierre operates.

5.14 Payroll, tax liabilities and other liabilities

In millions of euros	06/30/2019	12/31/2018
PAYROLL AND TAX LIABILITIES	**213.0**	**181.5**
Employees and related accounts	34.0	37.0
Social security and other bodies	12.5	14.1
Tax payables		
> Income tax	61.3	62.1
> VAT	30.9	30.7
Other taxes and duties	74.2	37.7
OTHER LIABILITIES	**675.8**	**369.7**
Creditor customers	12.6	15.6
Prepaid income	33.1	40.4
Other liabilities	630.1	313.7

Creditor customers amount to €12.6 million and correspond to advance payments received from tenants regarding service charges.

As of June 30, 2019, other liabilities include €307.9 million of dividend payables to owner of the parent, the effective payment of which was on July 10, 2019.

Other liabilities also include funds representing the management accounts of Klépierre Management's principals, balanced by an equal amount in other receivables under assets. These funds totaled €106.6 million as of June 30, 2019 (€92.2 million as of December 31, 2018).

NOTE 6 NOTES TO THE FINANCIAL STATEMENTS: STATEMENT OF COMPREHENSIVE INCOME

6.1 Gross rental income

Accounting policies

IFRS 16 "Leases"

IFRS 16 "Leases" supersedes IAS 17 with effect from January 1, 2019. It has no major impact on the treatment of leases by the lessor.

In accordance with IFRS 16, the Group, as lessor, distinguishes between two types of leases:

> Finance leases, which transfer substantially all the risks and rewards inherent in the ownership of an asset to the lessee. Title to the asset may or may not be transferred at the end of the lease term; and

> All other leases are classified as operating leases.

Recognition of step-up rents and rent-free periods

Gross rental income from operating leases is recognized over the full lease term on a straight-line basis.

Step-up rents and rent-free periods are recognized as additions to, or deductions from, gross rental income for the fiscal year.

The reference period adopted is the first non-cancelable lease term.

Entry fees

Entry fees received by the lessor are recognized as additional rent.

Entry fees are part of the net amount exchanged between the lessor and the lessee under a lease. For this purpose, the accounting periods during which this net amount is recognized should not be affected by the form of the agreement or the rent payment schedule. Entry fees are spread over the first non-cancelable lease term.

Early termination penalties

Tenants who terminate their leases prior to the contractual expiration date are liable to pay early termination penalties.

Such penalties are allocated to the terminated contract and credited to income for the period in which they are recognized.

IFRS 15 "Revenue from Contracts with Customers"

Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. Gross rental income is excluded from the scope of IFRS 15. Consequently, only service charges and management, administrative and related income are accounted for in accordance with IFRS 15.

Regarding service charge revenues, a principal/agent analysis should be performed.

Principal/agent analyses of the service charges and management, administrative and related income are based on two main principles:

> Responsibility for providing the services according to the terms of the contract; and

> Ability to establish the price of the services provided.

Gross rental income includes:

- Rents from investment property and rent-related income, such as car park rentals and early termination penalties;
- Other rental income: income from entry fees and other income; and
- Step-up rents, rent-free periods and entry fees are spread over the non-cancelable term of the lease.

Detail of gross rental income is presented below:

In millions of euros	06/30/2019	06/30/2018
Lease rents	619.7	618.7
Spreading of tenant incentives	(12.5)	(11.1)
Gross Rents	**607.2**	**607.6**
Other rental income	19.7	19.6
GROSS RENTAL INCOME	**626.9**	**627.1**

6.2 Land expenses (real estate)

Accounting policies

Ground leases: IFRS 16

In 2018, the "Land expenses" item comprised lease payments for the period (fixed and variable rents) and upfront payments for the ground lease depreciated over the term of the lease.

With the mandatory application of IFRS 16 "Leases" as from January 1, 2019, ground leases are now recognized as a right of use asset and lease liability in the statement of financial position for the present value of the lease payments (fixed portion only) and are subsequently measured at fair value in accordance with IAS 40. The lease expenses previously recognized in "Land expenses" are reclassified to "Interest expenses" and "Change in value of investment properties."

In accordance with IFRS 16, upfront payment for ground leases have been reclassified in the statement of financial position from "Prepaid expenses" to "Right of use relating to ground leases." The lease expenses previously recognized in "Land expenses" are reclassified to "Change in value of investment properties."

As of June 30, 2019, land expenses amounted to €3.9 million and comprise variable payments on ground leases not included in the right of use valuation in accordance with IFRS 16.

6.3 Service charges

Service charges income corresponds to service charges invoiced to lessees, and has been presented separately. Service charges income is recorded as income in the period in which it is earned.

Service charge expenses cover the cost of services such as general maintenance and repairs, security, heating/cooling, lighting and cleaning of common areas. Service charges expenses have been presented on a gross basis.

6.4 Owners' building expenses

These expenses comprise owners' rental expenses, expenses related to construction work and legal costs, costs associated with bad debts and costs related to real estate management.

6.5 Other operating income

Other operating income notably includes building work rebilled to lessees.

6.6 Depreciation, amortization and impairment of property, plant and equipment and intangible assets

As of June 30, 2019, depreciation, amortization and impairment of property, plant and equipment and intangible assets amounted to €10.1 million, of which €4.3 million in right of use depreciation, as detailed in note 8.

6.7 Change in value of investment properties

As of June 30, 2019, changes in value of investment properties amounted to a negative €222.5 million, versus a positive €386.0 million as of June 30, 2018.

In millions of euros	06/30/2019	06/30/2018
Change in value of investment properties at fair value[a]	(221.4)	385.8
Change in value of investment properties at cost	(1.1)	0.2
TOTAL	**(222.5)**	**386.0**

(a) The change in value of right of use relating to ground leases amounts to a negative €2.8 million (see note 8).

6.8 Net proceeds from disposals of investment properties and equity investments

Net proceeds from disposals totaled a positive €8.7 million, and mainly resulted from the disposals of:

- Shares held in the Novo Plaza shopping center located in Prague, Czech Republic, on January 10, 2019;
- A portion of the Saint Maximin retail mall near Creil in France on March 8, 2019;
- Four malls in Portugal (Telheiras, Gaia Jardim, Loures and Minho Center), completed on April 30, 2019;
- In the Netherlands, a portion of the Almere shopping mall near Amsterdam on June 19, 2019; and
- Four retail units in France (Oloron Sainte Marie, Étalondes, Le Creusot and Saint-Quentin).

Net proceeds from disposals also include transfer taxes and related expenses.

6.9 Cost of net debt

The cost of net debt totaled €68.0 million in first-half 2019, versus €77.0 million in first-half 2018.

The €9 million decrease in this item is mainly attributable to the new receiver swaps implemented at the end of 2018 and the reduction in drawn-down debt during the period (€192 million).

In millions of euros	06/30/2019	06/30/2018
FINANCIAL INCOME	**36.1**	**35.5**
Income from sales of securities	0.0	0.0
Interest income on swaps	21.8	17.3
Deferral of payments on swaps	0.0	0.0
Capitalized interest	1.7	3.0
Interest on advances to associates	5.0	5.0
Sundry interest received	3.7	3.3
Other revenue and financial income	2.5	2.9
Currency translation gains	1.5	4.0
FINANCIAL EXPENSES	**(99.9)**	**(112.5)**
Expenses from sales of securities		
Interest on bonds	(71.8)	(71.7)
Interest on bank loans	(5.3)	(6.4)
Interest expense on swaps	(11.4)	(13.3)
Deferral of payments on swaps	(9.6)	(16.1)
Interest on advances to associates	(0.9)	(1.1)
Sundry interest paid	(0.9)	(0.3)
Other financial expenses	(9.0)	(12.6)
Currency translation losses	(1.3)	(3.0)
Transfer of financial expenses	0.6	2.1
Amortization of the fair value of debt[a]	9.6	9.9
COST OF NET DEBT	**(63.8)**	**(77.0)**
Interest expense on leases liabilities[b]	(4.2)	-
COST OF NET DEBT AFTER IFRS 16	**(68.0)**	**(77.0)**

(a) Corresponds to the amortization of the mark-to-market of Corio's debt recognized at the acquisition date.
(b) The impacts relating to the application of IFRS 16 are detailed in note 8.

NOTE 7 TAXES

Accounting policies

The tax status of *Sociétés d'investissement immobilier cotée* (SIIC)

At the General Meeting of Shareholders held on September 26, 2003, Klépierre was authorized to adopt SIIC tax status.

General features of SIIC tax status

All SIICs are entitled to an income tax exemption provided that their stock is listed on a regulated French market, that they have share capital of at least €15 million and that their corporate purpose is either the purchase or construction of properties for rental or the direct or indirect investment in entities with that corporate purpose. The option to adopt SIIC status is irrevocable. Subsidiaries subject to corporate income tax and at least 95%- owned by the Group may also claim SIIC status.

In return for the tax exemption, SIICs have to pay out 95% of rental income and 60% of the capital gains made on property disposals. In addition they must pay out 100% of any dividends received from SIIC or SIIC equivalent subsidiaries. With effect from fiscal year 2019, the distribution rate for the capital gains generated by property disposals increased from 60% to 70%.

New entities claiming SIIC status are immediately subject to a 19% exit tax on unrealized gains on properties and on shares in partnerships not subject to income tax. The exit tax is payable over a four-year period, commencing at the point when the entity concerned adopts SIIC status.

Income tax on companies not eligible for SIIC equivalent

Since adopting SIIC status in 2003, Klépierre SA has made a distinction between SIICs that are exempt from rental income and capital gains taxes, and other companies that are subject to those taxes.

Income tax on non-SIIC French entities is calculated in accordance with French tax regulations.

Tax regime of Spanish SOCIMI entities

SOCIMIs are listed Spanish companies, or subsidiaries of listed companies subject to SOCIMI equivalent regulation, whose principal activity is the acquisition, promotion and rehabilitation of urban real estate assets for the purpose of leasing them, either directly or through equity investments in other real estate investment companies.

Real estate income for SOCIMIs is taxed at a 0% corporate tax (CIT) rate (instead of the general rate of 25%), provided that the requirements of the SOCIMI regime are met.

Capital gains prior to the entry into the SOCIMI regime are frozen and subject to current income tax when the asset is disposed of. However, capital gains realized after election for the SOCIMI regime are exempt from capital gain tax and are subject to a distribution requirement.

Furthermore, SOCIMIs have to meet minimum profit-sharing requirements, as follows:

- 100% of the dividends received from participating entities;
- 80% of the profit resulting from the leasing of real estate and ancillary activities; and
- 50% of the profits resulting from the transfer of properties and shares linked to the Company's business provided that the remaining profits are reinvested in other real estate properties or equity investments within a maximum period of three years from the date of the transfer or, failing this, 100% of the profits must be distributed as dividends once such period has elapsed.

Spanish SOCIMIs may be subject to a special 19% withholding tax on dividend distributions unless it can be proven that shareholders with an ownership interest of 5% or more are subject to tax at a minimum rate of 10%. When a direct shareholder is a SOCIMI or subject to SOCIMI-equivalent regulations (such as Klépierre SA), this requirement is assessed at the level of the parent-company shareholders.

Income tax and deferred tax

The corporate income tax charge is calculated in accordance with the rules and rates adopted at the end of the reporting period in each Group operating country for the period to which the profit or loss applies.

Income taxes are offset by losses where such offsetting is legally permissible and where they originate within the same tax consolidation group and are subject to the same tax authority. The same principle is also applicable for deferred taxes.

Deferred taxes are recognized where there are timing differences between the carrying amounts of assets and liabilities and their tax bases, and taxable income is likely in future periods.

A deferred tax asset is recognized where tax losses are carried forward on the assumption that the entity concerned is likely to generate future taxable income against which those losses can be offset.

Deferred tax assets and liabilities are measured using the balance sheet liability method and the tax rate expected to apply when the asset is realized or the liability settled on the basis of the tax rates and tax laws that have been enacted or substantively enacted by the reporting date. The measurement of deferred tax assets and liabilities must reflect the tax consequences arising as a result of the way in which the Company expects to recover or settle the carrying amounts of its assets and liabilities at the reporting date.

All current and deferred tax is recognized as tax income or expense in the income statement, except for deferred tax recognized or settled at the time of acquiring or disposing of a subsidiary or investment and unrealized capital gains and losses on assets held for sale. In these cases, the associated deferred tax is recognized as equity.

Deferred tax is calculated at the local rate prevailing at the reporting date. The rates applied are: France 32.02%, Spain 25%, Italy 27.9%, Belgium 25%, Greece 29%, Portugal 22.5% plus a surtax where applicable, Poland 19%, Hungary 9%, Czech Republic 19%, Slovakia 21%, Sweden 20.6%, Norway 22%, Luxembourg 26.01%, Netherlands 20.5%, Denmark 22%, Turkey 22% and Germany 34.03%.

In millions of euros	**06/30/2019**	**06/30/2018**
Current tax	(19.2)	(21.2)
Deferred tax	11.7	(54.7)
TOTAL	**(7.4)**	**(75.9)**

As of June 30, 2019, deferred tax incomes amounted to €11.7 million, versus deferred tax expenses of €54.7 million as of June 30, 2018, with the variation stemming mainly from a decrease in deferred taxes on investment properties relating to fair value movements and the recognition of tax losses carryforwards.

A breakdown of tax expense between French (SIIC sector and common law) and non-French companies is shown in the tax proof below:

	France			
In millions of euros	**SIIC sector**	**Common law**	**Other companies**	**Total**
Pre-tax earnings and earnings from equity-accounted companies	30.8	(2.4)	184.0	212.4
Theoretical tax expense at 32.02%	**(9.9)**	**0.8**	**(58.9)**	**(68.0)**
Tax-exempt earnings under the SIIC and SOCIMI tax regimes	**10.8**	**-**	**19.1**	**29.9**
Taxable sectors				
Impact of permanent timing differences	(2.4)	1.4	8.4	7.4
Untaxed consolidation adjustments	0.5	(2.9)	0.8	(1.6)
Impact of non-capitalized losses	-	(0.1)	(2.3)	(2.4)
Assignment of non-capitalized losses	0.0	0.0	3.2	3.2
Change of tax regime	-	-	-	-
Discounting of deferred tax following restructuring	-	-	-	-
Discounting of tax rates and other taxes	(0.1)	2.7	4.8	7.4
Differences in tax rates	-	(0.0)	16.7	16.7
EFFECTIVE TAX EXPENSE	**(1.1)**	**1.9**	**(8.3)**	**(7.4)**

Deferred taxes break down as follow:

In millions of euros	12/31/2018	Change in scope	Change in net income	Cash flow hedging reserves	Asset, liability reclassifications	Other changes	06/30/2019
Investment properties	(1,625.3)	0.1	5.4	-	(0.0)	1.0	(1,618.9)
Derivatives	7.1	-	0.1	(2.2)	-	(0.1)	5.0
Tax loss carryforwards	22.9	(0.0)	(12.1)	-	-	0.2	11.1
Other items	(13.6)	0.9	1.3	-	0.1	0.6	(10.6)
TOTAL FOR ENTITIES IN A NET LIABILITY POSITION	**(1,608.8)**	**1.0**	**(5.3)**	**(2.2)**	**0.1**	**1.7**	**(1,613.5)**
Investment properties	(0.8)	-	0.2	-	0.0	(0.0)	(0.6)
Derivatives	-	-	-	-	-	-	-
Tax loss carryforwards	16.4	0.0	16.4	-	-	(0.1)	32.6
Other items	5.1	-	0.4	-	(0.1)	0.0	5.4
TOTAL FOR ENTITIES IN A NET ASSET POSITION	**20.7**	**0.0**	**17.0**	**-**	**(0.1)**	**(0.1)**	**37.4**
NET POSITIONS	**(1,588.2)**	**1.0**	**11.7**	**(2.2)**	**0.0**	**1.6**	**(1,576.1)**

Deferred tax in the income statement represents an income of €11.7 million and mainly comprises:

- €4.3 million in deferred tax income, of which €5.0 million resulting from the recognition of tax losses carryforwards, partially offset by the utilization of tax losses for the period, and a negative €0.7 million due to change in tax rates in the Netherlands;
- €4.0 million in deferred tax income resulting from the change in deferred taxes on temporary differences arising from changes in the fair market value and tax value of investment properties; and
- €1.5 million in deferred tax income on investment properties, mainly resulting from the decrease in the tax rates in the Netherlands (€0.9 million).

Non-capitalized deferred taxes on tax loss carryforwards amounted to €208.6 million as of June 30, 2019 versus €251.0 million as of December 31, 2018.

NOTE 8 IFRS 16 “LEASES”

IFRS 16 “Leases”, applicable to financial periods beginning on or after January 1, 2019, supersedes IAS 17 and removes the distinction between finance leases and operating leases. The main changes brought about by this new standard and the transition impacts for the Group are presented in the note 2.2.1 IFRS 16 “Leases.”

The following tables present the impacts of the application of IFRS 16 on the statement of financial position at June 30, 2019 and the statement of comprehensive income for the six months then ended.

8.1 Impacts on the statement of financial position

As of June 30, 2019, the impacts on the statement of financial position are as follows:

In millions of euros	IFRS 16 First-time application	Increase (new contract)	Decrease (contract termination)	Reevaluation and others movements	Allowances and debt reimbursment	Currency movements	Reclassification	06/30/2019
Gross right of use relating to property, plant and equipment	33.2	0.3	-	0.6	-	(0.1)	-	34.0
Amortization right of use relating to property, plant and equipment	-	-	-	-	(4.3)	0.0	-	(4.3)
Total net right of use relating to property, plant and equipment	**33.2**	**0.3**	**-**	**0.6**	**(4.3)**	**(0.1)**	**-**	**29.7**
Right of use relating to ground leases at fair value	390.2	-	-	-	-	0.2	-	390.4
Change in fair value of right of use relating to ground leases	-	-	-	-	(2.8)	(0.0)	-	(2.8)
Total right of use relating to ground leases	**390.2**	**-**	**-**	**-**	**(2.8)**	**0.2**	**-**	**387.6**
TOTAL ASSETS[(a)]	**423.4**	**0.3**	**-**	**0.6**	**(7.1)**	**0.1**	**-**	**417.3**
Leases liabilities – Non-current	384.3	0.3	-	0.6	-	0.1	(7.4)	377.9
Leases liabilities – Current	14.9	-	-	-	(7.6)	0.0	7.4	14.7
TOTAL LIABILITIES[(a)]	**399.2**	**0.3**	**-**	**0.6**	**(7.6)**	**0.1**	**-**	**392.6**

(a) The difference between right of use and lease liabilities at the date of first-time application is due to the reclassification of €26.6 million of upfront payments on ground leases from "Prepaid expenses" to "Right of use", and of €2.4 million in rent-free periods received from the lessor from "Other liabilities" to "Right of use" (see note 2, section 2.2.1).

The breakdown of current and non-current lease liabilities as of June 30, 2019 is presented below:

In millions of euros	Total	Less than one year	One to five years	More than five years
Leases liabilities – Non-current	377.9		48.2	329.7
Leases liabilities – Current	14.7	14.7		
TOTAL LEASES LIABILITIES	**392.6**	**14.7**	**48.2**	**329.7**

8.2 Impacts on the comprehensive income

The table below presents the comprehensive income as of June 30, 2019, as if the Group continued to apply IAS 17.

In millions of euros	06/30/2019 published	IFRS 16 Impact	06/30/2019 with IAS 17	06/30/2018
Gross rental income	626.9	-	626.9	627.1
Land expenses (real estate)	(3.9)	(6.1)	(10.0)	(8.4)
Service charge income	142.8	-	142.8	142.2
Service charge expenses	(186.6)	(0.4)	(187.0)	(187.3)
Building expenses (owner)	(15.7)	(0.4)	(16.1)	(19.1)
Net rental income	**563.5**	**(6.9)**	**556.6**	**554.4**
Management, administrative and related income	41.4	-	41.4	41.8
Other operating income	4.7	-	4.7	4.0
Survey and research costs	(0.3)	-	(0.3)	(0.5)
Payroll expenses	(59.8)	-	(59.8)	(59.8)
Other general expenses	(23.1)	(4.4)	(27.5)	(35.7)
Depreciation, amortization and impairment of intangible assets and property, plant and equipment	(10.1)	4.3	(5.8)	(6.7)
Provisions	(0.6)	-	(0.6)	(1.4)
Change in value of investment properties	(222.5)	2.8	(219.7)	386.0
Proceeds from disposals of investment properties and equity investments	245.5	-	245.5	298.9
Carrying amount of investment properties and equity investments sold	(236.8)	-	(236.8)	(299.1)
Income from the disposal of investment properties and equity investments	**8.7**	**-**	**8.7**	**(0.2)**
Goodwill impairment	**(5.6)**	**-**	**(5.6)**	**-**
Operating income	**296.2**	**(4.2)**	**292.0**	**881.9**
Net dividends and provisions on non-consolidated investments	(0.0)	-	(0.0)	(0.0)
Financial income	36.1	-	36.1	35.5
Financial expenses	(99.9)	-	(99.9)	(112.5)
Interest expense on lease liabilities	(4.2)	4.2	0.0	-
Cost of net debt	**(68.0)**	**4.2**	**(63.8)**	**(77.0)**
Change in the fair value of financial instruments	(15.8)	-	(15.8)	(5.4)
Share in earnings of equity-accounted companies	5.2	-	5.2	36.0
Profit before tax	**217.6**	**0.0**	**217.6**	**835.5**
Income tax	(7.4)	(0.0)	(7.4)	(75.9)
Consolidated net income	**210.2**	**0.0**	**210.2**	**759.6**
Of which				
> Attributable to owners of the parent	168.8	-	168.8	618.8
> Attributable to non-controlling interests	41.4	-	41.4	140.8

The impacts of the application of IFRS 16 on comprehensive income for the six months ended June 30, 2019, by nature of contracts, are as follows:

In millions of euros	Right of use related to property, plant and equipment	Right of use related to ground leases	Total
Depreciation, amortization and impairment of property, plant and equipment	(4.3)	-	(4.3)
Change in value of investment properties	-	(2.8)	(2.8)
Interest expense on leases liabilities	(0.1)	(4.1)	(4.2)
Total impact	**(4.4)**	**(6.9)**	**(11.3)**

Variable rents on ground leases not restated according to IFRS 16 amount to €3.9 million as of June 30, 2019 (see note 6.2).

Short-term leases, low-value assets and variable rents on property, plant and equipment, do not fall within the scope of IFRS 16. The rental expense recorded in 2019 in relation to these contracts is not material.

NOTE 9 RISK EXPOSURE AND HEDGING STRATEGY

Klépierre identifies and regularly measures its exposure to the various sources of risk (interest rates, liquidity, foreign exchange, counterparties, equity market shares, etc.) and sets applicable management policies as required. The Group pays close attention to managing the inherent financial risks in its business activity and the financial instruments it uses.

9.1 Interest-rate risk

9.1.1 Interest-rate risk – exposure to floating-rate debt

Recurrence of floating-rate financing requirement

Floating-rate debt represented 33% of the Group's borrowings as of June 30, 2019 (before hedging). It includes: bank loans (secured and unsecured), commercial paper and the use of authorized overdrafts.

Identified risk

An increase in the interest rate against which floating-rate debts are indexed (Euribor, Nibor, Stibor and Cibor) could result in an increase in future interest rate expenses.

Measurement of risk exposure

The two following tables show the exposure of Klépierre's net income to an interest rate rise, before and after hedging.

Given that changes in the fair value of cash flow hedge swaps are recognized in equity, the following table quantifies the likely impact on equity of an interest rate rise based on Klépierre's cash flow hedge swaps portfolio at the period end.

Interest rate position after hedging *In millions of euros*	**Amount**	**Change in financial expenses caused by a 1% increase in interest rates**
Gross position before hedging (floating-rate debt)	**2,965.3**	**29.7**
> Net hedge	(2,511.0)	(10.2)
Gross position after hedging	**454.3**	**19.5**
> Marketable securities	(0.1)	(0.0)
NET POSITION AFTER HEDGING	**454.2**	**19.5**

Breakdown of floating rate financial borrowings after derivatives:

Fair value of cash flow hedge *In millions of euros*	**Notional**	**Fair value net of accrued interest**	**Change in shareholders' equity caused by a 1% increase in interest rates**
Cash flow hedge swaps at 06/30/2019			
> Euro-denominated portfolio	463.5	(8.5)	13.0
> Steen & Strøm portfolio	421.1	(11.6)	10.9
CASH FLOW HEDGE SWAPS AT 06/30/2019	**884.6**	**(20.1)**	**23.9**

Breakdown of borrowings after interest rate hedging:

	Fixed-rate borrowings or converted to fixed-rate			**Floating-rate borrowings**			**Total gross borrowings**		**Average all-in cost of debt at closing date[a]**
In millions of euros	**Amount**	**Rate**	**Fixed portion**	**Amount**	**Rate**	**Floating portion**	**Amount**	**Rate**	
12/31/2017	8,880	1.68%	95%	450	1.06%	5%	9,331	1.65%	1.69%
12/31/2018	8,589	1.58%	96%	333	1.09%	4%	8,921	1.56%	1.60%
06/30/2019	8,404	1.45%	95%	454	0.98%	5%	8,858	1.43%	1.49%

(a) *Including the spreading of issue costs premium.*

The average all-in cost of debt as calculated as of June 30, 2019 does not constitute a forecast over the coming period.

Hedging strategy

Klépierre has set a target of hedging approximately 70% of its exposure, calculated as the ratio of fixed-rate debt (after hedging) to gross borrowings expressed as a percentage. As of June 30, 2019, the Company was ahead of its objective, having hedged 95% of its exposure.

In order to achieve its target rate, Klépierre focuses on the use of swap agreements, which convert fixed rates to floating rates, and vice versa.

Klépierre also hedges its risk from short-term rate increases by buying caps that limit the possible variations compared to a benchmark index.

Given the nature of its business as a long-term property owner and its growth strategy, Klépierre is structurally a borrower. Since the Group is not seeking to reduce the proportion of short-term debt in its total debt, it is highly likely that its short-term floating-rate loans will be renewed in the medium term. This is why Klépierre's hedging strategy covers both the long-term and short-term portions of its borrowings.

Generally, hedge terms may exceed those of the debts hedged, on the condition that Klépierre's financing plan emphasizes the high probability of these debts being renewed.

9.1.2 Interest-rate risk – exposure to fixed-rate debt

Description of fixed-rate borrowings

The majority of Klépierre's fixed-rate borrowing currently consists of bonds (denominated in euros, Norwegian kroner and Swedish kronor) and mortgage loans in Denmark.

Identified risk

Klépierre's fixed-rate debt exposes the Group to changes in risk-free interest rates, as the fair value of fixed-rate debt increases as rates fall, and vice versa.

At any given time, Klépierre may also find itself in the position of needing to increase its future fixed-rate debt (e.g., for a future acquisition). It would then be exposed to the risk of a change in interest rates prior to arrangement of the loan. Klépierre may then consider hedging this risk, which may be treated as a cash flow hedge risk under IFRS.

Measurement of risk exposure and hedging strategy

As of June 30, 2019, the Group's fixed-rate debt stood at €5,893 million before hedging.

The fair value hedge strategy is calibrated to meet the overall hedging target. It is also based on the use of interest rate swaps allowing fixed-rate payments to be swapped for floating-rate payments. The credit margin component is not hedged.

As Klépierre intends to reach a high level of effectiveness as defined by IFRS 9, the terms of fair value hedging instruments never exceed the maturity of the underlying hedged debt.

9.1.3 Marketable securities

As of June 30, 2019, Klépierre held €25.1 million in marketable securities.

Cash equivalents refer only to amounts invested in French term deposit (€25 million) and Italian treasury bills for €0.1 million.

These investments expose Klépierre to a moderate interest rate risk as a result of their temporary nature (cash investments) and the amounts involved.

9.1.4 Fair value of financial assets and liabilities

The Group recognizes borrowings in the statement of financial position at amortized cost.

The following table compares the fair values of debts with their corresponding nominal values. Fair values are established on the basis of the following principles:

- Floating-rate loans: the fair value is equal to the nominal value;
- Fixed-rate bank debt: the fair value is calculated solely on the basis of rate fluctuations; and
- Bonds: use of prices quoted on an active market where available.

	06/30/2019			12/31/2018		
In millions of euros	Par value	Fair value	Change in fair value caused by a 1% increase in interest rate[a]	Par value	Fair value	Change in fair value caused by a 1% increase in interest rate[a]
Fixed-rate bonds	5,813.5	6,201.2	(192.3)	5,802.1	5,926.0	(215.5)
Fixed-rate bank loans	79.3	80.7	(0.8)	83.0	83.3	(1.0)
Other floating-rate loans	2,965.2	2,965.2	0.0	3,036.2	3,036.2	0.0
TOTAL	**8,858.0**	**9,247.1**	**(193.0)**	**8,921.3**	**9,045.6**	**(216.4)**

(a) Change in the fair value of the debt as a result of a parallel shift in the rate curve.

Derivatives are recognized in the statement of financial position at their fair value. As of June 30, 2019, a 100-bp rise in rates would have resulted in a €52.8 million decrease in the value of the Group's euro-denominated interest rate derivatives.

9.2 Liquidity risk

Klépierre is attentive to the long-term refinancing needs of its business and the need to diversify maturity dates and the sources of financing in such a way as to facilitate renewals.

The average maturity of debt as of June 30, 2019 was 5.7 years (including the €600 million bond settled on July 1), with borrowings spread between different markets (the bond market and commercial paper represent 88%, with the remainder being raised in the banking market). Within the banking market, the Company uses a range of different loan types (syndicated loans, mortgage loans, etc.) and counterparties.

Outstanding commercial paper, which represents the bulk of short-term financing, never exceeds the backup credit lines. This means that the Company can refinance immediately if it has difficulty renewing its borrowings on the commercial paper market.

As of June 30, 2019, Klépierre had undrawn credit lines totaling €2,435 million (including bank overdrafts) and €126 million available on its bank accounts. These resources are sufficient to absorb the main refinancing scheduled for the next two years.

Generally speaking, access to financing for real estate companies is facilitated by the security offered to lenders in the form of the companies' property assets.

Some of Klépierre's sources of funding (bilateral loans, bonds, etc.) are accompanied by covenants. Failure to comply with these covenants may trigger early repayment. These covenants are based on the standard ratios applying to real estate companies, and the limits imposed leave Klépierre with sufficient flexibility. Failure to comply with these covenants may result in mandatory repayment.

Some of Klépierre SA's bonds (€5,658 million) include a bearer put option, providing the possibility of requesting early repayment in the event of a change of control generating a change in Klépierre's credit rating to below investment grade. Apart from this clause, no other financial covenant refers to Standard & Poor's rating for Klépierre.

The main covenants are detailed in note 5.11.3.

9.3 Currency risk

The bulk of Klépierre's business has so far been conducted within the eurozone with the exception of Norway, Sweden, Denmark, Czech Republic, Hungary, Poland and Turkey.

Except for Scandinavia, the currency risk in these countries has not been deemed to be sufficiently high to warrant derivative hedging, since the acquisitions and the corresponding financing were denominated in euros.

Generally, rents are billed to lessees in euros and converted into the local currency on the billing date. Lessees may choose to pay their rents in local currency or in euros. The currency risk on minimum guaranteed rents is therefore limited to any variance between the rent as billed and the rent actually collected if the currency should fall in value against the euro between the billing date and the date of payment in local currency by the lessee.

At the same time, Klépierre ensures that rent payments from tenants do not represent an excessively high proportion of their revenue in order to avoid any worsening of their financial position in the event of a sharp increase in the value of the euro, which could increase the risk of their defaulting on payments owed to Klépierre.

In Scandinavia, however, leases are denominated in local currency. Funding is therefore also raised in local currency. The Klépierre Group's main source of exposure to Scandinavian currency risk is therefore limited essentially to equity funds invested in the company (Steen & Strøm) and financed in euros.

In Central Europe as well as in Turkey, financings are denominated in euros at Group level. Considering the limited exposure of the Group's portfolio to these countries and the expensive cost of forex hedging, especially for long durations, the Group decided not to hedge this position.

9.4 Counterparty risk in connection with financial activities

Counterparty risk is limited by the fact that Klépierre is structurally a borrower. This risk is therefore limited essentially to investments made by the Group and the Group's derivative transaction counterparties.

9.4.1 Counterparty risk on marketable securities

The counterparty risk on investments is limited by the type of products used:

> Monetary UCITS managed by recognized institutions, and therefore carrying a range of signatures;
> Government debt (loans or borrowings) of countries in which Klépierre operates; and
> Occasionally, certificates of deposit issued by leading banks.

9.4.2 Counterparty risk on hedging instruments

Klépierre conducts derivative instrument transactions only with financial institutions recognized as financially sound.

9.5 Equity risk

As of June 30, 2019, Klépierre held no listed shares other than its own shares (11,378,047 shares as of June 30, 2019), which are recognized in equity at their acquisition cost.

NOTE 10 FINANCE AND GUARANTEE COMMITMENTS

10.1 Commitments given

In millions of euros	06/30/2019	12/31/2018
Commitments related to the Group's consolidated scope	**3.0**	**3.0**
Purchase commitments	3.0	3.0
Commitments related to Group financing		
Financial guarantees given	(a)	(a)
Commitments related to the Group's operating activities	**111.9**	**91.7**
Commitments under conditions precedent	27.9	28.0
Work completion commitments	64.6	33.5
Rental guarantees and deposits	2.0	6.4
Other commitments given	17.4	23.8
TOTAL	**114.9**	**94.7**

(a) Since December 31, 2018 this information has been transferred to note 5.11.2 "Main sources of financing."

10.1.1 Commitments related to the Group's consolidated scope

Purchase commitments

As of June 30, 2019, this item included a possible earn-out payment related to the acquisition of a project in France, contractually limited to €3 million excluding transfer costs.

10.1.2 Commitments related to the Group's operating activities

Commitments under conditions precedent

The commitments under conditions precedent relate to purchase agreements on land or assets and earn-out payments on acquisitions. As of June 30, 2019, this item comprises:

> A potential earn-out related to a development project in Belgium; and

> Commitments related to two acquisitions of assets in Italy (Turin and Bologna).

Work completion commitments

Work completion commitments mainly relate to the Créteil Soleil extension and additional development projects in France and Sweden.

Rental guarantees and deposits

The "Rental guarantees and deposits" item is mainly comprised of deposits for the business premises of the Group's subsidiaries abroad.

Other commitments given

Other commitments given mainly include payment guarantees given to tax authorities. The decrease relates to the expiration of a bank guarantee in Italy for €6.0 million with the tax authority.

Other commitments given related to leases

The construction of the Saint-Lazare shopping center was authorized as part of the temporary occupation license of the public estate. The license agreement was signed in July 2008 between SOAVAL (Klépierre Group) and SNCF (National French Rail Network) for a 40-year period.

Within this period, in predetermined intervals and in return for compensation, SNCF is entitled (i) first to exercise a call option on the SOAVAL shares, and (ii) secondly to terminate the temporary occupation license.

10.2 Mutual commitments

Commitments related to development projects amounted to €84.6 million as of June 30, 2019 versus €111.7 million as of December 31, 2018. These commitments concern development work engaged (but not paid) by the Group with contractors where financial completion warranties have been received, in connection with Hoog Catharijne in the Netherlands (€74.0 million) and the Créteil Soleil extension (€10.6 million).

10.3 Commitments received

In millions of euros	06/30/2019	12/31/2018
Commitments related to Group financing	**2,634.8**	**1,844.0**
Financing agreements obtained and not used[a]	2,634.8	1,844.0
Commitments related to the Group's operating activities	**426.6**	**481.2**
Sale commitments	28.7	77.1
Financial guarantees received in connection with management activities (Loi Hoguet)	195.0	205.0
Financial guarrantees received from tenants and suppliers	202.9	199.2
TOTAL	**3,061.4**	**2,325.2**

(a) Net of drawings on the commercial paper program.

10.3.1 Commitments related to Group financing

Financing agreements obtained and not used

As of June 30, 2019, Klépierre had €2,635 million in undrawn committed credit facilities on bilateral and syndicated loans. The €791 million increase in commitments received related to financing is mainly due to €600 million in new bond issues signed during the period and €200 million in new credit facilities.

10.3.2 Commitments related to the Group's operating activities

Sale commitments

As of June 30, 2019, sale commitments relate to four retail units in France, a portion of shopping centers in Norway and an earn-out in Germany.

Financial guarantees received in connection with management activity (Loi Hoguet)

As part of its real-estate, leasing and property management activities, banking guarantees have been delivered to Klépierre Management for an amount capped at €195 million as of June 30, 2019.

Financial guarantees received from tenants and suppliers

As part of its rental business, the Group receives payment guarantees issued by financial institutions guaranteeing the amounts owed by tenants and suppliers.

To the best of our knowledge, we have not omitted any material or potentially material off-balance sheet commitment as defined by the applicable accounting standards.

10.4 Shareholders' agreements

The Group is subject to the shareholders' and partners' agreements previously signed and which correspond to those applied in 2018, as indicated in section 9.4 of the notes to the consolidated financial statements at December 31, 2018.

10.5 Commitments under operating leases – Lessors

The main clauses contained in the lessor's lease agreement correspond to those applied in 2018, as indicated in paragraph 9.5 of the notes to the consolidated financial statements at December 31, 2018.

As of June 30, 2019, future minimum rents receivable under non-cancelable operating leases were as follows:

In millions of euros	**06/30/2019**
Less than one year	972.2
Between one and five years	1,815.1
More than five years	515.7
TOTAL	**3,303.0**

NOTE 11 EMPLOYEE COMPENSATION AND BENEFITS

11.1 Payroll expenses

Total payroll expenses amounted to €59.8 million as of June 30, 2019.

Fixed and variable salaries and wages plus mandatory and discretionary profit sharing totaled €44.4 million, pension-related expenses, retirement expenses and other employee-related expenses were €13.9 million, taxes and similar compensation-related payments were €1.5 million.

11.2 Headcount

As of June 30, 2019, the Group had an average of 1,119 employees: 665 employees worked outside the France-Belgium segment, including 132 employees in the Scandinavian real estate company Steen & Strøm. The average headcount of the Klépierre Group in the first half of 2019 breaks down as follows:

Number of employees	**06/30/2019**	**12/31/2018**
France-Belgium	454	464
Scandinavia	132	139
Italy	175	176
Iberia	113	112
Netherlands	55	59
Germany	51	54
CE & Other	139	161
TOTAL	**1,119**	**1,166**

11.3 Employee benefits

Accounting policies

Employee benefits

Employee benefits are recognized as required by IAS 19, which applies to all payments made for services rendered, except for share-based payment, which is covered by IFRS 2.

All short-term or long-term employee benefits, whether paid in cash or in kind, must be classified into one of the following four main categories:

> Short-term benefits, such as salaries and wages, annual vacation, mandatory and discretionary profit-sharing schemes and employer top-up contributions;

> Post-employment benefits, which relate primarily to supplementary pension payments in France, and private pension schemes elsewhere;

> Other long-term benefits, which include paid vacation, long-service payments, and some deferred payment schemes paid in monetary units; and

> Severance pay.

Measurement and recognition methods for employee benefits vary depending on the category.

Short-term benefits

The Company recognizes an expense when it uses services provided by its employees and pays agreed benefits in return.

Post-employment benefits

In accordance with generally accepted accounting principles, the Group makes a distinction between defined contribution plans and defined benefit plans.

Defined contribution plans do not generate a liability for the Company, and therefore are not provisioned. Contributions paid during the period are recognized as an expense.

Only defined benefit plans generate a liability for the Company, and are therefore measured and provisioned.

The classification of a benefit into one of these categories depends on the economic substance of the benefit, which is used to determine whether the Group is required to provide the promised benefit to the employee under the terms of an agreement or an implicit obligation.

Post-employment benefits classified as defined benefit plans are subject to actuarial valuations based on demographic and financial assumptions.

The amount of the commitment to be provisioned is calculated using the actuarial assumptions adopted by the Company and by applying the projected unit credit method. The value of any hedging assets (plan assets and reimbursement rights) is deducted from the resulting figure. According to IAS 19R, actuarial gains and losses are recognized in equity.

Long-term benefits

These are benefits other than post-employment benefits and severance pay, which are not payable in full within twelve months of the end of the financial year in which the employees concerned provided the services in question.

The actuarial measurement method applied is similar to that used for defined benefit plans, and the actuarial gains and losses are recognized directly in equity. Furthermore, any gain or loss resulting from changes in the plan, but deemed to apply to past services, is recognized immediately.

Severance pay

Employees receive severance pay if the Group terminates their employment contract before they reach the statutory retirement age or if they accept voluntary redundancy. Severance pay falling due more than twelve months after the reporting date is discounted.

Share-based payments

According to IFRS 2, all share-based payments must be recognized as expenses when use is made of the goods or services provided in return for these payments.

For the Klépierre Group, this standard applies primarily to the purchase of shares to meet the commitments arising from its employee stock option scheme and performance share plans.

Performance share plans and stock subscription options granted to employees are measured at fair value at the grant date. This fair value is not subsequently remeasured for equity-settled share-based payment transactions.

This value is applied to the number of performance shares or options that vest at the end of the vesting period and is booked as an expense, with a corresponding increase in equity which is spread over the vesting period.

This employee expense reflecting the performance shares or options granted (corresponding to the fair value of services rendered by employees) is measured by an independent expert. The model adopted complies with the basic assumptions of the Black-Scholes model, adapted to the specific characteristics of the options concerned.

11.3.1 Defined contribution plans

In France, the Klépierre Group contributes to a number of national and inter-professional core and supplementary pension organizations.

11.3.2 Defined benefit plans

The provisions recognized for defined benefit pension plans totaled €10.8 million as of June 30, 2019.

In millions of euros	12/31/2018	Increases during the period	Reversals (utilized provisions)	Reversals (surplus provisions)	Other movements	Changes in the scope of consolidation	06/30/2019
Provisions for employee benefit obligations							
> Defined benefit plans	10.4	0.5	-	-	(2.4)	-	8.5
> Other long term benefits	3.1	(0.8)	-	-	-	-	2.3
TOTAL	**13.5**	**(0.3)**	**-**	**-**	**(2.4)**	**-**	**10.8**

As of June 30, 2019, the employee turnover and salary increase assumptions used when estimating the discounted value of the defined benefit plan in France were reassessed. This has resulted in a negative €2.4 million impact of changes in actuarial gains and losses recognized directly in equity.

The other assumptions as at June 30, 2019 are in line with those used at previous year-end closing and are disclosed in section 10.3.2 of the notes to the Group's consolidated financial statements for the year ended December 31, 2018.

11.4 Stock options

As of June 30, 2019, all five stock option plans set up for Group executives and employees had expired. Plans no. 1, no. 2, no. 3 and no. 4 expired respectively in 2014, 2015, 2017 and 2018. Plan no. 5 expired during the first half of 2019.

11.5 Performance shares

11.5.1 Summary data

There are currently five performance share plans in place for Group executives and employees. Plans no. 1, no. 2 and no. 3 expired respectively in 2016, 2017 and 2018.

	Plan no. 4	
Plan authorized in 2015	**France**	**Other**
Date of General Meeting of Shareholders	04/14/2015	04/14/2015
Date of Executive Board meeting	05/04/2015	05/04/2015
End of vesting period	05/04/2018	05/04/2019
End of lock-up period	05/04/2021	-
Shares originally allotted	235,059	54,900
Discount on performance shares in 2019	221,059	37,900
Additional shares allotted	0	0
Shares canceled at June 30, 2019	14,000	17,000
Outstanding shares at June 30, 2019	0	0

	Plan no. 5	
Plan authorized in 2016	**France**	**Other**
Date of General Meeting of Shareholders	04/19/2016	04/19/2016
Date of Executive Board meeting	05/02/2016	05/02/2016
End of vesting period	05/02/2019	05/02/2020
End of lock-up period	05/02/2021	-
Shares originally allotted	240,500	84,000
Discount on performance shares in 2019	180,196	53,948
Shares canceled at June 30, 2019	21,666	18,852
Shares fully vested in 2019	38,638	0
Outstanding shares at June 30, 2019	0	11,200

	Plan no. 6	
Plan authorized in 2017	**France**	**Other**
Date of General Meeting of Shareholders	04/18/2017	04/18/2017
Date of Executive Board meeting	04/18/2017	04/18/2017
End of vesting period	04/18/2020	04/18/2021
End of lock-up period	04/18/2022	-
Shares originally allotted	216,300	94,600
Additional shares allotted	0	0
Shares canceled at June 30, 2019	16,666	19,500
Outstanding shares at June 30, 2019	199,634	75,100

	Plan no. 7	
Plan authorized in 2018	**France**	**Other**
Date of General Meeting of Shareholders	04/24/2018	04/24/2018
Date of Executive Board meeting	04/24/2018	04/24/2018
End of vesting period	04/24/2021	04/24/2022
End of lock-up period	04/24/2023	-
Shares originally allotted	223,800	88,800
Additional shares allotted	0	0
Shares canceled at June 30, 2019	9,366	8,000
Outstanding shares at June 30, 2019	214,434	80,800

On May 6, 2019, 317,800 shares were allotted to management and Group employees, as part of a performance share plan, authorized by the Executive Board, with the following characteristics:

	Plan no. 8	
Plan authorized in 2019	**France**	**Other**
Date of General Meeting of Shareholders	05/06/2019	05/06/2019
Date of Executive Board meeting	05/06/2019	05/06/2019
End of vesting period	05/06/2022	05/06/2023
End of lock-up period	05/06/2024	-
Shares originally allotted	222,000	95,800
Additional shares allotted	0	0
Shares canceled at June 30, 2019	0	500
Outstanding shares at June 30, 2019	222,000	95,300

The total expense recognized for the year for all performance share plans amounted to €2.6 million and takes into account an estimate of the number of beneficiaries at the end of each vesting period, as beneficiaries may lose their entitlements if they leave the Klépierre Group during this period.

11.6 Employee share ownership plan

On April 8, 2019, the Group launched “Mercury 2019”, an employee share ownership plan, for France-based employees. As of June 25, 2019, 326,689 shares have been sold by Klépierre SA to the employees’ mutual fund for a price of €24.96 per share. The purchase price of these shares is equal to the average price of Klépierre’s shares over the 20 trading days between April 26, 2019 and May 24, 2019, less a 20% discount. The expense recognized at transaction date on this respect amounts to €0.4 million.

NOTE 12 ADDITIONAL INFORMATION

12.1 Transactions with related parties

12.1.1 Transactions with the Simon Property Group

To the Company’s knowledge and including treasury shares, the Simon Property Group held a 20.99% stake in Klépierre SA as of June 30, 2019.

As of the date this document was prepared, there were no transactions between these two companies.

12.1.2 Transactions with the APG Group

To the Company’s knowledge and including treasury shares, the APG Group held a 10.09% stake in Klépierre SA as of June 30, 2019.

As of the date this document was prepared, there were no transactions between these two companies.

12.1.3 Relationships between Klépierre Group consolidated companies

Transactions between related parties were governed by the same terms as those applying to transactions subject to arm's length conditions. The end-of-period asset and liability positions and transactions conducted during the period between fully consolidated companies are eliminated in full.

The following tables show the positions and transactions of equity-accounted companies (over which the Group has significant influence or joint control) that have not been eliminated in consolidation. A full list of Klépierre Group companies accounted for using the equity method is provided in note 12.6 "List of consolidated entities."

▸ ASSET AND LIABILITY POSITIONS WITH RELATED PARTIES AT PERIOD-END

	06/30/2019	12/31/2018
In millions of euros	**Equity-accounted companies**	**Equity-accounted companies**
Loans and advances to equity-accounted companies	253.0	259.7
Non-current assets	**253.0**	**259.7**
Trade and other receivables	3.2	2.3
Other	9.3	2.2
Current assets	**12.5**	**4.5**
TOTAL ASSETS	**265.5**	**264.2**
Loans and advances from equity-accounted companies	1.1	1.4
Non-current liabilities	**1.1**	**1.4**
Trade payables	0.1	0.4
Other liabilities	-	-
Current liabilities	**0.1**	**0.4**
TOTAL LIABILITIES	**1.2**	**1.8**

▸ INCOME STATEMENT ITEMS RELATED TO TRANSACTIONS WITH RELATED PARTIES

	06/30/2019	06/30/2018
In millions of euros	**Equity-accounted companies**	**Equity-accounted companies**
Management, administrative and related income	3.7	3.1
Operating income	**3.7**	**3.1**
Cost of net debt	4.8	5.0
Profit before tax	8.5	8.1
CONSOLIDATED NET INCOME	**8.5**	**8.1**

Most of these items relate to management and administration fees and income on financings provided mainly to equity-accounted investees.

12.2 Post-employment benefits

The main post-employment benefits are length-of-service awards and defined benefit or defined contribution pension plans.

Post-employment benefit plans are administered by insurance companies and other independent management companies external to the Klépierre Group.

12.3 Contingent liabilities

During the period, neither Klépierre nor its subsidiaries were subject to any governmental, judicial or arbitration proceedings (including any proceedings of which the issuer has knowledge, which are currently suspended or are threatened) which have recently had a material impact on the financial position or profitability of the issuer and/or the Group.

It is specified that part of the land where the Anatolium shopping center is located has been subjected to a litigation with the Bursa Municipality (Turkey) since 2012. A claim was introduced by the previous land owners against the Municipality following their expropriation from a portion of the land. Klépierre reserves the right to request compensation from the municipality in case of prejudice.

12.4 Subsequent events

On July 10, 2019, the balance of the €1.05 per share dividend was paid to shareholders, for a total amount of €307.9 million excluding taxes and fees.

12.5 Identity of consolidating companies

As of June 30, 2019, Klépierre was accounted for by the equity method in the interim condensed consolidated financial statements of Simon Property Group, which holds a 20.99% stake in the share capital of Klépierre (including treasury shares).

Klépierre is included in the interim condensed consolidated financial statements of APG, which as of June 30, 2019 held a 10.09% stake in the share capital of Klépierre (including treasury shares).

12.6 List of consolidated entities

List of consolidated companies Fully consolidated companies	Country	% interest 06/30/2019	12/31/2018	Change	% control 06/30/2019	12/31/2018	Change
HOLDING - HEAD OF THE GROUP							
Klépierre SA	France	100.00%	100.00%	-	100.00%	100.00%	-
SHOPPING CENTERS - FRANCE							
KLE 1 SAS	France	100.00%	100.00%	-	100.00%	100.00%	-
SCOO SC	France	53.64%	53.64%	-	53.64%	53.64%	-
Klécar France SNC	France	83.00%	83.00%	-	83.00%	83.00%	-
KC3 SNC	France	83.00%	83.00%	-	100.00%	100.00%	-
KC4 SNC	France	83.00%	83.00%	-	100.00%	100.00%	-
KC5 SNC	France	83.00%	83.00%	-	100.00%	100.00%	-
KC9 SNC	France	83.00%	83.00%	-	100.00%	100.00%	-
KC10 SNC	France	83.00%	83.00%	-	100.00%	100.00%	-
KC12 SNC	France	83.00%	83.00%	-	100.00%	100.00%	-
KC20 SNC	France	83.00%	83.00%	-	100.00%	100.00%	-
LP7 SAS	France	100.00%	100.00%	-	100.00%	100.00%	-
Solorec SC	France	80.00%	80.00%	-	80.00%	80.00%	-
Centre Bourse SNC	France	100.00%	100.00%	-	100.00%	100.00%	-
Bègles Arcins SCS	France	52.00%	52.00%	-	52.00%	52.00%	-
Bègles Papin SNC	France	100.00%	100.00%	-	100.00%	100.00%	-
Sécovalde SCI	France	55.00%	55.00%	-	55.00%	55.00%	-
Cécoville SAS	France	100.00%	100.00%	-	100.00%	100.00%	-
Soaval SCS	France	100.00%	100.00%	-	100.00%	100.00%	-
Klémurs SCA	France	100.00%	100.00%	-	100.00%	100.00%	-
Nancy Bonsecours SCI	France	100.00%	100.00%	-	100.00%	100.00%	-
Sodevac SNC	France	100.00%	100.00%	-	100.00%	100.00%	-
Odysseum Place de France SNC	France	100.00%	100.00%	-	100.00%	100.00%	-
Klécar Participations Italie SAS	France	83.00%	83.00%	-	83.00%	83.00%	-
Pasteur SNC	France	100.00%	100.00%	-	100.00%	100.00%	-
Holding Gondomar 1 SAS	France	100.00%	100.00%	-	100.00%	100.00%	-
Holding Gondomar 3 SAS	France	100.00%	100.00%	-	100.00%	100.00%	-
Combault SNC	France	100.00%	100.00%	-	100.00%	100.00%	-
Beau Sevran Invest SCI	France	83.00%	83.00%	-	100.00%	100.00%	-
Valdebac SCI	France	55.00%	55.00%	-	55.00%	55.00%	-
Progest SAS	France	100.00%	100.00%	-	100.00%	100.00%	-
Belvedere Invest SARL	France	55.00%	55.00%	-	55.00%	55.00%	-
Haies Haute Pommeraie SCI	France	53.00%	53.00%	-	53.00%	53.00%	-
Plateau des Haies SNC	France	100.00%	100.00%	-	100.00%	100.00%	-
Forving SARL	France	93.15%	93.15%	-	93.15%	93.15%	-
Saint Maximin Construction SCI	France	55.00%	55.00%	-	55.00%	55.00%	-
Pommeraie Parc SCI	France	60.00%	60.00%	-	60.00%	60.00%	-
Champs des Haies SCI	France	60.00%	60.00%	-	60.00%	60.00%	-
La Rive SCI	France	85.00%	85.00%	-	85.00%	85.00%	-
Rebecca SCI	France	70.00%	70.00%	-	70.00%	70.00%	-
Le Maïs SCI	France	80.00%	80.00%	-	80.00%	80.00%	-
Le Grand Pré SCI	France	60.00%	60.00%	-	60.00%	60.00%	-
LC SCI	France	88.00%	88.00%	-	100.00%	100.00%	-
Kle Projet 1 SAS	France	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Créteil SCI	France	100.00%	100.00%	-	100.00%	100.00%	-
Albert 31 SCI	France	83.00%	83.00%	-	100.00%	100.00%	-
Galeries Drancéennes SNC	France	100.00%	100.00%	-	100.00%	100.00%	-
Portes de Claye SCI	France	55.00%	55.00%	-	55.00%	55.00%	-
Klecab SCI	France	100.00%	100.00%	-	100.00%	100.00%	-
Kleber Odysseum SCI	France	100.00%	100.00%	-	100.00%	100.00%	-
Klé Arcades SCI	France	53.69%	53.69%	-	100.00%	100.00%	-
Le Havre Colbert SNC	France	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Massalia SAS	France	100.00%	100.00%	-	100.00%	100.00%	-
Massalia Shopping Mall SCI	France	60.00%	60.00%	-	100.00%	100.00%	-
Massalia Invest SCI	France	60.00%	60.00%	-	60.00%	60.00%	-

List of consolidated companies		% interest			% control		
Fully consolidated companies	**Country**	**06/30/2019**	**12/31/2018**	**Change**	**06/30/2019**	**12/31/2018**	**Change**
Kle Start SAS	France	100.00%	100.00%	-	100.00%	100.00%	-
Corio et Cie SNC	France	100.00%	100.00%	-	100.00%	100.00%	-
Sanoux SCI	France	75.00%	75.00%	-	75.00%	75.00%	-
Centre Deux SNC	France	100.00%	100.00%	-	100.00%	100.00%	-
Mob SC	France	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Alpes SAS	France	100.00%	100.00%	-	100.00%	100.00%	-
Galerie du Livre SAS	France	100.00%	100.00%	-	100.00%	100.00%	-
Les Portes de Chevreuse SNC	France	100.00%	100.00%	-	100.00%	100.00%	-
Caetoile SNC	France	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Échirolles SNC	France	100.00%	100.00%	-	100.00%	100.00%	-
Sagep SAS	France	100.00%	100.00%	-	100.00%	100.00%	-
Maya SNC	France	100.00%	100.00%	-	100.00%	100.00%	-
Ayam SNC	France	100.00%	100.00%	-	100.00%	100.00%	-
Dense SNC	France	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Grand Littoral SASU	France	100.00%	100.00%	-	100.00%	100.00%	-
SERVICE PROVIDERS - FRANCE							
Klépierre Management SNC	France	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Conseil SAS	France	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Brand Ventures SNC	France	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Gift Cards SAS	France	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Finance SAS	France	100.00%	100.00%	-	100.00%	100.00%	-
Financière Corio SAS	France	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Procurement International SNC	France	100.00%	100.00%	-	100.00%	100.00%	-
SHOPPING CENTERS - INTERNATIONAL							
Klépierre Management Deutschland GmbH	Germany	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Duisburg GmbH	Germany	94.99%	94.99%	-	94.99%	94.99%	-
Klépierre Duisburg Leasing GmbH	Germany	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Duisburg Leasing II GmbH	Germany	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Dresden Leasing GmbH	Germany	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Duisburg II GmbH	Germany	94.99%	94.99%	-	94.99%	94.99%	-
Klépierre Dresden GmnH	Germany	94.99%	94.99%	-	94.99%	94.99%	-
Klépierre Koln Holding GmbH	Germany	100.00%	100.00%	-	100.00%	100.00%	-
Unter Goldschmied Köln GmbH	Germany	94.99%	94.99%	-	94.99%	94.99%	-
Klépierre Hildesheim Holding GmbH	Germany	100.00%	100.00%	-	100.00%	100.00%	-
Projekt A GmbH & CoKG	Germany	94.90%	94.90%	-	94.90%	94.90%	-
Projekt A Vermietung GmbH	Germany	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Berlin GmbH	Germany	94.99%	94.99%	-	94.99%	94.99%	-
Klépierre Berlin Leasing GmbH	Germany	100.00%	100.00%	-	100.00%	100.00%	-
Coimbra SA	Belgium	100.00%	100.00%	-	100.00%	100.00%	-
Les Cinémas de l'Esplanade SA	Belgium	100.00%	100.00%	-	100.00%	100.00%	-
Foncière de Louvain-La-Neuve SA	Belgium	100.00%	100.00%	-	100.00%	100.00%	-
Bryggen, Vejle A/S	Denmark	56.10%	56.10%	-	100.00%	100.00%	-
Bruun's Galleri ApS	Denmark	56.10%	56.10%	-	100.00%	100.00%	-
Field's Copenhagen I/S	Denmark	56.10%	56.10%	-	100.00%	100.00%	-
Viva, Odense A/S	Denmark	56.10%	56.10%	-	100.00%	100.00%	-
Steen & Strøm CenterUdvikling VI A/S	Denmark	56.10%	56.10%	-	100.00%	100.00%	-
Klecar Foncier Iberica SL	Spain	100.00%	100.00%	-	100.00%	100.00%	-
Klecar Foncier España SL	Spain	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Vallecas SA	Spain	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Molina SL	Spain	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Plenilunio Socimi SA	Spain	100.00%	100.00%	-	100.00%	100.00%	-
Principe Pio Gestion SA	Spain	100.00%	100.00%	-	100.00%	100.00%	-
Corio Torrelodones Office Suite SL	Spain	100.00%	100.00%	-	100.00%	100.00%	-
Corio Real Estate España SL	Spain	100.00%	100.00%	-	100.00%	100.00%	-
SC Nueva Condo Murcia SLU	Spain	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Nea Efkarpia AE	Greece	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Foncier Makedonia AE	Greece	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Athinon AE	Greece	100.00%	100.00%	-	100.00%	100.00%	-

List of consolidated companies		% interest			% control		
Fully consolidated companies	**Country**	**06/30/2019**	**12/31/2018**	**Change**	**06/30/2019**	**12/31/2018**	**Change**
Klépierre Peribola Patras AE	Greece	100.00%	100.00%	-	100.00%	100.00%	-
SA Duna Plaza ZRT	Hungary	100.00%	100.00%	-	100.00%	100.00%	-
Sarl GYR 2002 KFT	Hungary	100.00%	100.00%	-	100.00%	100.00%	-
Miskolc 2002 KFT	Hungary	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Corvin KFT	Hungary	100.00%	100.00%	-	100.00%	100.00%	-
Corvin Vision KFT	Hungary	66.67%	66.67%	-	66.67%	66.67%	-
Immobiliare Gallerie Commerciali S.p.A	Italy	100.00%	100.00%	-	100.00%	100.00%	-
Klecar Italia S.p.A	Italy	83.00%	83.00%	-	100.00%	100.00%	-
Klefin Italia S.p.A	Italy	100.00%	100.00%	-	100.00%	100.00%	-
Galleria Commerciale Di Collegno S.r.l	Italy	100.00%	100.00%	-	100.00%	100.00%	-
Galleria Commerciale Serravalle S.p.A	Italy	100.00%	100.00%	-	100.00%	100.00%	-
Galleria Commerciale Assago S.r.l	Italy	100.00%	100.00%	-	100.00%	100.00%	-
Galleria Commerciale Klépierre S.r.l	Italy	100.00%	100.00%	-	100.00%	100.00%	-
Galleria Commerciale Cavallino S.r.l	Italy	100.00%	100.00%	-	100.00%	100.00%	-
Galleria Commerciale Solbiate S.r.l	Italy	100.00%	100.00%	-	100.00%	100.00%	-
K2	Italy	95.06%	95.06%	-	95.06%	95.06%	-
Klépierre Matera S.r.l	Italy	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Caserta S.r.l	Italy	83.00%	83.00%	-	100.00%	100.00%	-
Shopville Le Gru S.r.l	Italy	100.00%	100.00%	-	100.00%	100.00%	-
Grandemilia S.r.l	Italy	100.00%	100.00%	-	100.00%	100.00%	-
Shopville Gran Reno S.r.l	Italy	100.00%	100.00%	-	100.00%	100.00%	-
Il Maestrale S.p.A.	Italy	100.00%	100.00%	-	100.00%	100.00%	-
Comes - Commercio e Sviluppo S.r.l	Italy	100.00%	100.00%	-	100.00%	100.00%	-
Globodue S.r.l	Italy	100.00%	100.00%	-	100.00%	100.00%	-
Globotre S.r.l	Italy	100.00%	100.00%	-	100.00%	100.00%	-
Generalcostruzioni S.r.l	Italy	100.00%	100.00%	-	100.00%	100.00%	-
B.L.O S.r.l	Italy	100.00%	100.00%	-	100.00%	100.00%	-
Gruliasco S.r.l	Italy	100.00%	100.00%	-	100.00%	100.00%	-
Corio Italia S.r.l	Italy	100.00%	100.00%	-	100.00%	100.00%	-
Acquario S.r.l	Italy	95.06%	0.00%	95.06%	95.06%	0.00%	95.06%
Reluxco International SA	Luxembourg	100.00%	100.00%	-	100.00%	100.00%	-
Storm Holding Norway AS	Norway	56.10%	56.10%	-	100.00%	100.00%	-
Steen & Strøm AS	Norway	56.10%	56.10%	-	100.00%	100.00%	-
Slagenveien 2 AS	Norway	56.10%	56.10%	-	100.00%	100.00%	-
Amanda Storsenter AS	Norway	56.10%	56.10%	-	100.00%	100.00%	-
Farmandstredet Eiendom AS	Norway	56.10%	56.10%	-	100.00%	100.00%	-
Nerstranda AS	Norway	56.10%	56.10%	-	100.00%	100.00%	-
Hamar Storsenter AS	Norway	56.10%	56.10%	-	100.00%	100.00%	-
Stavanger Storsenter AS	Norway	56.10%	56.10%	-	100.00%	100.00%	-
Vinterbro Senter DA	Norway	56.10%	56.10%	-	100.00%	100.00%	-
Steen & Strøm Mediapartner Norge AS	Norway	56.10%	56.10%	-	100.00%	100.00%	-
Oslo City Kjopesenter AS	Norway	56.10%	56.10%	-	100.00%	100.00%	-
Oslo City Parkering AS	Norway	56.10%	56.10%	-	100.00%	100.00%	-
Gulskogen Senter AS	Norway	56.10%	56.10%	-	100.00%	100.00%	-
Capucine BV	Netherlands	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Nordica BV	Netherlands	100.00%	100.00%	-	100.00%	100.00%	-
Corio Beleggingen I BV	Netherlands	100.00%	100.00%	-	100.00%	100.00%	-
Corio Nederland Kantoren BV	Netherlands	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Management Nederland BV	Netherlands	100.00%	100.00%	-	100.00%	100.00%	-
Hoog Catharijne BV	Netherlands	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Nederland BV	Netherlands	100.00%	100.00%	-	100.00%	100.00%	-
Bresta I BV	Netherlands	100.00%	100.00%	-	100.00%	100.00%	-
CCA German Retail I BV	Netherlands	100.00%	100.00%	-	100.00%	100.00%	-
CCA German Retail II BV	Netherlands	100.00%	100.00%	-	100.00%	100.00%	-
KLP Polska Sp. z o.o. Sadyba SKA w likwidacji	Poland	100.00%	100.00%	-	100.00%	100.00%	-
KLP Polska Sp. z o.o. Poznań SKA	Poland	100.00%	100.00%	-	100.00%	100.00%	-
KLP Polska Sp. z o.o. Ruda Śląska sp.k.	Poland	100.00%	100.00%	-	100.00%	100.00%	-
Sadyba Best Mall Sp. z o.o. sp.k.	Poland	100.00%	100.00%	-	100.00%	100.00%	-

List of consolidated companies		% interest			% control		
Fully consolidated companies	**Country**	**06/30/2019**	**12/31/2018**	**Change**	**06/30/2019**	**12/31/2018**	**Change**
Klépierre Pologne Sp. z o.o.	Poland	100.00%	100.00%	-	100.00%	100.00%	-
KLP Polska Sp. z o.o. Rybnik SKA	Poland	100.00%	100.00%	-	100.00%	100.00%	-
Sosnowiec Property KLP Polska Sp. z o.o. sp.k.	Poland	100.00%	100.00%	-	100.00%	100.00%	-
KLP Polska Sp. z o.o. Movement SKA w likwidacji	Poland	100.00%	100.00%	-	100.00%	100.00%	-
KLP Polska Sp. z o.o. Lublin sp.k.	Poland	100.00%	100.00%	-	100.00%	100.00%	-
KLP Polska Sp. z o.o. Kraków sp.k.	Poland	100.00%	100.00%	-	100.00%	100.00%	-
Sadyba Best Mall Sp. z o.o.	Poland	100.00%	100.00%	-	100.00%	100.00%	-
KLP Poznań Sp. z o.o.	Poland	100.00%	100.00%	-	100.00%	100.00%	-
Ruda Śląska Property KLP Polska Sp. z o.o. sp.k.	Poland	100.00%	100.00%	-	100.00%	100.00%	-
KLP Investment Poland Sp. z o.o.	Poland	100.00%	100.00%	-	100.00%	100.00%	-
Rybnik Property KLP Polska Sp. z o.o. sp.k.	Poland	100.00%	100.00%	-	100.00%	100.00%	-
KLP Lublin Sp. z o.o.	Poland	100.00%	100.00%	-	100.00%	100.00%	-
KLP Polska Sp. z o.o.	Poland	100.00%	100.00%	-	100.00%	100.00%	-
Klelou Imobiliaria Spa SA	Portugal	100.00%	100.00%	-	100.00%	100.00%	-
Galeria Parque Nascente SA	Portugal	100.00%	100.00%	-	100.00%	100.00%	-
Gondobrico SA	Portugal	100.00%	100.00%	-	100.00%	100.00%	-
Klenord Imobiliaria SA	Portugal	100.00%	100.00%	-	100.00%	100.00%	-
Kletel Imobiliaria SA	Portugal	100.00%	100.00%	-	100.00%	100.00%	-
Kleminho Imobiliaria SA	Portugal	100.00%	100.00%	-	100.00%	100.00%	-
Corio Espaço Guimarães SA	Portugal	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Cz S.R.O.	Czech Republic	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Plzen AS	Czech Republic	100.00%	100.00%	-	100.00%	100.00%	-
Nový Smíchov First Floor S.R.O.	Czech Republic	100.00%	100.00%	-	100.00%	100.00%	-
Arcol Group S.R.O.	Slovakia	100.00%	100.00%	-	100.00%	100.00%	-
Nordica Holdco AB	Sweden	56.10%	56.10%	-	56.10%	56.10%	-
Steen & Strøm Holding AB	Sweden	56.10%	56.10%	-	100.00%	100.00%	-
FAB CentrumInvest	Sweden	56.10%	56.10%	-	100.00%	100.00%	-
FAB Emporia	Sweden	56.10%	56.10%	-	100.00%	100.00%	-
FAB Borlänge Köpcentrum	Sweden	56.10%	56.10%	-	100.00%	100.00%	-
FAB Marieberg Galleria	Sweden	56.10%	56.10%	-	100.00%	100.00%	-
FAB Allum	Sweden	56.10%	56.10%	-	100.00%	100.00%	-
FAB P Brodalen	Sweden	56.10%	56.10%	-	100.00%	100.00%	-
Partille Lexby AB	Sweden	56.10%	56.10%	-	100.00%	100.00%	-
FAB P Åkanten	Sweden	56.10%	56.10%	-	100.00%	100.00%	-
FAB P Porthälla	Sweden	56.10%	56.10%	-	100.00%	100.00%	-
Fastighets Västra Götaland AB	Sweden	56.10%	56.10%	-	100.00%	100.00%	-
FAB Lackeraren Borlänge	Sweden	56.10%	56.10%	-	100.00%	100.00%	-
FAB Centrum Västerort	Sweden	56.10%	56.10%	-	100.00%	100.00%	-
Klépierre Gayrimenkul Yönetimi ve Yatirim Ticaret AS	Turkey	100.00%	100.00%	-	100.00%	100.00%	-
Miratur Turizm Insaat ve Ticaret AS	Turkey	100.00%	100.00%	-	100.00%	100.00%	-
Tan Gayrimenkul Yatirim Insaat Turizm Pazarlama ve Ticaret AS	Turkey	51.00%	51.00%	-	51.00%	51.00%	-
SERVICE PROVIDERS - INTERNATIONAL							
Klépierre Mall Management II GmbH	Germany	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Mall Management I GmbH	Germany	100.00%	100.00%	-	100.00%	100.00%	-
Projekt Arnekenstrasse Verwaltung GmbH	Germany	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Management Belgique SA	Belgium	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Finance Belgique SA	Belgium	100.00%	100.00%	-	100.00%	100.00%	-
Steen & Strøm CenterService A/S	Denmark	56.10%	56.10%	-	100.00%	100.00%	-
Steen & Strøm Danemark A/S	Denmark	56.10%	56.10%	-	100.00%	100.00%	-
Klépierre Management Espana SL	Spain	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Management Hellas AE	Greece	100.00%	100.00%	-	100.00%	100.00%	-

List of consolidated companies Fully consolidated companies	Country	% interest 06/30/2019	12/31/2018	Change	% control 06/30/2019	12/31/2018	Change
Klépierre Management Magyarorszag KFT	Hungary	100.00%	100.00%	-	100.00%	100.00%	-
KFI Hungary KFT	Hungary	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Trading KFT	Hungary	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Management Italia S.r.l	Italy	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Finance Italia S.r.l	Italy	100.00%	100.00%	-	100.00%	100.00%	-
Steen & Strøm Senterservice AS	Norway	56.10%	56.10%	-	100.00%	100.00%	-
Klépierre Vastgoed Ontwikkeling B.V.	Netherlands	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Management Polska Sp. z o.o.	Poland	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Management Portugal SA	Portugal	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Management Ceska Républika S.R.O.	Czech Republic	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Energy CZ S.R.O.	Czech Republic	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Management Slovensko S.R.O.	Slovakia	100.00%	100.00%	-	100.00%	100.00%	-
Steen & Strøm Sverige AB	Sweden	56.10%	56.10%	-	100.00%	100.00%	-

List of consolidated companies Equity-accounted companies: jointly controlled	Country	% interest 06/30/2019	12/31/2018	Change	% control 06/30/2019	12/31/2018	Change
Cécobil SCS	France	50.00%	50.00%	-	50.00%	50.00%	-
Du Bassin Nord SCI	France	50.00%	50.00%	-	50.00%	50.00%	-
Le Havre Vauban SNC	France	50.00%	50.00%	-	50.00%	50.00%	-
Le Havre Lafayette SNC	France	50.00%	50.00%	-	50.00%	50.00%	-
Girardin SCI	France	33.40%	33.40%	-	33.40%	33.40%	-
Girardin 2 SCI[(a)]	France	33.40%	0.00%	33.40%	33.40%	0.00%	33.40%
Société Immobilière de la Pommeraie SC	France	50.00%	50.00%	-	50.00%	50.00%	-
Parc de Coquelles SNC	France	50.00%	50.00%	-	50.00%	50.00%	-
Kleprim's SCI	France	50.00%	50.00%	-	50.00%	50.00%	-
Celsius Le Murier SNC	France	40.00%	40.00%	-	40.00%	40.00%	-
Celsius Haven SNC	France	40.00%	40.00%	-	40.00%	40.00%	-
Clivia S.p.A	Italy	50.00%	50.00%	-	50.00%	50.00%	-
Galleria Commerciale Il Destriero S.p.A	Italy	50.00%	50.00%	-	50.00%	50.00%	-
CCDF S.p.A	Italy	49.00%	49.00%	-	49.00%	49.00%	-
Galleria Commerciale Porta di Roma S.p.A	Italy	50.00%	50.00%	-	50.00%	50.00%	-
Galleria Commerciale 9 S.r.l	Italy	50.00%	50.00%	-	50.00%	50.00%	-
Italian Shopping Centre Investment S.r.l	Italy	50.00%	50.00%	-	50.00%	50.00%	-
Holding Klege S.r.l	Luxembourg	50.00%	50.00%	-	50.00%	50.00%	-
Hovlandparken AS	Norway	28.05%	28.05%	-	50.00%	50.00%	-
Metro Senter ANS	Norway	28.05%	28.05%	-	50.00%	50.00%	-
Økern Sentrum ANS	Norway	28.05%	28.05%	-	50.00%	50.00%	-
Økern Eiendom ANS	Norway	28.05%	28.05%	-	50.00%	50.00%	-
Metro Shopping AS	Norway	28.05%	28.05%	-	50.00%	50.00%	-
Hovlandparken DA	Norway	28.05%	28.05%	-	50.00%	50.00%	-
Økern Sentrum AS	Norway	28.05%	28.05%	-	50.00%	50.00%	-
Nordal ANS	Norway	28.05%	28.05%	-	50.00%	50.00%	-
Klege Portugal SA	Portugal	50.00%	50.00%	-	50.00%	50.00%	-

(a) *Shell company.*

List of consolidated companies Equity-accounted companies: significant influence	Country	% interest 06/30/2019	% interest 12/31/2018	% interest Change	% control 06/30/2019	% control 12/31/2018	% control Change
La Rocade SCI	France	38.00%	38.00%	-	38.00%	38.00%	-
La Rocade Ouest SCI	France	36.73%	36.73%	-	36.73%	36.73%	-
Du Plateau SCI	France	19.65%	19.65%	-	30.00%	30.00%	-
Achères 2000 SCI	France	30.00%	30.00%	-	30.00%	30.00%	-
Le Champs de Mais SC	France	40.00%	40.00%	-	40.00%	40.00%	-
Société du bois des fenêtres SARL	France	20.00%	20.00%	-	20.00%	20.00%	-
Step In SAS	France	24.46%	24.46%	-	24.46%	24.46%	-
Akmerkez Gayrimenkul Yatirim Ortakligi AS	Turkey	46.92%	46.92%	-	46.92%	46.92%	-

List of deconsolidated companies at 06/30/2019	Country	% interest 06/30/2019	% interest 12/31/2018	% control 06/30/2019	% control 12/31/2018	Comments
Klépierre Praha S.R.O.	Czech Republic	0.00%	100.00%	0.00%	100.00%	Disposed
Klécar Europe Sud SCS	France	0.00%	100.00%	0.00%	100.00%	Merged

3

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

Period from January 1 to June 30, 2019

This is a 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.

To the Shareholders,

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

> our review of the accompanying condensed half-yearly consolidated financial statements of Klépierre for the period from January 1 to June 30, 2019;

> the verification of the information presented in the half-yearly management report.

These condensed half-yearly consolidated financial statements are prepared under the Executive Board's responsibility. Our role is to express a conclusion on these financial statements based on our review.

3.1 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 condensed half-yearly consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 - standard of the IFRSs as adopted by the European Union applicable to interim financial information.

3.2 SPECIFIC VERIFICATION

We have also verified the information presented in the half-yearly management report on the condensed half-yearly consolidated financial statements subject to our review.

We have no matters to report as to its fair presentation and consistency with the condensed half-yearly consolidated financial statements.

Paris-La Défense, July 30, 2019

The Statutory Auditors
French original signed by

DELOITTE & ASSOCIÉS		ERNST & YOUNG Audit
Laure SILVESTRE-SIAZ	Damien LEURENT	Bernard HELLER

4

PERSONS RESPONSIBLE FOR THE DISCLOSURES

4.1 STATEMENT OF THE PERSON RESPONSIBLE FOR THE HALF-YEAR FINANCIAL REPORT

Paris – July 31, 2019

I certify that, to the best of my knowledge, these condensed consolidated financial statements for the first half of the year, have been drawn up in accordance with the applicable accounting standards and accurately reflect the assets, financial position and earnings of the company and all of its consolidated subsidiaries, and that the present half-year management report presents a faithful description of the important events arisen during the first six months of the fiscal year, their incidence on the accounts, the main related-party transactions as well as a description of the principal risks and uncertainties for the remaining six months of the fiscal year.

Jean-Marc JESTIN
Chairman of the Executive Board

4.2 PERSONS RESPONSIBLE FOR AUDITS & FINANCIAL DISCLOSURES

4.2.1 Persons responsible for audits

STATUTORY AUDITORS

Deloitte & Associés
6 place de la Pyramide
92908 Paris la Défense CEDEX
572028041 RCS NANTERRE
Damien Leurent/Laure Silvestre-Siaz
First appointed: General Meeting of Shareholders of June 28, 2006
Term expires: General Meeting of 2022 to be called to approve the financial statements for fiscal year 2021

Ernst & Young Audit
1-2 place des Saisons
92400 Courbevoie – Paris – La Défense 1
344366315 RCS NANTERRE
Bernard Heller
First appointed: General Meeting of Shareholders of April 19, 2016
End of term: General Meeting of 2022 to be called to approve the financial statements for fiscal year 2021

ALTERNATE STATUTORY AUDITORS

Société BEAS
6 place de la Pyramide
92908 Paris la Défense CEDEX
315172445 RCS NANTERRE
First appointed: General Meeting of Shareholders of June 28, 2006
End of term: General Meeting of 2022 to be called to approve the financial statements for fiscal year 2021

Picarle & Associés
1-2 place des Saisons
92400 Courbevoie – Paris – La Défense 1
410 105 894 RCS Nanterre
First appointed: General Meeting of Shareholders of April 19, 2016
End of term: General Meeting of 2022 to be called to approve the financial statements for fiscal year 2021

4.2.2 Person responsible for financial disclosures

Jean-Michel GAULT
Member of the Executive Board, Deputy CEO
Tel: +33 1 40 67 55 05

Design and production: côtécorp.
Tel.: +33 (0)1 55 32 29 74

Klépierre
26 boulevard des Capucines
CS 20062
75009 Paris – France
+33 (0)1 40 67 57 40

www.klepierre.com

KLEPIERRE