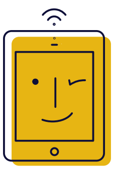
2020 INTERIM FINANCIAL REPORT

KLEPIERRE

CONTENTS



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

1 MANAGEMENT REPORT

1.1 BUSINESS OVERVIEW

1.1.1 Economic environment

During the first half of 2020, the Covid-19 epidemic gradually spread across continental Europe. Lockdown measures were enforced in most European countries to contain the spread of the virus, resulting in an economic contraction, with the OECD projecting Eurozone Gross Domestic Product to contract by 9.1% for full-year 2020. On the labor market front, despite widespread use of furlough work schemes, the unemployment rate is projected to increase from 7.6% in 2019 to 9.8% by the end of 2020, while inflation may decelerate to close to zero in 2020.

Nevertheless, most containment measures were rolled back as from the end of April, translating into a progressive resumption of economic activity. The "Recovery Plan for Europe" launched by the European Union and the accommodative monetary policy of the European Central Bank, coupled with temporary local support measures, are expected to support the recovery of national economies.

► 2020 AND 2021 MACROECONOMIC FORECASTS BY GEOGRAPHY

	Real GDP growth rate			Unemployment rate			Inflation rate		
Geography	**2019**	**2020E**	**2021E**	**2019**	**2020E**	**2021E**	**2019**	**2020E**	**2021E**
EUROZONE	**1.3%**	**-9.1%**	**6.5%**	**7.6%**	**9.8%**	**9.5%**	**1.2%**	**0.4%**	**0.5%**
France	**1.5%**	**-11.4%**	**7.7%**	**8.4%**	**11.0%**	**9.8%**	**1.3%**	**0.4%**	**0.5%**
Belgium	**1.4%**	**-8.9%**	**6.4%**	**5.4%**	**7.4%**	**6.5%**	**1.2%**	**0.4%**	**0.7%**
Italy	**0.3%**	**-11.3%**	**7.7%**	**9.9%**	**10.1%**	**11.7%**	**0.6%**	**-0.1%**	**0.1%**
Scandinavia									
Norway	1.2%	-6.0%	4.7%	3.7%	5.9%	4.6%	2.2%	0.8%	1.3%
Sweden	1.2%	-6.7%	1.7%	6.8%	10.0%	10.0%	1.8%	0.3%	1.1%
Denmark	2.4%	-5.8%	3.7%	5.0%	6.6%	6.5%	0.8%	0.4%	0.4%
Iberia									
Spain	2.0%	-11.1%	7.5%	14.1%	19.2%	18.7%	0.8%	0.0%	0.3%
Portugal	2.2%	-9.4%	6.3%	6.5%	11.6%	9.6%	0.3%	0.2%	0.2%
CE & Other									
Czech Republic	2.5%	-9.6%	7.1%	2.0%	3.5%	3.8%	2.8%	3.0%	1.9%
Poland	4.1%	-7.4%	4.8%	3.3%	7.3%	5.8%	2.2%	3.0%	1.7%
Turkey	0.9%	-4.8%	4.3%	13.7%	15.6%	14.2%	15.2%	10.6%	9.1%
Netherlands	**1.8%**	**-8.0%**	**6.6%**	**3.4%**	**5.9%**	**4.9%**	**2.7%**	**0.3%**	**0.6%**
Germany	**0.6%**	**-6.6%**	**5.8%**	**3.2%**	**4.5%**	**4.3%**	**1.4%**	**0.8%**	**0.7%**

Source: OECD Economic Outlook, June 2020 – single hit scenario.

1.1.2 Operating context

After a solid start to the year, business at Klépierre shopping malls was brought to a virtual standstill by the spread of the Covid-19 pandemic across Europe, and by the subsequent restrictive health measures implemented from early March, including:

- **Store closures:** in France, Belgium, Italy, Spain, Portugal, Denmark, Poland and the Czech Republic, the closure of all stores was ordered, except those selling basic necessities (including grocery, small food stores and pharmacies); and
- **Limited restrictions:** in other countries, representing close to 20% of Klépierre's gross asset value[1] (Norway, Sweden and the Netherlands), only partial administrative closures (mainly for hairdressers, bars, restaurants and leisure activities) were issued, allowing most stores to remain open, although some retailers decided to close of their own volition.

Since early May, restrictions have been gradually eased in all countries where Klépierre operates, leading to a progressive reopening of the Group's malls. As of June 8, all Klépierre malls had reopened, with only a few restrictions related to certain activities remaining in place (mainly cinemas and fitness centers). To ensure the protection of staff and visitors, Klépierre has proactively implemented strict protection measures certified by Bureau Veritas in all of its malls, including:

- Reduced number of entrances;
- One-way customer path to limit contact between shoppers;
- Footfall metering to ensure that the maximum authorized threshold is not exceeded;
- Body temperature checks and controls on the wearing of masks, in line with local standards; and
- An enhanced cleaning regime and more frequent renewal of air.

Overall, at Group level, stores were closed for 1.9 months on average due to the lockdown measures, representing €153.5 million in rents (total share, excluding VAT; 26% of gross rents for the first half of 2020) and service charges of €40 million.

INVOICED RENTS (TOTAL SHARE, EXCLUDING SERVICE CHARGES AND VAT) OVER THE CLOSURE PERIOD *(by country)*

In millions of euros	**Gross rents**
France-Belgium	70.2
Italy	34.6
Scandinavia	7.5
Iberia	24.3
CE & Other	7.4
Netherlands	5.8
Germany	3.6
TOTAL	**153.5**

Further to the lifting of restrictions, as of July 20, 2020, 96% of stores (in rents) had reopened. As the reopening process may prove to be lengthy, the Group expects this proportion to keep increasing in the coming weeks.

1.1.3 Retailer sales

On a like-for-like basis,[2] total retailer sales at Klépierre malls declined by 35% over the first half of 2020. Following a good start to the year (up 2.5% in January and February), sales plummeted in most countries on the back of the administrative closure orders. The magnitude of the decrease was closely correlated to the nature of the lockdown measures implemented. Hence, Iberian retailer sales (where stores remained closed for more than two months) were down 47% over the first half, while Scandinavian retailers sales (only partially closed) were down by 16%.

With the gradual reopening of malls across Europe, retailer sales have recovered faster than initially anticipated. The impact of social distancing on footfall has been partially offset by a high transformation rate and higher average basket size. The trend has been improving month by month, with June sales reaching 85% of last year's level (penalized by a negative calendar effect) compared to 76% in May.[3] This improvement has appeared to carry over into July, with footfall standing at 80% of the prior-year level, compared to 75% in June and 68% in May.

By **geographic area,** in countries that only implemented partial lockdowns (Norway, Sweden and the Netherlands), sales were 96% of last year's level in June, showing a clear improvement compared to 83% in May. The recovery has been particularly strong in Norway, where sales were 9% higher year on year in June, after being 6% lower in May. Countries that reopened after lockdown are enjoying an encouraging resumption of business with sales at 84% of last year's level in June and showing a 10-percentage point improvement compared to May on average. France (87% of last year's level in June) and Denmark (94% of last year's level) posted stronger performance partly as a result of government measures to support consumer purchasing power.

By **segment,** Household Equipment, Supermarkets, and Culture, Gifts & Leisure are now back to last year's levels (up 0.1% on average in June vs. last year's). However, Fashion, Food & Beverage, and Health & Beauty are yet to fully recover (79% on average in June of last year's level).

(1) On a total share basis, including transfer taxes.

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

(3) Change in retailer sales on a same-store basis, excluding closure days.

▸ CHANGE IN RETAILER SALES IN JUNE AND FOR THE SIX MONTHS ENDED JUNE 30, 2020 *(by country)*

Country	Retailer sales change June[b]	Retailer sales change YTD[a]	% *(in total reported retailer sales)*
France	−13%	−36%	33%
Belgium	−15%	−34%	2%
France-Belgium	**−13%**	**−36%**	**35%**
Italy	**−21%**	**−43%**	**22%**
Norway	9%	−9%	10%
Sweden	−13%	−14%	9%
Denmark	−6%	−33%	4%
Scandinavia	**−2%**	**−16%**	**23%**
Spain	−26%	−48%	7%
Portugal	−26%	−45%	2%
Iberia	**−26%**	**−47%**	**8%**
Czech Republic	−18%	−37%	2%
Poland	−22%	−38%	3%
Turkey	−26%	−38%	1%
CE & Other	**−22%**	**−38%**	**6%**
Netherlands	**−24%**	**−19%**	**2%**
Germany	**−16%**	**−31%**	**3%**
TOTAL	**−15%**	**−35%**	**100%**

(a) Like-for-like change is on a constant-center basis and excludes the impact of asset sales and acquisitions.
(b) Change in retailer sales on a same-store basis, excluding closure days.

▸ CHANGE IN RETAILER SALES IN JUNE AND FOR THE SIX MONTHS ENDED JUNE 30, 2020 *(by segment)*

Segment	Retailer sales change June[b]	Retailer sales change YTD[a]	% *(in total reported retailer sales)*
Fashion	−24%	−42%	35%
Culture, Gifts & Leisure	−3%	−33%	18%
Health & Beauty	−9%	−30%	15%
Food & Beverage	−25%	−41%	11%
Household Equipment	+5%	−21%	13%
Other	−15%	−25%	9%
TOTAL	**−15%**	**−35%**	**100%**

(a) Like-for-like change is on a constant-center basis and excludes the impact of asset sales and acquisitions.
(b) Change in retailer sales on a same-store basis, excluding closure days.

1.1.4 Gross rental income

Klépierre management is of the view that rents corresponding to the closure period are contractually due. Therefore, the vast majority of rents have been invoiced and recognized as revenues. Invoiced but unpaid rents as of the closing date have been recognized as receivables pending their final status (see below section 1.1.5 "Rent collection and leasing update").

GROSS RENTAL INCOME *(on a total share basis)*

In millions of euros	06/30/2020	06/30/2019	Reported change
France-Belgium	220.9	224.5	−1.6%
Italy	98.3	102.6	−4.2%
Scandinavia	83.6	93.6	−10.7%
Iberia	65.7	69.8	−5.9%
CE & Other	41.0	56.4	−27.4%
Netherlands	36.9	41.2	−10.4%
Germany	24.5	26.4	−7.1%
TOTAL SHOPPING CENTERS	**571.0**	**614.6**	**−7.1%**
Other retail properties	10.0	12.3	−18.1%
TOTAL	**581.0**	**626.9**	**−7.3%**

IFRS ACCOUNTING TREATMENT OF RENTS RELATED TO CLOSURE PERIOD

Three main IFRS standards may apply regarding rents related to the closure period:

> **IFRS 16 (Leases)** defines a lease modification as a change in the scope of a lease, or in the consideration for a lease, that was not part of the original terms of the lease. For the lessor, when a rent concession qualifies as a lease modification the impact has to be straight-lined over the minimum term of the lease as a reduction of rental revenue;

> **IFRS 9 (Financial instruments)** provides guidance to deal with credit losses either with the impairment of receivables or the assessment of expected credit losses. This is applicable to tenants that have entered into insolvency proceedings or for which such proceedings can be reasonably expected to happen in the near future. In such case, an impairment of the receivable is required in consideration of the expected loss. Such impairment will be recorded in the P&L net of security deposits or guarantees if any; and

> If and when a litigation with a tenant is substantiated by the existence of a legal action or a formalized claim, an assessment of the potential loss has to be performed under **IAS 37 (Contingent liabilities)**. If the risk is more likely than not to materialize, an assessment has to be performed and a provision has to be accounted for.

For more information related to rent invoicing, rent collection/receivables, and tenant credit risk please refer to the appendix to the financial statements.

On a total share basis, gross rental income generated by shopping centers amounted to €571.0 million over the first half of 2020, compared to €614.6 million in the same prior-period, down 7.1% on a reported basis. This decline reflects a decrease in minimum guaranteed rents and variable revenues due to the lockdown, the impact of disposals completed in 2019 (notably in Hungary and Portugal), as well as negative foreign exchange effects attributable mainly to the depreciation of the Norwegian krone and Turkish lira.

After factoring in gross rental income generated by other retail properties, which was down 18.1% due to the disposal of assets and the negative impacts of the lockdown, total gross rental income amounted to €581.0 million on a total share basis.

1.1.5 Rent collection and leasing update

INVOICED RENTS AND SERVICE CHARGES (TOTAL SHARE, EXCLUDING VAT) FOR THE FIRST HALF OF 2020[(a)]

Geography	Invoiced	Of which collected	Of which unpaid	Of which deferred	Collection rate
France-Belgium	276.1	178.9	34.6	62.6	84%
Italy	112.9	60.5	22.9	29.6	73%
Scandinavia	109.5	98.6	8.9	2.0	92%
Iberia	81.4	57.1	11.1	13.2	84%
CE & Other	47.7	32.5	11.1	4.1	75%
Netherlands	42.1	33.8	7.1	1.2	83%
Germany	30.7	22.6	4.9	3.1	82%
TOTAL SHOPPING CENTERS	**700.3**	**484.0**	**100.6**	**115.7**	**83%**
Other retail properties	11.0	6.7	1.4	2.9	83%
TOTAL	**711.3**	**490.7**	**101.9**	**118.6**	**83%**

(a) As of July 24, 2020, excluding equity-accounted companies.

▸ INVOICED RENTS AND SERVICES CHARGES (TOTAL SHARE, EXCLUDING VAT) OVER THE SECOND QUARTER OF 2020[(a)]

Geography	Invoiced	Of which collected	Of which unpaid	Of which deferred	Collection rate
France-Belgium	135.9	43.7	29.7	62.6	60%
Italy	55.3	8.1	17.6	29.6	32%
Scandinavia	52.7	43.9	6.9	2.0	86%
Iberia	37.8	14.9	9.7	13.2	60%
CE & Other	19.3	8.1	7.1	4.1	53%
Netherlands	20.3	12.5	6.6	1.2	66%
Germany	14.7	6.9	4.6	3.1	60%
TOTAL SHOPPING CENTERS	**336.0**	**138.1**	**82.1**	**115.7**	**63%**
Other retail properties	5.0	0.8	1.3	2.9	39%
TOTAL	**341.0**	**139.0**	**83.4**	**118.6**	**62%**

(a) As of July 24, 2020, excluding equity-accounted companies.

In the first half of 2020, the Group invoiced rents and charges for a total amount of €711.3 million and collected 83% of non-deferred rents of the first-half and 62% over the second quarter. This unusually low collection rate is attributable to the pandemic and subsequent mall closures. In April and May, retailers stopped paying rents due to the grace periods enforced by various governments throughout Europe and payment deferrals granted by Klépierre to its tenants to ease their cash position.

Following the reopening of its malls, the Group entered into discussions with tenants to find mutually acceptable solutions regarding rents relating to the closure period. Most negotiations are ongoing; they are conducted on a case-by-case basis and are focused around granting a partial waiver of outstanding rents in exchange for lease extensions and/or the opening of new stores. Klépierre is also providing targeted financial support for retailers in particularly hard-hit segments such as Food & Beverage and Fashion, as well as for small businesses in France.

In countries where stores did not close or reopened in early May (Scandinavia, the Netherlands and Germany), rent collection has improved sharply to stand at 88% for the first half taken as a whole (and 78% for the second quarter). In countries where stores re-opened more recently (France, Southern Europe and Central Europe), rent collection has been lower (80% for the first half; 54% for the second quarter), but is set to improve as negotiations progress.

Deal-making should continue to accelerate in the coming months and Klépierre expects to finalize negotiations by the end of the year, leading to a higher collection rate on Q2.

As of June 30, 2020, 341 deals related to Covid-19 have been signed. Concessions granted to the retailers has been treated according to IFRS 16, whereby any lease modification has to be taken to income on a straight-line basis of the minimum lease term. The impact over the first half is less than €1 million.

Although leasing activity has been mostly focused on rent settlements since March, the Group nonetheless signed almost 400 leases in the first half and continued to open flagship stores throughout its portfolio of leading European malls. In France, Primark opened a 6,650-sq.m. store at Belle Épine (Paris area) while Zara and Bershka stores were fully refurbished and right-sized, upgrading further the retail mix of Southern Paris' leading shopping center. The Sports segment continued its momentum over the first half as illustrated by the opening of new Decathlon (Prague – Nový Smíchov), XXL (Drammen, Gulskogen), Nike (Assago – Milan), and Foot Locker (Aqua Portimão, Portimão) stores. On top of these emblematic stores, the Group also inaugurated two brand new Destination Food® concepts at Emporia (Malmö, Sweden) and Nový Smíchov (Prague, Czech Republic), welcoming diversified well-known international banners and local retailers.

In spite of the gradual resumption of leasing activity further to the reopening of the malls, the slowdown of letting operations due to administrative lockdowns weighed on occupancy at Klépierre malls, with the EPRA vacancy rate increasing slightly by 80 basis points to 3.8% compared to 3.0% at year-end 2019.

▸ KEY PERFORMANCE INDICATORS

Geography	Renewed and re-let leases *(in millions of euros)*	Reversion *(in %)*	Reversion *(in millions of euros)*	OCR[(a)]	EPRA Vacancy Rate
France-Belgium	8.9	−1.4%	(0.1)	15.2%	3.9%
Italy	7.6	+7.0%	0.5	14.7%	2.0%
Scandinavia	7.8	+0.4%	-	12.7%	6.2%
Iberia	5.3	+13.3%	0.6	16.1%	4.5%
CE & Other	3.2	+8.3%	0.2	14.6%	3.6%
Netherlands	0.8	+6.2%	-	-	3.8%
Germany	0.3	−0.7%	-	13.4%	3.2%
TOTAL	**33.9**	**+4.0%**	**1.3**	**14.6%**	**3.8%**

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.

1.1.6 Net rental income

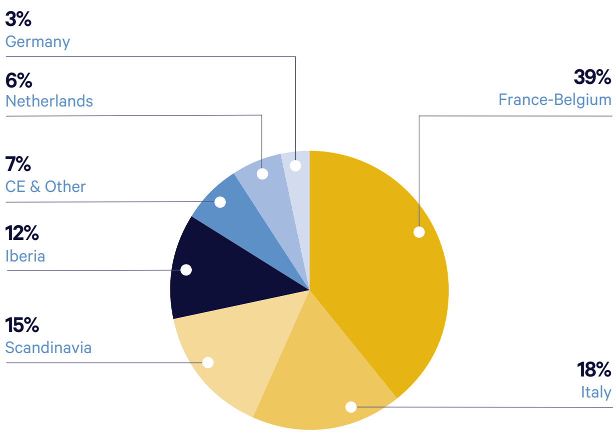
NET RENTAL INCOME *(on a total share basis)*

In millions of euros	06/30/2020	06/30/2019	Reported change	Change excl. disposals and forex	Index-linked change
France-Belgium	198.4	204.3	−2.9%	−2.5%	+2.0%
Italy	87.8	93.4	−5.9%	−5.6%	+0.5%
Scandinavia	76.1	84.9	−10.4%	−6.8%	+1.4%
Iberia	60.7	64.0	−5.2%	−0.4%	+0.4%
CE & Other	35.6	52.2	−31.9%	−12.8%	+1.5%
Netherlands	29.0	33.4	−13.4%	−5.0%	+1.3%
Germany	15.6	19.7	−20.9%	−18.1%	-
TOTAL SHOPPING CENTERS	**503.1**	**552.0**	**−8.9%**	**−5.0%**	**+1.3%**
Other retail properties	8.4	11.5	−26.8%		
TOTAL	**511.5**	**563.5**	**−9.2%**		

Net rental income (NRI) generated by shopping centers totaled €503.1 million for the half-year ended June 30, 2020, down 8.9% on a reported portfolio, total share basis compared with 2019. This reflected the combined effect of the following factors:

- A €26 million downward adjustment (down 5.0%) excluding disposals and forex mostly linked to lower variable revenues (including sales-based rents, specialty leasing and car park revenues) and to a lesser extent an increase in provisions for bad debts (€11 million) and a slight rise in vacancy (up 80 basis points to 3.8%). This was partly offset by positive indexation (1.3%) and positive reversion. As explained above, the −5% change does not yet factor in the full impact of the discounts granted to retailers relating to the closure period that, in accordance with IFRS, will be taken to the statement of comprehensive income on a straight-line basis over the minimum lease term;
- A €17 million negative impact from disposals, mostly attributable to the sale of the Hungarian portfolio at the end of 2019; and
- A €6 million negative impact reflecting developments and acquisitions, unfavorable changes in exchange rates and other non-recurring items.

BREAKDOWN OF SHOPPING CENTER NRI BY REGION FOR THE SIX MONTHS ENDED JUNE 30, 2020 *(on a total share basis)*



FOREIGN EXCHANGE IMPACT ON NRI YEAR-ON-YEAR GROWTH FOR THE SIX MONTHS ENDED JUNE 30, 2020

	At constant forex	At current forex	Forex impact
Norway	−1.3%	−10.5%	−921 bps
Sweden	−7.0%	−8.2%	−124 bps
Denmark	−11.9%	−11.8%	+0 bps
SCANDINAVIA	**−6.8%**	**−10.2%**	**−339 bps**
Czech Republic	−6.5%	−9.0%	−248 bps
Poland	−10.1%	−10.1%	0 bps
Turkey[(a)]	−25.3%	−33.6%	−824 bps
CE & OTHER	**−12.8%**	**−15.7%**	**−285 bps**
TOTAL	**−5.0%**	**−5.7%**	**−70 bps**

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

1.1.7 Contribution of equity-accounted companies

The contribution of equity-accounted companies[1] to net current cash flow amounted to €26.4 million in 2020. The Group's equity-accounted investments are listed below:

> **France:** Les Passages (Boulogne; 50% equity interest), Espace Coty (Le Havre; 50% equity interest), Mayol (Toulon; 40% equity interest), Le Millénaire (Paris; 50% equity interest), and Belle Épine (Paris; a 10% stake acquired on December 13, 2019);

> **Italy:** Porta di Roma (Rome; 50% equity interest), Il Leone (Lonato; 50% equity interest), Il Corti Venete (Verona; 50% equity interest), Il Destriero (Milan; 50% equity interest), Città Fiera (Udine; 49% equity interest);

> **Norway:** Økernsenteret (Oslo; 50% equity interest), Metro Senter (Oslo; 50% equity interest), Nordbyen (Larvik; 50% equity interest);

> **Portugal:** Aqua Portimão (Portimão; 50% equity interest); and

> **Turkey:** Akmerkez (Istanbul; 46.9% equity interest).

The following tables present the contributions of these assets by country 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 fair value of jointly owned shopping malls. In France, all figures integrate the recent acquisition of a 10% stake in Belle Épine (Paris area).

As of July 24, 2020, 81% of first-half non-deferred rents were collected for equity-accounted companies. The collection rate for the second quarter stood at 59%.

CONTRIBUTION OF EQUITY-ACCOUNTED COMPANIES

Gross Rental Income

In millions of euros	06/30/2020	06/30/2019
France	12.5	11.4
Italy	19.5	20.3
Norway[(a)]	3.4	3.9
Portugal	1.7	1.8
Turkey	2.3	4.4
TOTAL	**39.4**	**41.9**

(a) To determine the Group's share for Norway, data must be multiplied by 56.1%.

Net Rental Income

In millions of euros	06/30/2020	06/30/2019
France	9.6	8.1
Italy	16.5	17.5
Norway[(a)]	2.9	3.4
Portugal	1.6	1.7
Turkey	1.6	3.3
TOTAL	**32.3**	**33.9**

(a) To determine the Group's share for Norway, data must be multiplied by 56.1%.

EBITDA

In millions of euros	06/30/2020	06/30/2019
France	9.5	7.9
Italy	16.4	17.4
Norway[(a)]	2.9	3.4
Portugal	1.6	1.7
Turkey	1.4	3.1
TOTAL	**31.8**	**33.5**

(a) To determine the Group's share for Norway, data must be multiplied by 56.1%.

Net Current Cash Flow

In millions of euros	06/30/2020	06/30/2019
France	8.2	6.7
Italy	13.1	13.5
Norway[(a)]	2.9	3.4
Portugal	0.4	0.5
Turkey	1.8	3.7
TOTAL	**26.4**	**27.7**

(a) To determine the Group's share for Norway, data must be multiplied by 56.1%.

Net Income[(b)]

In millions of euros	06/30/2020	06/30/2019
France	(10.1)	(6.2)
Italy	0.2	8.2
Norway[(a)]	(1.2)	2.2
Portugal	(1.9)	0.3
Turkey	0.5	0.6
TOTAL	**(12.4)**	**5.2**

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

1.2 BUSINESS ACTIVITY BY REGION

1.2.1 France-Belgium (38.8% of net rental income)

▸ NRI & EPRA VACANCY RATE IN FRANCE-BELGIUM

	Reported porfolio NRI			NRI excl. disposals and forex			EPRA Vacancy Rate	
In millions of euros	06/30/2020	06/30/2019	Change	06/30/2020	06/30/2019	Change	06/30/2020	06/30/2019
France	189.1	195.6	-3.3%	184.4	189.9	-2.9%	4.0%	3.4%
Belgium	9.3	8.8	+6.6%	9.3	8.8	+5.7%	1.6%	1.2%
FRANCE-BELGIUM	**198.4**	**204.3**	**-2.9%**	**193.7**	**198.8**	**-2.5%**	**3.9%**	**3.3%**

The strict containment measures implemented in France from mid-March due to the virus outbreak are expected to result in a 11.4% decline in GDP in 2020. Despite policy responses to support households and businesses such as furlough schemes, the unemployment rate is set to rise to 11.0% by end-2020. Notwithstanding a rate of inflation projected to come out at 0.4% in 2020, the sharp increase in household savings coupled with government support measures is expected to enable a progressive increase in consumption once confidence and opportunities return (GDP is expected to increase by 7.7% in 2021).

After a firm start to the year (**retailer sales** at Klépierre malls were flat over the first two months), on March 17, France and Belgium ordered the closure of all stores except those selling basic necessities, including grocery, small food stores, and pharmacies.

Since May 11, restrictive measures have been progressively rolled back with the reopening of all malls except those exceeding 40,000 sq.m. and located in the Paris region. On May 30, all malls were authorized to reopen. As of July 20, the vast majority of stores are operating (97.3%)[1] and **footfall** since reopening has been improving week by week (64% of last year's level after reopening; flat from July 13 to July 19).

Thanks to government measures to support consumer purchasing power, **retailer sales** were 84% of last year's level in May and 87% in June. Some segments have already sprung back to last year's levels such as Household Equipment (up 15% in June) and Culture, Gifts and Leisure (up 3% in June), while Fashion and Food & Beverage have been more heavily impacted.

As of July 24, €276.1 million rents have been invoiced for the first half. Collection rate on non-deferred rents was 84% over the first half and 60% for rents relating to the second quarter (see section 1.1.5 "Rent collection and leasing update"). To ease the retailers' liquidity positions, the Group has adapted its invoicing for most retailers (from quarterly to monthly) for the second and third quarter. Klépierre also deferred the payment of April and May's rents to September and October, while a three-month rent holiday was granted on request to small businesses. A grace period enforced by the authorities preventing landlords from applying penalties or evicting tenants until June 24 in cases of non-payment of rents relating to the second quarter has limited the Group's capacity to collect rents. Discussions with retailers have resumed on the back of a healthy business recovery since the end of the lockdown, which should trigger an improvement in the collection rate in the months to come.

Against this backdrop, **net rental income** in France-Belgium decreased by 2.5% excluding disposals and forex impact over the six months ended June 30, 2020 (total share). The bulk of the decline was attributable to a fall in variable rents (down €5.8 million), although higher provisions, vacancy (up 60 basis points versus December 31, 2019 to 3.9%) and temporary discounts were offset by positive reversion and indexation.

Leasing activity has continued despite this challenging environment with emblematic leases signed and stores opened throughout Klépierre's portfolio in France. These included Primark joining Belle Épine, the newly acquired first-class mall in Southern Paris in which Zara and Bershka also opened new right-sized concepts and New Yorker further enriched the Fashion offering. At Créteil Soleil (Paris region), in the food court of the recent extension is now fully occupied with the openings of IT Trattoria, Starbucks Coffee and Fresh Burritos. In addition, the openings of Etam Lingerie and Foot Locker flagships represent further evidence of the ongoing transformation of this historic Klépierre mall. Lastly, at Rives d'Arcins (Bègles) – one of the largest shopping destinations in the Bordeaux urban area – a new right-sized Zara store is set to open over 3,000 sq.m. in August while Snipes is also set to unveil a flagship.

(1) *In rents.*

1.2.2 Italy (17.2% of net rental income)

NRI & EPRA VACANCY RATE IN ITALY

	Reported porfolio NRI			NRI excl. disposals and forex			EPRA Vacancy Rate	
In millions of euros	06/30/2020	06/30/2019	Change	06/30/2020	06/30/2019	Change	06/30/2020	06/30/2019
ITALY	**87.8**	**93.4**	**-5.9%**	**85.0**	**90.0**	**-5.6%**	**2.0%**	**1.5%**

Italy was the first European country to be hit by the pandemic with most cases in the northern regions of Lombardy, Piedmont, Veneto and Emilia-Romagna. The Italian authorities enforced a strict lockdown from March 12 to May 18, which weighed on the economy with GDP expected to decline by 11.3% in 2020. Despite furlough schemes and government measures preventing dismissals on economic grounds, the unemployment rate is expected to reach 10.1% in 2020, reversing the gains of recent years. Meanwhile, inflation is projected to remain flat over the period.

Toward the end of May, confinement measures were gradually relaxed while favorable public policies are set to continue to support employment, consumption and investment. In that context, the economy is showing green shoots in many sectors, but Italian tourism remains vulnerable mainly due to uncertain international demand.

Over the first two months of 2020, Italian **retailer sales** were broadly flat (down 0.6%) before the lockdown was enforced. Since the end of May, restrictions have largely been lifted, enabling the full reopening of Klépierre's malls. As of July 20, 2020, 97.6% of stores[1] had reopened. Since reopening, footfall has progressively recovered (61% of last year's level after re-opening; 76% from July 13 to July 19), while retailer sales improved from 64% of last year's level in May to 79% in June.[2] Fashion and Food & Beverage have been hit hard by the current health situation while Household Equipment and Culture, Gifts & Leisure have registered a swifter recovery.

In that context, **net rental income** in Italy was down 5.6% excluding disposals and forex impact, mainly reflecting a €4 million drop in variable revenues, higher provisions and a slight rise in the EPRA vacancy rate to 2.0% (versus 1.5% as of December 31, 2019).

As of July 24, 2020, €112.9 million rents related to the first half have been invoiced and 73% of first-half non-deferred rents have been collected (the collection rate for non-deferred rents related to the second quarter stands at 32%).[3] Klépierre switched from quarterly to monthly invoicing of second-quarter rents and deferred the payment of a part of second-quarter rents to the second half of the year.[4] This relatively low level of collection is mainly explained by the grace period applicable in Italy, preventing landlords from applying penalties or evicting tenants in cases of non-payment of rents relating to the second quarter. However, the recent government scheme offering a tax credit ranging from 30% to 60% (depending on the lease structure) of rents paid from March to May to smaller retailers (less than €5 million in revenue) is expected to drive rent collection.

Lastly, despite the Covid-19 outbreak, emblematic leases were signed and stores opened across the Italian portfolio. At Porta di Roma, the Fashion offering has been further strengthened with the opening of a brand new Armani Exchange store over 1,000 sq.m. and the arrival of New Balance in July. In the meantime, Nike joined Assago Milanofiori (Milan) and Pandora unveiled its new boutique at Globo (Milan), proving the attractiveness of Klépierre's portfolio in Italy.

1.2.3 Scandinavia (14.9% of net rental income)

NRI & EPRA VACANCY RATE IN SCANDINAVIA

	Reported porfolio NRI			NRI excl. disposals and forex			EPRA Vacancy Rate	
In millions of euros	06/30/2020	06/30/2019	Change	06/30/2020	06/30/2019	Change	06/30/2020	06/30/2019
Norway	28.6	32.1	-10.8%	24.7	25.0	-1.3%	6.7%	2.7%
Sweden	24.1	26.3	-8.6%	23.9	25.7	-7.0%	5.6%	5.4%
Denmark	23.4	26.6	-11.8%	23.5	26.6	-11.9%	6.3%	5.1%
SCANDINAVIA	**76.1**	**84.9**	**-10.4%**	**72.0**	**77.3**	**-6.8%**	**6.2%**	**4.1%**

GDP growth in **Scandinavia** (Norway, Sweden and Denmark) is expected to be affected in 2020 by the Covid-19 pandemic, albeit at a variable magnitude depending on the containment measures enforced at national level. In Norway, GDP is set to decline by 6.0% in 2020, notably reflecting falls in global oil prices and demand as well as domestic uncertainties. The unemployment rate is expected to increase from 3.7% to 5.9% by year-end 2020, and inflation to slow down to 0.8% over the year. Nevertheless, noticeable early indicators of recovery are being fueled by economic support provided by Norges Bank. In Sweden, while restrictions were less stringent than in most countries, GDP is forecast to decrease by 6.7% in 2020 and unemployment to rise to 10.0% by year-end (versus 6.8% in 2019), on the back of declining household consumption and weak exports. Lastly, despite a net contraction in activity, the Danish economy should be relatively less affected with a mere 5.8% decrease in GDP in 2020 and a 160-basis-point increase in unemployment to 6.6%, thanks to a sizeable government support package.

(1) *In rents.*

(2) *Change in retailer sales excluding closure days.*

(3) *See section 1.1.5 "Rent collection and leasing update".*

(4) *Stores concerned by closure orders enforced by local authorities.*

After a dynamic start to the year (**retailer sales** up 6.5% over the first two months of 2020) notably boosted by recent leasing operations at Field's and Emporia and favorable weather conditions, the virus outbreak penalized the overall Scandinavian performance in the first half.

In Denmark, a strict lockdown was implemented from March 18, 2020 to May 11, 2020 while Norway and Sweden only issued partial administrative closures (mainly for bars and restaurants, hairdressers, skin care providers and fitness centers), enabling malls to remain open. These measures eased from mid-May, with all of Klépierre's malls open and 97.4% of stores operating,[1] fueling a marked recovery in footfall. Norway is now back to pre-Covid-19 levels and footfall in Sweden and Denmark are already 84% and 96% of the prior-year level (from July 13 to July 19).

The modest restrictions described above also enabled a fast rebound in **retailer sales.** In Scandinavia, retailer sales in Klépierre's malls already reached 98% of last year's level in June, registering a clear improvement compared to May (87% of last year's level). The recovery is especially marked in Norway (up 9% in June), while Sweden (87% of last year's level in June) and Denmark (94% of last year's level) nonetheless outperformed the rest of Europe.

Against this backdrop, **net rental income** declined by 6.8% (excluding disposals and forex) over the first half of 2020 (down 1.3% in Norway, down 7.0% in Sweden and down 11.9% in Denmark), largely as a result of lower variable revenues (down €5.5 million), higher provisions and an increase in vacancy to 6.2%, partly offset by positive indexation.

Lastly, over the first half of 2020, Scandinavia posted the highest **rent collection** rate in Europe with 92% of non-deferred rents collected (and 86% for rents related to the second quarter). As of July 24, 2020, the collection rate on non-deferred rents relating to the first half stands at 94% in Norway, 92% in Denmark and 89% in Sweden (see section 1.1.5 "Rent collection and leasing update").

In addition, governments have implemented schemes to support retailers and landlords during these challenging times. In Sweden, Denmark and Norway, depending on the scale of the decline in their sales, companies can benefit from public support to cover their fixed costs. In Sweden, the government reimburses the landlord 50% of the rent reduction granted to tenants. To date, 247 deals have been signed (representing 53% of the total number of leases in Sweden), further boosting the collection rate.

On the **leasing** front, the main highlight of the period was the launch of the first phase of Umami district at Emporia (Malmö), the new food court concept offering a large variety of flavors to visitors, which was materialized by the signing of deals with new tenants including Thai Pad, Pita Pit, La Barraca and Two Monkeys. In Gulskogen (Drammen), the recent completion of the 4,000 sq.m. renovation paved the way for the opening of a new XXL store – further enhancing the Sports offering – and the relocation of Telia and Shoeday while Life and Christiania Glasmagasin enriched the Household Equipment offering.

1.2.4 Iberia (11.9% of net rental income)

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

	Reported porfolio NRI			NRI excl. disposals and forex			EPRA Vacancy Rate	
In millions of euros	06/30/2020	06/30/2019	Change	06/30/2020	06/30/2019	Change	06/30/2020	06/30/2019
Spain	51.8	53.2	-2.6%	52.0	52.8	-1.7%	4.5%	1.7%
Portugal	8.8	10.8	-18.0%	8.9	8.2	+7.9%	4.7%	4.0%
IBERIA	**60.7**	**64.0**	**-5.2%**	**60.8**	**61.1**	**-0.4%**	**4.5%**	**2.1%**

In Spain, GDP is expected to decline by 11.1% in 2020, as a result of national containment measures enforced from March 14 to May 10. The closure of schools, universities and borders, mobility restrictions and the suspension of most retail and industry activities dampened business, consumer spending, and tourism. The unemployment rate is forecast to rise to 19.2% in 2020 (versus 14.1% in 2019) and core inflation may contract to nil from 0.8% last year. Economic recovery in 2021 (GDP is forecast to grow by 7.5% in 2021) should be supported by active labor market policies, public liquidity support for individual business and targeted measures to boost tourism.

The **Portuguese economy** is projected to shrink by 9.4% in 2020 and to bounce back by 6.3% in 2021. Following the outbreak of Covid-19, the government ordered a nationwide lockdown lasting from March 19 to June 1, hitting consumer and industrial confidence. In order to boost business recovery post-lockdown, the government has implemented various support measures including fiscal packages, furlough schemes, and credit facilities for businesses. In this environment, unemployment could climb to 11.6% in 2020 from 6.5% in 2019, while core inflation is expected to decline slightly to 0.2% (versus 0.3% in 2019).

In line with recent years, **retailer sales** progressed well in the first two months of 2020 in Iberia (up 6.0%), but declined in the second quarter as a result of the lockdown initiated mid-March. In Spain, containment measures started to be lifted from May 10 and Klépierre's Spanish shopping centers gradually resumed activity from May 25 (with the exception of malls in Madrid and Barcelona which were only allowed to reopen from June 8), while in Portugal malls reopened on June 1. As of July 22, 2020, 91.0%[2] of the Iberian stores are operating, with the 9% stores still closed largely related to Maremagnum (Barcelona), which has been hit by the lack of tourists. Since reopening, footfall has been improving week by week, while sales for the first month of reopening were 74% of last year's level in June.[3]

Net rental income was broadly flat excluding disposals and forex impact in Iberia over the first half. Positive reversion and the contribution of indexation offset the decline in variable revenues (down €2 million) and the increase in the vacancy rate.

(1) *As of July 20, 2020, in percentage of rents.*

(2) *In rents.*

(3) *Change in retailer sales excluding closure days.*

As of July 24, 2020, 84% of non-deferred rents have been collected over the first half. This moderate collection rate is mostly attributable to the second quarter (58% in Spain; 73% in Portugal),[1] and largely explained by the willingness of retailers to renegotiate lease terms following the lockdown period together with the Spanish and Portuguese governments' decisions to implement rent deferral measures on commercial leases. The acceleration in leasing flow (227 deals signed/agreed[2]) in recent weeks, on the back of the business recovery, should translate into a gradual recovery of the collection rate. During the first half of the year, 62 operations were signed (re-leases, renewals and lease-ups) representing 11,123 sq.m., with a positive reversion of 13.3%.

In this unprecedented situation, **leasing** activity has slowed down significantly but Klépierre nonetheless managed to sign 62 deals over the first six months of 2020. These included the enrichment of the retail offering at Meridiano (Santa Cruz de Tenerife), the Canary Islands' standout mall, with the recent opening of a Guess boutique and a Parfois store, while the sneakers retailer Skechers joined Principe Pio (Madrid) and Starbucks Coffee signed up at Nueva Condomina (Murcia).

1.2.5 Central Europe and Other (7.0% of net rental income)

NRI & EPRA VACANCY RATE IN CE & OTHER

	Reported porfolio NRI			NRI excl. disposals and forex			EPRA Vacancy Rate	
In millions of euros	06/30/2020	06/30/2019	Change	06/30/2020	06/30/2019	Change	06/30/2020	06/30/2019
Czech Republic	14.8	16.2	-9.0%	15.1	16.2	-6.5%	1.8%	0.4%
Poland	14.7	16.3	-10.1%	14.7	16.3	-10.1%	0.5%	0.9%
Hungary	-	10.0	-100.0%	-	-	-	-	1.8%
Turkey	5.5	8.3	-33.4%	5.6	7.4	-25.3%	7.5%	11.0%
Other	0.6	1.3	-54.0%	0.6	1.3	-54.0%	7.7%	4.9%
CE & OTHER	**35.6**	**52.2**	**-31.9%**	**36.0**	**41.3**	**-12.8%**	**3.6%**	**4.6%**

Central Europe (Czech Republic and Poland) is expected to experience an economic downturn in 2020, with GDP set to decline by 9.6% in the Czech Republic and by 7.4% in Poland, to be followed by rebounds of 7.1% and 4.8% in 2021, respectively. Lockdown measures during the health crisis disrupted manufacturing activity in both countries, causing a decline in exports and hitting consumer and business confidence. Following the gradual lifting of government restrictions from mid-April in the Czech Republic and from May in Poland, economic has begun to resume. Postponed consumption and delayed investments may bolster the recovery, despite the expected rise in unemployment (3.5% in Czech Republic and 7.3% in Poland).

The **Turkish** economy grew steadily in the first two months of 2020, before being interrupted by the pandemic and partial lockdown and curfew measures. Exports and tourism have been hit, as well as domestic manufacturing activity. Full-year GDP is expected to shrink by 4.8% (compared to growth of 0.9% in 2019) and unemployment to rise to 15.6% (versus 13.7% in 2019), while core inflation is forecast to drop to 10.6%. A progressive recovery is however forecast for 2021, thanks to various government support schemes that are expected to translate into GDP growth of 9.1%.

Retailer sales in the Central Europe & Other area registered like-for-like growth 7.7% in January and February, before slumping during the second quarter due to the pandemic. After nearly two months of closure, Klépierre's malls have been allowed to reopen from mid-May and to date, 93.0% of shops in the region are operating. Albeit at a slower pace than in other countries, footfall has since been recovering gradually in the Czech Republic (54% of last year's level on reopening; 84% from July 13 to July 19) and Poland (39% of last year's level on reopening; 69% from July 13 to July 19). However, as is the case with other malls located close to transport hubs and/or large business districts, Nový Smíchov (Prague, Czech Republic) is still underperforming in terms of footfall and retailer sales, dragging down the regional performance. In Turkey, the curfew enforced by the local authorities and stringent protective health measures continued to weigh heavily on retailer sales. Against this backdrop, retailer sales in Central Europe & Other have increased progressively over the last two months (78% of last year's level in June versus 70% in May).

Net rental income in Central Europe & Other was down 31.9% on a reported basis, mainly reflecting the disposal of Klépierre's Hungarian portfolio in 2019. Excluding disposals and forex impact (down 12.8%), the decline is primarily attributable to lower variable revenues, higher provisions and temporary discounts.

As of July 24, 2020, €47.7 million rents have been invoiced for the first half and collection rate for non-deferred rents reached 75% for the first half and 53% for rents relating to the second quarter (see section 1.1.5 "Rent collection and leasing update"). In the Czech Republic, the 52% collection rate over the second quarter is mainly attributable to the grace period enforced by the government which expires on December 31. However, this impact should be mitigated by the recently implemented scheme reimbursing tenants 50% of rents relating to the second quarter if the landlord grants a 30% rent holiday. Klépierre is therefore actively negotiating with tenants in the Czech Republic and the significant increase in deals signed over recent weeks should pave the way for a rise in rent collection.

Over the first half of 2020, Klépierre continued the **leasing** transformation of Nový Smíchov (Prague). Following the successful expansion over the former Tesco unit and the opening of emblematic anchors (Zara, Sephora, Bershka and Lindex), Decathlon unveiled a brand new store on more than 1,800 sq.m. in May. In addition, Klépierre continued to roll out its Destination Food® concept and welcomed banners including KFC and trendy Asian cuisine restaurateurs Bombay Express, Thai Thai and Bali Bali, illustrating the differentiated positioning of the leading mall in Prague.

(1) See section 1.1.5 "Rent collection and leasing update".

(2) In addition to these deals, 213 further agreements were concluded in Iberia to defer rents relating to the closure period over the coming 12 to 24 months.

1.2.6 Netherlands (5.7% of net rental income)

▶ NRI & EPRA VACANCY RATE IN THE NETHERLANDS

	Reported porfolio NRI			NRI excl. disposals and forex			EPRA Vacancy Rate	
In millions of euros	06/30/2020	06/30/2019	Change	06/30/2020	06/30/2019	Change	06/30/2020	06/30/2019
NETHERLANDS	**29.0**	**33.4**	**-13.4%**	**30.1**	**31.6**	**-5.0%**	**3.8%**	**2.4%**

Dutch GDP is forecast to decrease by 8.0% in 2020 (compared to up 1.8% in 2019). Although the Netherlands did not impose a nationwide lockdown, the economy was nonetheless hit by restrictive domestic measures and by lockdowns implemented elsewhere in Europe. However, fiscal stimulus, direct cash support, and assistance to business and households is expected to cushion the impact. Against this backdrop, unemployment is projected to increase to 5.9% in 2020 from 3.4% last year and core inflation should decline to 0.3% in 2020 from 2.7% in 2019.

Unlike other countries, most Dutch stores were able to operate throughout the period, with only targeted businesses being forced to close (restaurants, personal care, and cinema). Nonetheless, some retailers decided to close on their own volition in view of the impact of the pandemic. Since May 20, restrictions have been gradually lifted and to date, 95.6% of stores within Klépierre's malls are open. Footfall has improved week by week with Alexandrium (Rotterdam) now registering 90% of the prior-year footfall level, although the recovery at Hoog Catharijne (Utrecht) is more gradual, as footfall continues to be held back by the significant drop in train station passengers.

Net rental income was down 13.4% on a reported basis, due to the disposal of Almere Centrum in June 2019. The 5.0% decline excluding disposals and forex is broadly attributable to the drop in variable revenues over the period (down €3.2 million).

As of July 24, 2020, €42.1 million of rents relating to the first half have been invoiced. As a whole, 83% of first half non-deferred rents have been collected (the collection rate for rents relating to the second quarter was 66%).[1] This higher level compared to other European countries is due to the above-mentioned only-partial lockdown measures, combined with the support measures enacted by the Dutch government aimed at reducing retailers' fixed-costs base (including support with labor costs, subsidies to entrepreneurs, one-off grants, etc.).

Despite the challenging times, Klépierre managed to sign significant deals during the first half of 2020, and to open emblematic stores in the Netherlands. In Hoog Catharijne (Utrecht), Albert Heijn renewed its contract and opened a fully-refurbished supermarket over 1,300 sq.m. in July. Netherlands' leading mall overall offering was further enhanced by the opening of a new Swarovski boutique and the arrival of the Chinese minimalist lifestyle brand Miniso. Meanwhile, leading health and well-being chain Holland & Barrett unveiled its latest concept at Hoog Catharijne and Alexandrium (Rotterdam). Lastly, fashion retailers The Sting and Cotton Club opened two new stores at Alexandrium (over 2,000 sq.m. in total) where Costes launched its new concept.

1.2.7 Germany (3.0% of net rental income)

▶ NRI & EPRA VACANCY RATE IN GERMANY

	Reported porfolio NRI			NRI excl. disposals and forex			EPRA Vacancy Rate	
In millions of euros	06/30/2020	06/30/2019	Change	06/30/2020	06/30/2019	Change	06/30/2020	06/30/2019
GERMANY	**15.6**	**19.7**	**-20.9%**	**16.6**	**20.3**	**-18.1%**	**3.2%**	**4.0%**

The German economy is projected to record a relatively resilient performance compared to other European countries, with GDP expected to fall by 6.6% in 2020 and to recover by 5.8% in 2021. The German economy benefited from shorter and less stringent containment measures (together with widespread testing and abundant health sector capacity), which should help mitigate the economic downturn. Domestic and foreign demand were nonetheless held back by the pandemic and unemployment is expected to rise to 4.5% (versus 3.2% in 2019), while core inflation is set to decline to 0.8% in 2020 (from 1.4% in 2019).

After a strong start to the year (**retailer sales** were up 4.1% in the first two months of 2020, largely attributable to recent re-tenanting actions), sales declined by 31% for the first half year as a whole, impacted by the Covid-19 pandemic and the German government's decision to shut down non-essential retail stores on March 17. After closure lasting more than a month, Klépierre's German shopping centers were allowed to gradually resume operations from April 20. As of July 20, 2020, 97.7% of stores in Klépierre's malls were open. After a relatively slow start with footfall being 50% of last year's level (partly explained by opening restrictions for stores larger than 800 sq.m.), retailer sales have gradually recovered (84% of last year's level in June versus 71% in May).

(1) See section 1.1.5 "Rent collection and leasing update".

In this environment, **net rental income** was down 18.1% excluding disposals and forex impact over the first half of 2020. The decrease was mostly attributable to a rise in provisions, while variable revenues fell by €1 million. Minimum guaranteed rents declined slightly as a result of negative reversion, while vacancy was broadly stable.

As of July 24, 2020, the collection rate on non-deferred rents was 82% for first half non-deferred rents and 60% for rents relating to the second quarter. Despite the grace period enacted by the government (preventing landlords from applying penalties or evicting tenants), the collection rate has been largely influenced by the code of conduct in Germany, which provides that retailers pay 50% during the lockdown period and a smaller discount for the three subsequent months, depending on their individual financial capacity.

On the **leasing** front, Rituals opened stores at Forum Duisburg (Duisburg) and Centrum Galerie Dresden (Dresden) during the first half, enhancing the Health & Beauty offering at Klépierre's German malls. Centrum Galerie Dresden also welcomed TEDI, the fast growing German discount retailer in January.

1.2.8 Other retail properties (1.6% of net rental income)

NRI & EPRA VACANCY RATE OF OTHER RETAIL PROPERTIES

	Reported porfolio NRI			NRI excl. disposals and forex			EPRA Vacancy Rate	
In millions of euros	06/30/2020	06/30/2019	Change	06/30/2020	06/30/2019	Change	06/30/2020	06/30/2019
OTHER RETAIL PROPERTIES	**8.4**	**11.5**	**−26.8%**	**8.3**	**9.3**	**−11.1%**	**8.4%**	**9.3%**

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 disposals completed over the past 18 months as well as lockdown measures that weighed on minimum guaranteed rents and provisions linked to retailers in insolvency proceedings (see section 1.4 "Investments, developments and disposals").

Regarding other retail properties, as of July 24, 2020, 83% of first-half non-deferred rents were collected. The collection rate for the second quarter stood at 39%.

1.3 NET CURRENT CASH FLOW

NET CURRENT CASH FLOW & EPRA EARNINGS

(in millions of euros)	06/30/2020	06/30/2019	Change
Total share			
Gross rental income	581.0	626.9	−7.3%
Rental and building expenses	(69.5)	(63.4)	+9.7%
Net rental income	**511.5**	**563.5**	**−9.2%**
Management and other income	42.2	46.1	−8.5%
General and administrative expenses	(63.9)	(83.2)	−23.1%
EBITDA	**489.8**	**526.4**	**−7.0%**
Adjustments to calculate operating cash flow:			
> Depreciation charge for right-of-use assets[a]	(4.0)	(4.3)	
> Employee benefits, stock option expense and non-current operating expenses	0.2	3.8	
> IFRIC 21 impact	7.5	6.8	
Operating cash flow	**493.5**	**532.7**	**−7.4%**
Cost of net debt	(52.9)	(68.0)	−22.2%
Adjustments to calculate net current cash flow before taxes:			
> Amortization of Corio debt mark-to-market	(8.4)	(9.6)	
> Financial instrument close-out costs	4.1	10.5	
Current cash flow before taxes	**436.3**	**465.7**	**−6.3%**
Share in equity-accounted companies	26.4	27.8	
Current tax expense	(8.8)	(18.4)	
Net current cash flow	**453.9**	**475.0**	**−4.4%**
Group share			
Net current cash flow	**392.1**	**409.8**	**−4.3%**
Add-back adjustments to calculate EPRA Earnings:			
> Employee benefits, stock option expense and non-recurring operating expenses	(0.2)	(3.7)	
> Depreciation, amortization and provisions for contingencies and losses	(11.3)	(5.8)	
EPRA Earnings	**380.6**	**400.3**	**−4.9%**
Average number of shares[b]	286,430,401	295,908,706	−3.2%
Per share *(in euros)*			
NET CURRENT CASH FLOW	**1.37**	**1.38**	**−1.2%**
EPRA EARNINGS	**1.33**	**1.35**	**−1.8%**

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

- **Net rental income** decreased by 9.2%, on a total share basis on the back of a 5.0% downward adjustment excluding disposals and forex at Klépierre shopping centers, as a mechanical effect of Covid-19 on variable revenues and of disposals completed in 2019 and early 2020 (see section 1.1.6);
- **Operating cash flow** was down 7.4% on a total share basis. In order to mitigate the revenue drop, Klépierre has implemented a cost reduction plan. This translated into a €19.2 million decrease (23.1%) as a result of lower staff costs (hiring freeze, use of furlough schemes, reduction in variable compensation) and a reduction in other administrative expenses (lower consulting fees and marketing and communication spend);
- **Cost of net debt** decreased by €15.1 million to €52.9 million on a total share basis. Restated for non-cash and non-recurring items (amortization of Corio debt mark-to-market and financial instruments closed-out costs), the cost of net debt declined by €10 million as a result of high yielding bonds refinanced on maturity at more favorable conditions. Overall, the average cost of debt declined to 1.2%, compared to 1.5% over the first half of 2019 (see section 1.6.3 “Cost of debt”);
- **Current tax expense** decreased by €9.6 million to €8.8 million on a total share basis, reflecting the decline in current cash flow before taxes and supportive fiscal measures implemented in Italy and Poland following the Covid-19 outbreak; and
- **The average number of shares** outstanding fell from 295.9 million in 2019 to 286.4 million in first-half 2020, as a result of the share buyback program.

Consequently, net current cash flow per share decreased by 1.2% year on year to €1.37.

See section 1.7.1 for the reconciliation of net current cash flow to EPRA Earnings and net income.

1.4 INVESTMENTS, DEVELOPMENTS, AND DISPOSALS

1.4.1 Investment market

Over the 12 months to end-March 2020, retail investment volumes remained stable compared to the same period last year. This was mostly attributable to the 16% increase over the first quarter of 2020, related to mall transactions in Spain. The share of the top five countries (France, United Kingdom, Italy, Germany and Spain) was stable at around 60%, a figure which nonetheless includes a further contraction of the share attributable to the United Kingdom.

On the pricing front, yields were broadly stable for prime assets over the period, despite slight yield expansions in Germany and Sweden.

Since the beginning of the second quarter and despite the Covid-19 outbreak, additional prime shopping center, supermarket and high-street transactions have been closed or signed, with institutional investors in Portugal, Spain, France and Switzerland acquiring retail assets or shares in retail joint ventures for a total consideration exceeding €4 billion.

1.4.2 Capital expenditure

Total capital expenditure in the first half of 2020 amounted to €91.6 million (compared to €127.7 million in the same prior-year period), breaking down as follows:

- €46.2 million allocated to the **development pipeline,** mostly relating to the redevelopments of Gran Reno, the Hoog Catharijne and Créteil Soleil projects (see section 1.4.3 "Development pipeline" below);
- €43.7 million allocated to the **standing portfolio** (excluding investments on extensions). This covers leasing capex, technical maintenance capex, and refurbishment (see section 1.7.6); and
- €1.7 million allocated to **capitalized interest.**

1.4.3 Development pipeline

1.4.3.1 Development pipeline overview

Since the beginning of the lockdown period, Klépierre has actively reduced non-essential capital expenditure and decided to temporarily suspend certain development projects in view of the Covid-19 outbreak.

Over the first half of 2020, Klépierre maintained its conservative approach to development and focused on its three main committed projects:

- The extension and redevelopment of Hoog Catharijne in Utrecht (Netherlands);
- The refurbishment of Créteil Soleil in Paris (France); and
- The extension and refurbishment of Gran Reno in Bologna (Italy).

Over the period, €46.2 million were spent on the pipeline, mainly in relation to these projects. The Group is set to limit spending on ongoing projects and will not launch any new constructions until further clarity is gained over the impact of Covid-19 on the Group's operations. Consequently, the Group will limit development capex to a maximum amount of €130 million in 2020 (versus €188 million in 2019).

▶ **DEVELOPMENT PIPELINE AS OF JUNE 30, 2020** *(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	2019-2022	100.0%	90	66	6.4%
Créteil Soleil	France	Paris region	Ext.-refurb.	11,400	2019-2021	80.0%	138	122	6.0%
Gran Reno	Italy	Bologna	Ext.-refurb.	24,876	2021	100.0%	145	31	6.3%
Grand Place	France	Grenoble	Ext.-refurb.	16,200	2020-2022	100.0%	66	12	7.7%
Campania	Italy	Naples	Redevelopment	14,200	2022	100.0%	35	17	8.7%
Le Gru	Italy	Turin	Redevelopment	5,846	2022	100.0%	21	11	6.6%
Other projects				12,664			42	33	5.7%
Total committed projects				**109,030**			**539**	**291**	**6.5%**
Le Gru[(c)]	Italy	Turin	Ext.-refurb.	24,316	2023	100.0%	120	4	
Maremagnum	Spain	Barcelona	Ext.-refurb.	8,740	2022-2023	100.0%	43	1	
Odysseum[(c)]	France	Montpellier	Ext.-redev.	15,300	2022	100.0%	52	8	
Porta di Roma[(d)]	Italy	Rome	Extension	4,880	2022	50.0%	14	0	
Val d'Europe	France	Paris region	Extension	9,000	2023	55.0%	61	1	
Blagnac	France	Toulouse region	Ext.-refurb.	4,393	2022	53.6%	17	0	
Grand Ouest	France	Ecully	Ext.-refurb.	2,980	2022	83.0%	26	0	
Allum	Sweden	Gothenburg region	Ext.-redev.	6,600	2023	56.1%	28	0	
L'esplanade	Belgium	Brussels region	Extension	19,475	2024	100.0%	131	15	
Økernsenteret[(e)]	Norway	Oslo	Redevelopment	64,650	2024	56.1%	154	40	
Viva	Denmark	Odense	New development	28,200	2024	56.1%	117	23	
Other projects				24,218			90	4	
Total controlled projects				**212,752**			**852**	**96**	
Total identified projects				**251,297**			**1,099**	**5**	
TOTAL				**573,079**			**2,490**	**393**	

(a) Estimated cost as of June 30, 2020, 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, 2020, 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: Le Gru for 15,670 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.
(e) Including the foreign exchange impact on estimated costs and costs to date.

As of June 30, 2020, the Group's development pipeline represented €2.5 billion worth of potential investments, including €0.5 billion of committed projects[(1)] with an average expected yield of 6.5%; €0.9 billion of controlled projects;[(2)] and €1.1 billion of identified projects.[(3)] On a Group share basis, the total pipeline represented €2.2 billion, of which €0.5 billion committed, €0.6 billion controlled, and €1.1 billion identified. Of the €0.5 billion committed, only €0.2 billion remain outstanding.

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

1.4.3.2 Extension and redevelopment of Hoog Catharijne

Hoog Catharijne in Utrecht is the most popular mall in the Netherlands. To enhance its leadership, Klépierre has undertaken a very ambitious redevelopment project aimed at both adding new retail and dining space and revamping the existing shopping center with state-of-the-art design to optimize the customer experience.

The work on the large-scale redevelopment of this world-class mall has been carried out in several phases. In 2017 and 2018, several major phases, totaling 53,900 sq.m. together with 115 shops and restaurants, were completed, creating a new urban sequence between Utrecht's central train station – hosting 88 million passengers each year – and the city center.

From 2019, works have been focused on the redevelopment of the other mall pathways, spread over 23,700 sq.m., which are used on a daily basis by station passengers as urban links to the city center. Over the first six months of 2020, a total of 12,900 sq.m. in space was completed, providing new services for commuters as well as a flagship 6,000-sq.m. Mediamarkt store.

(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.

1.4.3.3 Refurbishment of Créteil Soleil

Following the successful opening of the 11,400-sq.m. extension of Créteil Soleil (Paris region), in November 2019, refurbishment works at the mall are ongoing and due for completion in the second half of 2021, taking into account the temporary suspension in construction activity during the lockdown and the rescheduling of the Group's expenditure.

1.4.3.4 Extension and refurbishment of Grand Place

With 125 stores, Grand Place is the leading retail destination in the Grenoble region, already boasting leading brands such as Zara, H&M, Bershka, Fnac and Sephora. The full refurbishment of the mall will improve the customer experience, showcased by the installation of new glass roofs to boost natural light. Initiated in September 2019, this project is now due for completion by the second quarter of 2021.

The 16,200 sq.m. extension will host the first Primark store in the region, 12 new restaurants as well as 15 new brands. Developed in close collaboration with local stakeholders, the project will contribute to a wider urban plan covering 400 hectares. The starting point of the plan is the renovation of the area surrounding the center, including the replacement of an overpass with an urban boulevard and greater space given over to public transportation and soft mobility. 56% of the space is already signed or under advanced negotiations, and construction is expected to start in the second half of 2020 for an opening slated for 2022.

1.4.3.5 Extension and refurbishment of Gran Reno

Construction at Gran Reno (Bologna, Italy) started in April 2019. Works were suspended in mid-March 2020 due to the lockdown and gradually resumed from end-June 2020, with the opening now expected by the end of 2021.

This project will create a 16,700-sq.m. extension, rounded out with the refurbishment of the existing shopping center and a 55,000-sq.m. regional mall with no comparable competition in one of the wealthiest catchment areas in Italy. Klépierre will also be redeveloping the upper floor of the hypermarket – totaling 8,200 sq.m. – to pave the way for new anchors. Together with Klépierre's Destination Food® concept, 70 new brands will be added to the mix, as well as indoor and outdoor event areas in an exciting and attractive new environment. 65% of the space is signed or under advanced negotiations,[1] including Zara, Bershka, Pull & Bear, Stradivarius, New Balance, Napapijri, Tommy Hilfiger, Lush and Nike.

1.4.4 Disposals

DISPOSALS COMPLETED SINCE JANUARY 1, 2020

Assets (City, Country)	Area *(in sq.m.)*	Sale price[a] *(in millions of euros)*	Date
Portfolio of Buffallo Grill (Throughout France)	NA		02/05/2020
Parking (Metz, France)	NA		06/30/2020
Other (Throughout France and Spain)	NA		NA
TOTAL DISPOSALS	**NA**	**77.4**	

(a) Excluding transfer taxes, total share.

Since January 1, 2020, the Group has completed disposals totaling €77.4 million (total share, excluding transfer taxes). As of June 30, 2020, taking into account sales under promissory agreements, total Group disposals amounted to €154.7 million, mainly comprising non-core properties in France.

1.4.5 Financial investments

In 2020, the Group repurchased 3,493,860 of its own shares at an average price of €28.55 and for an aggregate amount of €100 million. Combined with the €300 million repurchased in 2019, this completes the €400-million share buyback program announced on February 6, 2019.

(1) *In rents.*

1.5 PORTFOLIO VALUATION

1.5.1 Property portfolio valuation

1.5.1.1 Property portfolio valuation methodology

1.5.1.1.1 Scope of the portfolio appraised by external appraisers

As of June 30, 2020, 99% of the value of Klépierre's property portfolio, or €22,607 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, carried at cost;[2] and
- Other non-appraised assets consisting mainly of assets held for sale are valued at the agreed transaction price, land is valued at cost, and development projects are measured internally at fair value.

BREAKDOWN OF THE PROPERTY PORTFOLIO BY TYPE OF VALUATION *(on a total share basis)*

Type of asset	Value *(in millions of euros)*
Externally-appraised assets	**22,607**
Acquisitions	0
Investment property at cost	128
Other internally-appraised assets (land, assets held for sale, etc.)	105
TOTAL PORTFOLIO	**22,840**

1.5.1.1.2 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, 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, 2020

Appraiser	Countries covered	Share of total portfolio *(in %)*
Cushman & Wakefield	> France, Norway, Sweden, Denmark, Belgium and Poland	42%
CBRE	> France, Spain, Italy, Netherlands, Czech Republic and Portugal	37%
Jones Lang LaSalle	> Italy, Turkey and Greece	17%
BNP Paribas Real Estate	> Germany and France (other retail properties)	5%
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, including management costs. The terminal value is calculated based on the net rental income for the 10th 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.

For every campaign, the Group's Statutory Auditors perform procedures on the property values as part of the review procedures on 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 TAKEN BY EXTERNAL APPRAISERS FOR THE PORTFOLIO VALUATION

To take into account the impact of Covid-19, appraisers have modified several assumptions:

> **2020 & 2021 cash flows:** additional rent holidays, prolonged void periods, increased provisions for bad debt and lower sales-based rents;

> **Future cash flows:** lower long-term indexation. Estimated rental values have not been materially changed considering the lack of leasing transactions; and

> **Yields:** higher discount rate & exit rate.

Additionally, appraisers have included in their reports a "material valuation uncertainty" clause which reads as follows:

"As at the valuation date, in the case of the subject property (...), there is a shortage of market evidence for comparison purposes, to inform opinions of value. (...) The material valuation uncertainty clause is to serve as a precaution and does not invalidate the valuation. Given the unknown future impact that Covid-19 might have on the real estate market and the difficulty in differentiating between short term impacts and long term structural changes, we recommend that you keep the valuation contained within this report under frequent review."

ASSUMPTIONS USED BY APPRAISERS FOR DETERMINING THE SHOPPING CENTER PORTFOLIO VALUATION AS OF JUNE 30, 2020[a]

Geography	Average annual rent[b] *(in euros/sq.m.)*	Discount rate[c]	Exit rate[d]	NRI CAGR[e]
France-Belgium	348	5.9%	4.7%	3.0%
Italy	390	6.9%	5.7%	1.7%
Scandinavia	327	6.9%	4.9%	2.2%
Iberia	354	7.5%	5.7%	2.0%
CE & Other	243	9.0%	7.1%	2.9%
Netherlands	241	6.8%	5.9%	2.8%
Germany	220	5.3%	4.5%	0.7%
TOTAL	**317**	**6.6%**	**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 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.

ASSUMPTIONS USED BY APPRAISERS FOR DETERMINING THE SHOPPING CENTER PORTFOLIO VALUATION AS OF DECEMBER 31, 2019[a]

Geography	Annual rent[b] *(in euros/sq.m.)*	Discount rate[c]	Exit rate[d]	NRI CAGR[e]
France-Belgium	355	5.8%	4.9%	2.6%
Italy	390	6.9%	5.7%	1.7%
Scandinavia	327	6.9%	4.9%	2.4%
Iberia	354	7.4%	5.7%	2.1%
CE & Other	243	9.1%	7.1%	3.9%
Netherlands	241	6.7%	5.9%	2.9%
Germany	220	5.2%	4.5%	0.8%
TOTAL	**318**	**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 the DCF method is then benchmarked using metrics such as EPRA Net Initial Yield (NIY) for comparable property, value per square meter, and recent market transactions.

1.5.1.2 Valuation

1.5.1.2.1 Property portfolio valuation

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

In millions of euros	06/30/2020	% of total portfolio	12/31/2019	Change over 6 months Reported	Change over 6 months LfL[(b)]	06/30/2019	Change over 12 months Reported	Change over 12 months LfL[(b)]
France	8,711	38.1%	9,013	−3.3%	−3.3%	9,098	−4.3%	−5.3%
Belgium	432	1.9%	442	−2.2%	−2.4%	447	−3.3%	−2.4%
France-Belgium	**9,143**	**40.0%**	**9,455**	**−3.3%**	**−3.2%**	**9,545**	**−4.2%**	**−5.2%**
Italy	**4,017**	**17.6%**	**4,077**	**−1.5%**	**−2.0%**	**4,045**	**−0.7%**	**−1.7%**
Norway	1,313	5.7%	1,471	−10.7%	−2.3%	1,491	−11.9%	−2.4%
Sweden	1,111	4.9%	1,165	−4.6%	−4.2%	1,200	−7.4%	−8.3%
Denmark	1,163	5.1%	1,199	−3.0%	−3.5%	1,181	−1.5%	−2.2%
Scandinavia	**3,588**	**15.7%**	**3,835**	**−6.5%**	**−3.3%**	**3,873**	**−7.4%**	**−4.3%**
Spain	1,918	8.4%	1,940	−1.1%	−0.9%	1,938	−1.0%	−0.8%
Portugal	303	1.3%	312	−3.0%	−3.6%	304	−0.4%	−1.4%
Iberia	**2,221**	**9.7%**	**2,252**	**−1.4%**	**−1.3%**	**2,242**	**−1.0%**	**−0.9%**
Czech Republic	663	2.9%	685	−3.3%	−3.4%	682	−2.8%	−2.9%
Poland	353	1.5%	372	−5.1%	−5.1%	375	−5.8%	−5.8%
Hungary	-	-	-	-	-	215	−100.0%	-
Turkey	244	1.1%	292	−16.5%	−3.3%	315	−22.4%	−9.7%
Other	22	0.1%	24	−6.7%	−6.7%	22	+1.3%	+1.3%
CE & Other	**1,283**	**5.6%**	**1,374**	**−6.6%**	**−3.9%**	**1,609**	**−20.3%**	**−5.0%**
Netherlands	**1,426**	**6.2%**	**1,437**	**−0.7%**	**−1.6%**	**1,433**	**−0.5%**	**−2.6%**
Germany	**907**	**4.0%**	**941**	**−3.6%**	**−3.6%**	**959**	**−5.5%**	**−5.7%**
TOTAL SHOPPING CENTERS	**22,584**	**98.9%**	**23,370**	**−3.4%**	**−2.8%**	**23,706**	**−4.7%**	**−3.8%**
TOTAL OTHER RETAIL PROPERTIES	**256**	**1.1%**	**303**	**−15.4%**	**−0.5%**	**336**	**−23.8%**	**−3.9%**
TOTAL PORTFOLIO	**22,840**	**100.0%**	**23,673**	**−3.5%**	**−2.8%**	**24,042**	**−5.0%**	**−3.8%**

(a) *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 (€1,368 million as of June 30, 2020; total share, including transfer taxes). The corresponding gross asset value of these assets stands at €1,429 million.*

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

VALUATION OF THE PROPERTY PORTFOLIO[a] *(on a Group share basis, including transfer taxes)*

In millions of euros	06/30/2020	% of total portfolio	12/31/2019	Change over 6 months Reported	Change over 6 months LfL[b]	06/30/2019	Change over 12 months Reported	Change over 12 months LfL[b]
France	6,947	35.8%	7,194	−3.4%	−3.3%	7,258	−4.3%	−5.4%
Belgium	432	2.2%	442	−2.2%	−2.4%	447	−3.3%	−2.4%
France-Belgium	**7,379**	**38.0%**	**7,635**	**−3.4%**	**−3.3%**	**7,705**	**−4.2%**	**−5.3%**
Italy	**3,991**	**20.6%**	**4,049**	**−1.4%**	**−1.9%**	**4,015**	**−0.6%**	**−1.6%**
Norway	737	3.8%	825	-10.7%	−2.3%	837	-11.9%	−2.4%
Sweden	623	3.2%	653	−4.6%	−4.2%	673	−7.4%	−8.3%
Denmark	653	3.4%	673	−3.0%	−3.5%	663	−1.5%	−2.2%
Scandinavia	**2,013**	**10.4%**	**2,151**	**−6.5%**	**−3.3%**	**2,173**	**−7.4%**	**−4.3%**
Spain	1,918	9.9%	1,940	−1.1%	−0.9%	1,938	−1.0%	−0.8%
Portugal	303	1.6%	312	−3.0%	−3.6%	304	−0.4%	−1.4%
Iberia	**2,221**	**11.4%**	**2,252**	**−1.4%**	**−1.3%**	**2,242**	**−1.0%**	**−0.9%**
Czech Republic	663	3.4%	685	−3.3%	−3.4%	682	−2.8%	−2.9%
Poland	353	1.8%	372	−5.1%	−5.1%	375	−5.8%	−5.8%
Hungary	-	-	-	-	-	215	-100.0%	-
Turkey	229	1.2%	275	-16.7%	−3.4%	295	−22.4%	−9.7%
Other	22	0.1%	24	−6.7%	−6.7%	22	+1.3%	+1.3%
CE & Other	**1,267**	**6.5%**	**1,356**	**−6.5%**	**−3.9%**	**1,589**	**−20.2%**	**−4.9%**
Netherlands	**1,426**	**7.3%**	**1,437**	**−0.7%**	**−1.6%**	**1,433**	**−0.5%**	**−2.6%**
Germany	**861**	**4.4%**	**893**	**−3.6%**	**−3.6%**	**911**	**−5.5%**	**−5.7%**
TOTAL SHOPPING CENTERS	**19,158**	**98.7%**	**19,774**	**−3.1%**	**−2.7%**	**20,068**	**−4.5%**	**−3.7%**
TOTAL OTHER RETAIL PROPERTIES	**256**	**1.3%**	**303**	**−15.4%**	**−0.5%**	**336**	**−23.8%**	**−3.9%**
TOTAL PORTFOLIO	**19,414**	**100.0%**	**20,077**	**−3.3%**	**−2.7%**	**20,404**	**−4.9%**	**−3.7%**

(a) 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 (€1,297 million as of June 30, 2020; Group share, including transfer taxes). The corresponding gross asset value of these assets stand at €1,358 million.
(b) 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, 2020 was €22,840 million on a total share basis (€19,414 million on a Group share basis). On a total share basis (including transfer taxes), shopping centers accounted for 98.9% of the portfolio and other retail properties for 1.1%.[1]

VALUATION RECONCILIATION WITH THE STATEMENT OF FINANCIAL POSITION *(on a total share basis)*

In millions of euros	
Investment property at fair value	**20,570**
Right-of-use asset relating to ground leases[a]	(352)
Investment property at cost[b]	128
Fair value of property held for sale	77
Leasehold and lease incentives	27
Transfer taxes	1,054
Klépierre's equity interest in assets accounted for under the equity method (incl. receivables)	1,335
TOTAL PORTFOLIO	**22,840**

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

1.5.1.2.2. Shopping center portfolio valuation

Including transfer taxes, the value of the portfolio stood at €22,840 million on a total share basis as of June 30, 2020, down 3.5% or €833 million on a reported basis compared to December 31, 2019. This decrease reflects the combined impact of the following factors:

- A €80-million negative impact from disposals;
- A €70-million positive impact from acquisitions and developments;
- A €641-million like-for-like valuation decrease (down 2.7%); and
- A €181-million negative foreign exchange impact in Norway and Turkey.

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

▸ 6-MONTH PORTFOLIO VALUATION RECONCILIATION *(on a total share basis, including transfer taxes)*

In millions of euros	
Portfolio at 12/31/2019	**23,673**
Disposals	(80)
Acquisitions/developments	70
Like-for-like change	(641)
Forex	(181)
PORTFOLIO AT 06/30/2020	**22,840**

During the first half of 2020, the value of Klépierre's **shopping center portfolio** declined by 2.8% on a like-for-like basis. This decrease is attributable to a combination of cash flow and market effects:

> **Cash-flow effect** (-1.0%): as a result of the impact of the Covid-19 assumptions on short-term cash flows together with revised indexation projections; and

> **Market effect** (-1.7%): in view of the decreased liquidity on the investment market and the greater uncertainty surrounding future cash flows, the discount and exit rates have been increased further.

▸ 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	−3.2%	−2.3%	−0.9%
Italy	−2.0%	−1.6%	−0.4%
Scandinavia	−3.3%	−1.1%	−2.2%
Iberia	−1.3%	−1.0%	−0.2%
CE & Other	−3.9%	−1.7%	−2.2%
Netherlands	−1.6%	−0.5%	−1.1%
Germany	−3.6%	−2.4%	−1.2%
TOTAL SHOPPING CENTERS	**−2.8%**	**−1.7%**	**−1.0%**

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

From a **geographical perspective,** France, Scandinavia, Germany and Eastern Europe are more impacted than the average as a result of sharper corrections in the indexation levels (Scandinavia) and higher market effects in France and Germany, notably due to recent transactions on the investment market.

Conversely, Iberia, Italy and the Netherlands were less impacted than the average due to supportive valuations level on the investment market (Spain) and the absence of lockdown (Netherlands) as well as the superior quality of Klépierre's portfolio (Italy).

Overall, as of June 30, 2020, the average EPRA NIY rate[1] for the portfolio[2] stood at 5.1%, up 10 basis points compared to six months ago (reflecting the slight decline in valuation). This compares with a blended risk-free rate of 0.4%,[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 July 22, 2020.

CHANGE IN EPRA NET INITIAL YIELD OF THE SHOPPING CENTER PORTFOLIO[(a)] *(on a Group share basis, including transfer taxes)*

Country	06/30/2020	12/31/2019	06/30/2019
France	4.4%	4.3%	4.3%
Belgium	4.0%	4.0%	4.0%
France-Belgium	**4.4%**	**4.3%**	**4.3%**
Italy	**5.6%**	**5.5%**	**5.5%**
Norway	5.0%	4.9%	4.8%
Sweden	4.6%	4.4%	4.2%
Denmark	4.8%	4.6%	4.5%
Scandinavia	**4.8%**	**4.6%**	**4.5%**
Spain	5.5%	5.5%	5.3%
Portugal	6.8%	6.6%	6.5%
Iberia	**5.7%**	**5.7%**	**5.5%**
Poland	8.6%	8.1%	7.9%
Hungary	-	-	8.6%
Czech Republic	4.8%	4.6%	4.5%
Turkey	8.6%	8.4%	7.6%
Other	13.0%	12.2%	12.6%
CE & Other	**6.7%**	**6.5%**	**6.3%**
Netherlands	**5.5%**	**5.4%**	**5.2%**
Germany	**4.6%**	**4.5%**	**4.5%**
TOTAL SHOPPING CENTERS	**5.1%**	**5.0%**	**4.9%**

(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	+7.7%	+3.8%	+1.9%	−1.8%	−3.6%	−7.0%
Italy	+7.8%	+3.8%	+1.9%	−1.8%	−3.6%	−7.1%
Scandinavia	+7.8%	+3.8%	+1.9%	−1.8%	−3.6%	−7.0%
Iberia	+7.6%	+3.7%	+1.8%	−1.8%	−3.5%	−6.9%
CE & Other	+7.1%	+3.5%	+1.7%	−1.7%	−3.3%	−6.5%
Netherlands	+11.1%	+5.4%	+2.6%	−2.6%	−5.1%	−9.8%
Germany	+8.7%	+4.2%	+2.1%	−2.0%	−4.0%	−7.8%
TOTAL SHOPPING CENTERS	**+7.9%**	**+3.9%**	**+1.9%**	**−1.9%**	**−3.7%**	**−7.2%**

	Exit rate variance					
Geography	**−100 bps**	**−50 bps**	**−25 bps**	**+25 bps**	**+50 bps**	**+100 bps**
France-Belgium	+17.3%	+7.6%	+3.5%	−3.2%	−6.0%	−10.9%
Italy	+13.2%	+5.9%	+2.8%	−2.6%	−5.0%	−9.2%
Scandinavia	+16.8%	+7.4%	+3.5%	−3.1%	−6.0%	−10.9%
Iberia	+13.3%	+6.0%	+2.8%	−2.6%	−4.9%	−9.0%
CE & Other	+10.5%	+4.8%	+2.3%	−2.1%	−4.0%	−7.5%
Netherlands	+16.2%	+7.2%	+3.4%	−3.1%	−5.9%	−10.9%
Germany	+20.6%	+9.0%	+4.2%	−3.8%	−7.2%	−13.1%
TOTAL SHOPPING CENTERS	**+15.8%**	**+7.0%**	**+3.3%**	**−3.0%**	**−5.7%**	**−10.3%**

1.5.1.2.3 Other retail properties

Including transfer taxes, the value of the "other retail properties" portfolio stood at €256 million, down 15.4% over six months, due to the disposal of retail assets in France for €40 million, and down 0.5% on a like-for-like portfolio basis over six months. The EPRA NIY of the portfolio came out at 8.0%, up 120 basis points over six months.

1.5.2 Management service activities

Klépierre's real estate management service activities include leasing, property and facility management, 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 end-December), an independent external consultant, using a DCF method based on a sum-of-the-parts approach for each country in which Klépierre operates.

As of June 30, 2020 and as a result of the Covid-19 outbreak, Klépierre performed internal valuations of Klépierre's real estate management service activities using a similar methodology to that applied by Accuracy.

The DCF approach is based on a business plan comprising projected 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. In most countries, future cash flows are discounted at a rate of 7.4% to 9.4% (depending on the country) 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, 2020 stood at €364.6 million on a total share basis (€356.1 million, Group share) compared to €378.5 million (€368.9 million, Group share) as of December 31, 2019.

1.6 FINANCIAL POLICY

Klépierre has decided to accelerate its refinancing plan in order to avoid any material refinancing issue for the next 24 months. Based on a moderate use of financial leverage, Klépierre's financial policy aims at ensuring balance-sheet stability, continuous access to financial resources, a strong liquidity position and the most competitive cost of capital. In the euro area, financial conditions have been volatile over the first half with borrowing costs increasing significantly during the lockdown period before falling thereafter. Funding costs have now stabilized in view of the ample liquidity in capital markets, allowing Klépierre to continue refinancing its debt at attractive conditions.

1.6.1 Financial resources

1.6.1.1 Change in net debt

As of June 30, 2020, consolidated net debt totaled €9,129 million, versus €8,830 million as of December 31, 2019. The €299 million increase is mainly attributable to deferred and/or uncollected rents and property charges for the second quarter of 2020, in the amount of €273 million. The Group took a series of measures aimed at containing cash outflows, especially relating to capital expenditure. The main movements during the period were as follows:

> Cash inflows from operations and other items (foreign exchange, changes in working capital), amounting to €146 million;

> Cash outflows in respect of distribution for €430 million (including the first installment of the 2019 dividend for €314 million, distribution to non-controlling interests for €16 million and €100 million in respect of share buybacks carried out in January and February);

> Cash outflows in respect of capital expenditure for €92 million (see section 1.7.6 "EPRA Capital Expenditure") including €46 million in development projects and €44 million in standing assets; and

> Cash inflows from disposals for €77 million.

1.6.1.2 Debt ratios

As a result of the increase in net debt and a slight decline in the fair value of the property portfolio, the Loan-to-Value (LTV) ratio increased to 40% as of June 30, 2020 a 270-basis point increase compared to year-end 2019. Restated for deferred and/or unpaid rents, the Loan-to-Value would come out at 38.8%.

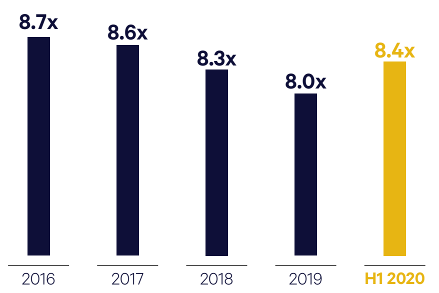
LOAN-TO-VALUE CALCULATION AS OF JUNE 30, 2020 *(as per covenant definitions, on a total share basis)*

In millions of euros	06/30/2020	12/31/2019
Current financial liabilities	2,925.9	2,342.4
Bank facilities	15.5	26.5
Non-current financial liabilities	7,008.0	7,092.0
Revaluation due to fair value hedge	(27.6)	(7.1)
Fair value adjustment of debt[a]	(13.0)	(21.5)
Gross financial liabilities excluding fair value hedge	**9,908.8**	**9,432.4**
Cash and cash equivalents[b]	(779.9)	(602.2)
Net debt	**9,128.9**	**8,830.2**
Property portfolio value (incl. transfer taxes)	22,839.9	23,672.6
LOAN-TO-VALUE RATIO	**40.0%**	**37.3%**

(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.

The net debt to EBITDA[1] ratio is also affected by both the deferred collection of the rents and the softer operating performance due to the lockdowns, and as of June 30, 2020, stood at 8.4x. Restated for the increase in receivables, the ratio came out at 8.2x for the first half of the year.

NET DEBT TO EBITDA



1.6.1.3 Available resources

At the end of June 2020, Klépierre's liquidity position stood at €3.1 billion, covering all refinancing needs until June 2022. It comprises €679 million in cash at hand, €2.0 billion in unused committed revolving credit facilities (net of commercial paper) and €400 million in uncommitted credit facilities. Compared to the end of 2019, liquidity increased by €200 million following the issuance of €900 million in new notes under the EMTN program during the second quarter of the year. These transactions incurred a 2% average yield for a nine-year average maturity.

In parallel, Klépierre successfully extended €1.4 billion in revolving credit facilities by one additional year. At June 30, 2020 the average remaining maturity of undrawn committed credit facilities stood at four years.

In Scandinavia, Steen & Strøm raised €37 million in NOK on the bond markets to refinance €47 million of financing (bonds and commercial paper) in NOK and SEK, falling due within the period.

After taking these transactions into account, the Group's average debt maturity stood at six years.

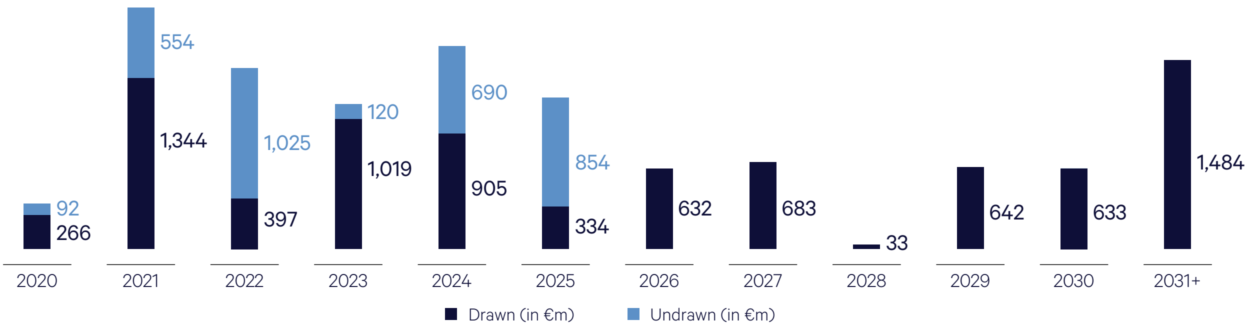
1.6.1.4 Debt structure

As of June 30, 2020, the share of financing sourced from capital markets in total debt stood at 86%, enabling Klépierre to benefit from excellent financing conditions. During the period, Klépierre reduced the outstanding amount of commercial paper issued in euros by €300 million. These instruments were replaced by the issuance of long-term notes (see section 1.6.1.3 "Available resources"). Bank facilities accounted for 14%, of which 7.4% concerned asset-backed debt raised mainly in Scandinavia (6.2%), France (1.1%) and Italy (0.1%).

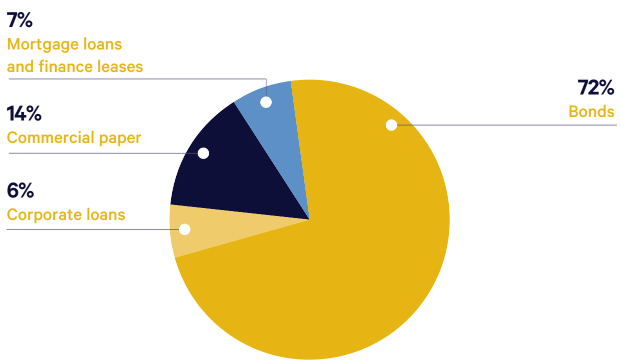
Klépierre's debt exposure to foreign currencies is adjusted to mirror that of its assets – except for the Czech Republic, Poland and Turkey. Considering the limited exposure of the Group's portfolio to these countries[2] and the high cost of currency hedging, especially over long durations, the Group has decided not to hedge this position.

(1) This ratio is computed using the EBITDA of the last rolling 12 months (i.e., from July 2019 to June 2020).
(2) On a total share basis, including transfer taxes, the Czech Republic represented 3.4% of the total Klépierre portfolio, Poland 1.8% and Turkey 1.2%.

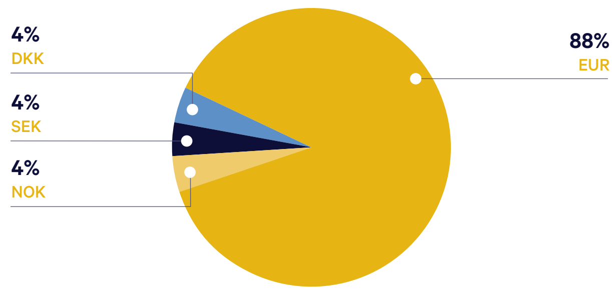
DEBT MATURITY SCHEDULE AS OF JUNE 30, 2020



FINANCING BREAKDOWN BY TYPE OF RESOURCE AS OF JUNE 30, 2020 *(utilizations, total share)*



FINANCING BREAKDOWN BY CURRENCY AS OF JUNE 30, 2020 *(utilizations, total share)*

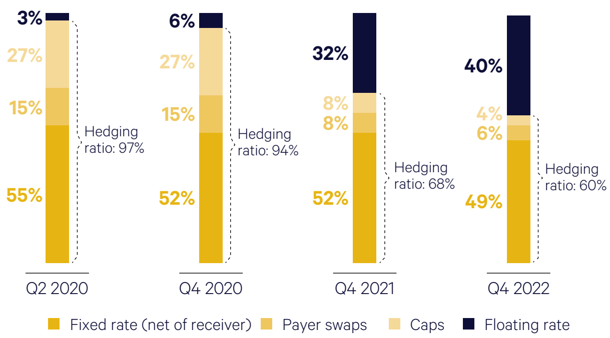


1.6.2 Interest rate hedging

In January 2020, Klépierre strengthened its hedging profile by rolling over maturing instruments (€400 million in caps and €500 million in swaps) and lowering the average strike of its cap portfolio (€2,609 million).[1] As of June 30, 2020, the proportion of fixed-rate debt (including hedging instruments) was 97%,[1] while its average maturity remained around four years (4.1).

Accordingly, and considering the upcoming repayment schedule, the sensitivity of the Group's cost of debt to interest rate fluctuations should remain low in the coming years.

DEBT BY TYPE OF HEDGING INSTRUMENTS



Based on the interest rate yield curve as of June 30, 2020, the Group's annual cash-cost-at-risk stood at €2 million on a Group share basis. In other words, the annual loss resulting from short-term interest rate movements would be less than €2 million 99% of the time. This calculation does not factor in any assumptions regarding changes in the credit spread.

(1) *Excluding €900 million in caps denominated in euros whose strike price are 50 basis points above underlying market rates ("out-of-the-money caps").*

1.6.3 Cost of debt

During the year, the Group's average cost of debt continued to fall, to 1.2% versus 1.5% in 2019, benefiting from low short-term interest rates and the attractive refinancing operations carried out in recent years.

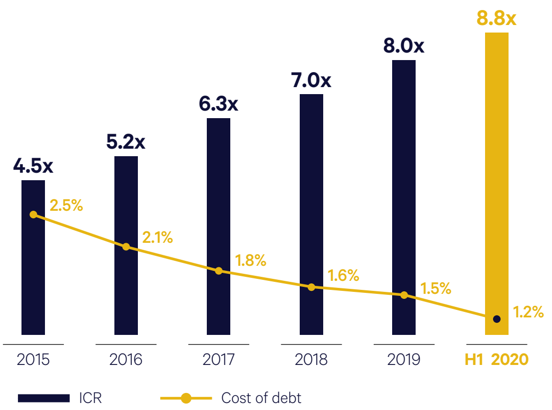
Based on the current debt structure and market conditions, and in view of the upcoming refinancing transactions, the cost of debt is expected to remain very low over the next three years.

BREAKDOWN OF COST OF DEBT

In millions of euros	06/30/2020	06/30/2019
Cost of net debt (as per IFRS consolidated statement of comprehensive income)	**52.9**	**68.0**
Non-recurring items	1.3	1.6
Non-cash impact	4.7	(1.1)
Interest on advances to associates	5.3	5.8
Liquidity cost	(2.7)	(2.9)
Interest expense on lease liabilities[a]	(4.2)	(4.2)
Cost of debt (used for cost of debt calculations)	**57.3**	**67.2**
Average gross debt	**9,729.6**	**8,929.3**
COST OF DEBT *(in %)*	**1.2%**	**1.5%**

(a) *As per IFRS 16.*

INTEREST COVERAGE RATIO AND COST OF DEBT



1.6.4 Credit ratings and covenants

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

COVENANTS APPLICABLE TO KLÉPIERRE SA FINANCINGS

Financing	Ratios/covenants	Limit[a]	06/30/2020	12/31/2019
Syndicated loans and bilateral loans	Net debt/Portfolio value ("Loan to Value")	≤ 60%	40.0%	37.3%
	EBITDA/Net interest expense[b]	≥ 2.0x	8.8x	8.0x
	Secured debt/Portfolio value[c]	≤ 20%	0.6%	0.7%
	Portfolio value[d]	≥ €10 bn	€19.4 bn	€20.1 bn
Bond issues	Secured debt/Revalued Net Asset Value[c]	≤ 50%	0.8%	0.9%

(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.*

1.7 EPRA PERFORMANCE INDICATORS

The following performance indicators have been prepared in accordance with the EPRA (European Public Real Estate Association) Best Practice Recommendations published in October 2019 and as set out in the guide available on its website (www.epra.com). These updated guidelines aim to reflect the significant shift in the listed real estate sector from long-term passive asset owners into highly-active asset managers and capital allocators.

▶ **EPRA SUMMARY TABLE**[a]

	06/30/2020	12/31/2019	06/30/2019	See section
EPRA Earnings *(in millions of euros)*	380.6	814.2	400.3	1.7.1
EPRA Earnings per share *(in euros)*	1.33	2.77	1.35	1.7.1
EPRA NRV *(in millions of euros)*	11,238	11,978	N/D	1.7.2
EPRA NRV per share *(in euros)*	39.4	41.5	N/D	1.7.2
EPRA NTA *(in millions of euros)*	9,942	10,643	N/D	1.7.2
EPRA NTA per share *(in euros)*	34.9	36.9	N/D	1.7.2
EPRA NDV *(in millions of euros)*	8,497	8,920	N/D	1.7.2
EPRA NDV per share *(in euros)*	29.8	30.9	N/D	1.7.2
EPRA Net Initial Yield Shopping centers	5.1%	5.0%	4.9%	1.7.3
EPRA "Topped-up" Net Initial Yield Shopping centers	5.3%	5.2%	5.1%	1.7.3
EPRA Vacancy Rate	3.8%	3.0%	3.0%	1.7.4
EPRA Cost Ratio (including direct vacancy costs)	15.2%	15.4%	15.6%	1.7.5
EPRA Cost Ratio (excluding direct vacancy costs)	13.4%	13.9%	13.9%	1.7.5

(a) Per-share figures rounded to the nearest 10 cents.

1.7.1 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)*	06/30/2020	06/30/2019
Net income as per IFRS consolidated statement of comprehensive income	**(163.5)**	**168.8**
Adjustments to calculate EPRA Earnings:		
(i) Changes in value of investment properties, development properties held for investment and other interests	(638.6)	(222.5)
(ii) Profit or losses on disposal of investment properties, development properties held for investment and other interests	3.0	8.7
(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	(1.9)	(5.6)
(vi) Changes in fair value of financial instruments and associated close-out costs	(11.5)	(16.7)
(vii) Acquisition costs on share deals and non-controlling joint venture interests	-	-
(viii) Deferred tax in respect of EPRA adjustments[a]	35.8	4.2
(ix) Adjustments (i) to (viii) above in respect of joint ventures (unless already included under proportional consolidation)	(38.8)	(22.6)
(x) Non-controlling interests in respect of the above	107.9	23.1
EPRA EARNINGS	**380.6**	**400.3**
Company-specific adjustments to calculate net current cash flow:		
> Employee benefits, stock option expense and non-current operating expenses	0.2	3.7
> Depreciation, amortization and provisions for contingencies and losses	11.3	5.8
NET CURRENT CASH FLOW	**392.1**	**409.8**
Average number of shares[b]	*286,430,401*	*295,908,706*
Per share *(in euros)*		
EPRA EARNINGS	**1.33**	**1.35**
NET CURRENT CASH FLOW	**1.37**	**1.38**

(a) In 2020, this item includes €42.4 million in deferred tax, €0.8 million in non-current taxes and −€7.5 million related to the application of IFRIC 21 (i.e., property tax annualization).
(b) Excluding treasury shares.

1.7.2 EPRA Net Asset Value metrics

Net Asset Valuation metrics are key performance indicators designed to provide stakeholders with relevant information on the fair value of the assets and liabilities of property companies. In replacement of the EPRA NAV and EPRA NNNAV, new reporting standards introduced three new measures of net asset value: EPRA Net Reinstatement Value (NRV), EPRA Net Tangible Assets Value (NTA) and EPRA Net Disposal Value (NDV). As recommended by EPRA, these new standards have been applied with effect from these 2020 first-half results.

For more detailed explanations of EPRA adjustments and requirements please refer to the EPRA Best Practices Recommendations.

1.7.2.1 Application by Klépierre

Net Asset Valuation metrics are key performance indicators designed to provide stakeholders with relevant information on the fair value of the assets and liabilities of property companies.

The EPRA Net Reinstatement Value (NRV) scenario aims to highlight the value of net assets on a long-term basis and to represent the value required to rebuild the entity assuming that no selling of assets takes place. Consequently, deferred taxes as per IFRS and real estate transfer taxes (RETT) are added back. Intangible assets may be added if they are not already recognized in the IFRS statement of financial position and when their fair value can be reliably determined.

The EPRA Net Tangible Assets value (NTA) reflects company's tangible assets only, and assumes that companies buy and sell some of their assets, thereby crystallizing certain levels of unavoidable deferred tax liability and RETT. According to the new methodology, as defined by EPRA, the portfolio can be broken into three parts:

(i) Assets that the Company does not plan to sell in the long run: deferred taxes as per IFRS are added back in addition to 50% of RETT optimization;

(ii) Assets that may be sold in share deals: 50% of deferred taxes as per IFRS and RETT optimization are added back; and

(iii) Assets that may be sold through asset deals: 50% of deferred taxes as per IFRS are added back, but there is no restatement for RETT.

TREATMENT OF DEFERRED TAXES AND RETT IN THE EPRA NET TANGIBLE ASSET CALCULATION

	Fair value	As % of total portfolio	% of deferred tax excluded
Portfolio subject to deferred tax and intention is to hold and not to sell in the long run	12,256	63%	100%
Portfolio subject to partial deferred tax and to tax structuring	4,310	22%	39%
Other portfolio	2,847	15%	50%
TOTAL PORTFOLIO	**19,414**		

By definition, EPRA NTA aims at valuing solely tangibles assets and therefore, as regards Klépierre, does not incorporate the fair value of management services companies (unlike the former indicators EPRA NAV and NNNAV). This service management business, fully integrated in Klépierre, collects fees not only from tenants and third parties but also from properties companies, while the latter are deducted from rental income in the appraisers DCF model.

Lastly, **EPRA Net Disposal Value** aims to represent the shareholders' value under an orderly sale of business, where RETT, deferred taxes, financial instruments and certain other adjustments are calculated to the full extent of their liability while discarding completely any tax optimization. Intangible assets are excluded from this methodology.

1.7.2.2 Calculation of EPRA Net Asset Value

The following tables present the calculation of the new EPRA Net Asset Value metrics and include previously reported EPRA measures for comparative purposes.

EPRA NET ASSET VALUES AS OF JUNE 30, 2020

Group share *(in millions of euros)*	EPRA NRV	EPRA NTA	EPRA NDV	EPRA NAV	EPRA NNNAV
IFRS Equity attributable to shareholders	**8,798**	**8,798**	**8,798**	**8,798**	**8,798**
Amounts owed to shareholders	*314*	*314*	*314*	*314*	*314*
Include/exclude:					
i) Hybrid instruments					
Diluted NAV	9,112	9,112	9,112	9,112	9,112
Include:					
Diluted NAV at fair value	9,112	9,112	9,112	9,112	9,112
Exclude:					
v) Deferred tax in relation to fair value gains of IP	1,468	1,237	0	1,468	1,114
vi) Fair value of financial instruments	12	12	0	12	0
vii) Goodwill as a result of deferred tax	(354)	(354)	(354)	(354)	(354)
viii) Goodwill as per IFRS statement of financial position	(247)	(247)	(247)	(247)	(247)
Include:					
ix) Fair value of fixed-rate debt	0	0	(13)	0	(13)
x) Revaluation of intangible assets at fair value	328	0	0	328	328
xi) Real estate transfer tax	920	183	0	391	391
NAV	**11,238**	**9,942**	**8,497**	**10,709**	**10,330**
Fully diluted number of shares	*285,225,082*	*285,225,082*	*285,225,082*	*285,225,082*	*285,225,082*
NAV PER SHARE *(in euros)*	**39.4**	**34.9**	**29.8**	**37.5**	**36.2**

EPRA NET ASSET VALUES AS OF DECEMBER 31, 2019

Group share *(in millions of euros)*	EPRA NRV	EPRA NTA	EPRA NDV	EPRA NAV	EPRA NNNAV
IFRS Equity attributable to shareholders	**9,774**	**9,774**	**9,774**	**9,774**	**9,774**
Amounts owed to shareholders	*0*	*0*	*0*	*0*	*0*
Include/exclude:					
i) Hybrid instruments					
Diluted NAV	9,774	9,774	9,774	9,774	9,774
Include:					
Diluted NAV at fair value	9,774	9,774	9,774	9,774	9,774
Exclude:					
v) Deferred tax in relation to fair value gains of IP	1,519	1,271	0	1,519	1,164
vi) Fair value of financial instruments	8	8	0	8	0
vii) Goodwill as a result of deferred tax	(356)	(356)	(356)	(356)	(356)
viii) Goodwill as per IFRS statement of financial position	(247)	(247)	(247)	(247)	(247)
Include:					
ix) Fair value of fixed-rate debt	0	0	(251)	0	(251)
x) Revaluation of intangible assets at to fair value	340	0	0	340	340
xi) Real estate transfer tax	941	194	0	380	380
NAV	**11,978**	**10,643**	**8,920**	**11,417**	**10,803**
Fully diluted number of shares	*288,736,070*	*288,736,070*	*288,736,070*	*288,736,070*	*288,736,070*
NAV PER SHARE *(in euros)*	**41.5**	**36.9**	**30.9**	**39.5**	**37.4**

EPRA NTA 6-MONTH RECONCILIATION PER SHARE[(a)]

In euros per share	
EPRA NTA AT 12/31/2019	**36.90**
Cash flow	1.37
Like-for-like asset revaluation	(1.85)
Dividend	(1.10)
Forex and others	(0.42)
EPRA NTA AT 06/30/2020	**34.90**

(a) NTA per share figures are rounded to the nearest 10 cents.

EPRA NTA per share amounted to €34.90 at the end of June 2020, versus €36.90 six months earlier.[(1)] This decrease reflects the generation of net current cash flow (€1.37 per share), which was more than offset by the decrease in the value of the like-for-like portfolio (€1.85 per share) and the dividend payment (€1.10 per share). Foreign exchange and other items had a negative impact of €0.42 per share.

1.7.3 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 1.5.1.2.2 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	17,861	256	18,117
Investment property – Share of joint ventures/funds	1,297	0	1,297
Total portfolio	**19,158**	**256**	**19,414**
Less: Developments, land and other	(1,085)	0	(1,085)
Completed property portfolio valuation (B)	**18,072**	**256**	**18,329**
Annualized cash passing rental income	1,028	22	1,051
Property outgoings	(109)	(2)	(111)
Annualized net rents (A)	**919**	**21**	**940**
Notional rent expiration of rent free periods or other lease incentives	38	0	38
Topped-up net annualized rent (C)	**957**	**21**	**978**
EPRA NET INITIAL YIELD (A/B)	**5.1%**	**8.0%**	**5.1%**
EPRA "TOPPED-UP" NET INITIAL YIELD (C/B)	**5.3%**	**8.2%**	**5.3%**

1.7.4 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	19,046	489,551	3.9%
Italy	5,680	289,152	2.0%
Scandinavia	10,540	169,066	6.2%
Iberia	6,433	142,787	4.5%
CE & Other	3,561	98,354	3.6%
Netherlands	2,598	69,224	3.8%
Germany	1,190	37,260	3.2%
TOTAL	**49,047**	**1,295,394**	**3.8%**

(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, 2020, are based on internal assumptions. Shopping centers (or portions thereof) under restructuring that are excluded from the scope are as follows: Échirolles (Grenoble), the Créteil Soleil extension (Paris region), Nailloux Village (Toulouse), Økern (Oslo). Strategic vacancies are also excluded.

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

1.7.5 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	06/30/2020	06/30/2019
Administrative and operating expenses[(a)]	(98.7)	(108.9)
Net service charge costs[(a)]	(33.1)	(37.0)
Net management fees[(a)]	34.9	41.4
Other net operating income intended to cover overhead expenses[(a)]	7.2	4.7
Share of joint venture expenses[(b)]	(7.3)	(7.6)
Exclude (if part of the above):		
Service charge costs recovered through rents but not separately invoiced	3.9	4.8
EPRA Costs (including vacancy costs) (A)	**(92.9)**	**(102.6)**
Direct vacancy costs	(10.8)	(10.9)
EPRA Costs (excluding vacancy costs) (B)	**(82.2)**	**(91.7)**
Gross rental income less ground rents[(a)]	577.4	622.9
Less: service fee/cost component of gross rental income	(3.9)	(4.8)
Add: share of joint ventures (gross rental income less ground rents)[(b)]	38.9	40.9
Gross rental income (C)	**612.4**	**659.0**
EPRA COST RATIO (INCLUDING DIRECT VACANCY COSTS) (A/C)	**15.2%**	**15.6%**
EPRA COST RATIO (EXCLUDING DIRECT VACANCY COSTS) (B/C)	**13.4%**	**13.9%**

(a) As per the IFRS consolidated statements of comprehensive income.
(b) For more information, see section 1.1.7 "Contribution of equity-accounted investments".

1.7.6 EPRA Capital Expenditure

Investments in the first half of 2020 are presented in detail in section 1.4 "Investments, developments and disposals." This section presents Klépierre's capital expenditure based on EPRA financial reporting guidelines taking into account the latest EPRA Best Practices Recommendations updated in October 2019.

EPRA CAPITAL EXPENDITURE

	06/30/2020			06/30/2019
In millions of euros	Group (excl. Joint Ventures)	Joint Ventures (proportionate share)	Total Group	Total Group
Acquisitions	-	-	-	-
Development	45.2	1.0	46.2	80.1
Investment properties	42.5	1.2	43.7	50.1
Incremental lettable space	-	-	-	-
No incremental lettable space	30.9	1.0	31.9	35.4
Tenant incentives	7.1	0.2	7.3	9.1
Other material non-allocated types of expenditure	4.5	0.1	4.6	5.6
Capitalized interest	1.7	-	1.7	1.9
TOTAL CAPEX	**89.4**	**2.2**	**91.6**	**132.1**
Conversion from accrual to cash basis	(7.5)	-	(7.5)	(33.1)
TOTAL CAPEX ON CASH BASIS	**81.9**	**2.2**	**84.1**	**99.0**

1.7.6.1 Developments

Development capital expenditure includes investments related to new constructions and large extensions of existing assets. In the first half of 2020, these investments amounted to €46.2 million, mainly relating to the extension of Gran Reno (Bologna, Italy), the Hoog Catharijne redevelopment (Utrecht, Netherlands) and the Créteil Soleil project (Paris region, France).

1.7.6.2 Investment properties

Capital expenditure spent on the operational investment property portfolio mainly comprises investments made to maintain or enhance standing assets without creating additional leasing space and incentives provided to tenants (mainly fit-out contributions and eviction costs). Over the first six months of 2020, these investments amounted to €43.7 million, breaking down as follows:

- €31.9 million in refurbishment, consisting in renovation work, mainly in common areas, without incremental lettable space and technical maintenance capital expenditure. Most of this expenditure was invoiced to tenants;
- €7.3 million in fit-out contributions and eviction costs; and
- €4.6 million in other types of expenditure including restructuring costs for re-leasing and initial leasing.

1.7.6.3 Capitalized interest

Capitalized interest amounted to €1.7 million over the first half of 2020.

1.8 OUTLOOK

After an encouraging performance in the early months of 2020, the Covid-19 pandemic has affected Klépierre's operations leading the Company to withdraw its 2020 guidance in late April.

Klépierre's priority is to operate its malls with best-in class protective health measures, in view of the situation with the Covid-19 pandemic.

Klépierre has engaged in an intensive dialogue with its tenants regarding the payment of rents corresponding to the closure period while providing them with support and flexibility. Many transactions have already been signed and more are expected to be concluded in the coming weeks.

Although the gradually improving trend observed on footfall and retailer sales might augur a possible return to pre-crisis business levels, global economic uncertainties still prevail and will take time to dissipate.

The Group will continue to very carefully manage its financials with a close eye on spending and liquidity.

Klépierre is not able at this stage to provide reliable guidance for full-year earnings in the context of the still-evolving health environment and Covid-19, which could give rise to further – albeit targeted – lockdowns. Nevertheless, the Group is committed to updating the market as soon as it has a clearer view on the pace of its business recovery.

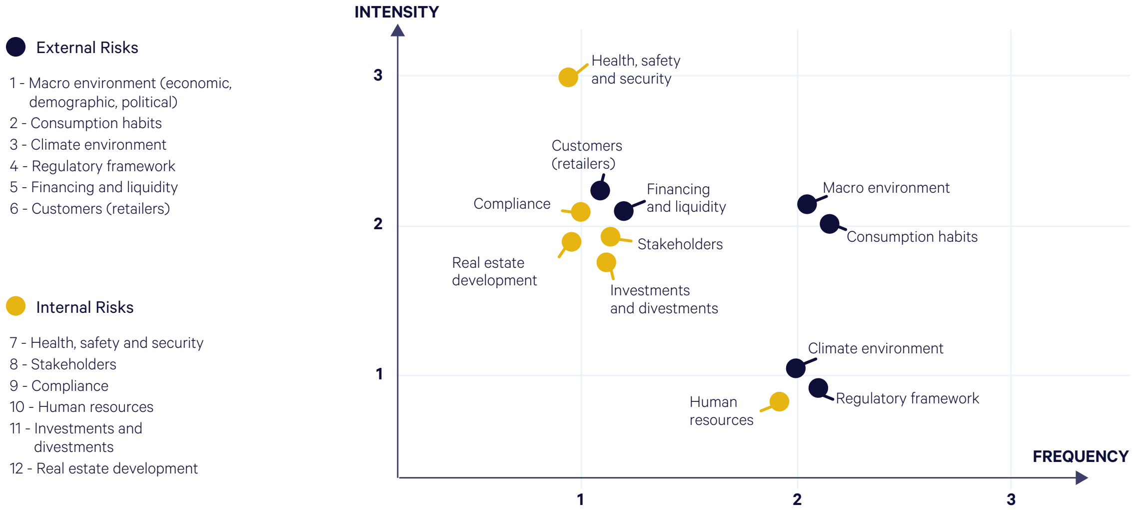
In the long term, Klépierre's conviction is that retailers will continue to refocus their operations on the most productive stores and the most attractive retail destinations for their customers, supporting Klépierre's strategic choices initiated a decade ago:

- Clear asset selection with dominant shopping centers in the most dynamic European urban areas;
- An extensive leasing platform offering differentiating expertise to banners; and
- Operational initiatives in line with new consumer habits and desires in terms of shopping, social interactions and environmental responsibility.

2 RISK FACTORS

This section focuses on the major changes in the risk landscape during the first half of 2020, mainly due to the Covid-19 pandemic. For a detailed presentation of Klépierre's material and specific risks, readers are invited to refer to section 1.7.4 of the 2019 Universal Registration Document filed with the AMF on March 13, 2020 under number D.20-0123.

▸ MATERIAL AND SPECIFIC RISKS PRESENTED IN THE 2019 UNIVERSAL REGISTRATION DOCUMENT



2.1 EXTERNAL RISKS

Macro environment (economic, demographic, political)

During most of the first half of 2020, the spread of the Covid-19 pandemic across Europe had significant economic impacts on the countries in which Klépierre operates. According to the Organisation for Economic Cooperation and Development (OECD), eurozone GDP is expected to contract by 9.1% for full-year 2020. In this environment, unemployment is expected to climb to 9.8% (from 7.6% one year earlier), while inflation is projected to ease to 0.4% from 1.2% in 2019.

The European Union's economic recovery plan and the European Central Bank's accommodative monetary policy should support the recovery in 2021. Nevertheless, the strength of the recovery remains uncertain at this stage due to the still evolving nature of the health situation. A second wave of the epidemic along with targeted lockdown measures remains a potential threat. Conversely, the development of a vaccine could trigger a faster economic rebound.

Consumption habits

The various measures put in place to stem the spread of the virus (lockdowns, restrictions on freedom of movement, social distancing, government-enforced closure of non-essential businesses, etc.) have limited consumers' access to physical stores, thereby automatically increasing market share for online retail. The corresponding shift in consumer behavior could be a lasting, widespread trend that negatively impacts footfall at shopping centers and, by extension, retailer sales.

In addition, the health measures introduced in shopping centers to ensure the safety of consumers could adversely affect the quality of the customer journey and experience (lines in front of stores, masks required in certain places, one-way foot traffic, suspension of promotional campaigns, etc.).

However, since the end of lockdown, business in the Group's malls has picked up at an encouraging pace. Certain countries and/or segments are already back to pre-Covid-19 levels, even though footfall continues to be curbed by certain factors such as health protocols, reduced use of public transport partly due to homeworking, significant decrease in tourist traffic, etc.

All told, retailer sales for June stood at 85% of the prior-year total, representing a considerable improvement on May (76%). The recovery was particularly strong in countries that had only implemented partial lockdowns, i.e., Norway, Sweden and the Netherlands, where sales for June reached 96% of their prior-year level in a marked improvement on May (83%).

On a segment by segment basis, business returned to 2019 levels in Household Equipment, Supermarkets and Culture, Gifts & Leisure (up 0.1% on average versus June 2019). In contrast, the Fashion, Food & Beverage and Health & Beauty segments, which were more impacted by health measures, are yet to recover (79% of the prior-year performance on average).

Climate environment

This risk did not change significantly during first-half 2020. Klépierre is however pressing ahead with the rollout of its ambitious environmental performance and energy efficiency strategy as described in chapter 4.2 of the Group's 2019 Universal Registration Document.

Regulatory framework

Since the beginning of the Covid-19 pandemic in Europe, governments have introduced a host of laws to protect citizens and businesses. Some of these new laws have had or may have an impact on the Group's operations:

> in an initial stage, health measures led to total or partial store closures, thus inevitably limiting footfall in the Group's malls (see section 1.1.2 "Operating context" for more details);

> when stores reopened, the malls were required to put health protocols in place to ensure compliance with the social distancing rules and other protective measures implemented in the different countries. In some cases, this resulted in a temporary increase in the need for security services;

> in addition, changes in regulations governing commercial leases in certain countries could impact the level of rent billed to lessees or the collection of first-half rents. In certain countries, new regulations provided for the cancelation or deferral of rent payments. Other regulations were designed to support retailers financially by subsidizing a portion of their fixed costs.

In response to the constantly changing regulatory environment, the Group set up a network of external advisors in mid-February to monitor developments on a daily basis. This allowed Klépierre to react quickly to its advantage whenever new regulations were introduced.

Financing and liquidity

The difficulties encountered by Klépierre in the second quarter in recovering rents associated not only with the forced closure periods but also further to the reopening could lead to an increase in the Group's debt. For this reason, Klépierre is actively negotiating with retailers to maximize rent collection.

See section 1.1.5 "Rent collection and leasing update" for more information on the payment of rents.

The health crisis and potentially prolonged economic recession could ultimately make access to financing more difficult and/or increase the cost of future refinancing.

To mitigate this risk, the Group stepped up its refinancing plan in the first half of 2020 to cover its refinancing needs over the next 24 months. These transactions were carried out under good financial conditions and illustrate the quality of Klépierre's access to the capital markets.

See section 1.6 "Financial policy" of this report for more information on the Group's financing transactions in the first half of 2020.

Customers (retailers)

The health measures mentioned above limited consumers' access to physical stores. Consequently, sales generated by lessees at Klépierre malls were dragged down significantly in the first half of 2020, leading many retailers to request assistance with rent due in respect of the forced closure period and, more specifically, the suspension of all or part of their payments. In addition, slower business impacted some retailers' profitability, in some cases leading to their closure, either to reposition their portfolio or to file for bankruptcy. Vacancy and bad debt rates could therefore temporarily deteriorate. In the ongoing discussions with retailers, Klépierre is focusing on ensuring their continued presence, and thereby minimizing vacancy, by offering concessions on rents corresponding to the forced closure periods.

Under certain leases, a portion of the rent is indexed to the retailer's sales. Klépierre's revenue could therefore decrease if such tenants were unable to return to pre-Covid-19 sales levels.

Lastly, these impacts should be mitigated by the strategy of refocusing on leading shopping centers in Europe, which the Group began a number of years ago, and the reasonable occupancy cost ratio for retailers.

2.2 INTERNAL RISKS

Health, safety and security

Health risks led the authorities in various European countries to order the temporary closure of "non-essential" businesses in Klépierre malls. The gradual reopening that ensued was accompanied by the introduction of strict health measures that had an impact on Klépierre's operations. A second wave of the epidemic could once again limit the ability of Klépierre and its tenants to do business.

The Group set up a crisis management team in mid-February 2020, supported by external experts, with the aim of containing the impact of the epidemic on consumers and retailers in its shopping centers, as well as on the Group's employees. This unit is coordinating Klépierre's response to the crisis in each affected area, ensuring that its operations are compliant with any measures enacted by the authorities on a real-time basis, and adjusting the Group's operating organization and resources so as to ensure the best possible health and safety conditions while maintaining business continuity. The Group has been assisted by Bureau Veritas in defining the health protocols to be applied in its malls to ensure that trading can resume safely. On-site audits have also verified that these measures are being properly implemented.

Stakeholders

After the Covid-19 pandemic triggered an economic slowdown in Europe in first-half 2020, Klépierre postponed or cancelled certain services with companies across the board. As a result, some suppliers and service providers may find themselves in a precarious position if other customers scale back or cease business dealings with them.

This risk remains small, however, as financial checks on suppliers and service providers are repeated over the course of the business relationship.

Compliance

The gross risk of regulatory non-compliance inevitably increased in first-half 2020, as the Covid-19 pandemic prompted governments to take many unprecedented measures to contain the spread of the virus and limit its impact on the economy. Non-compliance with these measures could result in a mall being temporarily closed by administrative order. In response to this risk, Klépierre implemented (i) daily pan-European regulatory monitoring during the crisis to keep up to date with the situation in real time and anticipate developments where possible, and (ii) a control framework to ensure the new regulatory requirements were being correctly met.

These new requirements may also become applicable in the head offices of the Company and its subsidiaries. In addition, homeworking gives rise to a heightened risk of non-compliance with regulations (data leaks and fraud attempts). To mitigate this risk, Klépierre strengthened its defenses with a firewall, e-learning modules and other measures.

Human resources

Lockdowns lasting several months in Klépierre's main host countries (Italy, France and Spain) could give rise to feelings of isolation and anxiety among Group employees, negatively impacting their mental health and morale. This in turn would increase their exposure to psychosocial risks. Some employees may also experience stress at the idea of returning to work on site before the virus has been eradicated. To support its employees through this difficult period, Klépierre has reinforced the various measures already in place. Employees continue to have access to the independent, toll-free and anonymous helpline and can contact an occupational psychologist if necessary. An external medical platform has been made available to address their concerns about the pandemic, alongside information sessions led by physicians. All Group managers have been trained in the importance of maintaining relationships with employees remotely via more frequent team meetings, and have been made aware of how to detect high-risk situations in their teams. And thanks to a dedicated communications campaign and online training course, employees have been informed of all measures put in place at head offices to gradually transition back to normal operations in the best possible health conditions, thereby providing reassurance before they return to work on site.

Investments and divestments

The Covid-19 pandemic led many investors to adopt a cautious, wait-and-see approach. The first half of 2020 also saw Klépierre ease off on its strategy of recent years, mainly consisting in optimizing and repositioning its portfolio by divesting assets. However, this strategy is driven less by financial considerations than by a commitment to continually improving the quality of the portfolio. Furthermore, as underlined by the independent appraisers responsible for valuing the Group's assets every six months, the sharp, coronavirus-induced slowdown in transactions on the investment market makes it harder to determine an asset's true worth. See sections 1.4.4 and 1.5 of this report for more information on divestments made in the first half of the year and the value of the portfolio.

Real estate development

The Group had only a small number of significantly sized construction projects underway at the start of the epidemic. For health reasons, these projects had to be suspended for some of first-half 2020, providing the Group with an opportunity to review the development schedule in light of the new economic environment. In terms of financing, this involved reassessing the projects' expected profitability and commercial viability. At an operational level, Klépierre's teams ensured that the projects could be restarted once the local authorities had lifted restrictions, in compliance with all health and safety measures recommended by local construction bodies.

See section 1.4 "Investments, development and disposals" of this report for more information on the progress of ongoing development operations.

3 INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2020

3.1 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

In millions of euros	Notes	06/30/2020	06/30/2019
Gross rental income	6.1	581.0	626.9
Land expenses (real estate)	6.2/8	(3.6)	(3.9)
Service charge income	6.3	120.7	142.8
Service charge expenses	6.3	(161.2)	(186.6)
Building expenses (owner)	6.4	(25.4)	(15.7)
Net rental income		**511.5**	**563.5**
Management, administrative and related income		34.9	41.4
Other operating income	6.5	7.2	4.7
Survey and research costs		(0.2)	(0.3)
Payroll expenses	11.1	(43.2)	(59.8)
Other general expenses		(20.6)	(23.1)
Depreciation, amortization and impairment of intangible assets and property, plant and equipment	6.6/8	(9.4)	(10.1)
Provisions		(6.2)	(0.6)
Change in value of investment properties	6.7/8	(638.6)	(222.5)
Proceeds from disposals of investment properties and equity investments	6.8	81.4	245.5
Carrying amount of investment properties and equity investments sold	6.8	(78.4)	(236.8)
Income from the disposal of investment properties and equity investments		**3.0**	**8.7**
Goodwill impairment	5.1	(1.9)	(5.6)
Operating income (loss)		**(163.4)**	**296.2**
Net dividends and provisions on non-consolidated investments			
Financial income		40.4	36.1
Financial expenses		(89.1)	(99.9)
Interest expense on leases liabilities	8	(4.2)	(4.2)
Cost of net debt	**6.9**	**(52.9)**	**(68.0)**
Change in the fair value of financial instruments		(15.8)	(15.8)
Share in earnings (losses) of equity-accounted companies	5.5	(12.4)	5.2
Profit (loss) before tax		**(244.4)**	**217.6**
Income tax benefit (expense)	7	34.4	(7.4)
Consolidated net income (loss)		**(210.0)**	**210.2**
Of which			
> Attributable to owners of the parent		(163.6)	168.8
> Attributable to non-controlling interests		(46.5)	41.4
Average number of shares – undiluted		**286,430,401**	**295,908,706**
UNDILUTED EARNINGS (LOSS) PER SHARE *(in euros)* **– ATTRIBUTABLE TO OWNERS OF THE PARENT**		**(0.57)**	**0.57**
Average number of shares – diluted		**286,430,401**	**295,908,706**
DILUTED EARNINGS (LOSS) PER SHARE *(in euros)* **– ATTRIBUTABLE TO OWNERS OF THE PARENT**		**(0.57)**	**0.57**

In millions of euros	06/30/2020	06/30/2019
Consolidated net income	**(210.0)**	**210.2**
Other items of comprehensive income recognized directly in equity	**(118.2)**	**(14.2)**
> Effective portion of gains and losses on cash flow hedging instruments	(4.4)	4.7
> Translation gains and losses	(112.2)	(20.9)
> Tax on other items of comprehensive income	0.9	(2.2)
Items that will be reclassified subsequently to profit or loss	**(115.7)**	**(18.4)**
> Gains and losses on sales on treasury shares	(2.4)	1.8
> Actuarial gains and losses	(0.1)	2.4
Items that will not be reclassified subsequently to profit or loss	**(2.5)**	**4.2**
Share of other items of comprehensive income attributable to equity-accounted companies		
Total comprehensive income (loss)	**(328.2)**	**196.1**
Of which		
> Attributable to owners of the parent	(248.7)	161.9
> Attributable to non-controlling interests	(79.5)	34.2
Undiluted comprehensive earnings (loss) per share *(in euros)* **– Attributable to owners of the parent**	**(0.87)**	**0.55**
Diluted comprehensive earnings (loss) per share *(in euros)* **– Attributable to owners of the parent**	**(0.87)**	**0.55**

3.2 CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

In millions of euros	Notes	06/30/2020	12/31/2019
Goodwill	5.1	596.6	602.9
Intangible assets	5.2	26.4	28.5
Property, plant and equipment	5.3	30.8	36.1
Investment properties at fair value	5.4	20,569.9	21,306.8
Investment properties at cost	5.4	128.1	133.8
Investments in equity-accounted companies	5.5	1,050.8	1,096.7
Other non-current assets	5.6	303.0	294.9
Long-term derivative instruments	5.13	30.6	11.5
Deferred tax assets	7	21.1	21.7
Non-current assets		**22,757.4**	**23,532.9**
Investment properties held for sale	5.4	77.1	105.0
Trade and other receivables	5.7	327.6	106.3
Other receivables	5.8	328.0	355.6
> Tax receivables		78.2	96.0
> Other		249.8	259.6
Short-term derivative instruments	5.13	31.9	53.7
Cash and cash equivalents	5.9	694.6	484.5
Current assets		**1,459.2**	**1,105.1**
TOTAL ASSETS		**24,216.6**	**24,638.0**
Share capital		419.9	423.7
Additional paid-in capital		4,737.5	5,124.3
Legal reserves		44.0	44.0
Consolidated reserves		3,759.9	3,857.5
> Treasury shares		(441.4)	(427.9)
> Hedging reserves		(11.6)	(10.6)
> Other consolidated reserves		4,212.9	4,296.0
Consolidated earnings		(163.6)	325.0
Equity attributable to owners of the parent		**8,797.8**	**9,774.4**
Equity attributable to non-controlling interests		2,349.6	2,483.6
Total equity	**5.11**	**11,147.4**	**12,258.0**
Non-current financial liabilities	5.12	7,008.0	7,092.0
Non-current leases liabilities	8	360.9	368.1
Long-term provisions	5.15	17.7	12.2
Pension obligations	11.3	11.6	11.2
Long-term derivative instruments	5.13	19.3	15.4
Deposits		145.3	146.4
Deferred tax liabilities	7	1,527.2	1,591.5
Non-current liabilities		**9,090.0**	**9,236.8**
Current financial liabilities	5.12	2,925.9	2,342.4
Current leases liabilities	8	14.2	14.6
Bank overdrafts	5.9	15.5	26.5
Trade payables		124.5	124.2
Due to suppliers of property		94.5	86.2
Other liabilities	5.16	604.7	358.6
Short-term derivative instruments	5.13	3.3	17.7
Payroll and tax liabilities	5.16	196.7	173.0
Current liabilities		**3,979.2**	**3,143.2**
TOTAL EQUITY AND LIABILITIES		**24,216.6**	**24,638.0**

3.3 CONSOLIDATED STATEMENTS OF CASH FLOWS

In millions of euros	06/30/2020	06/30/2019
Cash flows from operating activities		
Net income from consolidated companies	(210.0)	210.2
Elimination of expenditure and income with no cash effect or not related to operating activities		
> Depreciation, amortization and provisions	15.6	10.7
> Change in value of investment properties	638.6	222.5
> Goodwill impairment	1.9	5.6
> Capital gains and losses on asset disposals	(3.0)	(8.7)
> Current and deferred income taxes	(34.4)	7.4
> Share in earnings/losses of equity-accounted companies	12.4	(5.2)
> Reclassification of interest and other items	74.8	100.0
Gross cash flow from consolidated companies	**495.8**	**542.7**
Income tax (received) paid	(1.4)	13.3
Change in operating working capital[a]	(222.6)	(13.4)
Net cash flow from operating activities	**271.8**	**542.6**
Cash flows from investing activities		
Proceeds from sales of investment properties	50.1	221.6
Proceeds from disposals of subsidiaries (net of cash disposed)		23.6
Acquisitions of investment properties		
Payments in respect of construction work in progress	(81.9)	(94.5)
Acquisitions of other fixed assets	(3.1)	(1.8)
Acquisitions of subsidiaries (net of cash acquired)	(0.4)	(2.5)
Movements in loans and advance payments granted and other investments	(5.1)	10.0
Net cash flow from (used in) investing activities	**(40.4)**	**156.5**
Cash flows from financing activities		
Dividends paid to owners of the parent	(314.3)	(311.6)
Dividends paid to non-controlling interests	(17.6)	(53.8)
Change in capital of subsidiaries with non-controlling interests		(3.1)
Acquisitions/disposals of treasury shares	(100.0)	(134.5)
New loans, borrowings and hedging instruments	2,191.9	1,386.5
Repayment of loans, borrowings and hedging instruments	(1,694.4)	(1,432.1)
Net repayment of lease liabilities	(7.3)	(7.3)
Interest paid	(62.8)	(88.5)
Interest paid on lease liabilities	(4.2)	(4.2)
Other cash flows related to financing activities		
Net cash flow used in financing activities	**(8.7)**	**(648.6)**
Effect of foreign exchange rate changes on cash and cash equivalents	**(1.5)**	**(3.9)**
CHANGE IN CASH AND CASH EQUIVALENTS	**221.2**	**46.6**
Cash and cash equivalents at beginning of period	**457.9**	**79.9**
Cash and cash equivalents at end of period	**679.1**	**126.5**

(a) At June 30, 2020, the €222.6 million decrease in operating working capital is mainly attributable to the increase in trade recveivables further to the lockdown (see notes 1.1 and 5.7).

3.4 STATEMENT OF CHANGES IN CONSOLIDATED EQUITY AS OF JUNE 30, 2020

In millions of euros	Share capital	Capital reserves	Treasury shares	Hedging reserves	Consolidated reserves and retained earnings	Equity attributable to owners of the parent	Equity attributable to non-controlling interests	Total equity
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					
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					(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								
Other movements					0.2	0.2		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**
Share capital transactions	(2.7)	(63.9)	66.6					
Share-based payments								
Treasury share transactions			(141.6)			(141.6)		(141.6)
Dividends							(36.7)	(36.7)
Net income for the period					**156.1**	**156.1**	**5.6**	**161.7**
Gains and losses recognized directly in equity								
> Proceeds from sales of treasury shares					2.2	2.2		2.2
> Gains and losses from cash flow hedges				13.5		13.5	2.4	15.9
> Translation gains and losses					(19.2)	(19.2)	(2.4)	(21.6)
> Actuarial gains and losses								
> Tax on other items of comprehensive income				(2.3)		(2.3)	(0.4)	(2.8)
Other items of comprehensive income				**11.2**	**(17.0)**	**(5.8)**	**(0.4)**	**(6.2)**
Changes in the scope of consolidation					0.1	0.1	(2.5)	(2.4)
Other movements				0.1	(0.1)			
EQUITY AT 12/31/2019	**423.7**	**5,168.3**	**(427.9)**	**(10.6)**	**4,620.9**	**9,774.4**	**2,483.6**	**12,258.0**
Share capital transactions[(a)]	(3.8)	(79.5)	83.3					
Share-based payments								
Treasury share transactions			(96.8)		(3.2)	(100.0)		(100.0)
Dividends		(307.2)			(320.8)	(628.1)	(54.1)	(682.2)
Net income (loss) for the period					**(163.6)**	**(163.6)**	**(46.5)**	**(210.0)**
Gains and losses recognized directly in equity								
> Proceeds from sales of treasury shares					(2.4)	(2.4)		(2.4)
> Gains and losses from cash flow hedges				(1.2)	0.4	(0.9)	(3.5)	(4.4)
> Translation gains and losses[(b)]					(82.0)	(82.0)	(30.2)	(112.2)
> Actuarial gains and losses					(0.1)	(0.1)		(0.1)
> Tax on other items of comprehensive income				0.2		0.2	0.6	0.9
Other items of comprehensive income				**(1.0)**	**(84.1)**	**(85.1)**	**(33.1)**	**(118.2)**
Changes in the scope of consolidation					0.1	0.1	(0.4)	(0.3)
Other movements								
EQUITY AT 06/30/2020	**419.9**	**4,781.5**	**(441.4)**	**(11.6)**	**4,049.3**	**8,797.8**	**2,349.6**	**11,147.4**

(a) Share capital transactions in the negative amounts of €3.8 million and €79.5 million, and the positive amount of €83.3 million, are attributable to the cancellation of treasury shares as described in note 5.11.1.

(b) The €82.0 million decrease in translation gains and losses mainly concerns Norway (€72.0 million loss), Turkey (€27.9 million loss) and Sweden (€16.7 million gain).

3.5 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 SIGNIFICANT EVENTS OF THE PERIOD

1.1 Update on Covid-19

In mid-March, restrictive administrative measures varying from one country to the next were implemented in Europe to contain the spread of the coronavirus. France, Belgium, Italy, Spain, Portugal, Denmark, Poland and the Czech Republic have ordered the closure of all stores except those selling basic necessities, including grocery and convenience food stores, and pharmacies. In other countries (Norway, Sweden, the Netherlands and Turkey) representing 18.4% of the Group's gross asset value (total share), only partial administrative closures were issued (mainly for bars and restaurants), although some retailers decided to close of their own volition.

Support measures

Klépierre has always valued a sustainable, trustworthy and long-term relationship with retailers. In the current environment, the Group has been in constant contact with them and took the following decisions during the first half of 2020:

> To switch from quarterly to monthly due date for second quarter rents in countries where monthly invoicing was not already standard practice (France, Italy and Scandinavia);

> To defer the payment of April's rents to the second half of the year;[1] and

> To grant a three-month rent holiday to small businesses in France[2] in line with the recommendation of several professional property owner associations.

Cost reduction plan

To mitigate the impact of the crisis, Klépierre implemented the following action plan in the immediate aftermath of the lockdowns:

> Reduction in operating expenditure to be translated into lower service charges for our retailers; and

> Savings on payroll and general and administrative expenses. As part of this measure, both members of the Klépierre Executive Board elected to cut their fixed compensation by 30% until the end of 2020. All country managing directors and senior members of the Group's Corporate Management Team also elected to cut their pay by 20% in April and May.

Reopening

Since early May, restrictive measures to contain the spread of Covid-19 have been progressively eased in all countries where Klépierre operates, leading to a gradual reopening of its malls.

Assets under construction

In France and Italy, construction works have been halted since mid-March 2020, with a gradual resumption toward the end of the second quarter 2020. In the Netherlands and Norway, construction activity has been maintained, subject to specific protection measures. Following a detailed business review, the Group is set to limit spending on ongoing projects and will not launch new constructions until further clarity is gained over the impact of Covid-19 on the Group's operations.

Gross rental income

Gross rental income from operating leases is recognized over the lease-term on straight-line basis in accordance with IFRS 16 Leases. Therefore, gross rents corresponding to the lockdown period and which are due have been recognized in the consolidated condensed financial statements as of June 30, 2020.

The table below presents the breakdown of gross rents (total share, excluding VAT and service charges) corresponding to the lockdown period by region:

In millions of euros	**Rents invoiced corresponding to the lockdown period**
France-Belgium	70.2
Italy	34.6
Scandinavia	7.5
Iberia	24.3
CE & Other	7.4
Netherlands	5.8
Germany	3.6
TOTAL	**153.5**

Trade receivables

For the vast majority of the Group's portfolio, rents are generally paid in advance and usually on a quarterly basis. Covid-19 lockdowns, together with the administrative measures taken to support tenants, have had a significant impact on rent collection – especially rents invoiced in respect of the second quarter (partly deferred) – resulting in historically high levels of trade receivables as of June 30, 2020.

IFRS 16 "Leases" defines a lease modification as a change in scope or in consideration, that was not part of its original terms and conditions. Rent concessions, waivers and discounts are deemed to be lease modifications. IFRS 16 requires lease modifications to be recognized over the new lease term and to be accounted for by the lessor as from the date the modification is contractually agreed and signed between the parties. Therefore, lease modifications under negotiation as of June 30, 2020 have not been recognized as lease incentives in the interim condensed consolidated financial statements.

(1) *Stores concerned by closure orders enforced by local authorities.*

(2) *Companies with a revenue of less than €2 million and fewer than 10 employees.*

In the context of Covid-19, certain retailers in Klépierre's malls have filed for insolvency. Klépierre has recognized an impairment loss on the related receivables in the statement of comprehensive income, to reflect the expected credit loss in accordance with IFRS 9 "Financial Instruments".

Service charges rebilled to the tenants are accounted in accordance with IFRS 15 "Revenue from Contracts with Customers", and revenue recognition has been assessed based on the probability that the consideration for the service will be collected.

The breakdown of trade receivables (in total share, including VAT and service charges) in respect of the first and second quarters of 2020 is presented below:

In millions of euros	Prior 2020 Trade receivables and others	Q1 2020 Trade receivables	Q2 2020 Trade receivables	*o/w differed*	Total Trade receivables H1 2020	Total trade receivables
France-Belgium	41.9	4.6	133.5	*84.1*	138.2	180.1
Italy	19.3	6.8	60.7	*37.3*	67.4	86.7
Scandinavia	0.3	1.3	11.9	*4.6*	13.2	13.5
Iberia	(3.4)	1.9	33.0	*19.9*	34.9	31.5
CE & Other	12.3	6.2	13.7	*4.8*	19.9	32.2
Netherlands	0.7	0.5	9.1	*1.8*	9.7	10.4
Germany	3.2	0.7	10.7	*3.8*	11.4	14.7
TOTAL GROSS VALUE	**74.3**	**22.0**	**272.7**	***156.3***	**294.7**	**369.0**

Investments properties fair value measurement

As of June 30, 2020, 99.0% of the value of Klépierre's property portfolio (€22,840 million, including transfer taxes, on a total share basis), was estimated by external appraisers in accordance with the methodology described in note 5.4. External appraisers have factored in the potential impact of Covid-19 by modifying two specific sets of assumptions.

Assumptions affecting short-term cash flows: depending on the country and function of specific asset performances, the appraisers took into account various levels of rent holidays, prolonged void periods and higher levels of unpaid rents for the period 2020/2021. The appraisers also factored in lower levels of sales-based rents and of ancillary income over the same period.

Assumptions affecting long-term cash flows and values: the appraisers applied lower levels of indexation although future estimated market rents have not been significantly revised at this stage in view of the dearth of leasing transactions.

The appraisers increased discount rates and exit cap rates in most countries, despite lower inflation prospects, to reflect greater uncertainty over long-term cash flows, liquidity and value and growth prospects on exit.

The appraisers have included a "material valuation uncertainty clause" in their reports, as per the RICS recommendation, which states that the valuations can be relied upon, but need to be monitored, due to the lack of market comparables and appreciation of the long-term effects of Covid-19. As a result, the assumptions may be revised significantly in the second half of 2020.

During the first half of 2020, the value of Klépierre's shopping center portfolio declined by 2.8% on a like-for-like basis. This decrease is attributable to a combination of:

> Cash-flow effect (–1.0%): as a result of the Covid-19 assumptions described above on short-term cash flows, together with revised indexation projections; and

> Market effect (–1.7%): also as a result of the impact of Covid-19 assumptions, reflecting the decrease in liquidity on the investment market and greater uncertainty surrounding future cash flows, the discount and exit rates have been increased further.

1.2 Debt and financing

In January 2020, Klépierre implemented a new hedging program to adjust its fixed-rate position over the period 2021-2024 and secured its cost of debt at an attractive level, while limiting the cost of carry. Accordingly, Klépierre bought €1,700 million in caps and €500 million in payer swaps.

During the second quarter, the Group successfully issued €900 million of new notes under the EMTN program maturing in 2022 (€100 million), 2029 (€600 million) and 2032 (€200 million) with an average yield of 2.0%. The purpose of this transaction was to pre-finance the redemption of several bonds falling due in March 2021.

In parallel, Klépierre succeed in extending €1.4 billion of revolving credit facilities by an additional year. At June 30, 2020 the average remaining maturity of undrawn committed credit facilities stood at four years.

In Scandinavia, Steen & Strøm, raised €37 million of bonds in NOK, to refinance €47 million of financing in NOK and SEK, falling due within the period.

Consequently, the Group's liquidity position remains strong, standing at €3.1 billion as of June 30, 2020, and comfortably covering its refinancing needs. Taking into account these transactions, the Group's average debt maturity stood at 6.0 years.

1.3 Investments

The main investments during the period concern the following ongoing projects: Hoog Catharijne (the Netherlands), the Gulskogen renovation works in Drammen (Norway), the Gran Reno extension in Bologna (Italy) and the Créteil Soleil refurbishment (France).

1.4 Main disposals

Over the first half of 2020, Klépierre continued to streamline its portfolio and completed disposals totaling €81.4 million (total share, excluding transfer taxes) as follows:

> On January 17, 2020, Klépierre completed the disposal of the Gran Turia mall in Spain; and

> On June 30, 2020 Klépierre completed the disposal of group of car parks in Metz (France).

In addition, a group of twenty-four retail units in France was divested over the period for an aggregate amount of €45 million.

1.5 Dividend

On April 30, 2020, the General Meeting of Shareholders approved the payment of a €2.20 per share cash dividend in respect of the 2019 fiscal year. The total dividend approved by Klépierre shareholders amounted to €628.1 million (excluding dividends payable on treasury shares).

On March 11, 2020, a €1.10 per share interim dividend was paid to shareholders, for a total amount of €314.3 million excluding taxes and fees. A further €1.10 per-share (€313.7 million) dividend was paid on July 9, 2020.

1.6 Share buyback program

During the first quarter of 2020, the Group completed its €400 million share buyback program by repurchasing 3,493,860 shares for an aggregate amount of €99.7 million.

1.7 Cancellation of shares

On June 22, 2020, the Group canceled a total of 2,724,897 shares acquired in 2018 under the March 13, 2017 share buyback program for a total amount of €83.3 million.

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 24, 2020, the Executive Board approved the interim condensed consolidated financial statements of Klépierre SA for the period from January 1 to June 30, 2020 and authorized their publication.

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

2.2 Application of IFRS

In accordance with Commission 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, 2020 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 mandatorily 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, IFRIC and IFRS IC).

This framework is available on the following website:
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, 2020, 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 universal registration document) for 2019.

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 in figures may exist between the different statements due to rounding.

2.2.1 Standards, amendments and interpretations whose application was mandatory as of January 1, 2020

The accounting principles applied to the interim condensed consolidated financial statements for the period ended June 30, 2020 are identical to those used in the Group's consolidated financial statements for the year ended December 31, 2019, with the exception of the following new standards and interpretations, whose application is mandatory for the Group:

Amendments to IAS 39, IFRS 7 and IFRS 9	Interest Rate Benchmark Reform
Amendments to IAS 1 and IAS 8	Definition of Material
Amendment to IFRS 3	Definition of a Business

These new amendments had no impact on the Group's interim condensed consolidated financial statements.

2.2.2 Standards, amendments and interpretations whose application was not mandatory as of January 1, 2020

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

IFRS 17	Insurance Contracts
Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 1	Presentation of Financial Statements
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Annual Improvements to IFRS	2018-2020 Cycle
Amendment to IFRS 16	Covid-19-Related Rent Concessions

2.3 Use of material judgments and estimates

In preparing these interim condensed consolidated financial statements in accordance with IFRS, Group management used certain estimates and certain 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 of management companies

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). As regards Covid-19 trigger events, the Group tested the goodwill of management companies for impairment based on internal valuations performed as of June 30, 2020 using the same valuation methodology as the external appraisers.

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 cash flows and rates that have a direct impact on the value of the properties. The impact of Covid-19 on fair value measurement is described in the note 1.1.

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 5.12.1.

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 presentation and 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 prevailing on that day. Non-monetary items stated in foreign currencies and measured at 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 euros 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

In distinguishing between liabilities and equity Klépierre primarily considers whether or not it is obliged to make a cash payment to the counterparty.

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 a total of 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 (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.

The Group's financing policy (including its impact on 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. The fair value of the non-controlling interest in the Scandinavian segment amounted to €866.8 million as of June 30, 2020, versus €959.1 million as of December 31, 2019. As of June 30, 2020, the fair-value contribution of the Scandinavian portfolio represented an amount of €3,577.9 million in non-current assets, €84.3 million in current assets, €1,491.6 million in non-current liabilities and €350.0 million in current liabilities.

	France-Belgium[a]		Scandinavia		Italy		Iberia		Netherlands	
In millions of euros	06/30/2020	06/30/2019	06/30/2020	06/30/2019	06/30/2020	06/30/2019	06/30/2020	06/30/2019	06/30/2020	06/30/2019
GROSS RENTS	**213.6**	**222.5**	**83.0**	**93.1**	**95.5**	**100.3**	**63.9**	**68.4**	**36.9**	**41.2**
Other rental income	17.4	14.3	0.6	0.5	2.8	2.4	1.8	1.4		
Gross rental income	**231.0**	**236.8**	**83.6**	**93.6**	**98.3**	**102.6**	**65.7**	**69.8**	**36.9**	**41.2**
Rental and building expenses	(24.2)	(21.0)	(7.6)	(8.7)	(10.5)	(9.3)	(5.0)	(5.9)	(8.0)	(7.8)
Net rental income	**206.8**	**215.8**	**76.1**	**84.9**	**87.8**	**93.4**	**60.7**	**64.0**	**29.0**	**33.4**
Management and other income	17.0	21.6	5.6	4.3	6.1	8.7	5.0	5.2	1.2	2.2
Payroll and other general expenses	(18.0)	(28.5)	(6.9)	(9.2)	(10.5)	(11.2)	(5.9)	(6.6)	(4.8)	(5.5)
EBITDA	**205.8**	**208.9**	**74.8**	**80.0**	**83.4**	**90.9**	**59.7**	**62.6**	**25.3**	**30.1**
Depreciation, amortization and impairment	(6.2)	(6.3)	(1.4)	(1.6)	(0.8)	(0.8)	(5.6)	(0.7)	(0.2)	(0.1)
Change in value of investment properties	(291.9)	(151.3)	(122.5)	(18.3)	(68.5)	(36.7)	(29.3)	21.9	(32.1)	(11.1)
Net proceeds on disposal of investment properties and equity investments	2.7	(0.1)				(0.1)	0.4	4.9		4.0
Share in earnings of equity accounted companies	(10.1)	(6.2)	(1.2)	2.2	0.2	8.2	(1.9)	0.3		
SEGMENT INCOME	**(99.7)**	**44.9**	**(50.2)**	**62.3**	**14.4**	**61.4**	**23.3**	**88.9**	**(7.0)**	**22.8**
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	06/30/2020	06/30/2019	06/30/2020	06/30/2019	06/30/2020	06/30/2019	06/30/2020	06/30/2019
GROSS RENTS	**24.5**	**26.4**	**40.3**	**55.3**			**557.6**	**607.2**
Other rental income			0.7	1.1			23.4	19.7
Gross rental income	**24.5**	**26.4**	**41.0**	**56.4**			**581.0**	**626.9**
Rental and building expenses	(8.9)	(6.7)	(5.4)	(4.2)			(69.5)	(63.4)
Net rental income	**15.6**	**19.7**	**35.6**	**52.2**			**511.5**	**563.5**
Management and other income	5.4	2.1	1.9	2.1			42.2	46.1
Payroll and other general expenses	(4.0)	(4.1)	(4.2)	(5.7)	(9.6)	(12.4)	(63.9)	(83.2)
EBITDA	**16.9**	**17.7**	**33.3**	**48.7**	**(9.6)**	**(12.4)**	**489.8**	**526.4**
Depreciation, amortization and impairment	(0.1)	(0.2)	(1.3)	(0.9)			(15.7)	(10.7)
Change in value of investment properties	(33.1)	(18.5)	(61.2)	(8.4)			(638.6)	(222.5)
Net proceeds on disposal of investment properties and equity investments							3.0	8.7
Share in earnings of equity accounted companies			0.5	0.6			(12.4)	5.2
SEGMENT INCOME	**(16.3)**	**(1.0)**	**(28.7)**	**40.0**	**(9.6)**	**(12.4)**	**(173.9)**	**307.0**
Goodwill impairment							(1.9)	(5.6)
Cost of net debt							(52.9)	(68.0)
Change in the fair value of financial instruments							(15.8)	(15.8)
PROFIT BEFORE TAX							**(244.4)**	**217.6**
Income tax							34.4	(7.4)
NET INCOME							**(210.0)**	**210.2**

3.2 Investment properties by operating segment

The value of investment properties by operating segment, as shown in the consolidated statement of financial position, is presented below (excluding investment properties held by the equity-accounted affiliates):

In millions of euros	Value of investment properties at 06/30/2020[(a)]	Value of investment properties at 12/31/2019[(a)]
France-Belgium[(b)]	8,298.1	8,595.7
Scandinavia	3,382.5	3,609.5
Italy	3,299.1	3,357.9
Iberia	2,133.4	2,159.1
Netherlands	1,572.2	1,584.4
Germany	861.9	894.3
Central Europe & Other	1,150.8	1,239.6
TOTAL	**20,698.0**	**21,440.6**

(a) Including investment properties at fair value, investment properties at cost and excluding investment properties held for sale.
(b) Including other retail properties.

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 06/30/2020[(a)]
Shopping centers	**84.8**	**5.2**	**90.0**
France-Belgium[(b)]	32.8	0.2	33.0
Scandinavia	20.4		20.4
Italy	4.7	5.0	9.7
Iberia	3.5		3.5
Netherlands	20.0		20.0
Germany	0.7		0.7
Central Europe & Other	2.7		2.7
TOTAL	**84.8**	**5.2**	**90.0**

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

Investments over the period (including capitalized interest) in France mainly relate to Créteil Soleil refurbishment near Paris, Grand'Place extension in Grenoble, Blagnac refurbishment near Toulouse and Rives d'Arcins extension in Bègles near Bordeaux, for a total amount of €33.0 million.

The bulk of capital expenditure in the Scandinavia segment corresponds to the Gulskogen Senter re-development in Drammen (Norway) and the refurbishments of Emporia (Sweden) and Field's Copenhagen (Denmark).

Investments in Italy are attributable to the extension of the Gran Reno shopping center, located in Casalecchio di Reno near Bologna, and the Le Gru shopping center re-development near Turin.

In the Netherlands, investments mainly concern the final stages of the redevelopment of Utrecht's Hoog Catharijne shopping center.

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, as follows:

> **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 operating 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 operating, 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; and

> **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 in consolidation.

As of June 30, 2020, the Group's scope of consolidation included 256 companies, of which 220 are fully consolidated and 36 are accounted for using the equity method.

In accordance with IFRS 12, the Group discloses its control assessment to define the nature of the interest held in its subsidiaries and the associated risks (see note 10.4).

The main changes in scope of consolidation during the first half of 2020 were as follows:

> On January 1, 2020, Klépierre acquired 5% of the shares of Unter Goldschmied Köln GmbH; and

> KFI Hungary KFT and Corio Torrelodones Office Suite SL were liquidated.

NOTE 5 NOTES TO THE 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 are a present 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, the Group recognizes an adjustment to income for deferred tax assets unrecognized at the acquisition date or during the measurement period.

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. Accordingly, impairment tests performed on this type of goodwill at each reporting date consist in comparing the 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 or when triggering events arise and are based on internal or external valuations. 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 business portfolio (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 consist in comparing the carrying amount of the entities with their net asset value.

As of June 30, 2020, goodwill totaled €596.6 million, versus €602.9 million as of December 31, 2019, breaking down as follows:

Goodwill of management companies

As of June 30, 2020, goodwill of management companies totaled €247.1 million, versus €248.0 million as of December 31, 2019.

In millions of euros	12/31/2019	Change in scope	Disposals, retirement of assets	Impairment	Currency movements	06/30/2020
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
Scandinavia	9.5				(0.9)	8.6
GOODWILL RELATING TO MANAGEMENT ACTIVITIES	**248.0**				**(0.9)**	**247.1**

The main assumptions used to calculate the enterprise value based on the latest valuations were as follows:

- The discount rate applied to Germany was 8.4% and for Norway, 9.4%;
- The discount rate applied to other countries was 7.4%;
- Free cash flows over the duration of the business plan are based on business volume and operating margin assumptions that take into account economic and market assumptions at the date on which the plan was prepared. In particular, due to the effects of the lockdowns, development fees were suspended and disposal fees were considered to be nil for fiscal year 2020;
- A growth rate for the 2020-2024 period based on the assumptions of the internal business plan and approved by the company's senior management; and
- A terminal value determined using a growth rate of 1% applied from 2024.

Goodwill corresponding to the optimized value of deferred taxes

As of June 30, 2020, goodwill corresponding to the optimized value of deferred taxes totaled €349.6 million, versus €354.9 million as of December 31, 2019.

In millions of euros	12/31/2019	Change in scope	Disposals, retirement of assets	Impairment	Currency movements	06/30/2020
Former Corio assets	277.7			(0.8)		276.9
IGC	32.7					32.7
Oslo City	35.4				(3.4)	32.0
Nueva Condo Murcia	5.1			(1.1)		3.9
Other	4.0					4.0
GOODWILL ARISING ON DEFERRED TAX LIABILITIES	**354.9**	-	-	**(1.9)**	**(3.4)**	**349.6**

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 is amortized only where it has an identified useful life. Intangible assets with an indefinite useful life are not amortized, but are 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 are 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.

In millions of euros	12/31/2019	Acquisitions and capitalized expenses	Disposals, retirement of assets	Additions for the period	Currency movements	Changes in the scope of consolidation	Reclassification	06/30/2020
Leasehold rights	2.8							2.8
Goodwill	4.1							4.1
Software	92.0	2.7			(1.9)			92.8
Concessions, patents and similar rights	1.8							1.8
Other intangible assets	3.9							3.9
Total gross value	**104.6**	**2.7**			**(1.9)**			**105.4**
Leasehold rights	(1.1)							(1.1)
Goodwill	(2.5)							(2.5)
Software	(67.6)			(4.3)	1.4			(70.6)
Concessions, patents and similar rights	(1.5)							(1.5)
Other intangible assets	(3.4)							(3.4)
Total amortization	**(76.1)**			**(4.3)**	**1.4**			**(79.0)**
INTANGIBLE ASSETS – NET VALUE	**28.5**	**2.7**		**(4.3)**	**(0.5)**			**26.4**

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 include 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 a straight-line basis over the lease term.

In millions of euros	12/31/2019	Acquisitions and capitalized expenses	Disposals, retirement of assets	Additions for the period	Currency movements	Changes in the scope of consolidation	Reclassifications and other movements	06/30/2020
Non-depreciable assets								
Depreciable assets and work in progress	32.9	0.4			(0.7)			32.6
Right-of-use relating to property, plant and equipment[(a)]	34.4	0.1	(0.2)		(0.3)			34.0
Total gross value	**67.3**	**0.5**	**(0.2)**	**-**	**(1.0)**	**-**	**-**	**66.6**
Depreciable assets	(22.7)			(1.1)	0.4			(23.4)
Right-of-use relating to property, plant and equipment[(a)]	(8.5)			(4.0)	0.1			(12.4)
Total depreciation	**(31.2)**	**-**	**-**	**(5.1)**	**0.5**	**-**	**-**	**(35.8)**
Impairment								
PROPERTY, PLANT AND EQUIPMENT AND WORK IN PROGRESS – NET VALUE	**36.1**	**0.5**	**(0.2)**	**(5.1)**	**(0.5)**	**-**	**-**	**30.8**

(a) *The movements in property, plant and equipment relating to lease contracts are described in 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.

Land held under operating leases is classified and accounted for by the Group as a right-of-use asset under 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 Group 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:

- Stage of completion;
- Level of reliability of cash inflows after completion; and
- 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, assets or liabilities that are recognized as separate assets or liabilities are not double counted.

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 on the IFRS 13 fair value hierarchy. Accordingly, there are no transfers of properties between the fair value categories.

Given 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 Spain, Portugal, the Czech Republic, Slovakia and the Netherlands, and several assets in France and Italy;
- BNP Paribas Real Estate values all German assets; and
- Cushman & Wakefield values a portion of the French portfolio, all Danish, Swedish, and Norwegian assets, as well as Polish assets.

Other 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 French financial markets authority (*Autorité des marchés financiers* – 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 operating 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 ten-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.

Terminal value is calculated based on the net rental income for the tenth year, capitalized by an exit yield.

The impact of Covid-19 on fair value measurement is described in note 1.1.

5.4.1 Investment properties at fair value

In millions of euros	
INVESTMENT PROPERTIES AT FAIR VALUE – NET VALUE AS OF 12/31/2019	**21,306.8**
Additions to the scope of consolidation	
Investments	83.3
Capitalized interest	1.5
Disposals and removals from the scope of consolidation	(28.8)
Other movements, reclassifications	(6.3)
Currency movements	(148.3)
Fair value adjustments	(638.4)
INVESTMENT PROPERTIES AT FAIR VALUE – NET VALUE AS OF 06/30/2020	**20,569.9**

Investments for €83.3 million and capitalized interest for €1.5 million committed and recognized over the period mainly concern the Hoog Catharijne development project in Utrecht for €16.0 million, and refurbishment and capital expenditures in France for €32.5 million and in Scandinavia for €20.4 million.

The Group completed disposals totaling €28.8 million, mainly attributable to the sale of the car parks of the St Jacques shopping center in Metz.

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

Shopping centers *(weighted average)*	06/30/2020				
	Annual rent *in € per sq.m.*[(a)]	**Discount rate**[(b)]	**Exit rate**[(c)]	**CAGR of NRI**[(d)]	**EPRA NIY**
France-Belgium	348	5.9%	4.7%	3.0%	4.4%
Italy	390	6.9%	5.7%	2.1%	5.6%
Scandinavia	327	6.9%	4.9%	2.2%	4.8%
Netherlands	241	6.8%	5.9%	3.2%	5.5%
Iberia	354	7.5%	5.7%	2.0%	5.7%
Germany	220	5.3%	4.5%	1.4%	4.6%
Central Europe & Other[(e)]	243	9.0%	7.1%	3.2%	6.7%
TOTAL GROUP	**317**	**6.6%**	**5.2%**	**2.5%**	**5.1%**

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 €156, the average discount rate stands at 15.4%, the average exit rate is 8.7%, the compound annual growth rate of net rental income is 10.1% and EPRA NIY stands at 8.6%.

As of June 30, 2020, the average EPRA Net Initial Yield (NIY) of the portfolio stood at 5.1% (including transfer taxes). A 10-basis-point increase in yields would result in a €350 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 12/31/2019	**133.8**
Investments	4.9
Capitalized interest	0.3
Disposals and removals from the scope of consolidation	
Other movements, reclassifications	(10.7)
Currency movements	
Fair value adjustments	
Impairment losses and reversals	(0.2)
INVESTMENT PROPERTIES AT COST – NET VALUE AS OF 06/30/2020	**128.1**

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

"Other movements, reclassifications" concern the ShopVille Le Gru shopping center in Turin (Italy), for which the first floor of the HyperMarket has been reclassified to investment properties at fair value.

As of June 30, 2020, the main investment properties at cost comprise:

- In Italy: the extension of the Gran Reno shopping center in Bologna;
- In Denmark: a land plot in Odense; and
- In Belgium: a land plot in Louvain-La-Neuve.

5.4.3 Investment properties held for sale

ACCOUNTING POLICIES

Investment properties held for sale

Investment properties that the Group has contractually 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 12/31/2019	**105.0**
Disposals and removals from the scope of consolidation	(45.0)
Other movements, reclassifications	17.1
Currency movements	
Fair value adjustments	
INVESTMENT PROPERTIES HELD FOR SALE – NET VALUE AS OF 06/30/2020	**77.1**

During the first half of 2020, a group of 21 retail units in France and the Gran Turia shopping center in Spain were sold.

The main assets classified to "Investment properties held for sale" as of June 30, 2020, concern shopping malls located in Bordeaux and in the suburbs of Caen, both 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:

	06/30/2020				
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 (including transfer taxes)
Investment properties	20,192.6	1,335.3	1,054.3		22,582.3
Right-of-use asset relating to ground leases	377.2			(351.6)	25.6
O/w upfront payments on ground lease	*25.6*				*25.6*
Investment properties at fair value	**20,569.9**	**1,335.3**	**1,054.3**	**(351.6)**	**22,607.9**
Investment properties at cost	128.1				128.1
Investment properties held for sale	77.1				77.1
Operating lease incentives	26.9				26.9
TOTAL	**20,802.0**	**1,335.3**	**1,054.3**	**(351.6)**	**22,840.0**

(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) The lease liability as defined by IFRS 16 is deducted from the investment property value in the portfolio valuation.

5.5 Investments in equity-accounted companies

In millions of euros	12/31/2019 Attributable to owners of the parent	Share in first-half 2020 net income (loss)	Dividends received	Capital increases and decreases	Currency movements	Changes in scope of consolidation and other movements	06/30/2020 Attributable to owners of the parent
Investments in joint ventures	891.1	(13.0)	1.8	(0.9)	(16.0)		863.0
Investments in associates	205.6	0.6	(6.5)		(11.9)		187.8
EQUITY-ACCOUNTED COMPANIES	**1,096.7**	**(12.4)**	**(4.7)**	**(0.9)**	**(27.9)**	**-**	**1,050.8**

Thirty-six companies were accounted for using the equity method as of June 30, 2020, of which twenty-seven joint ventures and nine 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):

	06/30/2020		12/31/2019	
In millions of euros	100%	Attributable to owners of the parent	100%	Attributable to owners of the parent
Non-current assets	2,406.7	1,191.0	2,508.5	1,241.0
Current assets	115.5	56.6	93.0	45.6
Cash and cash equivalents	98.6	47.5	92.7	44.1
Non-current external financial liabilities	(75.1)	(35.1)	(82.0)	(38.6)
Non-current financial liabilities (Group and associates)	(504.5)	(251.7)	(495.9)	(247.4)
Non-current liabilities	(254.8)	(127.1)	(259.8)	(129.5)
Current external financial liabilities	(14.2)	(7.0)	(14.0)	(6.9)
Current liabilities	(25.0)	(11.3)	(36.7)	(17.1)
NET ASSETS	**1,747.2**	**863.0**	**1,805.9**	**891.1**

	06/30/2020		06/30/2019	
In millions of euros	100%	Attributable to owners of the parent	100%	Attributable to owners of the parent
Revenues from ordinary activities	69.8	34.5	73.8	36.5
Operating expenses	(13.8)	(6.7)	(14.7)	(7.3)
Change in value of investment properties	(77.0)	(37.4)	(35.6)	(17.2)
Financial income (expense)	(9.8)	(4.9)	(9.9)	(4.9)
Profit (loss) before tax	(30.7)	(14.4)	13.6	7.1
Tax	2.8	1.4	(5.8)	(2.9)
NET INCOME (LOSS)	**(27.9)**	**(13.0)**	**7.8**	**4.2**

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 reversed its position from a net debt position of €1.4 million as of December 31, 2019 to a net cash position of €5.4 million as of June 30, 2020.

(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.*

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

	06/30/2020		12/31/2019	
In millions of euros	100%	Attributable to owners of the parent	100%	Attributable to owners of the parent
Non-current assets	1,107.2	195.9	1,145.6	211.6
Current assets	14.1	1.8	8.4	1.6
Cash and cash equivalents	12.1	3.4	7.3	3.1
Non-current external financial liabilities	(6.6)	(0.8)	(0.5)	(0.2)
Non-current financial liabilities (Group and associates)	(56.7)	(6.7)	(60.4)	(5.9)
Non-current liabilities	(10.7)	(1.6)	(10.9)	(1.6)
Current external financial liabilities	(0.1)	-	(0.1)	-
Current liabilities	(23.0)	(4.1)	(18.5)	(3.0)
NET ASSETS	**1,036.4**	**187.8**	**1,071.0**	**205.6**

	06/30/2020		06/30/2019	
In millions of euros	100%	Attributable to owners of the parent	100%	Attributable to owners of the parent
Revenues from ordinary activities	26.2	4.8	12.5	5.4
Operating expenses	(5.2)	(1.2)	(3.5)	(1.6)
Change in value of investment properties	(15.3)	(3.4)	(7.5)	(3.4)
Financial income (expense)	0.7	0.4	1.4	0.6
Profit before tax	6.4	0.6	2.9	1.0
Tax			-	-
NET INCOME	**6.4**	**0.6**	**2.9**	**1.0**

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

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.

The Group classifies financial assets in one of the categories identified by IFRS 9 on the acquisition date, based on the instrument's characteristics and the business model.

Assets at amortized cost

Financial assets are valued at amortized cost where they are recovered by collecting contractual cash flows (payments of principal and interest on the principal amount outstanding).

These assets comprise advances to equity-accounted companies, other loans and deposits. After initial recognition at fair value, they are recognized and measured at amortized cost using the effective interest method. The effective interest rate is the rate that precisely discounts estimated future cash flows to obtain the carrying amount of the instrument.

In accordance with IFRS 9, these assets are impaired based on a forward-looking expected credit loss (ECL) approach.

Assets at fair value through profit or loss

This category includes:

> Financial assets that are not held either to collect contractual cash flows or to sell the assets and whose contractual conditions do not solely give rise to payments of principal and interest on the principal amount outstanding; and

> Assets designated at fair value whose performance and management are based on fair value and non-consolidated investments.

Fair value gains and losses are recognized in other financial income and expenses.

Assets at fair value through other comprehensive income with cumulative gains and losses reclassified to profit or loss upon derecognition

This category includes financial assets recovered by collecting contractual cash flows (payments of principal and interest on the principal amount outstanding) or selling the assets.

Changes in the fair value of these assets are recognized directly in other comprehensive income, with the exception of interest income and dividends recognized in other financial income and expenses. Fair value gains and losses are released to net income on the sale of the assets.

Assets at fair value through other comprehensive income without reclassification to profit or loss upon derecognition

This category includes equity instruments not held for trading and primarily concerns non-consolidated investments.

Changes in the fair value of these assets are recognized directly in other comprehensive income, with the exception of interest income and dividends recognized in other financial income and expenses. Fair value gains and losses are not released to net income on the sale of the assets.

Movements in other non-current assets during first-half 2020 were as follows:

In millions of euros	12/31/2019	Change in scope	Increases	Decreases	Other (including currency movements)	06/30/2020
Other long-term investments	0.3				0.1	0.4
Advances to equity-accounted companies and other	276.6		10.7		(2.8)	284.4
Loans	0.6		0.7	(0.8)		0.5
Deposits	16.3		1.7	(1.3)		16.6
Other long-term financial investments	1.1					1.1
TOTAL	**294.9**		**13.1**	**(2.1)**	**(2.8)**	**303.0**

The following table presents the net carrying amount of non-current assets as of June 30, 2020, in accordance with IFRS 9 categories.

		Amounts recognized in the statement of financial position according to IFRS 9	
In millions of euros	Carrying amount 06/30/2020	Amortized cost	Fair value recognized in profit or loss
Other long-term investments	0.4		0.4
Advances to equity-accounted companies and other	284.4	284.4	
Loans	0.5	0.5	
Deposits	16.6	16.6	
Other long-term financial investments	1.1		1.1
TOTAL	**303.0**	**301.5**	**1.5**

The application of IFRS 9 involves a change to the financial asset categories. The following table shows the reconciliation with the positions as of December 31, 2019:

		Amounts recognized in the statement of financial position according to IFRS 9	
In millions of euros	Carrying amount 12/31/2019	Amortized cost	Fair value recognized in profit or loss
Other long-term investments	0.3		0.3
Advances to equity-accounted companies and other	276.6	276.6	
Loans	0.6	0.6	
Deposits	16.3	16.3	
Other long-term financial investments	1.1		1.1
TOTAL	**294.9**	**293.5**	**1.4**

5.7 Trade and other receivables

ACCOUNTING POLICIES

Trade and other receivables

Trade receivables are recognized and measured at face value minus allowances 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. Expected credit losses are calculated based on lifetime losses, using the Group's historical credit loss experience.

In millions of euros	06/30/2020	12/31/2019
Trade receivables	369.0	142.9
Allowances for bad debts	(88.6)	(76.3)
Net value of trade receivables	**280.4**	**66.6**
Step-up rents and rent-free periods	47.2	39.7
TRADE AND OTHER RECEIVABLES	**327.6**	**106.3**

The impacts of Covid-19 on trade receivables are presented in note 1.1.

5.8 Other receivables

	06/30/2020			12/31/2019
In millions of euros	Total	Less than one year	More than one year	Total
Tax receivables	**78.2**	**78.2**		**96.0**
Income tax	18.2	18.2		22.7
VAT	39.7	39.7		53.0
Other tax receivables	20.3	20.3		20.3
Other	**249.8**	**249.8**		**259.6**
Service charges due	16.7	16.7		16.2
Downpayments to suppliers	54.4	54.4		62.8
Prepaid expenses	9.6	9.6		10.0
Funds from principals	85.4	85.4		117.7
Other	83.7	83.7		52.9
TOTAL	**328.0**	**328.0**		**355.6**

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

Funds managed by Klépierre Management on behalf of its principals stood at €85.4 million as of June 30, 2020 versus €117.7 million as of December 31, 2019. The management accounts of the principals are recognized under "Other liabilities" (see note 5.16) for the same amount.

The line "Other" mainly comprises receivables related to construction works borne by co-ownership associations.

5.9 Cash and cash equivalents

ACCOUNTING POLICIES

Cash and cash equivalents

Cash and cash equivalents include cash held in bank accounts, short-term deposits, money-market funds and other marketable securities.

Cash and cash equivalents are recognized and measured at fair value through profit or loss in accordance with IFRS 9, as described in note 5.6.

In millions of euros	06/30/2020	12/31/2019
Cash equivalents	6.1	55.1
> Treasury bills and certificates of deposit	0.1	0.1
> Money-market investments	6.0	55.0
Cash	688.5	429.4
Gross cash and cash equivalents	**694.6**	**484.5**
Bank overdrafts	**(15.5)**	**(26.5)**
NET CASH AND CASH EQUIVALENTS	**679.1**	**458.0**

Bank overdrafts (€15.5 million) mostly correspond to the gross debit position in notional cash-pooling in Norway. They are offset by a gross credit position included in cash and cash equivalents.

Cash equivalents comprise French term deposits for €6.0 million and Italian treasury bills for €0.1 million.

5.10 Fair value of financial assets

ACCOUNTING POLICIES

Fair value hierarchy of financial assets and liabilities

The recognition and measurement of financial assets and liabilities is governed by IFRS 9, as described in note 5.6.

IFRS 13 sets out a fair value hierarchy that categorizes inputs to valuation techniques used to measure the fair value of all financial assets and financial liabilities into three levels.

Valuation techniques are based on:

- Quoted prices in an active market (level 1) or;
- Internal valuation techniques involving standard mathematical calculation methods integrating observable market data (forward rates, interest rate curves, etc.). Valuations produced by these models are adjusted to take account of a reasonable change in the credit risk of the Group or the counterparty (level 2); or
- Internal valuation techniques integrating factors estimated by the Group in the absence of observable market data (level 3).

The following table presents the net carrying amount and the fair value hierarchy of Group financial assets as of June 30, 2020:

In millions of euros	Total 06/30/2020	Level 1	Level 2	Level 3
Other long-term investments	0.4		0.4	
Other long-term financial investments	1.1		1.1	
Total other non-current assets	**1.5**		**1.5**	
Cash equivalents	6.1	6.1		
> Treasury bills and certificates of deposit	0.1	0.1		
> Money-market investments	6.0	6.0		
Cash	688.5	688.5		
Gross cash and cash equivalents	**694.6**	**694.6**		
Bank overdrafts	**(15.5)**	**(15.5)**		
NET CASH AND CASH EQUIVALENTS	**679.1**	**679.1**		

The following table presents the reconciliation with the positions as of December 31, 2019:

In millions of euros	Total 12/31/2019	Level 1	Level 2	Level 3
Other long-term investments	0.3		0.3	
Other long-term financial investments	1.1		1.1	
Total other non-current assets	**1.4**		**1.4**	
Cash equivalents	55.1	55.1		
> Treasury bills and certificates of deposit	0.1	0.1		
> Money-market investments	55.0	55.0		
Cash	429.4	429.4		
Gross cash and cash equivalents	**484.5**	**484.5**		
Bank overdrafts	**(26.5)**	**(26.5)**		
NET CASH AND CASH EQUIVALENTS	**458.0**	**458.0**		

5.11 Equity

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

As of June 30, 2020, the share capital was made up of 299,939,198 fully paid-up shares each with a par value of €1.40. Shares are held in either registered or bearer form.

In euros (except for share data)	Number of shares	Share capital	Issue premiums	Merger premiums	Other premiums
As of January 1, 2020	302,664,095	423,729,733	4,506,297,951	184,631,328	433,329,983
Cancellation of shares in 2020	(2,724,897)	(3,814,856)	(79,529,401)		
Shares issued in 2020					
Dividend distribution in 2020				(177,758,613)	(129,487,026)
AS OF JUNE 30, 2020	**299,939,198**	**419,914,877**	**4,426,768,550**	**6,872,715**	**303,842,957**

On June 20, 2020, the Group canceled 2,724,897 shares acquired in 2018 under the March 13, 2017 share buyback program, as described in note 5.11.2. Pursuant to this transaction, the share capital was reduced to €419.9 million and issue premiums to €4,426.8 million.

On April 30, 2020, the General Meeting of Shareholders approved the payment of a €2.20 per share cash dividend in respect of the 2019 fiscal year. The total dividend approved by Klépierre shareholders amounted to €665.9 million (including dividends payable on treasury shares) and €628.1 million (excluding dividends payable on treasury shares).

A portion of the dividend distribution (€177.8 million) was deducted from merger premiums, another from other premiums (€129.5 million) and the remaining portion (€320.8 million) from other consolidated reserves, as described in note 5.11.3.

As of June 30, 2020, the legal reserve stood at €44 million.

5.11.2 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.

	06/30/2020						12/31/2019					
	Future performance share plans	Performance shares	Liquidity agreement	External growth	Share buyback programs	Total	Future performance share plans	Performance shares	Liquidity agreement	External growth	Share buyback program	Total
Number of shares	393,469	482,679	53,500	706,442	13,078,026	14,714,116	34,752	877,768		706,442	12,309,063	13,928,025
> *o/w allocated*		*482,679*				*482,679*		*877,768*				*877,768*
Acquisition value *(in millions of euros)*	13.1	12.5	1.8	14.3	399.6	441.4	1.2	29.3		14.3	383.2	427.9
Proceeds from sales *(in millions of euros)*		(1.2)	(0.2)			(1.4)	(0.2)	(1.2)	1.4			(0.0)

As of June 30, 2020, Klépierre held 14,714,116 treasury shares, versus 13,928,025 shares as of December 31, 2019, of which 13,078,026 arising from the February 2019 share buyback programs, breaking down as follows:

- In 2017 and 2018, Klépierre repurchased 14,416,865 shares, as part of its share buyback program announced on March 13, 2017. In 2019, Klépierre canceled 11,691,968 shares acquired under this program and on June 20, 2020 canceled the residual number of shares amounting to 2,724,897; and
- On February 6, 2019, Klépierre announced a new share buyback program of up to €400 million. As of June 30, 2020, the Group had repurchased 13,078,026 shares for an aggregate amount of €399.6 million, of which 3,493,860 shares for an amount of €99.7 million during the first half of 2020.

5.11.3 Other consolidated reserves

The decrease in other consolidated reserves is mainly attributable to the appropriation of 2019 consolidated net income for €325.0 million (before distribution) and to the 2019 dividend distribution for €320.8 million (see note 5.11.1).

5.11.4 Non-controlling interests

Non-controlling interests decreased by €134.0 million during the first half of 2020, mainly reflecting:

- Net income for the period attributable to non-controlling interests (negative €46.5 million impact);
- Payment of dividends (negative €54.1 million impact); and
- Foreign exchange impacts (negative €30.2 million impact), mainly in Scandinavia.

5.12 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 offset by the 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 financing 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 hedges); 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 floating-rate liabilities or assets.

Klépierre's derivatives portfolio qualifying 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 with a 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 for 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 using 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 applicable in the country concerned.

5.12.1 Change in debt

Changes in debt presented below do not include leases liabilities under IFRS 16, which are presented in note 8.

Current and non-current financial liabilities amounted to €9,933.9 million as of June 30, 2020 versus €9,434.4 million at year-end 2019.

In millions of euros	06/30/2020	12/31/2019
NON-CURRENT		
Bonds net of costs/premiums	**5,863.3**	**5,863.6**
> Of which fair value hedge adjustments	25.5	7.1
Bank loans and borrowings – long term	**944.9**	**1,048.2**
Fair value adjustments to debt(a)	**5.4**	**21.4**
Other loans and borrowings	**194.4**	**158.8**
> Advance payments to associates	187.2	151.6
> Other	7.2	7.2
Total non-current financial liabilities	**7,008.0**	**7,092.0**
CURRENT		
Bonds net of costs/premiums	**1,134.0**	**550.0**
> Of which fair value hedge adjustments	3.7	
Bank loans and borrowings – short term	**392.3**	**49.0**
> Of which other borrowings issue costs	3.2	3.2
Fair value adjustments to debt(a)	**7.6**	
Accrued interest	**66.0**	**81.5**
> On bonds	61.7	74.0
> On bank loans	3.2	5.5
> On advance payments to associates	1.1	2.0
Commercial paper	**1,323.9**	**1,659.9**
Other loans and borrowings	**2.1**	**2.0**
> Advance payments to associates	2.1	2.0
Total current financial liabilities	**2,925.9**	**2,342.4**
TOTAL NON-CURRENT AND CURRENT FINANCIAL LIABILITIES	**9,933.9**	**9,434.4**

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

Net debt totaled €9,128.9 million as of June 30, 2020, versus €8,830.2 million as of December 31, 2019. 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	06/30/2020	12/31/2019
Non-current and current financial liabilities	9,933.9	9,434.4
Bank overdrafts	15.5	26.5
Revaluation due to fair value hedge	(27.6)	(7.1)
Fair value adjustment of debt(a)	(13.0)	(21.4)
Cash and cash equivalents(b)	(779.9)	(602.2)
NET DEBT	**9,128.9**	**8,830.2**

(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 €85.4 million as of June 30, 2020 and for €117.7 million as of December 31, 2019.

The €299 million increase is attributable to:

- Cash inflows from operations and other items (foreign exchange, changes in working capital), amounting to €146 million;
- Cash outflows in respect of dividends for €431 million (including the first installment of the 2019 dividend for €314 million, distribution to non-controlling interests for €16 million and €100 million in respect of share buybacks carried out in January and February);
- Cash outflows in respect of capital expenditure for €92 million (see section 8.6 "EPRA Capital Expenditure" of the management report) including €46 million in development pipeline projects and €46 million in standing assets; and
- Cash inflows from disposals for €77 million, corresponding to assets sold in France.

5.12.2 Main sources of financing

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

	Group financing						
In millions of euros	**Borrower**	**Issue currency**	**Reference rate**	**Maturity date**	**Repayment profile**	**Maximum amount**	**Amount used as at 06/30/2020**
Bonds						**5,949**	**5,949**
	Klépierre SA	EUR	4.750%	03/14/2021	At maturity	564	564
	Klépierre SA	EUR	1.100%	05/25/2022	At maturity	100	100
	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	2.000%	05/12/2029	At maturity	600	600
	Klépierre SA	EUR	0.625%	07/01/2030	At maturity	600	600
	Klépierre SA	EUR	1.250%	09/29/2031	At maturity	600	600
	Klépierre SA	EUR	1.625%	12/13/2032	At maturity	700	700
						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
						441	**441**
	Steen & Strøm	NOK	NIBOR	08/09/2021	At maturity	64	64
	Steen & Strøm	NOK	2.620%	06/08/2022	At maturity	41	41
	Steen & Strøm	NOK	NIBOR	09/14/2022	At maturity	78	78
	Steen & Strøm	NOK	NIBOR	03/23/2023	At maturity	73	73
	Steen & Strøm	NOK	NIBOR	04/05/2023	At maturity	27	27
	Steen & Strøm	NOK	2.400%	11/07/2023	At maturity	46	46
	Steen & Strøm	NOK	2.550%	10/24/2024	At maturity	14	14
	Steen & Strøm	NOK	NIBOR	10/24/2024	At maturity	23	23
	Steen & Strøm	NOK	2.980%	05/23/2029	At maturity	9	9
	Steen & Strøm	SEK	STIBOR	02/22/2021	At maturity	17	17
	Steen & Strøm	SEK	1.093%	12/08/2022	At maturity	48	48
Bank loans						**3,959**	**625**
	Klépierre SA	EUR	Euribor	06/04/2021	At maturity	460	
	Klépierre SA	EUR	Euribor	07/07/2022	At maturity	850	
	Klépierre SA	EUR	Euribor	(b)	At maturity	2,100	261
	Klépierre Nederland	EUR	Euribor	01/14/2021	At maturity	350	350
	Steen & Strøm	NOK	NIBOR	2020	At maturity	92	
	Steen & Strøm	NOK	NIBOR	2021	At maturity	108	14
Mortgage loans						**703**	**703**
	Massalia Shopping Mall	EUR	Euribor	06/23/2026	At maturity	99	99
	Steen & Strøm	SEK	STIBOR	(b)		234	234
	Steen & Strøm	DKK	CIBOR	(b)		298	298
	Steen & Strøm	DKK	Fixed	(b)		72	72
Property finance leases						**18**	**18**
Short-term facilities and bank overdrafts						**400**	
Commercial paper						**1,624**	**1,324**
	Klépierre SA	EUR	-	-	At maturity	1,500	1,201
	Steen & Strøm	NOK			At maturity	57	57
	Steen & Strøm	SEK			At maturity	67	67
GROUP TOTAL(a)						**12,104**	**9,694**

(a) *Totals are calculated excluding backup lines of funding since the maximum amount of the "Commercial paper" line includes 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 and in Scandinavian countries, the Group may use mortgage loans to fund its activities. The total amount of mortgages granted to secure this financing (€703 million) amounted to €930 million as of June 30, 2020.

5.12.3 Covenants

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

As of June 30, 2020, the Group complied with all its obligations arising from its borrowings.

Financing	Ratios/covenants	Limit[(a)]	06/30/2020	12/31/2019
Syndicated loans and bilateral loans	Net debt/Portfolio value ("Loan to Value")	≤ 60%	40.0%	37.3%
	EBITDA/Net interest expenses[(b)]	≥ 2.0x	8.8	8.0
	Secured debt/Portfolio value[(c)]	≤ 20%	0.6%	0.7%
	Portfolio value[(d)]	≥ €10 bn	€19.4 bn	€20.1 bn
Bond issues	Secured debt/Revalued Net Asset Value[(c)]	≤ 50%	0.8%	0.9%

(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.

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, 2020, this ratio was 52.7%.

5.12.4 Breakdown of borrowings by maturity date

The breakdown of borrowings by maturity date presented below does not include leases liabilities under IFRS 16, which are presented in note 8.

In millions of euros	Total	Less than one year	One to five years	More than five years
NON-CURRENT				
Bonds net of costs/premiums	**5,863.3**		**1,949.2**	**3,914.1**
> Of which fair value hedge adjustments	25.5		25.5	
Bank loans and borrowings – long term	**944.9**		**944.9**	
Fair value adjustments to debt[(a)]	**5.4**		**5.4**	
Other loans and borrowings	**194.4**		**187.2**	**7.2**
> Advance payments to associates	187.2		187.2	
> Other	7.2			7.2
Total non-current financial liabilities	**7,008.0**		**3,086.7**	**3,921.3**
CURRENT				
Bonds net of costs/premiums	**1,134.0**	**1,134.0**		
> Of which fair value hedge adjustments	3.7	3.7		
Bank loans and borrowings – short term	**392.3**	**392.3**		
Fair value adjustments to debt[(a)]	**7.6**	**7.6**		
Accrued interest	**66.0**	**66.0**		
> On bonds	61.7	61.7		
> On bank loans	3.2	3.2		
> On advance payments to associates	1.1	1.1		
Commercial paper	**1,323.9**	**1,323.9**		
Other loans and borrowings	**2.1**	**2.1**		
> Advance payments to associates	2.1	2.1		
Total current financial liabilities	**2,925.9**	**2,925.9**		
TOTAL NON-CURRENT AND CURRENT FINANCIAL LIABILITIES	**9,933.9**	**2,925.9**	**3,086.7**	**3,921.3**

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

Commercial paper corresponds to short-term resources used on a rollover basis and fully covered by backup credit facilities.

As of June 30, 2020, the maturity schedule of contractual flows including principal and interest (non-discounted) amounts are as follows:

Repayment year *In millions of euros*	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028 and beyond**	**Total**
Principal	1,304	1,630	397	1,019	905	334	632	683	2,791	9,694
Interest	71	105	96	81	74	62	49	39	118	696
GROUP TOTAL (PRINCIPAL + INTEREST)	**1,375**	**1,735**	**493**	**1,100**	**979**	**396**	**681**	**721**	**2,909**	**10,390**

One bond facility denominated in euros (€250 million) and most outstanding commercial paper (€958 million) mature in 2020.

As of December 31, 2019, the maturity schedule of contractual flows was as follows:

Repayment year *In millions of euros*	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028 and beyond**	**Total**
Principal	2,254	1,359	299	950	749	288	632	683	1,992	9,205
Interest	137	98	84	66	59	47	34	24	88	635
GROUP TOTAL (PRINCIPAL + INTEREST)	**2,391**	**1,457**	**383**	**1,016**	**807**	**334**	**666**	**706**	**2,080**	**9,840**

5.12.5 Classification of financial liabilities

The table below presents the breakdown of financial liabilities by measurement approach in accordance with IFRS 9, as described in note 5.6.

		Amounts recognized in the statement of financial position according to IFRS 9	
In millions of euros	**Carrying amount 06/30/2020**	**Amortized cost**	**Fair value recognized in profit or loss**
NON-CURRENT			
Bonds net of costs/premiums	5,863.3	5,222.8	640.5
Bank loans and borrowings – long term	944.9	944.9	
Fair value adjustments to debt	5.4	5.4	
Other loans and borrowings	194.4	194.4	
Total non-current financial liabilities	**7,008.0**	**6,367.5**	**640.5**
CURRENT			
Bonds net of costs/premiums	1,134.0	1,039.6	94.5
Bank loans and borrowings – short term	392.3	392.3	
Fair value adjustments to debt	7.6	7.6	
Accrued interest	66.0	66.0	
Commercial paper	1,323.9	1,323.9	
Other loans and borrowings	2.1	2.1	
Total current financial liabilities	**2,925.9**	**2,831.4**	**94.5**
TOTAL NON-CURRENT AND CURRENT FINANCIAL LIABILITIES	**9,933.9**	**9,198.9**	**735.0**

The application of IFRS 9 involves a change to the financial liability categories. The following table shows the reconciliation with the positions as of December 31, 2019:

In millions of euros	Carrying amount 12/31/2019	Amounts recognized in the statement of financial position according to IFRS 9 – Amortized cost	Amounts recognized in the statement of financial position according to IFRS 9 – Fair value recognized in profit or loss
NON-CURRENT			
Bonds net of costs/premiums	5,863.6	5,247.9	615.7
Bank loans and borrowings – long term	1,048.2	1,048.2	
Fair value adjustments to debt	21.4	21.4	
Other loans and borrowings	158.8	158.8	
Total non-current financial liabilities	**7,092.0**	**6,476.3**	**615.7**
CURRENT			
Bonds net of costs/premiums	550.0	199.3	350.7
Bank loans and borrowings – short term	49.0	49.0	
Fair value adjustments to debt			
Accrued interest	81.5	81.5	
Commercial paper	1,659.9	1,659.9	
Other loans and borrowings	2.0	2.0	
Total current financial liabilities	**2,342.4**	**1,991.7**	**350.7**
TOTAL NON-CURRENT AND CURRENT FINANCIAL LIABILITIES	**9,434.4**	**8,468.0**	**966.4**

5.13 Hedging instruments

5.13.1 Interest rate hedging portfolio

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 107% as of June 30, 2020 (notional amounts). Excluding caps, whose strike prices are 50 basis points above current market rates (€900 million in "out of the money caps"), the proportion of total debt arranged or hedged at a fixed rate was 97%.

With regards to the reform of European benchmarks, Klépierre has not identified any material impact on the way it applies hedge accounting considering that the aggregate notional amount of derivatives concerned is limited (to €699.4 million as of June 30, 2020), of which:

> Four receiver swaps maturing in 2030 (notional amount of €600 million) are qualified as fair value hedges; and

> Two payer swaps maturing in 2026 (notional amount of €99.4 million) are qualified as cash flow hedges.

Since all these contracts are indexed to Euribor, management anticipates that the replacement index (calculated using a hybrid methodology) will match that applied to the underlying borrowings, such that it will be able to maintain the hedging relationships.

As of June 30, 2020, the breakdown of derivatives by maturity was as follows:

Hedging relationship *In millions of euros*	**Currency**	**Klépierre Group derivatives** 2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Total
Cash flow hedge													**792**
	EUR		350					99					449
	NOK			46	27	37		27					137
	SEK	57	57	29									143
	DKK		63										63
Fair value hedge													**708**
	EUR		94									600	694
	NOK					14							14
	SEK												
	DKK												
Trading													**4,980**
	EUR	50	3,516	425	500	225							4,716
	NOK												
	SEK		38		38								76
	DKK	40		107	40								188
GROUP TOTAL		**147**	**4,118**	**607**	**606**	**275**		**127**				**600**	**6,480**

The "trading" category includes a portfolio of caps (for a notional amount of €3.5 billion), a portfolio of payer swaps (€700 million) and receiver swaps (€770 million).

As of June 30, 2020, the corresponding contractual flows (interest) broke down as follows (positive flows = payer flows):

In millions of euros	**Hedging relationship**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**Total**
Swaps	Cash flow hedge	1	1	1	1	1	1	0					6
Swaps	Fair value hedge	(5)	(8)	(7)	(6)	(6)	(5)	(5)	(4)	(4)	(3)	(1)	(55)
Swaps/caps	Trading	(13)	(3)	1	0	0							(15)
EUR-denominated derivatives		**(17)**	**(10)**	**(5)**	**(5)**	**(5)**	**(5)**	**(5)**	**(4)**	**(4)**	**(3)**	**(1)**	**(63)**
NOK-denominated derivatives		**1**	**1**	**1**	**0**	**(0)**	**0**	**0**					**3**
SEK-denominated derivatives		**2**	**2**	**1**	**0**	**0**							**5**
DKK-denominated derivatives		**1**	**2**	**0**	**0**								**3**
GROUP TOTAL		**(13)**	**(5)**	**(3)**	**(4)**	**(5)**	**(4)**	**(5)**	**(4)**	**(4)**	**(3)**	**(1)**	**(52)**

As of December 31, 2019, the breakdown of derivatives by maturity date was as follows:

Hedging relationship *In millions of euros*	**Klépierre Group derivatives** Currency	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Total
Cash flow hedge													**822**
	EUR		350					114					464
	NOK			51	30	41		30					152
	SEK	57	57	29									144
	DKK		62										62
Fair value hedge													**959**
	EUR	250	94									600	944
	NOK					15							15
	SEK												
	DKK												
Trading													**5,252**
	EUR	1,600	2,366	200	75		700						4,941
	NOK												
	SEK	48	38		38								124
	DKK	40		107	40								187
GROUP TOTAL		**1,995**	**2,968**	**386**	**184**	**56**	**700**	**144**				**600**	**7,033**

As of December 31, 2019, the corresponding contractual flows (interest) broke down as follows (positive flows = payer flows):

In millions of euros	Hedging relationship	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Total
Swaps	Cash flow hedge	3	1	1	1	0	0	0					6
Swaps	Fair value hedge	(15)	(7)	(5)	(4)	(3)	(3)	(2)	(2)	1	(0)	1	(38)
Swaps/caps	Trading	(26)	(5)	0	0								(31)
EUR-denominated derivatives		**(38)**	**(10)**	**(4)**	**(4)**	**(3)**	**(2)**	**(2)**	**(2)**	**1**	**(0)**	**1**	**(63)**
NOK-denominated derivatives		**(0)**	**(2)**	**(1)**	**(1)**	**(0)**	**(0)**	**(0)**					**(4)**
SEK-denominated derivatives		**4**	**2**	**0**	**0**	**0**							**6**
DKK-denominated derivatives		**2**	**2**	**0**	**0**								**4**
GROUP TOTAL		**(33)**	**(8)**	**(4)**	**(4)**	**(3)**	**(2)**	**(2)**	**(2)**	**1**	**(0)**	**1**	**(57)**

Fair value of the interest rate derivatives portfolio:

In millions of euros	Fair value net of accrued interest as of 06/30/2020	Change in fair value during first-half 2020	Matching entry
Cash flow hedge	(18.2)	(4.8)	Shareholders' equity
Fair value hedge	29.2	22.1	Borrowings/Net income
Trading	17.5	(15.8)	Net income
TOTAL	**28.4**	**1.4**	

5.13.2 Currency hedging portfolio

At the end of 2019, Klépierre entered into a NOK/SEK cross currency swap (NOK 200 million or SEK 211 million). The economic effect of this swap is to convert a NOK bond into a SEK liability, and its carrying amount will evolve in line with the NOK/SEK exchange rate. This transaction is qualified as net investment hedge. As of June 30, 2020, the fair value of this instrument is equal to €1.9 million.

Fair value of the exchange rate derivatives portfolio

In millions of euros	Fair value net of accrued interest as of 06/30/2020	Change in fair value during first-half 2020	Matching entry
Net investment hedge	(1.9)	(1.9)	Shareholders' equity
TOTAL	**(1.9)**	**(1.9)**	

5.14 Value of financial liabilities

ACCOUNTING POLICIES

Fair value hierarchy of financial liabilities

As described in note 5.10. IFRS 13 sets out a fair value hierarchy that categorizes the valuation techniques used to measure the fair value of all financial liabilities.

The following table presents the net carrying amount and the fair value hierarchy of Group financial liabilities as of June 30, 2020.

In millions of euros	Total 06/30/2020	Level 1	Level 2	Level 3
Non-current				
Bonds net of costs/premiums	640.5		640.5	
Current				
Bonds net of costs/premiums	94.5		94.5	
TOTAL NON-CURRENT AND CURRENT FINANCIAL LIABILITIES	**735.0**		**735.0**	

The following table sets out the reconciliation with the positions as of December 31, 2019:

In millions of euros	Total 12/31/2019	Level 1	Level 2	Level 3
Non-current				
Bonds net of costs/premiums	615.7		615.7	
Current				
Bonds net of costs/premiums	350.7		350.7	
TOTAL NON-CURRENT AND CURRENT FINANCIAL LIABILITIES	**966.4**		**966.4**	

5.15 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.

Non-interest-bearing long-term liabilities are discounted in accordance with IAS 37.

Non-current provisions amounted to €17.7 million as of June 30, 2020 versus €12.2 million as of December 31, 2019, and mainly concern business-related litigation and taxes outside the scope of IFRIC 23 in the different countries in which Klépierre operates.

5.16 Payroll, tax liabilities and other liabilities

In millions of euros	06/30/2020	12/31/2019
Payroll and tax liabilities	**196.7**	**173.0**
Employees and related accounts	30.3	41.6
Social security and other bodies	12.9	13.3
Tax payables		
> Income tax	55.3	54.6
> VAT	53.9	24.8
Other taxes and duties	44.3	38.7
Other liabilities	**604.7**	**358.6**
Creditor customers	16.2	13.7
Prepaid income	26.8	33.2
Other liabilities	561.7	311.7

Creditor customers amount to €16.2 million and correspond to advance payments received from tenants in respect of service charges.

As of June 30, 2020, other liabilities include €313.7 million of dividends payable to owners of the parent, for which effective payment was on July 9, 2020.

Other liabilities also include funds representing the management accounts of Klépierre Management's principals, offset in full by other receivables under assets. These funds totaled €85.4 million as of June 30, 2020 (€117.7 million as of December 31, 2019).

NOTE 6 NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

6.1 Gross rental income

ACCOUNTING POLICIES

IFRS 16 "Leases"

Klépierre has applied IFRS 16 "Leases" since January 1, 2019. In accordance with IFRS 16, the Group, as landlord, 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 taken to income 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.

Service charges revenues and services charges expenses are presented separately in the consolidated statements of comprehensive income.

Detail of gross rental income is presented below:

In millions of euros	06/30/2020	06/30/2019
Lease rents	570.6	619.7
Deferral of tenant incentives	(13.0)	(12.5)
Gross rents	**557.7**	**607.2**
Other rental income	23.4	19.7
GROSS RENTAL INCOME	**581.0**	**626.9**

6.2 Land expenses (real estate)

ACCOUNTING POLICIES

Ground leases: IFRS 16

Since the application of IFRS 16 “Leases” as from January 1, 2019, ground leases are 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 (see note 8). The lease expenses are reclassified to “Interest expenses” and “Change in value of investment properties”.

Consequently, “Land expenses” only comprises variable payments on ground leases not included in the right-of-use valuation, in accordance with IFRS 16.

For the first half of 2020, land expenses relating to variable payments on ground leases amounted to €3.6 million.

6.3 Service charges

Service charge income corresponds to service charges invoiced to tenants, and is presented separately. Service charge 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 charge expenses are presented for their gross amounts.

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 intermediaries and other fees.

6.5 Other operating income

Other operating income notably includes building work rebilled to tenants.

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

For the six months ended June 30, 2020, depreciation, amortization and impairment of property, plant and equipment and intangible assets amounted to €9.4 million, of which €4.0 million in depreciation of right-of-use assets, as described in note 8.

6.7 Change in value of investment properties

As of June 30, 2020, changes in value of investment properties amounted to a negative €638.6 million, versus a negative €222.5 million as of June 30, 2019.

In millions of euros	06/30/2020	06/30/2019
Change in value of investment properties at fair value[a]	(638.4)	(221.4)
Change in value of investment properties at cost	(0.2)	(1.1)
TOTAL	**(638.6)**	**(222.5)**

(a) The change in value of the right-of-use asset relating to ground leases amounts to a negative €3.4 million (see note 8).

6.8 Net proceeds from disposals of investment properties and equity investments

Net proceeds from disposals amounted to €3.0 million, and mainly resulted from the disposals of:

- The Gran Turia mall located in Valencia, Spain, on January 17, 2020;
- A group of car parks in Metz, France, on June 30, 2020; and
- Twenty-four retail units in France.

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

6.9 Cost of net debt

The cost of net debt totaled €52.9 million in first-half 2020, versus €68.0 million in first-half 2019.

The significant decrease (€15.1 million) in this item is attributable to the reduction in the cost of interest-rate hedging following the restructuring of the Group's hedging position in 2019 and 2020, a €1.8 million decrease in bond interest and a €6.4 million decrease in deferrals on payments on swaps.

In millions of euros	06/30/2020	06/30/2019
Financial income	**40.4**	**36.1**
Income from sales of securities	0.0	0.0
Interest income on swaps	25.5	21.8
Deferral of payments on swaps	0.0	0.0
Capitalized interest	1.7	1.7
Interest on advances to associates	4.8	5.0
Sundry interest received	3.5	3.7
Other revenue and financial income	2.0	2.5
Currency translation gains	2.9	1.5
Financial expenses	**(89.1)**	**(99.9)**
Expenses from sales of securities		
Interest on bonds	(70.0)	(71.8)
Interest on bank loans	(5.5)	(5.3)
Interest expense on swaps	(7.8)	(11.4)
Deferral of payments on swaps	(3.2)	(9.6)
Interest on advances to associates	(1.2)	(0.9)
Sundry interest paid	(0.6)	(0.9)
Other financial expenses	(16.5)	(9.0)
Currency translation losses	(1.5)	(1.3)
Transfer of financial expenses	8.7	0.6
Amortization of the fair value of debt[a]	8.4	9.6
Cost of net debt	**(48.7)**	**(63.8)**
Interest expense on leases liabilities[b]	(4.2)	(4.2)
COST OF NET DEBT AFTER IFRS 16	**(52.9)**	**(68.0)**

(a) Corresponds to the amortization of the mark-to-market of Corio's debt recognized at the acquisition date.
(b) The breakdown of interest expense on leases liabilities by type of contract is disclosed in note 8.

NOTE 7 TAXES

ACCOUNTING POLICIES

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 28.92%, Spain 25%, Italy 27.9%, Belgium 25%, Greece 24%, Portugal 22.5% plus a surtax where applicable, Poland 19%, Czech Republic 19%, Slovakia 21%, Sweden 20.6%, Norway 22%, Luxembourg 24.94%, Netherlands 21.7%, Denmark 22%, Turkey 22% and Germany 34.03%, 15.83% or 18.20%.

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

General features of SIIC tax status – France

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 rent or the direct or indirect investment in entities with that corporate purpose. The option to adopt SIIC status is irrevocable. French 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 regulations, 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 entry into the SOCIMI regime are frozen and subject to current income tax when the asset is disposed of. However, capital gains realized after electing 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.

In millions of euros	06/30/2020	06/30/2019
Current tax	(8.0)	(19.2)
Deferred tax	42.4	11.7
TOTAL	**34.4**	**(7.4)**

For the six months ended June 30, 2020, deferred tax income amounted to €42.4 million, versus deferred tax income of €11.7 million for the six months to June 30, 2019, with the change stemming mainly from deferred taxes on investment properties correlated to fair value movements and the recognition of tax loss 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	(112.5)	(0.1)	(120.0)	(232.6)
Theoretical tax expense at 28.92%	**32.5**		**34.7**	**67.3**
Tax-exempt earnings under the SIIC and SOCIMI tax regimes	**(29.1)**		**6.0**	**(23.1)**
Taxable sectors				
Impact of permanent timing differences	1.3	0.4	(8.2)	(6.5)
Untaxed consolidation adjustments	(2.4)	(0.5)	6.4	3.5
Impact of non-capitalized losses	(3.2)	(0.2)	(8.0)	(11.5)
Assignment of non-capitalized losses			3.5	3.5
Change of tax regime				
Discounting of deferred tax following restructuring				
Change in tax rates and other taxes	(2.9)	0.2	12.7	10.0
Differences in tax rates between France and other countries			(8.8)	(8.8)
EFFECTIVE TAX EXPENSE	**(3.8)**	**(0.1)**	**38.2**	**34.4**

Breakdown of deferred taxes:

In millions of euros	12/31/2019	Change in scope	Change in net income	Cash flow hedging reserves	Asset, liability reclassifications	Other changes	06/30/2020
Investment properties	(1,616.3)		42.0			21.4	(1,552.9)
Derivatives	1.5			1.5			2.9
Tax loss carryforwards	26.1		(1.1)			(0.6)	24.4
Other items	(2.8)		1.4		0.1	(0.3)	(1.5)
Total for entities in a net liability position	**(1,591.5)**		**42.3**	**1.5**	**0.1**	**20.4**	**(1,527.2)**
Investment properties	(0.1)		1.1				1.0
Derivatives	0.7			(0.6)			0.1
Tax loss carryforwards	15.5		(1.2)				14.3
Other items	5.7		0.2		(0.1)	(0.1)	5.6
Total for entities in a net asset position	**21.7**		**0.1**	**(0.6)**	**(0.1)**	**(0.1)**	**21.1**
NET POSITIONS	**(1,569.7)**		**42.4**	**0.8**		**20.3**	**(1,506.1)**

Deferred tax in the income statement represents income of €42.4 million and mainly comprises:

> €2.3 million in deferred tax expense, of which €2.0 million resulting from the utilization of tax loss carryforwards, partially offset by the recognition of additional tax loss carryforwards for the period, and a €0.3 million expense attributable to changes in tax rates in the Netherlands; and

> €43.1 million in deferred tax income resulting from the change in temporary differences arising from variations in the fair market value and tax value of investment properties.

There is also a positive effect of €21.4 million in deferred tax liability in the category “other changes” that mainly relates to forex impacts in Scandinavia.

NOTE 8 IFRS 16 “LEASES”

ACCOUNTING POLICIES

Leases

Leases have been accounted under IFRS 16 since January 1, 2019. The manner in which Klépierre accounts for its leases, as lessee, is set out below.

IFRS 16 requires lessees to record all leases as follows (with an exemption for low value assets and short-term leases):

> Recognition of 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;

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

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

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 by applying a cost model and are depreciated on a straight-line basis over the lease term. They are recognized in property, plant and equipment; and

> Right-of-use assets relating to ground leases that meet the definition of investment property are measured in accordance with IAS 40 using the fair value model. They are subsequently measured at an amount equal to the remaining balance of the lease liability. Right-of-use assets relating to ground leases are recognized in investment properties at fair value.

As of June 30 2020, the amounts recorded on the statement of financial position and relating to leases, as lessee, are as follows:

In millions of euros	12/31/2019	Increase (new leases)	Decrease (lease terminations)	Reevaluation and other movements	Allowances and debt reimbursment	Currency movements	Reclassifications	06/30/2020
Gross right-of-use asset relating to property, plant and equipment	34.4	0.1	(0.2)			(0.3)		34.0
Amortization of right-of-use asset relating to property, plant and equipment	(8.5)				(4.0)	0.1		(12.4)
Total net right-of-use asset relating to property, plant and equipment	**25.9**	**0.1**	**(0.2)**		**(4.0)**	**(0.2)**		**21.6**
Right-of-use asset relating to ground leases at fair value	387.5	0.5				(0.6)		387.4
Change in fair value of right-of-use asset relating to ground leases	(6.8)				(3.4)	0.1		(10.1)
Total right-of-use asset relating to ground leases	**380.7**	**0.5**			**(3.4)**	**(0.4)**		**377.3**
TOTAL ASSETS	**406.6**	**0.6**	**(0.2)**		**(7.4)**	**(0.6)**		**398.9**
Lease liabilities – non-current	368.1	0.6	(0.2)			(0.4)	(7.1)	361.0
Lease liabilities – current	14.6				(7.3)	(0.2)	7.1	14.2
TOTAL LIABILITIES	**382.7**	**0.6**	**(0.2)**		**(7.3)**	**(0.6)**		**375.2**

The breakdown of current and non-current lease liabilities as of June 30, 2020 is presented below:

In millions of euros	Total	Less than one year	One to five years	More than five years
Lease liabilities – non-current	361.0		39.0	322.0
Lease liabilities – current	14.2	14.2		
TOTAL LEASES LIABILITIES	**375.2**	**14.2**	**39.0**	**322.0**

As lessee, the amounts recognized in comprehensive income for the six months ended June 30, 2020 in respect of leases, by nature of contract, are as follows:

In millions of euros	Right-of-use asset related to property, plant and equipment	Right-of-use asset related to ground leases	Total
Depreciation, amortization and impairment of property, plant and equipment	(4.0)		(4.0)
Change in value of investment properties		(3.4)	(3.4)
Interest expense on leases liabilities	(0.2)	(4.0)	(4.2)
TOTAL	**(4.2)**	**(7.4)**	**(11.6)**

Variable rents on ground leases not restated in accordance with IFRS 16 amount to €3.6 million as of June 30, 2020 (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 first-half 2020 in relation to these leases 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 carefully manages 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 30% of the Group's borrowings as of June 30, 2020 (before hedging), and comprises 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 borrowings are indexed (Euribor, Nibor, Stibor and Cibor) could result in an increase in future interest rate expenses.

Measurement of risk exposure

The tables below show the exposure of Klépierre's net income to an increase in interest rates, before and after hedging.

The following table quantifies the likely impact on equity of an increase in interest rates based on Klépierre's cash flow hedge swaps portfolio at the period end.

Fair value of cash flow hedges *In millions of euros*	**Notional**	**Fair value net of accrued interest**	**Impact of a 1% increase in interest rates on shareholders' equity**
Cash flow hedge swaps at 06/30/2020			
> Euro-denominated portfolio	449.4	(6.7)	7.7
> Steen & Strøm portfolio	329.2	(11.5)	6.4
CASH FLOW HEDGE SWAPS AT 06/30/2020	**778.6**	**(18.2)**	**14.1**

Breakdown of floating rate financial borrowings after derivatives:

Interest rate position after hedging *In millions of euros*	**Amount**	**Impact of a 1% increase in interest rates on shareholders' equity**
Gross position before hedging (floating-rate debt)	**2,881.0**	**28.8**
> Net hedge	(3,523.6)	(18.8)
Gross position after hedging	**(642.6)**	**10.0**
> Marketable securities	(6.0)	(0.1)
NET POSITION AFTER HEDGING	**(648.6)**	**10.0**

Breakdown of borrowings after interest rate hedging:

	Fixed-rate borrowings or borrowings 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**	**Rate**
12/31/2018	8,589	1.58%	96%	333	1.09%	4%	8,921	1.56%	1.60%
12/31/2019	8,473	1.34%	92%	732	1.09%	8%	9,205	1.32%	1.42%
06/30/2020	10,335	1.15%	107%	(641)	0.49%	–7%	9,694	1.20%	1.26%

(a) Including the deferral of issue cost/premiums.

The average all-in cost of debt calculated as of June 30, 2020 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, 2020, Klépierre was ahead of its objective, with 107% of its exposure hedged. This hedging ratio comprises 70% fixed-rate debt or payer swaps and 36% caps. Restated for euro caps whose strike prices are 50 basis points above current market rates (€900 million of notional), the hedging rate came out at 97%.

In order to achieve its hedging target rate, Klépierre uses swaps converting fixed-rate debt 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. Accordingly, Klépierre's hedging strategy covers both the long-term and short-term portions of its borrowings.

Generally, hedge terms may exceed those of the underlying borrowings on condition that Klépierre's financing plan emphasizes the high probability of these borrowings 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 need 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, 2020, the Group's fixed-rate debt stood at €6,813 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 swapping fixed-rate payments for floating-rate payments. The credit margin component is not hedged.

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

9.1.3 Marketable securities

As of June 30, 2020, cash equivalents held by Klépierre only comprise amounts invested in French term deposits €6.0 million and Italian treasury bills for €0.1 million.

These investments expose Klépierre to a moderate interest rate risk in view 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 borrowings with their corresponding nominal values. Fair values are established on the basis of the following principles:

> Floating-rate loans: fair value is equal to the nominal value;

> Fixed-rate bank debt: fair value is calculated solely on the basis of rate fluctuations; and

> Bonds: use of prices quoted on an active market where these are available.

	06/30/2020			12/31/2019		
In millions of euros	Par value	Fair value	Impact of a 1% increase in interest rates on fair value[a]	Par value	Fair value	Impact of a 1% increase in interest rates on fair value[a]
Fixed-rate bonds	6,740.8	6,795.7	(269.1)	6,152.7	6,473.1	(236.2)
Fixed-rate bank loans	71.9	72.3	(0.9)	75.5	76.3	(1.1)
Other floating-rate loans	2,881.0	2,881.0		2,976.5	2,976.5	
TOTAL	**9,693.8**	**9,749.0**	**(270.0)**	**9,204.7**	**9,525.9**	**(237.3)**

(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, 2020, a 100-basis-point increase in interest would have resulted in a €18.7 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 sources of financing in such a way as to facilitate renewals.

The average maturity of debt as of June 30, 2020 was 6.0 years, with borrowings spread between different markets (the bonds and commercial paper represent 86% of debt, with the remainder raised on the banking market). Within the banking market, Klépierre 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 Group can refinance immediately if it has difficulty renewing its borrowings on the commercial paper market.

As of June 30, 2020, Klépierre had undrawn credit lines totaling €2,410 million (including bank overdrafts) and €679 million in cash at bank. 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 property assets.

Some of Klépierre's sources of funding (bilateral loans, bonds, etc.) contain 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 trigger early repayment.

Some of Klépierre SA's bonds (€6,583 million) include a bearer put option, entitling the holder to request early repayment in the event of a change of control giving rise to a downgrade in Klépierre's credit rating to below investment grade. None of the Group's other covenants refer to Standard & Poor's rating for Klépierre.

The main covenants are described in note 5.12.3.

9.3 Currency risk

The bulk of Klépierre's business is currently conducted within the Eurozone, with the exception of Norway, Sweden, Denmark, Poland, the Czech Republic and Turkey.

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

In Poland and the Czech Republic, rents are billed to lessees in euros and converted into the local currency at 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 do not represent an excessively high proportion of tenants' revenue in order to avoid degrading their financial position in the event of a sharp increase in the value of the euro, which could increase the risk of defaulting on their payments to Klépierre.

In Turkey, rents are denominated in local currency, thereby eliminating any currency risk for tenants.

In Central Europe as well as in Turkey, financing is 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 has decided not to hedge this position.

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.

9.4 Counterparty risk in connection with financing activities

Counterparty risk is limited by the fact that Klépierre is structurally a borrower. This risk is therefore essentially restricted to investments made by the Group and its 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, 2020, Klépierre held no listed shares other than its own shares (14,714,116 shares as of June 30, 2020), which are recognized in equity at their acquisition cost.

NOTE 10 FINANCE AND GUARANTEE COMMITMENTS

10.1 Commitments given

In millions of euros	06/30/2020	12/31/2019
Commitments related to the Group's consolidated scope		**3.0**
Purchase commitments		3.0
Commitments related to the Group's financing activities		
Financial guarantees given	(a)	(a)
Commitments related to the Group's operating activities	**78.8**	**73.3**
Commitments under conditions precedent	16.9	16.9
Work completion commitments	29.4	27.9
Rental guarantees and deposits	1.9	2.2
Other commitments given	30.6	26.3
TOTAL	**78.8**	**76.3**

(a) Since December 31, 2018 this information has been transferred to note 5.12.2 "Main sources of financing".

10.1.1 Commitments related to the Group's consolidated scope

Purchase commitments

As of June 30, 2020, the contingent consideration related to the acquisition of a project in France has expired.

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 contingent consideration on acquisitions. As of June 30, 2020, this item comprises:

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

> Commitments related to an acquisition of an asset in Italy (Bologna).

Work completion commitments

Work completion commitments mainly relate to development projects in France. The increase during the period is mainly attributable to renovation works on French shopping centers.

Rental guarantees and deposits

"Rental guarantees and deposits" mainly comprise 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.

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

10.2 Mutual commitments

Commitments related to development projects amounted to €27.2 million as of June 30, 2020 versus €40.6 million as of December 31, 2019. 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 (€26.1 million) and the extension of Créteil Soleil in France (€1.1 million).

10.3 Commitments received

In millions of euros	06/30/2020	12/31/2019
Commitments related to the Group's financing activities	**2,010.6**	**2,012.3**
Financing agreements obtained and not used[(a)]	2,010.6	2,012.3
Commitments related to the Group's operating activities	**468.7**	**510.9**
Sale commitments	80.2	115.2
Financial guarantees received in connection with management activities *(Loi Hoguet)*	190.0	195.0
Financial guarrantees received from tenants and suppliers	198.5	200.7
TOTAL	**2,479.3**	**2,523.2**

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

10.3.1 Commitments related to the Group's financing activities

Financing agreements obtained and not used

As of June 30, 2020, Klépierre had €2,011 million in undrawn committed credit facilities, net of commercial paper.

10.3.2 Commitments related to the Group's operating activities

Sale commitments

As of June 30, 2020, sale commitments relate to certain assets in France and an asset in Slovakia.

Financial guarantees received in connection with management activities *(Loi Hoguet)*

As part of its real-estate, leasing and property management activities, bank guarantees have been delivered to Klépierre Management for an amount capped at €190 million as of June 30, 2020.

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 Klépierre's knowledge, there are no other material or potentially material off-balance sheet commitments, as defined by the applicable accounting standards.

10.4 Shareholders' agreements

The Group is subject to shareholders' and partners' agreements entered into in prior periods, corresponding to those in force during 2019, as set out in section 10.4 of the notes to the consolidated financial statements at December 31, 2019.

10.5 Commitments under operating leases – Lessors

The main clauses contained in lessor lease agreement correspond to those applied in 2019, as set out in section 10.5 of the notes to the consolidated financial statements at December 31, 2019.

As of June 30, 2020, future minimum rents receivable under non-cancelable operating leases were as follows:

In millions of euros	06/30/2020
Less than one year	905.7
Between one and five years	1,535.6
More than five years	615.7
TOTAL	**3,057.0**

NOTE 11 EMPLOYEE COMPENSATION AND BENEFITS

11.1 Payroll expenses

Total payroll expenses amounted to €43.2 million for the six months ended June 30, 2020.

Fixed and variable salaries plus mandatory and discretionary profit sharing totaled €30.6 million; pension-related expenses, retirement expenses and payroll costs amounted to €11.6 million; taxes and similar compensation-related payments came to €1.0 million.

11.2 Headcount

As of June 30, 2020, the Group had an average of 1,062 employees, breaking down as 434 employees in France-Belgium and 628 employees in the other geographic segments, including 136 employees at the Scandinavian real estate company Steen & Strøm. The Klépierre Group's average headcount in first-half 2020 breaks down as follows:

	06/30/2020	12/31/2019
France-Belgium	434	448
Scandinavia	136	133
Italy	173	175
Iberia	109	111
Netherlands	56	55
Germany	46	48
Central Europe & Other	108	131
TOTAL	**1,062**	**1,101**

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 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, annual vacation, mandatory and discretionary profit-sharing plans and employer top-up contributions;
- Post-employment benefits, which relate primarily to supplementary pension payments in France, and private pension plans elsewhere;
- Other long-term benefits, which include paid vacation, long-service payments, and certain 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 Group, and no provision is therefore set aside. Contributions paid during the period are recognized as an expense.

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

The classification of a benefit into one of these categories depends on its economic substance, 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. In accordance with IAS 19 (revised), 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

In accordance with 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 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 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-profession core and supplementary pension organizations.

11.3.2 Defined benefit plans

Provisions recognized for defined benefit pension plans totaled €11.6 million as of June 30, 2020.

In millions of euros	12/31/2019	Increases during the period	Reversals (utilized provisions)	Reversals (surplus provisions)	Other movements	Changes in the scope of consolidation	06/30/2020
Provisions for employee benefit obligations							
> Defined benefit plans	8.9	0.3					9.2
> Other long-term benefits	2.3						2.3
TOTAL	**11.2**	**0.3**					**11.6**

The assumptions as at June 30, 2020 are in line with those used at the previous year-end closing and are disclosed in section 11.3.2 of the notes to the Group's consolidated financial statements for the year ended December 31, 2019.

11.4 Performance shares

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 2020	221,059	37,900
Additional shares allotted		
Shares canceled at June 30, 2020	14,000	17,000
Outstanding shares at June 30, 2020		

	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 2020	180,196	53,948
Shares canceled at June 30, 2020	21,666	18,852
Shares fully vested in 2020	38,638	11,200
Outstanding shares at June 30, 2020		

	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
Discount on performance shares in 2020	168,462	65,337
Shares canceled at June 30, 2020	22,666	19,500
Shares fully vested in 2020	25,172	9,763
Outstanding shares at June 30, 2020		

	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		
Shares canceled at June 30, 2020	20,266	9,000
Outstanding shares at June 30, 2020	203,534	79,800

	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	4,000	
Shares canceled at June 30, 2020	15,500	2,500
Outstanding shares at June 30, 2020	210,500	93,300

On May 7, 2020, 312,900 shares were allotted to management and Group employees, as part of a performance share plan authorized by the Executive Board. The characteristics of this plan are as follows:

	Plan no. 9	
Plan authorized in 2020	**France**	**Other**
Date of General Meeting of Shareholders	05/07/2020	05/07/2020
Date of Executive Board meeting	05/07/2020	05/07/2020
End of vesting period	05/07/2023	05/07/2024
End of lock-up period	05/07/2022	-
Shares originally allotted	215,300	97,600
Additional shares allotted		
Shares canceled at June 30, 2020		
Outstanding shares at June 30, 2020	215,300	97,600

Total income recognized for the period for all performance share plans amounted to €0.5 million and includes the updates on the performance criteria for Plans no. 7 and no. 8. It also takes into account an estimate of the number of beneficiaries at the end of each vesting period, as beneficiaries may forfeit their entitlements if they leave the Klépierre Group during the period.

NOTE 12 ADDITIONAL INFORMATION

12.1 Transactions with related parties

12.1.1 Transactions with Simon Property Group

To the Company's knowledge and including treasury shares, Simon Property Group held a 21.31% stake in Klépierre SA as of June 30, 2020.

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

12.1.2 Transactions with APG Group

To the Company's knowledge and including treasury shares, APG Group held a 6.68% stake in Klépierre SA as of June 30, 2020.

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

12.1.3 Relationships between Klépierre Group companies

Transactions between related parties are carried out at arm's length conditions. Period-end asset and liability positions and transactions conducted during the period between fully consolidated companies are eliminated in full in consolidation.

The following tables show the positions and transactions of equity-accounted companies (over which the Group has significant influence or joint control), which are not 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

In millions of euros	06/30/2020 Equity-accounted companies	12/31/2019 Equity-accounted companies
Loans and advances to equity-accounted companies	258.5	253.3
Non-current assets	**258.5**	**253.3**
Trade and other receivables	1.6	1.9
Other	6.4	2.5
Current assets	**8.0**	**4.4**
TOTAL ASSETS	**266.5**	**257.7**
Loans and advances from equity-accounted companies	10.4	1.7
Non-current liabilities	**10.4**	**1.7**
Trade payables	0.5	0.4
Other liabilities		
Current liabilities	**0.5**	**0.4**
TOTAL LIABILITIES	**10.9**	**2.1**

INCOME STATEMENT ITEMS RELATED TO TRANSACTIONS WITH RELATED PARTIES

In millions of euros	06/30/2020 Equity-accounted companies	06/30/2019 Equity-accounted companies
Management, administrative and related income	3.9	3.7
Operating income	**3.9**	**3.7**
Cost of net debt	4.8	4.8
Profit before tax	**8.7**	**8.5**
CONSOLIDATED NET INCOME	**8.7**	**8.5**

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 Klépierre 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.

A portion of the plot of land housing the Anatolium shopping center has been subject to a dispute with the Bursa Municipality (Turkey) since 2012. A claim was introduced by the previous landowners against the municipality following the expropriation of a portion of the land. Klépierre reserves the right to claim compensation from the municipality in case of prejudice.

12.4 Subsequent events

Nil.

12.5 Identity of consolidating companies

As of June 30, 2020, Klépierre was accounted for by the equity method in the interim condensed consolidated financial statements of Simon Property Group, which holds a 21.31% stake in the share capital of Klépierre (including treasury shares).

Klépierre is included in the interim condensed consolidated financial statements of APG Group, which as of June 30, 2020 held a 6.68% stake in the share capital of Klépierre (including treasury shares).

12.6 List of consolidated entities

List of consolidated companies		% interest			% control		
Fully consolidated companies	**Country**	**06/30/2020**	**12/31/2019**	**Change**	**06/30/2020**	**12/31/2019**	**Change**
HOLDING COMPANY – 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 SASU	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	95.33%	95.33%	-	95.33%	95.33%	-
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**	**06/30/2020**	**12/31/2019**	**Change**	**06/30/2020**	**12/31/2019**	**Change**
Kle Start SAS	France	100.00%	100.00%	-	100.00%	100.00%	-
Kle Dir SAS	France	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre 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 Echirolles 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 Köln Holding GmbH	Germany	100.00%	100.00%	-	100.00%	100.00%	-
Unter Goldschmied Köln GmbH	Germany	100.00%	94.99%	5.01%	100.00%	94.99%	5.01%
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 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 Peribola Patras AE	Greece	100.00%	100.00%	-	100.00%	100.00%	-

List of consolidated companies		% interest			% control		
Fully consolidated companies	**Country**	**06/30/2020**	**12/31/2019**	**Change**	**06/30/2020**	**12/31/2019**	**Change**
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%	-
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%	95.06%	-	95.06%	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%	-
SHOPPING CENTERS – INTERNATIONAL							
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%	-
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. 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%	-

List of consolidated companies		% interest			% control		
Fully consolidated companies	**Country**	**06/30/2020**	**12/31/2019**	**Change**	**06/30/2020**	**12/31/2019**	**Change**
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%	-
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%	-
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		% interest			% control		
Equity-accounted companies: joint control	**Country**	**06/30/2020**	**12/31/2019**	**Change**	**06/30/2020**	**12/31/2019**	**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%	33.40%	-	33.40%	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		% interest			% control		
Equity-accounted companies: significant influence	**Country**	**06/30/2020**	**12/31/2019**	**Change**	**06/30/2020**	**12/31/2019**	**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%	-
Secar SC	France	10.00%	10.00%	-	10.00%	10.00%	-
Akmerkez Gayrimenkul Yatirim Ortakligi AS	Turkey	46.92%	46.92%	-	46.92%	46.92%	-

		% interest		% control		
List of deconsolidated companies at 06/30/2020	**Country**	**06/30/2020**	**12/31/2019**	**06/30/2020**	**12/31/2019**	**Comments**
KFI Hungary KFT	Hungary	0.00%	100.00%	0.00%	100.00%	Liquidated
Corio Torrelodones Office Suite SL	Spain	0.00%	100.00%	0.00%	100.00%	Liquidated

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

Period from January 1 to June 30, 2020

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

To the Shareholders,

In compliance with the assignment entrusted to us by 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:

> The review of the accompanying condensed half-yearly consolidated financial statements of Klépierre, for the period from January 1 to June 30, 2020;

> The verification of the information presented in the half-yearly management report.

These half-year condensed consolidated financial statements were prepared under the Executive Board's responsibility on July 24, 2020 on the basis of the information available at that date in the evolving context of the crisis related to Covid-19 and of difficulties in assessing its impact and future prospects. Our role is to express a conclusion on these financial statements based on our review.

4.1 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.

4.2 SPECIFIC VERIFICATION

We have also verified the information presented in the half-yearly management report commenting the condensed half-yearly consolidated financial statements subject to our review prepared on July 24, 2020.

We have no matters to report as to its fair presentation and consistency with the condensed half-yearly condensed consolidated financial statements.

Paris-La Défense, August 7, 2020

The Statutory Auditors
French original signed by

DELOITTE & ASSOCIÉS
Laure Silvestre-Siaz — Damien Leurent

ERNST & YOUNG Audit
Bernard Heller

5 PERSONS RESPONSIBLE

5.1 STATEMENT BY THE PERSON RESPONSIBLE FOR THE INTERIM FINANCIAL REPORT

Paris – September 7, 2020

I certify that, to the best of my knowledge, the interim condensed consolidated financial statements have been prepared in accordance with the applicable accounting standards, and give a true and fair view of the assets and liabilities, and of the financial position and results of the Company and all its consolidated subsidiaries, and that the interim management report provides a true and fair view of the main events of the first six months of the year, their impact on the interim condensed consolidated financial statements, the significant transactions with related parties, as well as a description of the main risks and uncertainties for the remaining six months of the year.

Jean-Marc Jestin
Chairman of the Executive Board

5.2 PERSONS RESPONSIBLE FOR THE REVIEW AND FOR THE FINANCIAL INFORMATION

Persons responsible for the review of the financial information

Statutory Auditors

Deloitte & Associés

6 place de la Pyramide

92908 Paris la Défense Cedex

572 028 041 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

344 366 315 RCS Nanterre

Bernard Heller

First appointed: General Meeting of Shareholders of April 19, 2016

Term expires: 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

315 172 445 RCS Nanterre

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

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

Term expires: General Meeting of 2022 to be called to approve the financial statements for fiscal year 2021

Person responsible for the financial information

Jean-Michel Gault

Executive Board member – Deputy CEO

Tel: +33 1 40 67 55 05

Design and production: côtécorp.
Photo credits: Alfred Cromback.
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