Interim Financial Report

2021

KLEPIERRE

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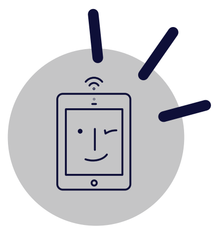

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Management report

INTRODUCTION

During the first half of 2021, continental Europe faced two new waves of the Covid-19 pandemic. Significant increases in case numbers and hospitalizations prompted governments to reintroduce lockdowns or restrictions, which hampered Klépierre's activities, disrupted retail operations and caused inconvenience to shoppers. Despite this challenging context, the Group remained resilient in the face of disruption and continued to serve its stakeholders to the best of its abilities.

From the outset of the crisis, Klépierre has reviewed and focused its organization and resources on health and safety conditions, enabling business to continue where possible while complying with government measures on a real-time basis. As in 2020, it also adapted its working environment to the mass switch to home working, by swiftly providing all employees with appropriate IT equipment and tools. In addition, on a case-by-case basis, Klépierre continued to support its tenants during closure periods and pursued its discussions with banners to negotiate partial waivers of rent arrears in exchange for lease extensions and/or the opening of new stores.

During this phase, it was crucial to leverage the lessons learned from previous waves and to pave the way for the business recovery. In addition to the rebound in leasing activity, which returned to pre-Covid levels at the end of the first half, the Group methodically adapted its malls to shoppers' new expectations, including in terms of health and safety, and through actions to support purchasing power. Consequently, Klépierre prepared the reopening with best-in-class health protocols and continuously improved preventive measures to allow for a seamless and personalized customer journey, making its malls safe places to shop. Likewise, it implemented new collaborations with tenants to provide customers with exclusive and attractive commercial offerings, meeting their value-for-money expectations and raising both footfall and sales.

Subsequently, on the back of the vaccination rollout and massive decrease in contamination, restrictions were gradually lifted across the board. The Group's malls began reopening from mid-May onwards, posting strong performances notably in terms of retailer sales, which were higher than in 2020. This encouraging business resumption underscores the sustainable relevance of Klépierre's venues and the outstanding dedication and commitment of Klépierre's staff during these unexpected times.

1.1 BUSINESS OVERVIEW

1.1.1 Economic environment

In early 2021, Covid-19 infections remained high across Europe, forcing several countries to reimpose lockdowns and restrictions, implying long closure periods that weighed on business. However, the recent easing of constraints and the intense vaccination drive have given a second wind to the economy, translating into a **eurozone** GDP growth projection of 4.3% for 2021, an increase in the inflation rate to 1.8% and an unemployment rate that is expected to stabilize at 8.2% by the year-end.

These positive signs were underscored by the prompt implementation of the European Union recovery plan, substantial national fiscal packages, the ECB's accommodative monetary policy, more vigorous external demand and renewed private consumption driven by high household savings. In order to accelerate the economic upswing, many European countries are providing companies with financial support and subsidies. For example, Germany has offered assistance to small and medium-sized companies of the *Mittelstand*, the backbone of its economy, while France has introduced a "fixed costs" support plan to backstop the *Fonds de solidarité*, and Denmark has expanded its business support budget.

Furthermore, the vaccination rollout is progressing and 57% of the European population had already received at least one shot as of July 20, 2021. Herd immunity is expected to be achieved by the fall in Europe, helping to revive confidence despite what remains a highly volatile health situation. Nevertheless, all these encouraging elements are currently challenged by the emergence of different variants, notably the Delta variant, which is rapidly spreading across Europe and undermining the recovery's momentum.

2021 AND 2022 MACROECONOMIC FORECASTS BY GEOGRAPHY

	Real GDP growth rate			Unemployment rate			Inflation rate		
Geography	**2020**	**2021E**	**2022E**	**2020**	**2021E**	**2022E**	**2020**	**2021E**	**2022E**
EUROZONE	−6.7%	4.3%	4.4%	7.9%	8.2%	7.9%	0.3%	1.8%	1.3%
France	**−8.2%**	**5.8%**	**4.0%**	**8.0%**	**8.8%**	**8.7%**	**0.5%**	**1.4%**	**0.8%**
Italy	**−8.9%**	**4.5%**	**4.4%**	**9.1%**	**9.8%**	**9.7%**	**−0.1%**	**1.3%**	**1.0%**
Scandinavia									
Norway	−0.8%	3.4%	3.7%	4.4%	4.7%	4.0%	1.3%	2.9%	1.9%
Sweden	−3.0%	3.9%	3.4%	8.3%	8.4%	7.5%	0.5%	1.6%	1.4%
Denmark	−2.7%	2.8%	2.9%	5.6%	5.9%	5.2%	0.4%	1.2%	1.4%
Iberia									
Spain	−10.8%	5.9%	6.3%	15.5%	15.4%	14.7%	−0.3%	1.6%	1.1%
Portugal	−7.6%	3.7%	4.9%	6.8%	7.4%	7.0%	−0.1%	0.9%	1.0%
CE & Other									
Czech Republic	−5.6%	3.3%	4.9%	2.5%	3.5%	3.5%	3.2%	2.4%	2.3%
Poland	−2.7%	3.7%	4.7%	3.2%	3.4%	3.4%	3.4%	3.8%	3.3%
Turkey	1.8%	5.7%	3.4%	13.1%	14.0%	14.2%	12.3%	16.0%	12.8%
Netherlands	**−3.7%**	**2.7%**	**3.7%**	**3.8%**	**4.1%**	**4.7%**	**1.1%**	**1.8%**	**1.5%**
Germany	**−5.1%**	**3.3%**	**4.4%**	**4.2%**	**4.2%**	**3.6%**	**0.4%**	**2.6%**	**1.6%**

Source: OECD Economic Outlook, May 2021.

1.1.2 Operating context

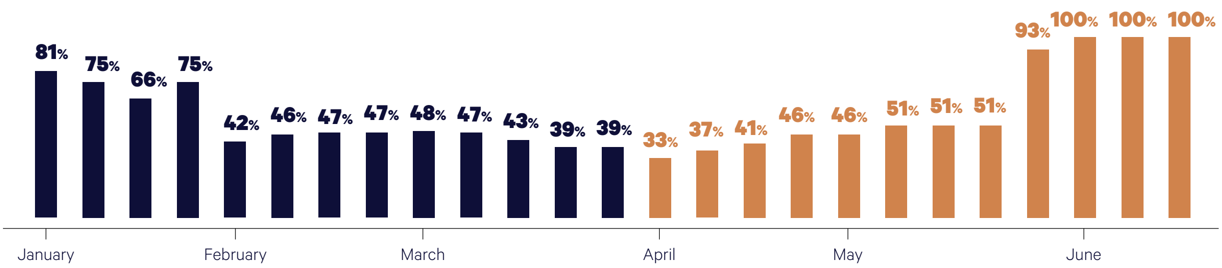
In late 2020 and early 2021, Europe faced a third wave of the pandemic as infections surged, prompting governments to reintroduce restrictions. Klépierre's activities were impacted and the Group experienced the equivalent of 2.5 months of full closure for the portfolio – a longer period than last year when malls were closed for 1.6 months on average during the first half of 2020. Depending on the intensity of the wave, governments opted for various restrictions and degrees of lockdowns:

- **Full lockdowns:** in France, Denmark, the Netherlands, Germany, the Czech Republic and Portugal, all non-essential stores, restaurants as well as entertainment venues were compelled to close from January at the earliest to the end of May at the latest, while Poland experienced two full lockdowns in January and April; and
- **Partial lockdowns/limited restrictions:** in Norway, regional measures were implemented including mall closures in the Oslo area. In Italy, depending on regional health indicators, shopping centers were closed on weekends and public holidays (including the day before) until mid-May. On top of this, the whole country experienced a full lockdown during the Easter period. Lastly, in Spain, malls generally remained open over the period (except in Barcelona during the first quarter), while the Swedish government recommended avoiding shopping areas without ordering store closures.

From April until the end of May, restrictions were gradually eased and all Klépierre's malls are now fully open with 100% of our stores (in rents) currently authorized to open. However, restrictions related to certain activities remain in place in several countries (mainly cinemas, fitness centers and restaurants), such as limits on the number of people allowed to assemble as well as curfews in many cases, making the rebound less vigorous.

Lastly, with the surge of infections resulting from the Delta variant, new restrictions started to emerge early in the second half of the year. For example, a law was passed in France on July 25, 2021 that allows prefects to require a vaccination certificate or a negative Covid test from visitors and employees of large malls and department stores in regions where the epidemic situation is deteriorating, provided that such a measure does not hamper access to public transportation and stores selling essential products.

WEEKLY TRENDS FOR STORES AUTHORIZED TO OPEN AS A PERCENTAGE OF RENTS AND CHARGES



CLOSURE PERIOD DURATION IN MONTHS *(weighted by rents and charges)*

In months	Average closure period in first-half 2021	Average closure period in first-half 2020
France	2.9	1.9
Italy	2.5	2.1
Scandinavia	1.5	0.5
Iberia	0.7	2.2
CE & Other	2.1	1.1
Netherlands	4.0	0.9
Germany	5.0	0.9
TOTAL	**2.5**	**1.6**

1.1.3 Retailer sales

Over the first-half of 2021, operations were significantly hampered by lockdowns implemented throughout Europe. Nonetheless, since the reopening, the rebound has been stronger than last year and like-for-like **retailer sales**[1] were up 15% in June compared to the same month in 2020 (96% of the June 2019 level). In what remains a restrictive health situation, this illustrates the strength of the business resumption, notably fueled by a high transformation rate and average basket size.

By **geographic region**[1], France (where retailer sales in June were up 15% year on year), enjoyed a strong recovery (99% of the June 2019 level). Similarly, Italian retailers experienced a fairly robust resumption of business, with sales up 23% in June compared to same month last year and reaching 94% of pre-Covid levels. Business also rebounded firmly in Scandinavia where June performances were similar to 2020 and 2019, and fared even better in Norway where sales were up 9% in June 2021 compared to 2019.

Conversely, in regions with a high proportion of malls relying on tourism or located close to transport hubs and/or large business districts, the recovery has tended to be slower.

By **segment**[1], fashion (up 26% in June 2021 compared to 2020, 96% of the 2019 level) posted the strongest rebound after the reopening. Meanwhile, health & beauty (up 8% year on year and representing 98% of the 2019 level in June 2021) posted resilient performances, while culture, gifts & leisure (up 7% compared to 2020 and up 3% on the 2019 level) and household equipment (up 1% compared to 2019) even exceeded pre-Covid levels. Lastly, food & beverage also experienced a strong restart with sales up 16% in June 2021 compared to 2020, but remained below pre-Covid levels (87% of the June 2019 level) notably due to the very gradual easing of restrictions in some countries, with restrictions such as limited numbers of diners in restaurants or outdoor-only dining maintained.

CHANGE IN RETAILER SALES IN JUNE 2021 COMPARED TO JUNE 2020 AND JUNE 2019 *(by country)*

	Retailer sales change[a]		Share
Country	June 2021 vs. June 2020	June 2021 vs. June 2019	*(in total reported retailer sales)*
France	+15%	−1%	36%
Italy	+23%	−6%	24%
Scandinavia	+1%	+1%	19%
Iberia	+20%	−17%	9%
CE & Other	+21%	0%	6%
Netherlands	+23%	−7%	3%
Germany	+2%	−9%	3%
TOTAL	**+15%**	**−4%**	**100%**

(a) Change is on a same store basis, excluding closure days and the impact of asset sales and acquisitions.

CHANGE IN RETAILER SALES IN JUNE 2021 COMPARED TO JUNE 2020 AND JUNE 2019 *(by segment)*

	Retailer sales change[a]		Share
Segment	June 2021 vs. June 2020	June 2021 vs. June 2019	*(in total reported retailer sales)*
Fashion	+26%	−4%	41%
Culture, Gifts & Leisure	+7%	+3%	18%
Health & Beauty	+8%	−2%	14%
Food & Beverage	+16%	−13%	9%
Household Equipment	−2%	+1%	11%
Other	+13%	−12%	7%
TOTAL	**+15%**	**−4%**	**100%**

(a) Change is on a same store basis, excluding closure days and the impact of asset sales and acquisitions.

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

1.1.4 Rent collection

Over the first half of 2021, €673.1 million in rents and charges was invoiced at Group level.

As of July 21, 2021, we have collected 70%. Although management is of the view that rents corresponding to the closure periods are contractually due, it has entered into negotiations with tenants on a case-by-case basis to grant potential waivers in exchange for compensation (lease extensions or the opening of new stores). In addition, allowances for credit losses were also recognized for unpaid rents relating to open but very disrupted periods, considering the restrictive measures in place. As of June 30, 2021, €176 million has been recognized as accrued rent abatements (€112 million) or as credit loss allowances (€64 million), pointing to a targeted collection rate of at least 74% for the first half of 2021.

In France, the government announced a specific support program to help retailers pay their rent and charges for the closure period under the third lockdown (February to May 2021). As of today, no decree has been passed and discussions with the European Commission are still ongoing. Should the plan be implemented, it could improve rent collection and the first subsidies are expected to be granted to retailers in the fourth quarter of 2021.

This year, we also continued to collect rents related to 2020 for an aggregate amount of €72 million. Consequently, as of June 30, 2021, the 2020 collection rate stood at 85%, 100 basis points higher than our initial projected rate (84%). Accordingly, €9 million in provisions was reversed during the period.

COLLECTION RATE ON RENTS AND SERVICE CHARGES FOR THE FIRST HALF OF 2021 *(on a total share basis, excluding VAT)*

Geography	Invoiced *(in millions of euros)*	Actual collection rate[a]
France	254.1	58%
Italy	105.9	60%
Scandinavia	111.1	94%
Iberia	75.1	82%
CE & Other	49.5	72%
Netherlands	38.6	75%
Germany	29.6	78%
TOTAL SHOPPING CENTERS	663.9	70%
TOTAL WITH OTHER RETAIL PROPERTIES	**673.1**	**70%**

(a) As of July 21, 2021, excluding equity-accounted companies.

1.1.5 Gross rental income and net rental income

During the first half of 2020, our malls were closed for 1.6 months on average, with the bulk of the restrictions imposed during the second quarter. Tenants withheld payment of rents and service charges for the period during which their stores were closed by government order. As a consequence, receivables increased by €273 million over the period. The Group started multiple negotiations with its tenants on a case by case basis. Nevertheless, when closing its financial statements as of June 30, 2020, the Group did not have enough visibility to assess the amount of rents and service charges it would be able to ultimately collect. Only limited abatements (€1 million) and allowances for bad debts (€11 million) were booked against these receivables pending the outcome of the negotiations which took place during the second half of the year.

During the first half of 2021, stores in our malls were closed for a longer period of time (2.5 months). Taking into account actual payments, historical payment patterns and existing negotiations, the Group recognized accrued abatements (€112 million) and allowances for bad debt (€64 million).

Thus, the year-on-year change in gross rental income and net rental income (i.e., first-half 2021 versus first-half 2020) is meaningless.

RECONCILIATION BETWEEN INVOICED RENTS AND CHARGES AND GROSS RENTAL INCOME *(on a total share basis)*

In millions of euros	06/30/2021	06/30/2020
Invoiced rents and charges	673.1	698.6
Charges	(120.3)	(120.7)
Rent abatements (cash)[a]	(112.4)	(6.2)
Straight line-amortization of rent abatements[a]	2.3	5.2
Other	1.6	4.2
GROSS RENTAL INCOME	**444.3**	**581.0**

(a) In connection with Covid-19.

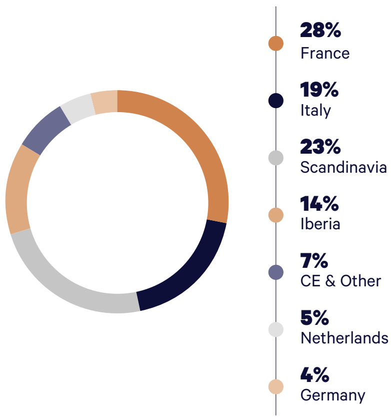
GROSS RENTAL INCOME *(on a total share basis)*

In millions of euros	06/30/2021	06/30/2020
France	144.1	220.9
Italy	76.4	98.3
Scandinavia	85.2	83.6
Iberia	53.9	65.7
CE & Other	36.0	41.0
Netherlands	25.9	36.9
Germany	17.7	24.5
TOTAL SHOPPING CENTERS	439.3	571.0
Other retail properties	5.1	10.0
TOTAL	**444.3**	**581.0**

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

In millions of euros	06/30/2021	06/30/2020
France	89.2	198.4
Italy	59.1	87.8
Scandinavia	73.9	76.1
Iberia	42.7	60.7
CE & Other	24.1	35.6
Netherlands	15.3	29.0
Germany	11.5	15.6
TOTAL SHOPPING CENTERS	315.9	503.1
Other retail properties	4.7	8.4
TOTAL	**320.6**	**511.5**

BREAKDOWN OF SHOPPING CENTER NRI BY REGION FOR THE SIX MONTHS ENDED JUNE 30, 2021 *(on a total share basis)*



FOREIGN EXCHANGE IMPACT ON YEAR-ON-YEAR NRI GROWTH FOR THE SIX MONTHS ENDED JUNE 30, 2021

	At constant forex	At current forex	Forex impact
Norway	−2.2%	+3.1%	+535 bps
Sweden	−8.3%	−3.5%	+479 bps
Denmark	−9.9%	−9.5%	+34 bps
Scandinavia	**−6.4%**	**−2.9%**	**+358 bps**
Czech Republic	−40.9%	−40.9%	-
Poland	−23.1%	−23.1%	-
Turkey	−23.1%	−42.2%	−1,917 bps
CE & Other	**−29.4%**	**−32.2%**	**−274 bps**
TOTAL	**−37.0%**	**−36.8%**	**+19 bps**

1.1.6 Leasing update

Although Klépierre's malls have been impacted by various lockdowns throughout Europe, letting operations recorded growing momentum, with 776 leases signed over the first six months of 2021 (with a 0.1% reversion rate), showing an acceleration month after month. In volume terms, this was comparable to the same period in 2019 and 70% above 2020, which underscores the attractiveness of Klépierre's malls.

In what remains an uncertain environment, the Group focused its leasing efforts on expanding performing tenants and accelerating the replacement of underperforming retailers to further improve the tenant mix and perpetuate customer preference for its malls. With a long-term vision, the Group leveraged its unmatched platform of shopping centers and its close relations with most of the leading retail chains and local players to further increase its market share in each and every catchment area. The Group therefore managed to optimize occupancy (currently standing at 94.2%, marginally below the pre-Covid level of 97%).

Over the period, Klépierre continued to consolidate its long-standing partnership with **key accounts,** notably through a dynamic leasing flow with Inditex, Calzedonia Group, Yves Rocher, Rituals, Sephora and Lego. In addition, the Group signed an important deal with United Colors of Benetton for the opening of four new stores in some Italian shopping centers (Shopville Le Gru, Milanofiori, Globo and Grand Emilia). Simultaneously, a host of banners in **dynamic segments** chose to carry on expanding in Europe, such as value retailers Normal and Action, Samsung and LG and the high-tech reseller Hubside. On top of this, Calvin Klein and Guess unveiled their new flagships in Milanofiori (Milan) and Nave de Vero (Venice), respectively.

The Group also continued to capitalize on the development of **sports** banners. In the coming months, ten new stores including Snipes, Asics, FootKorner, Hummel and Intersport will join Klépierre's malls. These new openings will further strengthen the strong sales dynamic of this segment over the past months (up 9%, on a like-for-like basis, compared to 2019). Lastly, as part of the rollout of its Destination Food® concept, the Group further broadened the **food & beverage** offering of its malls, notably through deals with international banners such as Starbucks, KFC, T.G.I Friday's, Dunkin' Donuts and Poke House, as well as local brands with strong consumer appeal.

KEY PERFORMANCE INDICATORS

Geography	Renewed and re-let leases *(in millions of euros)*	Reversion *(in %)*	Reversion *(in millions of euros)*	OCR[(a)]	Occupancy rate
France	14.0	+1.9%	0.3	13.1%	93.4%
Italy	17.4	+2.2%	0.4	11.0%	96.6%
Scandinavia	9.3	−6.3%	(0.6)	13.8%	93.6%
Iberia	3.8	+11.8%	0.4	15.2%	92.7%
CE & Other	7.4	−0.4%	0	17.6%	93.7%
Germany and the Netherlands[(b)]	1.0	N/M	N/M	14.8%	94.7%
TOTAL	**53.9**	**+0.1%**	**0.1**	**13.2%**	**94.2%**

All assets (including equity-accounted companies) are presented on a 100% share basis.
(a) Occupancy cost ratio. Due to the unprecedented situation, OCR represents the ratio of collected rents to retailer sales (including closure periods).
(b) Occupancy cost ratio is only calculated for Germany as only a few Dutch retailers report their sales to Klépierre.

1.2 BUSINESS ACTIVITY BY REGION

1.2.1 France (28.2% of net rental income)

NRI AND OCCUPANCY RATE IN FRANCE

	Collection rate	Reported portfolio NRI		Occupancy rate	
In millions of euros	Actual	06/30/2021	06/30/2020	06/30/2021	06/30/2020
FRANCE	**58%**	**89.2**	**198.4**	**93.4%**	**96.1%**

Despite measures including curfews, regional and national lockdowns from mid-March to mid-May that weighed on first-half activity, **French** GDP is expected to rebound by 5.8% in 2021 and 4.0% in 2022. Since the Covid-19 outbreak, the authorities have taken extensive measures – from support for the smallest firms to the announcement of a €100 billion medium-term recovery plan (*France Relance*), coupled with fiscal stimulus and loan guarantees – to prop up the recovery.

In France, malls were impacted by lengthy restrictions until May 19, 2021:

- From January 31, 2021, all non-essential shops in enclosed shopping malls with a gross leasable area in excess of 20,000 sq.m. were closed;
- From March 31, 2021, this measure was extended to malls with a gross leasable area in excess of 10,000 sq.m.; and
- From April 4, 2021, all shopping centers were subject to this order, irrespective of size.

From May 19, 2021, these restrictions were lifted and all Klépierre's malls reopened. Notwithstanding the enforcement of visitor limits at every single center, the Group has experienced a rapid recovery. In June 2021, **retailer sales**[(1)] were up 15% compared to June last year, reaching 99% of their 2019 level. **By segment**[(1)], household equipment and culture, gifts & leisure were the best performers, while fashion was close to pre-Covid levels. Conversely, food & beverage, still impacted by health measures, reported lower sales. However, a law was passed on July 25, 2021 that allows prefects to require a vaccination certificate or a negative Covid test from customers of large malls in regions where the epidemic situation is deteriorating, provided that such a measure does not hamper access to public transportation and stores selling essential products.

Over the first half, **net rental income came** out at €89.2 million, largely hampered by the lockdowns lasting from the end of January until May 19 and lengthy discussions surrounding support packages. The French Finance Minister announced in early February that a package to help retailers pay their rents and charges for the closure period would be introduced. As of July 27, 2021, no decree had been passed and discussions with the European Commission are still ongoing. Should the plan be implemented, it could improve rent collection, although the first subsidies could not be granted to retailers before November 2021 at the earliest.

On the **leasing side,** activity rebounded strongly with 259 leases signed, outpacing pre-Covid levels (up 31% compared to the same period in 2019 and 85% higher than 2020) and translating into a positive 1.9% reversion.

Over the first half of the year, Klépierre continued to support the growing development of innovative banners across its French portfolio as demonstrated by four deals with Danish retailer Normal, three deals with high-tech reseller Hubside and three deals with value retailer Action. Klépierre also consolidated its partnership with FootKorner – the French street fashion retail chain – for the opening of stores at Créteil Soleil, Belle Épine and Val d'Europe. Moreover, Zara and Pull & Bear recently unveiled two new stores under their latest format at Jaude (Clermont-Ferrand). The beginning of the year was also shaped by the ongoing overhaul of the Grand Place retail mix as part of its refurbishment and before the opening of a 16,000 sq.m. extension scheduled for 2023. The leading retail destination in the Grenoble region welcomed a Lego store early July, while Starbucks and Asics are set to integrate the existing part of the mall by the end of 2021. New leases include deals with Primark, Snipes, Alain Afflelou and French burger chains Les Burgers de Papa and Black and White Burger, whose stores will help to raise standards further at this leading mall.

1.2.2 Italy (18.7% of net rental income)

NRI AND OCCUPANCY RATE IN ITALY

	Collection rate	Reported portfolio NRI		Occupancy rate	
In millions of euros	Actual	06/30/2021	06/30/2020	06/30/2021	06/30/2020
ITALY	**60%**	**59.1**	**87.8**	**96.6%**	**98.0%**

Over the first half of 2021, in line with health measures put in place in November 2020, the **Italian** government has continued to impose stringent containment rules. These notably included the closure of malls and other comparable spaces at weekends and bank holidays (including the day before), which hampered activity, coupled with the closure of malls during the week in regions considered at risk. In order to mitigate the impact of the pandemic, authorities announced additional fiscal help, emergency income support and the extension of tax credits for retailers. Restrictions were then eased from mid-May, gradually enabling a return to normal and the reopening of shops throughout the week. Accordingly, and although the recovery will depend on the speed of the vaccine rollout and improvement in exports and tourism, GDP growth is estimated at 4.5% in 2021.

After the partial lockdown that impacted performance until mid-May, Klépierre's Italian malls posted a sharp recovery as restrictions were lifted. In June 2021, **retailer sales**[(1)] were up 23% compared to last year and reached 94% of their June 2019 level. By **segment**[(1)], fashion and culture and gifts & leisure bounced back to pre-Covid levels in June, while food & beverage (72% of the June 2019 level) recovered more slowly as restrictions were eased gradually.

In that context, **net rental income** in Italy amounted to €59.1 million, largely explained by mall closures at weekends, which significantly impacted sales over the first half of the year and led many retailers to retain their payments.

Over the period, recurring **leasing activity** regained momentum with 178 leases signed (compared to 69 in 2020 and similar to the 2019 volume), demonstrating the attractiveness of Klépierre's Italian platform for retailers and paving the way for a 2.2% positive reversion.

The main leasing operations included the unveiling of a Guess flagship at Nave de Vero (Venice), the opening of a new Calvin Klein store at Assago Milanofiori (Milan) and of a Levi's boutique at Il Leone di Lonato (Lonato). Over the period, the Group also consolidated its long-standing partnerships with key accounts, especially through the opening of four United Colors of Benetton stores (Shopville Le Gru, Milanofiori, Globo and Grand Emilia) and a brand-new Mondadori bookshop at Le Corti Venete (Verona). Lastly, as part of its Destination Food® roll-out strategy, Klépierre continued to introduce new banners such as Poke House, the trendy Hawaiian restaurant chain, at Globo (Milan) and Romagna Center (Rimini), and supported the expansion of La Piadineria at Pescara Nord (Citta S. Angelo).

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

1.2.3 Scandinavia (23.4% of net rental income)

NRI AND OCCUPANCY RATE IN SCANDINAVIA

	Collection rate	Reported portfolio NRI		Occupancy rate	
In millions of euros	Actual	06/30/2021	06/30/2020	06/30/2021	06/30/2020
SCANDINAVIA	**94%**	**73.9**	**76.1**	**93.6%**	**93.8%**

Scandinavia faced a surge in Covid-19 hospitalizations at the start of 2021, forcing authorities to impose restrictions at different times, depending on the local health situation.

In **Norway**, the situation prompted the government to introduce a system of localized restrictions, with strict measures in Oslo while other areas were put under partial lockdowns. Since mid-May, restrictions have been lifted gradually and GDP is expected to increase by 3.4% in 2021, on the back of the recovery in the global oil price, the vaccine rollout and higher consumption. Despite social distancing recommended by the government, the **Swedish** economy benefited from more limited restrictions that enabled GDP to recover. Growth is expected to come in at 3.9% in 2021, notably supported by rising exports and government investments. Lastly, in **Denmark**, the full lockdown enforced from mid-December 2020 to mid-April 2021 successfully reversed the uptick in new infections. In addition, the subsequent reopening of the economy should translate into stronger GDP growth and to inflation in 2021 (2.8% and 1.2% respectively), supported by renewed external demand.

Over the period, various governments continued to provide financial and other aid to support households and companies, notably through fixed cost compensation and favorable monetary policies.

Scandinavian malls experienced a shorter closure period overall (equivalent to 1.5 months) compared to the rest of the portfolio and generally lighter-touch restrictions. This provided a platform for a sustained recovery after the second and third waves, with June 2021 **retailer sales**(1) bouncing back to their June 2019 level. The performance was led by Norway where sales were up 9% in June, while Denmark was close to pre-Covid levels (98% of the June 2019 level) and Sweden continued to be impacted by official recommendations to avoid social gatherings and covered shopping venues (83% of the 2019 level over the first half and 93% in June). By **segment**(1), household equipment, health & beauty and culture, gifts & leisure were notable outperformers, with retailer sales up 13%, 6% and 5% in June 2021 compared to June 2019, respectively.

Benefiting from the high collection rate, net rental income was broadly flat year on year at €73.9 million.

Lastly, on the **leasing** front, the Group signed 126 agreements over the period (up 13% compared to 2020). The Scandinavian platform mainly strengthened its sports offering, notably through the deal signed for the relocation of Intersport at Maxi Storsenter (Hamar, Norway) that will constitute an additional anchor on top of the recently opened Sport Outlet store and the supermarket Holdbart, which is slated to open in September. Meanwhile, the re-tenanting of Field's, the foremost retail destination in Copenhagen (Denmark), continued to progress thanks to a deal with sports brand Hummel, which opened a new boutique in early July.

1.2.4 Iberia (13.5% of net rental income)

NRI AND OCCUPANCY RATE IN IBERIA

	Collection rate	Reported portfolio NRI		Occupancy rate	
In millions of euros	Actual	06/30/2021	06/30/2020	06/30/2021	06/30/2020
IBERIA	**82%**	**42.7**	**60.7**	**92.7%**	**95.5%**

In Spain, GDP is projected to pick up strongly with growth estimated at 5.9% in 2021 and a strong carryover effect in 2022 (GDP up 6.3%). Following a slow start to the year due to the third wave, an improvement in health indicators and the relaxation of restrictions since March reduced uncertainty and supported business. The national recovery plan, incorporating €70 billion of NextGeneration EU recovery funds, an expansionary fiscal policy and the gradual pick-up of tourism on the back of greater external demand, are expected to underpin the economy.

After shrinking in 2020, the **Portuguese economy** was hit once again in the first half of 2021 by strong surges in Covid-19 infections that prompted authorities to enforce a second national lockdown from mid-January to April. Nevertheless, as the health situation improves, business activity is expected to recover gradually in the coming years, with GDP projected to increase by 3.7% in 2021 and 4.9% in 2022.

Over the first half of 2021, **retailer sales**(1) in Klépierre's Iberian region were up 20% compared to 2020, thanks to the fact that most malls remained open over the period (except 1.5 months in the Barcelona region and 2.4 months in Portugal). Nevertheless, despite the improved health environment, the recovery is more gradual than in other regions, with June 2021 retailer sales standing at 83% of the June 2019 level. This trend mainly stems from the high proportion of malls that rely on tourism and located close to transport hubs in Barcelona and Madrid, which continues to dampen overall footfall and sales performance.

Net rental income reached €42.7 million.

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

On the **leasing** side, the Group signed 61 leases (versus 62 in 2020, including renewals, releasing and re-lettings) in Iberia with an 11.8% positive reversion rate. During the first half, new retailers joined Klépierre's malls. This includes the new partnership with Base – a local Spanish sports retailer – which translated into the opening of two new stores at La Gavia (Madrid) and Meridiano (Tenerife), while two deals were signed with the fast expanding banner Hubside to open its first stores in the Group's Iberian malls at Nueva Condomina (Murcia) and Plenilunio (Madrid). Over the period, sneaker retailer Snipes rounded out the offering at Parque Nascente (Porto), while a structuring deal for the opening of three stores was signed with Primor, representing the first expansion from Spain to Portugal by this leading Spanish cosmetic chain. Lastly, Poke House opened three new restaurants in Madrid at La Gavia, Plenilunio and Principe Pio, and Taco Bell opened restaurants in Principe Pio and Meridiano as part of Klépierre's Destination Food® strategy.

1.2.5 Central Europe and Other (7.6% of net rental income)

NRI AND OCCUPANCY RATE IN CE & OTHER

	Collection rate	Reported portfolio NRI		Occupancy rate	
In millions of euros	Actual	06/30/2021	06/30/2020	06/30/2021	06/30/2020
CE & OTHER	**72%**	**24.1**	**35.6**	**93.7%**	**96.4%**

The **Central European** (Czech Republic and Poland) economies faced serious headwinds in early 2021 due to the resurgence of the pandemic and the restrictions enforced by governments. The **Czech Republic** experienced a four-month lockdown from January to early May while **Poland** imposed similar severe restrictions in January and April, delaying the expected return to normal. Although uncertainty remains high and the vaccination rate slower than in other geographies, both countries should start to recover in the summer of 2021, with GDP growth projected at 3.3% and 3.7%, respectively. The accommodative monetary policies and generous emergency support packages boosted business liquidity while local tax stimulus packages should have a positive effect on consumption and investment.

Over the first half, **retailer sales**[(1)] in the Central Europe & Other area were affected by the equivalent of 2.1 months of full closure, but the region has experienced a resilient resumption since the easing of restrictions. In June, sales returned to pre-Covid levels, notably on the back of a good performance by Turkish malls, supported by high inflation. The Czech Republic experienced a softer restart (91% of the 2019 level in June) due to malls located close to transport hubs and/or large business districts (Nový Smíchov, Prague), which temporarily suffered in terms of footfall and retailer sales.

Against this backdrop, **net rental income** in the Central Europe & Other region amounted to €24.1 million.

Over the first half, Klépierre's malls continued to benefit from asset management and **leasing** initiatives, with 105 renewal, releasing or reletting agreements signed, up 28% compared to 2019. The Group signed a deal for the enlargement of Sephora and the opening of the first Rituals boutique in Klépierre's Polish malls at Sadyba Best Mall (Warsaw). At Nový Smíchov (Prague), the fashion offering was further enriched with the opening of a Tezenis store. Lastly, Klépierre continued to support the growing momentum of innovative banners, as showcased by deals with Samsung, LG and the electronic cigarette reseller IQOS.

1.2.6 Netherlands (4.9% of net rental income)

NRI AND OCCUPANCY RATE IN THE NETHERLANDS

	Collection rate	Reported portfolio NRI		Occupancy rate	
In millions of euros	Actual	06/30/2021	06/30/2020	06/30/2021	06/30/2020
NETHERLANDS	**75%**	**15.3**	**29.0**	**95.6%**	**96.2%**

Dutch GDP is projected to grow by 2.7% in 2021, on the way to reaching pre-Covid levels in 2022. Nevertheless, the country experienced a prolonged second wave, with public authorities forced to implement restrictions from December 2020 to the end of April 2021. These included nightly curfews and the closure of non-essential businesses, which hampered the economy. In that context, the forthcoming recovery is expected to be driven by consumption after a sizeable increase in household savings in 2020, coupled with public investment supported by NextGenerationEU recovery funds.

Retailer sales[(1)] at Klépierre's Dutch malls were squeezed by the four-month closure period, but the country experienced a progressive recovery after reopening, with sales reaching 93% of the 2019 level in June 2021.

Over the **period, net rental income** reached €15.3 million.

Nonetheless, Dutch **leasing** activity was dynamic in the food & beverage segment, where Klépierre continued to broaden the offering by rolling out its Destination Food® concept. Last May, KFC and T.G.I. Friday's (among other international food retailers) unveiled their latest restaurants at Hoog Catharijne and Markthal, respectively. In the meantime, a package deal was signed with De Beren, the fast-growing local concept, for the opening of its first three stores in Klépierre's portfolio. On top of this, at Hoog Catharijne, the iconic shopping center's offering was enhanced by the opening of the Asian supermarket Amazing Oriental (1,200 sq.m.), the unveiling of an Intertoys flagship store and the upgrade of Rituals to a premium store.

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

1.2.7 Germany (3.7% of net rental income)

NRI AND OCCUPANCY RATE IN GERMANY

	Collection rate	Reported portfolio NRI		Occupancy rate	
In millions of euros	Actual	06/30/2021	06/30/2020	06/30/2021	06/30/2020
GERMANY	**78%**	**11.5**	**15.6**	**93.0%**	**96.8%**

Germany is expected to experience sustained economic growth, with GDP projected to expand by 3.3% in 2021 and 4.4% in 2022. After the enforcement of strict measures over the winter, the authorities have been gradually allowing reopenings since early June in support of the ongoing recovery, which has been further strengthened by the approval of a new federal loan of €240 billion and expansionary fiscal and monetary policies. At the same time, export-focused industries are benefiting from rising global demand. Additionally, the main governmental financial support package (*Überbrückungshilfe III*) was improved in June, and now covers up to 100% of retailers' monthly fixed costs (including rents; capped at €10 million per month versus €1.5 million previously).

In that context, **retailer sales**[(1)] were negatively impacted by the national lockdown which lasted the equivalent of five months in Germany. In addition, the gradual reopening from June translated into a relatively soft recovery compared to the rest of the Group, with retailer sales standing at 91% of their 2019 level. On a **segment**[(1)] basis, household equipment (93% of the June 2019 level) benefited from the reopening while the recovery in the food & beverage and health & beauty segments was slower, notably due to the progressive easing of health measures.

In light of the above, **net rental income** amounted to €11.5 million.

Lastly, through **leasing** initiatives undertaken in the first half of 2021, Klépierre continued to adapt the retail mix of its German malls. In Forum Duisburg, Sinn Leffers, the multi-brand fashion retailer, joined the mall in a 3,000 sq.m. unit in July. Likewise, the lease signed with Depot – the home decoration specialist – enriched the household equipment offering. The ground floor of the mall is now fully let while the basement recently welcomed fashion retailer Tredy and is set to host the food banner Tea Motion in September. In the meantime, the renewal campaign launched at Boulevard Berlin notably saw deals with anchors Karstadt (30,000 sq.m.) and H&M (2,900 sq.m.), which both renewed their leases for five years.

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

1.3 NET CURRENT CASH FLOW

NET CURRENT CASH FLOW AND EPRA EARNINGS

Total share *(in millions of euros)*	06/30/2021	06/30/2020
Gross rental income	444.3	581.0
Rental and building expenses	(123.8)	(69.5)
Net rental income	320.6	511.5
Management and other income	35.7	42.2
General and administrative expenses	(71.4)	(63.9)
EBITDA	284.9	489.8
Adjustments to calculate operating cash flow:		
• Depreciation charge for right-of-use assets[(a)]	(4.2)	(4.0)
• Employee benefits, stock option expense and non-current operating expenses/income	-	0.2
• IFRIC 21 impact	8.2	7.5
Operating cash flow	288.9	493.5
Cost of net debt	(58.2)	(52.9)
Adjustments to calculate net current cash flow before taxes:		
• Amortization of Corio debt mark-to-market	(1.9)	(8.4)
• Financial instrument close-out costs	1.7	4.1
Current cash flow before taxes	230.5	436.3
Share in earnings of equity-accounted companies	17.6	26.4
Current tax expense	0.1	(8.8)
Net current cash flow	248.1	453.9
Group share		
Net current cash flow	206.9	392.1
Add-back adjustments to calculate EPRA Earnings:		
• Employee benefits, stock option expense and non-recurring operating expenses/income	-	(0.2)
• Depreciation, amortization and provisions for contingencies and losses	(4.8)	(11.3)
EPRA Earnings	202.1	380.6
Average number of shares[(b)]	285,539,909	286,430,401
Per share *(in euros)*		
NET CURRENT CASH FLOW	**0.72**	**1.37**
IFRS 16 straight-line amortization	(0.01)	-
NET CURRENT CASH FLOW	**0.72**	**1.37**
EPRA EARNINGS	**0.71**	**1.33**

(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** reached €320.6 million in first-half 2021, including €112 million in rent abatements and €64 million in provisions, reflecting a long closure period during the half-year.
- **Operating cash flow** amounted to €288.9 million. In 2021, payroll and other general and administrative expenses increased slightly compared to last year. It reflects the end of some measures implemented last year (furlough scheme). However, compared to 2019, operating costs are still down 14%.
- **The cost of net debt** came out at €58.2 million on a total share basis. In the absence of any major refinancing transactions during the first part of the year, the cost of debt was stable at 1.2% (see section 1.6.3 "Cost of debt").
- **Current tax expense** amounted to €0.1 million on a total share basis. This is due to a €6.5 million accrued tax credit in France compensating rent abatements granted in relation to the November 2020 lockdown.

Consequently, net current cash flow per share came out at €0.72. Compared to the first half of 2019[(1)]; the €0.63 decline is attributable to the negative impacts of rent abatements and allowances (€0.61), the loss of variable revenues due to mall closures and occupancy contraction (€0.15). This was partly offset by the positive impacts of cost reductions (€0.03; G&A and payroll) and other items[(2)] (€0.10; mostly related to tax savings in Italy and the lower cost of debt).

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

(1) Restated for disposals and share buyback impact.
(2) Including €0.06 of tax savings, €0.03 of lower cost of debt, €0.05 of 2020 provision reversal and −€0.04 of management fees.

1.3.1 Contribution of equity-accounted companies

The contribution of equity-accounted companies[1] to net current cash flow amounted to €17.6 million for the six months ended June 30, 2021. 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 region; 50% equity interest), and Belle Épine (Paris region; 10% equity interest);
- **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; 45.9% 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.

CONTRIBUTION OF EQUITY-ACCOUNTED COMPANIES

GROSS RENTAL INCOME

In millions of euros	06/30/2021	06/30/2020
France	8.9	12.5
Italy	15.0	19.5
Norway[a]	3.7	3.4
Portugal	1.0	1.7
Turkey	2.2	2.3
TOTAL	**30.9**	**39.4**

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

NET RENTAL INCOME

In millions of euros	06/30/2021	06/30/2020
France	6.1	9.6
Italy	11.4	16.5
Norway[a]	2.8	2.9
Portugal	0.8	1.6
Turkey	1.7	1.6
TOTAL	**22.8**	**32.3**

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

EBITDA

In millions of euros	06/30/2021	06/30/2020
France	6.1	9.5
Italy	11.3	16.4
Norway[a]	2.8	2.9
Portugal	0.8	1.6
Turkey	1.6	1.4
TOTAL	**22.6**	**31.8**

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

NET CURRENT CASH FLOW

In millions of euros	06/30/2021	06/30/2020
France	4.2	8.2
Italy	8.3	13.1
Norway[a]	2.8	2.9
Portugal	0.4	0.4
Turkey	1.8	1.8
TOTAL	**17.6**	**26.4**

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

NET INCOME[b]

In millions of euros	06/30/2021	06/30/2020
France	(2.9)	(10.1)
Italy	54.9	0.2
Norway[a]	(0.1)	(1.2)
Portugal	(0.4)	(1.9)
Turkey	3.5	0.5
TOTAL	**55.0**	**(12.4)**

(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 fair value of investment properties.

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

1.4 INVESTMENTS, DEVELOPMENTS AND DISPOSALS

1.4.1 Investment market

Over the 12 months to end-March 2021, retail investment volumes decreased by 28% compared to the same period the previous year, as a direct consequence of the Covid-19 pandemic. Although all European countries faced a decline in transactions, France, Spain and the Netherlands were more impacted than others such as Germany. In a more concentrated investment market, the share of the top five countries (France, the United Kingdom, the Netherlands, Germany and Spain) rose to around 72%. By segment, the share of shopping malls in the global volume of transactions marked a slowdown, while deals on supermarkets and retail parks demonstrated greater resilience.

Yield expansion has been rather limited, increasing by only 10 basis points over the past six months and now standing at 5.5%, suggesting a historically high 550 basis-point real estate risk premium.

Since the beginning of the second quarter and thanks to the gradual easing of health restrictions, the investment market has been showing early signs of recovery. In addition, transactions involving shopping centers, retail parks and supermarkets have been closed or signed with institutional or private investors in Austria, Norway or Slovakia, for a total consideration exceeding €4 billion.

1.4.2 Capital expenditure

Since the outbreak of the pandemic, the Group has maintained its conservative approach to **development** and focused on its main committed projects:

- The completion of the redevelopment of Hoog Catharijne in Utrecht (Netherlands);
- The refurbishment of Créteil Soleil in the Paris region (France), scheduled for completion in the first half of 2022; and
- The extension and refurbishment of Gran Reno in Bologna (Italy), slated to open in spring 2022.

Overall, €24.1 million was allocated to the development pipeline.

On the **standing portfolio** (excluding investments in extensions), €31.3 million was expensed (compared to €43.7 million in the first-half of 2020; see section 1.7.6), and €1.2 million was allocated to **capitalized interest**.

Overall, total capital expenditure in the first half of 2021 amounted to €56.9 million, significantly below the first-half 2020 level (€91.6 million) and even further below the 2019 level (€132.1 million).

1.4.3 Development pipeline

As of June 30, 2021, the Group's development pipeline (committed and controlled projects) represented €1.3 billion worth of potential investments, including €0.5 billion of committed projects[(1)] with an average expected yield of 6.7% and €0.8 billion of controlled projects[(2)]. Development projects also include alternative mixed-use opportunities representing €1.3 billion in potential investments (see below).

On a Group share basis, the total pipeline represented €1.1 billion, of which €0.5 billion committed and €0.6 billion controlled. Of the €0.5 billion committed, only €0.2 billion remained to be invested.

Over the first half, the Group focused its development investments on its main geographies (France, Italy and the Netherlands). Accordingly, over the period, €24.1 million was spent on the pipeline and the Group will continue to carefully monitor cash outflows going forward.

(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).

DEVELOPMENT PIPELINE AS OF JUNE 30, 2021 *(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 €m)*	Cost to date *(in €m)*	Targeted yield on cost[(b)]
Hoog Catharijne Phase 3	Netherlands	Utrecht	Ext.-refurb.	23,844	2019-2023	100.0%	90	75	
Créteil Soleil	France	Paris region	Ext.-refurb.	11,400	2019-2022	80.0%	139	126	
Gran Reno	Italy	Bologna	Ext.-refurb.	24,876	2022	100.0%	143	63	
Grand Place	France	Grenoble	Ext.-refurb.	16,200	2021-2023	100.0%	70	14	
Other projects				34,875			72	28	
Total committed projects				**111,195**			**515**	**306**	**6.7%**
Le Gru[(c)]	Italy	Turin	Ext.-refurb.	24,316	2022-2024	100.0%	120	8	
Maremagnum	Spain	Barcelona	Ext.-refurb.	13,640	2022-2024	100.0%	50	1	
Odysseum[(c)]	France	Montpellier	Ext.-redev.	15,300	2023	100.0%	52	8	
Porta di Roma[(d)]	Italy	Rome	Extension	4,880	2024	50.0%	14	0	
Val d'Europe	France	Paris region	Extension	9,000	2024	55.0%	61	1	
Blagnac	France	Toulouse region	Ext.-refurb.	3,520	2023	53.6%	12	1	
Grand Ouest	France	Écully	Ext.-refurb.	2,980	2023	83.0%	26	0	
L'Esplanade	Belgium	Brussels region	Extension	19,475	2024	100.0%	131	15	
Økernsenteret[(e)]	Norway	Oslo	Redev.	64,650	2024	56.1%	154	49	
Viva	Denmark	Odense	New dev.	28,200	2024	56.1%	117	29	
Other projects				15,600			69	1	
Total controlled projects				**201,561**			**807**	**114**	
TOTAL				**312,756**			**1,322**	**419**	

(a) Estimated cost as of June 30, 2021, 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, 2021, 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.

ALTERNATIVE MIXED-USE DEVELOPMENT OPPORTUNITIES AS OF JUNE 30, 2021 *(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 €m)*	Cost to date *(in €m)*
Økernsenteret[(a)]	Norway	Oslo	Mixed use	102,500	2025-2027	56.1%	385	49
Viva	Denmark	Odense	Mixed use	90,100	2024	56.1%	332	29
Blagnac	France	Toulouse region	Mixed use	111,987	2025-2030	53.6%	215	10
L'Esplanade	Belgium	Brussels region	Mixed use	22,000	2026	100.0%	75	15
Nancy	France	Nancy	Mixed use	30,800	2025-2028	35.0%	49	9
Fields	Denmark	Copenhagen	Mixed use	67,500	2026	56.1%	209	42
TOTAL				**424,887**			**1,264**	**153**

(a) Including the foreign exchange impact on estimated costs and costs to date.

1.4.3.1 Extension and refurbishment of Gran Reno (Bologna, Italy)

Gran Reno is a dominant regional mall with no comparable competition in one of the wealthiest catchment areas in Italy. The construction of a 16,700 sq.m. extension that started in April 2019 is expected to be delivered in the second quarter of 2022.

As of today, 81% of the new extension is already let or at an advanced stage of negotiation (as a percentage of the projected net rental income). Exciting new brands such as Zara, Bershka, Pull & Bear, Stradivarius, New Balance, Napapijri, Tommy Hilfiger, Lush and Nike will be added to the mix, together with Klépierre's Destination Food® concept directly linked to an indoor and outdoor events area on the mall's rooftop.

In parallel, the refurbishment project of the existing center is due for completion in September 2021 and the transformation of the upper level of the hypermarket to host Primark is ongoing for an opening planned in July 2022.

1.4.3.2 Extension and refurbishment of Grand Place (Grenoble, France)

Work on the 16,000 sq.m. extension started in July and will completely remodel this leading retail destination in Grenoble. Pre-leasing is progressing well, with 76% of the projected net rental income signed or under advanced negotiations. This new development will host a brand-new Primark store and 15 new boutiques, as well as a food court integrating the up-to-date standards of Klépierre's Destination Food® strategy, with 12 new restaurants and indoor and outdoor terraces offering customers an attractive food and beverage experience.

In parallel, the refurbishment works at the existing center are ongoing with a delivery scheduled in the fourth quarter of 2021.

1.4.3.3 New Primark stores in France and Italy

In 2020, Klépierre launched restructuring operations in France and Italy in order to host new Primark stores, notably in Centre Deux (Saint-Étienne, France) Le Gru (Turin) and Campania (Naples) for an opening in 2022/2023.

1.4.4 Disposals

DISPOSALS COMPLETED SINCE JANUARY 1, 2021

Assets (City, Country)	Floor area *(in sq.m.)*	Sale price[a] *(in millions of euros)*	Date
Vinterbro Senter (Ås, Norway)	41,070		07/08/2021
Amanda (Haugesund, Norway)	14,590		07/08/2021
Nerstranda (Tromsø, Norway)	11,662		07/08/2021
Farmandstredet (Tønsberg, Norway)	37,881		07/08/2021
Nordbyen (Larvik, Norway)	15,916		07/08/2021
Shopping centers	**121,119**	**435.2**	
Other retail properties in France and Sweden	**N/A**	**36.4**	
TOTAL DISPOSALS	**N/A**	**471.6**	

(a) Excluding transfer taxes, total share.

Since January 1, 2021, the Group has divested assets for a total consideration of €471.6 million[1] at an average yield of 5.6%. This figure mainly includes the disposal of non-core Norwegian properties on July 8, 2021 to Aurora Eiendom AS. On top of this transaction, Klépierre also sold other retail properties in France and Sweden for €36.4 million.

These transactions are part of Klépierre's portfolio streamlining and serve the Group's engaged ambition to refocus on pre-eminent assets located in high growth cities, while illustrating its ability to crystalize value creation through disposals across its platform. They also constitute positive signs of the rebound in the investment market after the contraction observed in 2020, largely related to the health situation.

(1) Excluding transfer taxes, total share.

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 as appraised by external appraisers

As of June 30, 2021, 96% of the value of Klépierre's property portfolio, or €20,544 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 are 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	**20,544**
Acquisitions	-
Investment property at cost	139
Other internally-appraissed assets (land, assets held for sale, etc.)	788
TOTAL PORTFOLIO	**21,471**

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).

Engagement terms have been extended by one year, for two additional campaigns.

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, 2021

Appraiser	Countries covered	Share of total portfolio *(in %)*
Cushman & Wakefield	• France, Norway, Sweden, Denmark, Belgium and Poland	44%
CBRE	• France, Spain, Italy, Netherlands, Czech Republic and Portugal	35%
Jones Lang LaSalle	• Italy, Turkey and Greece	16%
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 tenth year (indexed one year), capitalized by an exit yield. Lastly, appraisers apply a discount rate to the future cash flows, combining the country risk-free rate, the liquidity premium related to the local investment market and an asset-specific risk premium reflecting the location, quality, size and technical specificities of the asset considered.

(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.*

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.

A detailed report on the property valuation campaign is examined by the Audit Committee.

As of June 30, 2021, experts withdrew the "material uncertainty clause" they had included in their reports since June 30, 2020 for more than 99% of Klépierre's portfolio value, considering that transaction volumes and liquidity had recovered sufficiently to form an adequate opinion on values.

1.5.1.2 Valuation

1.5.1.2.1 Change in appraisers' assumptions

Over the past six months, appraisers made the following changes to their assumptions:

- The discount and exit rates were increased slightly, translating into a 1.1% negative **market effect**, mainly reflecting the dearth of transactions on the retail real estate segment over the period and the still-uncertain health and operating environment; and
- The NRI CAGR was decreased from 2.6% to 2.3% as appraisers have lowered estimated rental values on targeted assets, ultimately resulting in a 0.7% negative **cash flow effect**.

ASSUMPTIONS USED BY APPRAISERS FOR DETERMINING THE SHOPPING CENTER PORTFOLIO VALUATION AS OF JUNE 30, 2021[(a)]

Geography	Average annual rent[(b)] *(in euros/sq.m.)*	Discount rate[(c)]	Exit rate[(d)]	NRI CAGR[(e)]
France	329	6.1%	5.1%	2.3%
Italy	358	7.0%	6.0%	2.1%
Scandinavia	291	7.0%	5.0%	2.5%
Iberia	304	7.7%	6.1%	2.6%
CE & Other	199	8.8%	7.2%	2.9%
Netherlands	227	6.9%	6.1%	3.5%
Germany	196	5.3%	4.7%	1.9%
TOTAL	**288**	**6.7%**	**5.5%**	**2.3%**

(a) Discount and exit rates 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, 2020[(a)]

Geography	Average annual rent[(b)] *(in euros/sq.m.)*	Discount rate[(c)]	Exit rate[(d)]	NRI CAGR[(e)]
France	333	6.0%	5.0%	2.7%
Italy	370	7.0%	5.9%	2.4%
Scandinavia	292	7.0%	5.0%	2.5%
Iberia	322	7.7%	6.0%	2.2%
CE & Other	219	8.9%	7.3%	3.4%
Netherlands	239	6.9%	6.1%	3.3%
Germany	202	5.3%	4.6%	1.7%
TOTAL	**296**	**6.7%**	**5.4%**	**2.6%**

(a) Discount and exit rates 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.

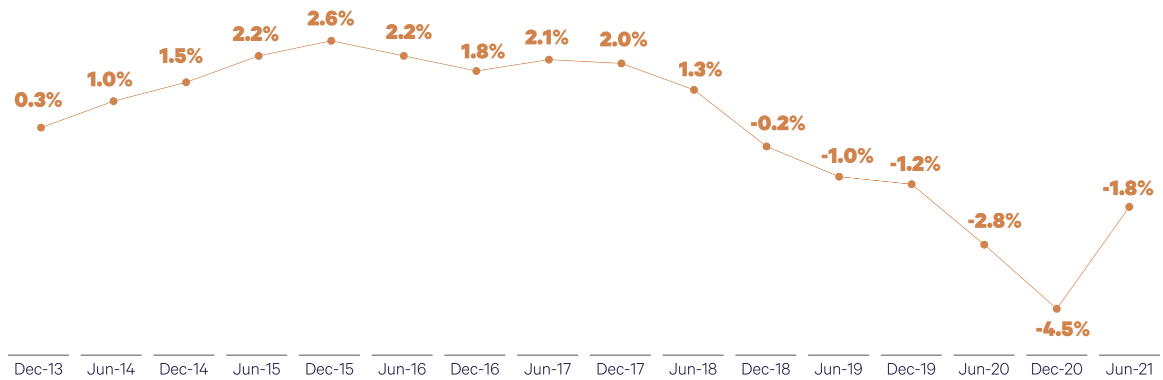
LIKE-FOR-LIKE 6-MONTH CHANGE IN SHOPPING CENTER PORTFOLIO VALUATION: MARKET AND CASH FLOW EFFECTS[(a)]

Geography	LFL change	Market effect	Cash-flow effect
France	−2.2%	−1.6%	−0.6%
Italy	−1.6%	−0.9%	−0.6%
Scandinavia	−2.2%	−1.1%	−1.0%
Iberia	−1.1%	−0.9%	−0.2%
CE & Other	−1.6%	−0.1%	−1.5%
Netherlands	−0.8%	−0.1%	−0.7%
Germany	−1.3%	−0.4%	−1.0%
TOTAL SHOPPING CENTERS	**−1.8%**	**−1.1%**	**−0.7%**

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

Overall, the 1.8% like-for-like contraction was softer than over the previous six months (down 4.5%).

LIKE-FOR-LIKE 6-MONTH CHANGE IN SHOPPING CENTER PORTFOLIO VALUATION



1.5.1.2.2 Property portfolio valuation

Including transfer taxes, the value of the portfolio stood at €21,471 million on a total share basis as of June 30, 2021, down 1.8% or €388 million on a reported basis compared to December 31, 2020. This decrease reflects:

- A €36-million negative impact from disposals completed in France and in Sweden;
- A €22-million positive impact from acquisitions and developments;
- A €383-million like-for-like valuation decrease (down 1.8%), with limited differences between countries; and
- A €9-million positive foreign exchange impact in Scandinavia.

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

			Change over 6 months			Change over 12 months		
In millions of euros	06/30/2021	% of total portfolio	12/31/2020	Reported	LfL[b]	06/30/2020	Reported	LfL[b]
France	8,345	38.9%	8,535	−2.2%	−2.2%	9,143	−8.7%	−8.2%
Italy	3,945	18.4%	3,930	+0.4%	−1.6%	4,017	−1.8%	−4.1%
Scandinavia	3,536	16.5%	3,641	−2.9%	−2.2%	3,588	−1.4%	−4.5%
Iberia	2,103	9.8%	2,125	−1.0%	−1.1%	2,221	−5.3%	−5.4%
CE & Other	1,149	5.4%	1,193	−3.7%	−1.6%	1,283	−10.4%	−5.7%
Netherlands	1,320	6.1%	1,328	−0.6%	−0.8%	1,426	−7.4%	−8.0%
Germany	859	4.0%	871	−1.3%	−1.3%	907	−5.2%	−5.2%
TOTAL SHOPPING CENTERS	21,257	99.0%	21,623	−1.7%	−1.8%	22,584	−5.9%	−6.3%
TOTAL OTHER RETAIL PROPERTIES	213	1.0%	236	−9.6%	−1.3%	256	−16.7%	−4.6%
TOTAL PORTFOLIO	**21,471**	**100.0%**	**21,859**	**−1.8%**	**−1.8%**	**22,840**	**−6.0%**	**−6.3%**

(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 (€1,346 million as of June 30, 2021; total share, including transfer taxes). The corresponding gross asset value of these assets stand at €1,347 million.

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

Overall, as of June 30, 2021, the average EPRA NIY[1] for the shopping center portfolio stood at 5.4%, up 10 basis points over six months[2].

(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).

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

Country	06/30/2021	12/31/2020	06/30/2020
France	4.8%	4.8%	4.4%
Italy	5.8%	5.8%	5.6%
Scandinavia	5.1%	4.9%	4.8%
Iberia	6.0%	6.0%	5.7%
CE & Other	7.1%	7.0%	6.7%
Netherlands	6.1%	6.0%	5.5%
Germany	4.9%	4.8%	4.6%
TOTAL SHOPPING CENTERS	**5.4%**	**5.3%**	**5.1%**

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

1.5.1.2.3 Other information related to the June 30, 2021 valuation

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

In millions of euros	
Investment property at fair value as per statement of financial position	**18,705**
Right-of-use asset relating to ground leases	(357)
Investment property at cost[(a)]	139
Fair value of property held for sale	685
Leasehold and lease incentives	49
Transfer taxes	966
Klépierre's equity interest in assets accounted for under the equity method (incl. receivables)	1,285
TOTAL PORTFOLIO	**21,471**

(a) Including IPUC (investment property under construction).

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 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	+7.6%	+3.7%	+1.8%	−1.8%	−3.5%	−6.9%
Italy	+7.6%	+3.7%	+1.8%	−1.8%	−3.5%	−6.9%
Scandinavia	+7.7%	+3.7%	+1.8%	−1.8%	−3.6%	−7.0%
Iberia	+7.5%	+3.7%	+1.8%	−1.8%	−3.5%	−6.8%
CE & Other	+7.0%	+3.4%	+1.7%	−1.7%	−3.3%	−6.4%
Netherlands	+11.1%	+5.4%	+2.6%	−2.6%	−5.1%	−9.9%
Germany	+8.6%	+4.2%	+2.1%	−2.0%	−4.0%	−7.8%
TOTAL SHOPPING CENTERS	**+7.8%**	**+3.8%**	**+1.9%**	**−1.8%**	**−3.6%**	**−7.1%**

	Exit rate variance					
Geography	**−100 bps**	**−50 bps**	**−25 bps**	**+25 bps**	**+50 bps**	**+100 bps**
France	+15.6%	+6.9%	+3.2%	−2.9%	−5.5%	−10.1%
Italy	+12.1%	+5.5%	+2.6%	−2.4%	−4.6%	−8.5%
Scandinavia	+16.0%	+7.1%	+3.3%	−3.0%	−5.7%	−10.5%
Iberia	+11.7%	+5.3%	+2.5%	−2.3%	−4.4%	−8.2%
CE & Other	+10.1%	+4.6%	+2.2%	−2.0%	−3.9%	−7.3%
Netherlands	+16.4%	+7.2%	+3.4%	−3.2%	−6.0%	−10.9%
Germany	+19.7%	+8.7%	+4.1%	−3.7%	−7.0%	−12.7%
TOTAL SHOPPING CENTERS	**+14.6%**	**+6.5%**	**+3.1%**	**−2.8%**	**−5.3%**	**−9.7%**

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

In millions of euros	06/30/2021	% of total portfolio	Change over 6 months 12/31/2020	Reported	LfL[b]	Change over 12 months 06/30/2020	Reported	LfL[b]
France	6,725	36.9%	6,878	−2.2%	−2.2%	7,379	−8.9%	−8.1%
Italy	3,920	21.5%	3,905	+0.4%	−1.6%	3,991	−1.8%	−4.1%
Scandinavia	1,984	10.9%	2,043	-2.9%	−2.2%	2,013	−1.4%	−4.5%
Iberia	2,103	11.6%	2,125	−1.0%	−1.1%	2,221	−5.3%	−5.4%
CE & Other	1,138	6.2%	1,181	−3.7%	−1.7%	1,267	−10.2%	−5.7%
Netherlands	1,320	7.2%	1,328	−0.6%	−0.8%	1,426	−7.4%	−8.0%
Germany	803	4.4%	827	−2.9%	−1.4%	861	−6.7%	−5.1%
TOTAL SHOPPING CENTERS	17,994	98.8%	18,286	−1.6%	−1.8%	19,158	−6.1%	−6.3%
TOTAL OTHER RETAIL PROPERTIES	213	1.2%	236	−9.6%	−1.3%	256	−16.7%	−4.6%
TOTAL PORTFOLIO	**18,207**	**100.0%**	**18,522**	**−1.7%**	**−1.7%**	**19,414**	**−6.2%**	**−6.3%**

(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 (€1,270 million as of June 30, 2021; Group share, including transfer taxes). The corresponding gross asset value of these assets stands at €1,271 million.*

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

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. 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 6.9% to 8.4% (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, 2021 stood at €324.6 million on a total share basis (€323.9 million, Group share) compared to €331.2 million as of December 31, 2020 (€327.6 million, Group share), reflecting the disposal of assets in Norway on July 8, 2021 (see section 1.4.4 "Disposals").

1.6 FINANCING POLICY

Klépierre's financing policy aims to ensure balance sheet stability, continuous access to financial resources, a strong liquidity position and very competitive cost of capital. During the first half of 2021, Klépierre benefited from a very low cost of debt thanks to refinancing at attractive terms over the past three years. Its liquidity position remains strong and covers all refinancing needs until May 2024. Despite lower rent collection and a slight decline in property values due to the lockdowns, the Group continued to maintain its leverage by controlling cash outflows related to capex and divesting non-strategic assets. Klépierre is still committed to operate with conservative leverage metrics.

1.6.1 Financial resources

1.6.1.1 Change in net debt

As of June 30, 2021, consolidated net debt totaled €9,146 million, versus €9,054 million six months previously. The main movements during the first half of the year were as follows:

- Cash inflows from operations and other items (foreign exchange, changes in working capital), amounting to €248 million;
- Cash outflows in respect of distributions for €326 million (including the 2020 distribution for €285 million and distributions to non-controlling interests for €40 million);
- Cash outflows in respect of capital expenditure for €55 million (see section 1.7.6 "EPRA capital expenditure"); and
- Cash inflows from disposals of €41 million.

However, in early July consolidated net debt fell by €405 million as five shopping centers in Norway were sold for a total consideration of NOK 4.1 billion.

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 stood at 42.6% as of June 30, 2021, a 120 basis-point increase compared to December 31, 2020 (of which half is due to the fact that the 2020 dividend was paid in one installment). Considering the recent disposals in Norway and assuming the 2020 cash dividend would have been paid in two equal installments, the Loan-to-Value is 41.1%.

LOAN-TO-VALUE CALCULATION AS OF JUNE 30, 2021 *(as per covenant definitions, on a total share basis)*

In millions of euros	06/30/2021	12/31/2020	06/30/2020
Current financial liabilities	1,941	2,382	2,926
Bank facilities	214	9	15
Non-current financial liabilities	7,278	7,244	7,008
Revaluation due to fair value hedge and cross currency swap	(14)	(31)	(28)
Fair value adjustment of debt[a]	(3)	(5)	(13)
Gross financial liabilities excluding fair value hedge	**9,417**	**9,600**	**9,909**
Cash and cash equivalents[b]	(270)	(546)	(780)
Net debt (A)	**9,146**	**9,054**	**9,129**
Disposition of Norwegian assets (net of distribution to minority shareholders)[c]	(355)	-	-
Annual spreading of the 2020 dividend fully-paid in June 2021	(143)	-	-
Adjusted net debt (C)	**8,649**	-	-
Property portfolio value (incl. transfer taxes) (B)	21,471	21,859	22,840
Adjusted property portfolio value (incl. transfer taxes) (D)	21,037	-	-
LOAN-TO-VALUE RATIO (A/B)	**42.6%**	**41.4%**	**40.0%**
ADJUSTED LOAN-TO-VALUE RATIO (C/D)[d]	**41.1%**	**-**	**-**

(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.*
(c) *Proceeds of €405 million for the disposals of five shopping center galleries in Norway, net of a €50 million distribution to Klépierre's minority shareholders.*
(d) *Taking into account post-closing events between June 30 and July 15, 2021.*

1.6.1.3 Available resources

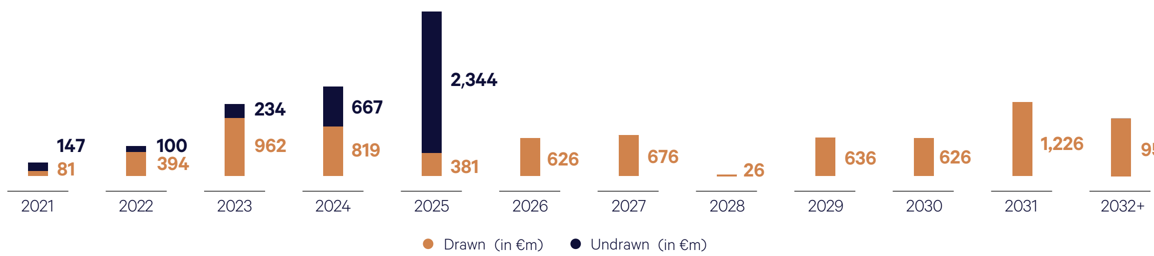
At the end of June 2021, Klépierre's liquidity position[1] stood at €2.2 billion. It mainly comprises €1.8 billion in unused committed revolving credit facilities (net of commercial paper) and €0.4 billion in uncommitted credit facilities. €900 million of two senior bonds maturing in the first quarter were repaid during the period. The current liquidity position remains strong and the Group covers all its refinancing needs until May 2024.

1.6.1.4 Debt structure

As of June 30, 2021, the share of financing sourced from capital markets in total debt stood at 90%, enabling Klépierre to benefit from excellent financing conditions. Secured debt accounted for 8% of total debt, the bulk of which concerned borrowing raised in Scandinavia. The Group's average debt maturity stood at 6.4 years at end-June 2021.

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 these positions.

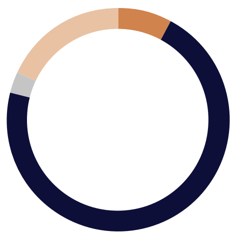
DEBT MATURITY SCHEDULE AS OF JUNE 30, 2021 *(in % of authorized debt)*



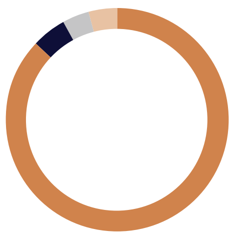
(1) *The liquidity position represents the total financial resources available to a company. This indicator is therefore equal to the sum of cash at hand at the end of the period, committed and unused revolving credit facilities (net of commercial paper) and uncommitted credit facilities.*

(2) *On a total-share basis, including transfer taxes, the Czech Republic represented 3.0% of the total Klépierre portfolio, Poland 1.5% and Turkey 0.8%.*

FINANCING BREAKDOWN BY TYPE OF RESOURCE AS OF JUNE 30, 2021 *(utilizations, total share)*



FINANCING BREAKDOWN BY CURRENCY AS OF JUNE 30, 2021 *(utilizations, total share)*

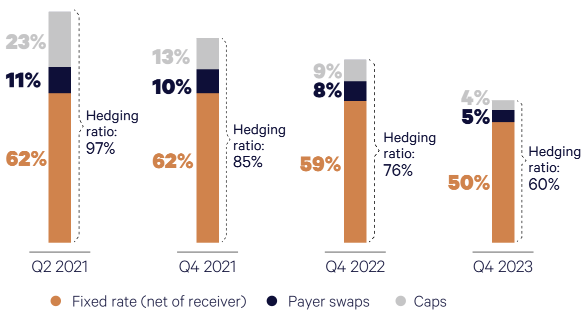


1.6.2 Interest rate hedging

During the first half of 2021, Klépierre strengthened its hedging profile by rolling over €400 million in maturing caps. As of June 30, 2021, the proportion of fixed-rate debt (including hedging instruments) was 97%, while its average maturity remained close to five years (4.6 years).

Accordingly, taking into consideration 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, 2021, the Group's annual cash-cost-at-risk stood at €1.7 million on a Group share basis. In other words, the annual loss resulting from short-term interest rate movements would be less than €1.7 million 99% of the time. This calculation does not factor in any assumptions regarding changes in the credit spreads.

1.6.3 Cost of debt

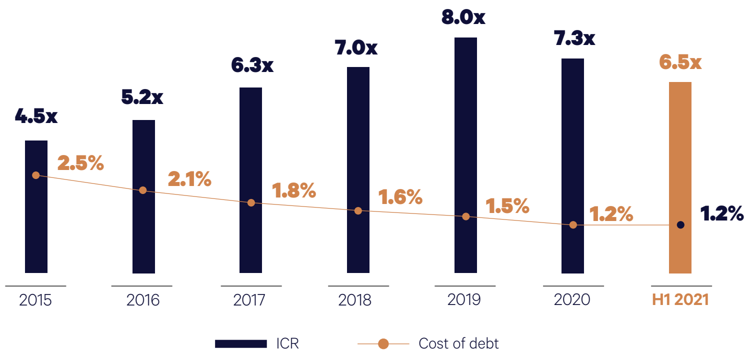
During the first half of 2021, the Group's average cost of debt remained stable at 1.2%.

BREAKDOWN OF COST OF DEBT

In millions of euros	06/30/2021	12/31/2020	06/30/2020
Cost of net debt (as per IFRS consolidated statement of comprehensive income)	58.2	108.6	52.9
Non-recurring items	(1.4)	(0.2)	1.3
Non-cash impact	3.6	13.3	4.7
Interest on advances to associates	5.0	10.3	5.3
Liquidity cost	(3.6)	(5.7)	(2.7)
Interest expense on lease liabilities[(a)]	(5.4)	(8.2)	(4.2)
Cost of debt (used for cost of debt calculations)	56.3	118.2	57.3
Average gross debt	9,127.3	9,616.0	9,729.6
COST OF DEBT *(in %)*	**1.2%**	**1.2%**	**1.2%**

(a) *As per IFRS 16.*

INTEREST COVERAGE RATIO AND COST OF DEBT[a]



(a) The interest coverage ratio (as per the banking covenant definition) represents the ratio of consolidated EBITDA presented in the statement of comprehensive income adjusted for the share in earnings of equity-accounted companies and the change in value of investment properties of equity-accounted companies (€362.4 million), to net interest expenses (€55.4 million) calculated as cost of net debt less net deferral of upfront payments on swaps plus amortization of the fair value of debt less other non-recurring financial expenses.

1.6.4 Credit ratings and covenants

Standard & Poor's currently assigns Klépierre and Steen & Strøm a long-term BBB+ rating (A2 short-term rating) with a stable outlook.

COVENANTS APPLICABLE TO KLÉPIERRE SA FINANCING

Financing	Ratios/covenants	Limit[a]	06/30/2021	12/31/2020	06/30/2020
Syndicated and bilateral loans	Net debt/Portfolio value ("Loan to Value")	≤ 60%	42.6%	41.4%	40.0%
	EBITDA/Net interest expense[b]	≥ 2.0x	6.5x	7.3x	8.8x
	Secured debt/Portfolio value[c]	≤ 20%	0.6%	0.6%	0.6%
	Portfolio value[d]	≥ €10 bn	€18.2 bn	€18.5 bn	€19.4 bn
Bond issues	Secured debt/Revalued Net Asset Value[c]	≤ 50%	0.9%	0.9%	0.8%

(a) Covenants are based on the 2020 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

As a result of the lockdowns due to the Covid-19 pandemic, the movements in certain EPRA indicators are significant, in some cases rendering meaningful year-on-year comparison impossible.

The following performance indicators have been prepared in accordance with the EPRA (European Public Real Estate Association) Best Practices 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)]

	06/30/2021	12/31/2020	06/30/2020	See section
EPRA Earnings *(in millions of euros)*	202.1	583.7	380.6	1.7.1
EPRA Earnings per share *(in euros)*	0.71	2.04	1.33	1.7.1
EPRA NRV *(in millions of euros)*	9,654	10,184	11,238	1.7.2.2
EPRA NRV per share *(in euros)*	33.80	35.70	39.40	1.7.2.2
EPRA NTA *(in millions of euros)*	8,489	8,957	9,942	1.7.2.2
EPRA NTA per share *(in euros)*	29.70	31.40	34.90	1.7.2.2
EPRA NDV *(in millions of euros)*	7,261	7,300	8,497	1.7.2.2
EPRA NDV per share *(in euros)*	25.40	25.60	29.80	1.7.2.2
EPRA Net Initial Yield Shopping centers	5.4%	5.3%	5.1%	1.7.3
EPRA "Topped-up" Net Initial Yield Shopping centers	5.7%	5.6%	5.3%	1.7.3
EPRA Vacancy rate	5.8%	4.8%	3.8%	1.7.4
EPRA Cost Ratio (including direct vacancy costs)	34.4%	26.1%	15.2%	1.7.5
EPRA Cost Ratio (excluding direct vacancy costs)	31.4%	24.3%	13.4%	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)*	06/30/2021	06/30/2020
Net income as per IFRS consolidated statement of comprehensive income	111.1	(163.5)
Adjustments to calculate EPRA Earnings:		
(i) Changes in value of investment properties, development properties held for investment and other interests	(456.2)	(638.6)
(ii) Profit or losses on disposal of investment properties, development properties held for investment and other interests	0.5	3.0
(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	(112.8)	(1.9)
(vi) Changes in fair value of financial instruments and associated close-out costs	(4.1)	(11.5)
(vii) Acquisition costs on share deals and non-controlling joint venture interests	-	-
(viii) Deferred tax in respect of EPRA adjustments[(a)]	360.2	35.8
(ix) Adjustments (i) to (viii) above in respect of joint ventures (unless already included under proportional consolidation)	37.5	(38.8)
(x) Non-controlling interests in respect of the above	84.0	107.9
EPRA EARNINGS	**202.1**	**380.6**
Company-specific adjustments to calculate net current cash flow:		
• Employee benefits, stock option expense and non-current operating expenses	0.0	0.2
• Depreciation, amortization and provisions for contingencies and losses	4.8	11.3
NET CURRENT CASH FLOW	**206.9**	**392.1**
Average number of shares[(b)]	*285,539,909*	*286,430,401*
Per share *(in euros)*		
EPRA EARNINGS	**0.71**	**1.33**
NET CURRENT CASH FLOW	**0.72**	**1.37**

(a) In the first half of 2021, this item includes €412.3 million in deferred tax, −€43.9 million in non-current taxes and −€8.2 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 Value metrics are key performance indicators designed to provide stakeholders with relevant information on the fair value of the assets and liabilities of real estate companies. Measures of net asset value include: EPRA Net Reinstatement Value (NRV), EPRA Net Tangible Assets Value (NTA) and EPRA Net Disposal Value (NDV). As recommended by EPRA, these new standards were applied with effect from the 2020 interim consolidated financial statements.

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

1.7.2.1 Application by Klépierre

EPRA Net Reinstatement Value (NRV) 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.

EPRA Net Tangible Assets value (NTA) reflects 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. Based on the new EPRA methodology, the portfolio is broken down into three types:

(i) Assets that the Company does not plan to sell in the long run: 100% of 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 EPRA NET TANGIBLE ASSETS

	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	11,604	64%	100%
Portfolio subject to partial deferred tax and to tax structuring	4,090	22%	42%
Other portfolio	2,513	14%	50%
TOTAL PORTFOLIO	**18,207**		

By definition, EPRA NTA aims at valuing solely tangible assets and therefore, as regards Klépierre, does not incorporate the fair value of management services companies (unlike the former EPRA NAV and NNNAV indicators). This wholly-integrated service management business collects fees not only from tenants and third parties but also from real estate companies, while the latter are deducted from rental income in the appraiser's discounted cash flow model. The fair value of these businesses is only included in the calculation of EPRA NRV.

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

1.7.2.2 Calculation of EPRA Net Asset Value

EPRA NET ASSET VALUES AS OF JUNE 30, 2021

Group share *(in millions of euros)*	**EPRA NRV**	**EPRA NTA**	**EPRA NDV**
IFRS Equity attributable to shareholders	8,009	8,009	8,009
Amounts owed to shareholders	*0*	*0*	*0*
Include/exclude:			
i) Hybrid instruments	0	0	0
Diluted NAV	8,009	8,009	8,009
Include:			
ii) Revaluation of IP (if IAS 40 cost option is used)	0	0	0
Exclude:			
iii) Deferred tax in relation to fair value gains of IP	975	795	0
iv) Fair value of financial instruments	5	5	0
v) Goodwill as a result of deferred tax	(249)	(249)	(249)
vi) Goodwill as per IFRS statement of financial position	(231)	(231)	(231)
Include:			
vii) Fair value of fixed-rate debt	0	0	(269)
viii) Revaluation of intangible assets to fair value	292	0	0
ix) Real estate transfer tax	853	160	0
NAV	**9,654**	**8,489**	**7,261**
Fully diluted number of shares	*285,612,518*	*285,612,518*	*285,612,518*
NAV PER SHARE *(in euros)*	**33.8**	**29.7**	**25.4**

EPRA NET ASSET VALUES AS OF DECEMBER 31, 2020

Group share *(in millions of euros)*	EPRA NRV	EPRA NTA	EPRA NDV
IFRS Equity attributable to shareholders	8,182	8,182	8,182
Amounts owed to shareholders	*0*	*0*	*0*
Include/exclude:			
i) Hybrid instruments	0	0	0
Diluted NAV	8,182	8,182	8,182
Include:			
ii) Revaluation of IP (if IAS 40 cost option is used)	0	0	0
Exclude:			
iii) Deferred tax in relation to fair value gains of IP	1,438	1,216	0
iv) Fair value of financial instruments	9	9	0
v) Goodwill as a result of deferred tax	(358)	(358)	(358)
vi) Goodwill as per IFRS statement of financial position	(233)	(233)	(233)
Include:			
vii) Fair value of fixed-rate debt	0	0	(291)
viii) Revaluation of intangible assets to fair value	300	0	0
ix) Real estate transfer tax	847	141	0
NAV	**10,184**	**8,957**	**7,300**
Fully diluted number of shares	*285,469,856*	*285,469,856*	*285,469,856*
NAV PER SHARE *(in euros)*	**35.7**	**31.4**	**25.6**

EPRA NTA – 6-MONTH RECONCILIATION PER SHARE[a]

In euros per share	
EPRA NTA AT 12/31/2020	**31.40**
Cash flow	0.72
Like-for-like asset revaluation	(1.11)
Dividend	(1.00)
Forex and other	(0.31)
EPRA NTA AT 06/30/2021	**29.70**

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

EPRA NTA per share amounted to €29.70 at the end of June 2021, versus €31.40 six months earlier[1]. This decrease reflects the generation of net current cash flow (€0.72 per share), which was more than offset by a decrease in the value of the like-for-like portfolio (€1.11 per share) and the dividend payment (€1.00 per share). Foreign exchange and other items had a negative impact of €0.31 per share.

1.7.3 EPRA Net Initial Yield

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 "Valuation" for the geographical breakdown of EPRA NIY.

EPRA NET INITIAL YIELDS

In millions of euros	Shopping centers	Other retail properties	Total
Investment property – Wholly owned	16,723	213	16,937
Investment property – Share of joint ventures/funds	1,270	0	1,270
Total portfolio	17,994	213	18,207
Less: Developments, land and other	(1,110)	0	(1,110)
Completed property portfolio valuation (B)	16,884	213	17,097
Annualized cash passing rental income	1,023	22	1,046
Property outgoings	(104)	(5)	(110)
Annualized net rents (A)	919	17	936
Notional rent expiration of rent free periods or other lease incentives	37	0	38
Topped-up net annualized rent (C)	956	17	974
EPRA NET INITIAL YIELD (A/B)	**5.4%**	**8.0%**	**5.5%**
EPRA "TOPPED-UP" NET INITIAL YIELD (C/B)	**5.7%**	**8.2%**	**5.7%**

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

1.7.4 EPRA Vacancy rate

The 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 millions of euros	Estimated rental value of vacant space (A)	Total estimated rental value (B)	EPRA Vacancy rate (A/B)
France	33	493	6.6%
Italy	10	288	3.4%
Scandinavia	11	176	6.4%
Iberia	10	143	7.3%
CE & Other	6	90	6.3%
Netherlands	3	69	4.4%
Germany	3	38	7.0%
TOTAL	**76**	**1,297**	**5.8%**

(a) Scope: all shopping centers, including those accounted for under the equity method, which are included based on a 100% share. The estimated rental values of leased and vacant spaces as of June 30, 2021, are based on internal assumptions. Shopping centers (or portions thereof) under restructuring that are excluded from the scope are as follows: Échirolles (Grenoble, France), Nailloux Village (Toulouse, France), Cholet La Séguinière outlet (Cholet, France), and Økern (Oslo, Norway). Strategic vacancies are also excluded.

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	06/30/2021	06/30/2020
Administrative and operating expenses[a]	(150.9)	(98.7)
Net service charge costs[a]	(41.4)	(33.1)
Net management fees[a]	31.1	34.9
Other net operating income intended to cover overhead expenses[a]	4.6	7.2
Share of joint venture expenses[b]	(8.0)	(7.3)
Exclude (if part of the above):		
Service charge costs recovered through rents but not separately invoiced	3.9	3.9
EPRA Costs (including vacancy costs) (A)	(160.7)	(92.9)
Direct vacancy costs	(14.1)	(10.8)
EPRA Costs (excluding vacancy costs) (B)	(146.5)	(82.2)
Gross rental income less ground rents[a]	440.9	577.4
Less: service fee/cost component of gross rental income	(3.9)	(3.9)
Add: share of joint ventures (gross rental income less ground rents)[b]	30.4	38.9
Gross rental income (C)	467.4	612.4
EPRA COST RATIO (INCLUDING DIRECT VACANCY COSTS) (A/C)	**34.4%**	**15.2%**
EPRA COST RATIO (EXCLUDING DIRECT VACANCY COSTS) (B/C)	**31.4%**	**13.4%**

(a) As per the IFRS consolidated statements of comprehensive income.
(b) For more information, see section 1.3.1 "Contribution of equity-accounted investments."

Over the first half of 2021, the increase in the EPRA Cost Ratio was mainly attributable to the impact of provisions set aside for credit losses, which increased administrative and operating expenses by €44 million, while gross rental income was reduced by €112 million in rent abatements.

1.7.6 EPRA Capital Expenditure

Investments in the first half of 2021 are presented 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 as updated in October 2019.

EPRA CAPITAL EXPENDITURE

In millions of euros	06/30/2021 Group (excl. Joint Ventures)	Joint Ventures (proportionate share)	Total Group	06/30/2020 Total Group
Acquisitions	0.3	-	0.3	-
Development	23.3	0.8	24.1	46.2
Investment properties	30.4	0.9	31.3	43.7
Incremental lettable space	-	-	-	-
No incremental lettable space	22.9	0.8	23.7	31.9
Tenant incentives	4.3	0.1	4.4	7.3
Other material non-allocated types of expenditure	3.2	0.0	3.2	4.6
Capitalized interest	1.2	-	1.2	1.7
Total CAPEX	**55.2**	**1.7**	**56.9**	**91.6**
Conversion from accrual to cash basis	3.5	-	3.5	(7.5)
TOTAL CAPEX ON CASH BASIS	**58.7**	**1.7**	**60.4**	**84.1**

1.7.6.1 Developments

Development capital expenditure includes investments related to new constructions and large extensions of existing assets. Over the period, these investments amounted to €24.1 million, mainly relating to the extension of Gran Reno (Bologna, Italy), the Hoog Catharijne redevelopment (Utrecht, Netherlands) and the Créteil Soleil (Paris region, France) and Grand Place (Grenoble, France) projects.

1.7.6.2 Investment properties

Capital expenditure on the operational investment property portfolio mainly comprises investments to maintain or enhance standing assets without creating additional leasing space, incentives provided to tenants (mainly fit-out contributions) and eviction costs. Over the first six months of 2021, these investments totaled €31.3 million, breaking down as follows:

- €23.7 million in refurbishments, consisting of renovation work, mainly to common areas, without incremental lettable space and technical maintenance capital expenditure. Most of this expenditure was invoiced to tenants;
- €4.4 million in tenant incentives, mainly in connection with stores and other leasable units, including fit-out contributions and eviction costs; and
- €3.2 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 €1.2 million over the first half of 2021.

1.8 OUTLOOK

Since the reopening of our malls, footfall and retailer sales have rebounded firmly. Since then, the coronavirus Delta variant has spread rapidly across Europe, causing some European countries to impose new restrictions and possibly triggering additional ones in other countries. At this stage, it is not possible to assess the potential impact of these measures on our malls' operations during the second half of the year.

Assuming no more store closures or severe restrictions in the second half of 2021, the Group maintains its net current cash flow guidance at €1.80 per share[1] for 2021 and will update the market as and when the situation warrants.

(1) *Excluding the impact of amortizing Covid-19 rent concessions.*

2

Risk factors

There has been no significant change in the risk factors identified and presented in the 2020 Universal Registration Document. Readers are invited to refer to chapter 2 of the 2020 Universal Registration Document filed with the AMF on March 31, 2021 under number D.21-0236.

3

Interim condensed consolidated financial statements for the six months ended June 30, 2021

3.1 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

In millions of euros	Notes	06/30/2021	06/30/2020
Gross rental income	6.1	444.3	581.0
Land expenses (real estate)	6.2/8	(3.4)	(3.6)
Service charge income	6.3	120.3	120.7
Service charge expenses	6.3	(169.9)	(161.2)
Building expenses (owner)	6.4	(70.7)	(25.4)
Net rental income		**320.6**	**511.5**
Management, administrative and related income		31.1	34.9
Other operating income	6.5	4.6	7.2
Survey and research costs		(0.2)	(0.2)
Payroll expenses	11.1	(54.1)	(43.2)
Other general expenses		(17.1)	(20.6)
Depreciation, amortization and impairment of intangible assets and property, plant and equipment	6.6/8	(8.8)	(9.4)
Provisions		(0.7)	(6.2)
Change in value of investment properties	6.7/8	(456.2)	(638.6)
Income from the disposal of investment properties and equity investments		0.5	3.0
• Proceeds from disposals of investment properties and equity investments	6.8	30.4	81.4
• Carrying amount of investment properties and equity investments sold	6.8	(29.9)	(78.4)
Goodwill impairment	5.1	(112.8)	(1.9)
Operating income (loss)		(293.1)	(163.4)
Net dividends and provisions on non-consolidated investments		0.0	(0.0)
Financial income		24.8	40.4
Financial expenses		(78.9)	(89.1)
Interest expense on leases liabilities	8	(4.2)	(4.2)
Cost of net debt	**6.9**	**(58.2)**	**(52.9)**
Change in the fair value of financial instruments		(4.3)	(15.8)
Share in earnings (losses) of equity-accounted companies	5.5	55.0	(12.4)
Profit (loss) before tax		(300.7)	(244.4)
Income tax benefit (expense)	7	368.5	34.4
Consolidated net income (loss)		67.8	(210.0)
Of which			
• Attributable to owners of the parent		111.1	(163.6)
• Attributable to non-controlling interests		(43.3)	(46.5)
Average number of shares – undiluted		285,267,886	286,430,401
UNDILUTED EARNINGS (LOSS) PER SHARE *(in euros)* **– ATTRIBUTABLE TO OWNERS OF THE PARENT**		**0.39**	**(0.57)**
Average number of shares – diluted		285,539,909	286,430,401
DILUTED EARNINGS (LOSS) PER SHARE *(in euros)* **– ATTRIBUTABLE TO OWNERS OF THE PARENT**		**0.39**	**(0.57)**

In millions of euros	06/30/2021	06/30/2020
Consolidated net income (loss)	67.8	(210.0)
Other items of comprehensive income recognized directly in equity	**1.2**	**(118.2)**
• Effective portion of gains and losses on cash flow hedging instruments	8.7	(4.4)
• Translation gains and losses	(0.4)	(112.2)
• Tax on other items of comprehensive income	(1.3)	0.9
Items that will be reclassified subsequently to profit or loss	**6.9**	**(115.7)**
• Gains and losses on sales on treasury shares	(5.7)	(2.4)
• Actuarial gains and losses		(0.1)
Items that will not be reclassified subsequently to profit or loss	**(5.7)**	**(2.5)**
Share of other items of comprehensive income attributable to equity-accounted companies		
Total comprehensive income (loss)	69.0	(328.2)
Of which		
• Attributable to owners of the parent	103.9	(248.7)
• Attributable to non-controlling interests	(34.9)	(79.5)
Undiluted comprehensive earnings (loss) per share *(in euros)* **– Attributable to owners of the parent**	**0.36**	**(0.87)**
Diluted comprehensive earnings (loss) per share *(in euros)* **– Attributable to owners of the parent**	**0.36**	**(0.87)**

3.2 CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

In millions of euros	Notes	06/30/2021	12/31/2020
Goodwill	5.1	471.9	583.5
Intangible assets	5.2	23.1	22.9
Property, plant and equipment	5.3	22.7	27.3
Investment properties at fair value	5.4	18,704.5	19,756.8
Investment properties at cost	5.4	138.7	132.9
Investments in equity-accounted companies	5.5	1,022.4	988.4
Other non-current assets	5.6	304.7	299.9
Long-term derivative instruments	9.1/9.3	17.3	31.7
Non-current deferred tax assets	7	11.6	15.6
Non-current assets		**20,717.0**	**21,859.0**
Investment properties held for sale	5.4	654.7	28.3
Trade and other receivables	5.7	199.8	156.2
Other receivables	5.8	282.8	332.3
• Tax receivables		67.3	63.7
• Other		215.6	268.5
Short-term derivative instruments	9.1/9.3	1.2	30.6
Current deferred tax assets	7	22.2	16.3
Cash and cash equivalents	5.9	190.1	462.1
Current assets		**1,350.8**	**1,025.8**
TOTAL ASSETS		**22,067.8**	**22,884.7**
Share capital		406.5	419.9
Additional paid-in capital		4,166.1	4,737.5
Legal reserves		44.0	44.0
Consolidated reserves		3,281.3	3,766.6
• Treasury shares		(133.6)	(441.3)
• Hedging reserves		(4.5)	(8.7)
• Other consolidated reserves		3,419.4	4,216.6
Consolidated retained earnings		111.1	(785.7)
Equity attributable to owners of the parent		**8,009.0**	**8,182.3**
Equity attributable to non-controlling interests		2,180.3	2,252.1
Total equity	**5.11**	**10,189.2**	**10,434.4**
Non-current financial liabilities	5.12	7,278.0	7,244.1
Non-current lease liabilities	8	360.3	357.0
Long-term provisions	5.13	17.5	16.9
Pension obligations	11.3	12.1	11.8
Long-term derivative instruments	9.1/9.3	7.7	13.7
Deposits		140.7	143.3
Deferred tax liabilities	7	1,098.9	1,508.3
Non-current liabilities		**8,915.3**	**9,295.2**
Current financial liabilities	5.12	1,941.0	2,381.9
Current lease liabilities	8	13.9	14.2
Bank overdrafts	5.9	214.2	9.4
Trade payables		175.1	201.1
Due to suppliers of property		46.1	54.0
Other liabilities	5.14	340.0	322.3
Short-term derivative instruments	9.1/9.3	2.8	5.2
Payroll and tax liabilities	5.14	230.0	166.9
Current liabilities		**2,963.3**	**3,155.1**
TOTAL EQUITY AND LIABILITIES		**22,067.8**	**22,884.7**

3.3 CONSOLIDATED STATEMENTS OF CASH FLOWS

In millions of euros	06/30/2021	06/30/2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income from consolidated companies	67.8	(210.0)
Elimination of expenditure and income with no cash effect or not related to operating activities		
• Depreciation, amortization and provisions	65.8	15.6
• Change in value of investment properties	456.2	638.6
• Goodwill impairment	112.8	1.9
• Capital gains and losses on asset disposals	(0.5)	(3.0)
• Current and deferred income taxes	(368.5)	(34.4)
• Share in earnings/losses of equity-accounted companies	(55.0)	12.4
• Reclassification of interest and other items	82.5	74.8
Gross cash flow from consolidated companies	**361.1**	**495.8**
Income tax (received) paid	(1.2)	(1.4)
Change in operating working capital	(53.8)	(222.6)
Net cash flow from operating activities	**306.1**	**271.8**
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investment properties	23.5	50.1
Proceeds from disposals of subsidiaries (net of cash disposed, net of loans and advances repayed)	17.7	(0.0)
Acquisitions of investment properties	(0.3)	0.0
Payments in respect of construction work in progress	(57.3)	(81.9)
Acquisitions of other fixed assets	(3.8)	(3.1)
Acquisitions of subsidiaries (net of cash acquired)	(0.2)	(0.4)
Dividends received (including dividends received from joint ventures and associates)[(a)]	10.5	2.0
Movements in loans and advance payments granted and other investments[(a)(b)]	5.3	(7.1)
Net cash flow from (used in) investing activities	**(4.6)**	**(40.4)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid to owners of the parent		(314.3)
Dividends paid to non-controlling interests	(28.3)	(17.6)
Repayment of share premiums	(285.3)	
Acquisitions/disposals of treasury shares	0.3	(100.0)
New loans, borrowings and hedging instruments	1,476.4	2,191.9
Repayment of loans, borrowings and hedging instruments	(1,869.0)	(1,694.4)
Net repayment of lease liabilities	(7.7)	(7.3)
Interest paid	(57.3)	(62.8)
Interest paid on lease liabilities	(4.2)	(4.2)
Other cash flows related to financing activities		
Net cash flow used in financing activities	**(775.2)**	**(8.7)**
Effect of foreign exchange rate changes on cash and cash equivalents	**(3.1)**	**(1.5)**
CHANGE IN CASH AND CASH EQUIVALENTS	**(476.8)**	**221.2**
Cash and cash equivalents at beginning of period	**452.7**	**457.9**
Cash and cash equivalents at end of period	**(24.2)**	**679.1**

(a) From 2020, dividends received (including from joint ventures and associates) are presented separately.
Movements in loans and advance payments granted and other investments presented for a negative amount of €5.1 million as of June 30, 2020, were divided between dividends received for €2.0 million and movements in loans and advance payments granted for a negative €7.1 million.
(b) Movements in loans and advance payments granted and other investments presented for a positive amount of €5.3 million as of June 30, 2021, includes €11.4 million received from joint ventures and associates.

3.4 STATEMENTS OF CHANGES IN CONSOLIDATED EQUITY

In millions of euros	Share capital	Capital reserves	Treasury shares	Hedging reserves	Other consolidated reserves	Consolidated net income	Equity attributable to owners of the parent	Equity attributable to non-controlling interests	Total equity
EQUITY AT 12/31/2019	**423.7**	**5,168.3**	**(427.9)**	**(10.6)**	**4,296.0**	**324.9**	**9,774.4**	**2,483.6**	**12,258.0**
Share capital transactions	(3.8)	(79.5)	83.3						
Share-based payments									
Treasury share transactions			(96.8)		(3.2)		(100.0)		(100.0)
Allocation of net income (loss)					324.9	(324.9)			
Dividends		(307.2)			(320.8)		(628.1)	(54.1)	(682.2)
Net income 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					(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					(0.0)		(0.0)	(0.4)	(0.4)
Other movements					(0.0)		(0.0)	0.0	(0.0)
EQUITY AT 06/30/2020	**419.9**	**4,781.5**	**(441.4)**	**(11.6)**	**4,212.7**	**(163.6)**	**8,797.6**	**2,349.6**	**11,147.2**
Share capital transactions[a]									
Share-based payments									
Treasury share transactions			0.0		(0.0)		(0.0)		(0.0)
Allocation of net income (loss)									
Dividends								(20.1)	(20.1)
Net income (loss) for the period						**(622.1)**	**(622.1)**	**(99.0)**	**(721.1)**
GAINS AND LOSSES RECOGNIZED DIRECTLY IN EQUITY									
Proceeds from sales of treasury shares					1.3		1.3		1.3
Gains and losses from cash flow hedges				3.5			3.5	2.1	5.6
Translation gains and losses[b]					2.7		2.7	21.2	23.9
Actuarial gains and losses					0.0		0.0		0.0
Tax on other items of comprehensive income				(0.7)			(0.7)	(0.4)	(1.1)
Other items of comprehensive income				**2.8**	**4.0**		**6.8**	**22.9**	**29.7**
Changes in the scope of consolidation								(1.2)	(1.2)
Other movements								(0.1)	(0.1)
EQUITY AT 12/31/2020	**419.9**	**4,781.5**	**(441.3)**	**(8.7)**	**4,216.6**	**(785.7)**	**8,182.3**	**2,252.1**	**10,434.4**
Share capital transactions[a]	(13.4)	(286.4)	299.8						
Share-based payments									
Treasury share transactions			7.9		(1.2)		6.6		6.6
Allocation of net income (loss)					(785.7)	785.7			
Dividends		(285.0)			(0.4)		(285.3)	(37.8)	(323.2)
Net income (loss) for the period						**111.1**	**111.1**	**(43.3)**	**67.8**
GAINS AND LOSSES RECOGNIZED DIRECTLY IN EQUITY									
Proceeds from sales of treasury shares					(5.7)		(5.7)		(5.7)
Gains and losses from cash flow hedges				4.9			4.9	3.7	8.7
Translation gains and losses[b]					(5.7)		(5.7)	5.2	(0.4)
Actuarial gains and losses									
Tax on other items of comprehensive income				(0.7)			(0.7)	(0.6)	(1.3)
Other items of comprehensive income				**4.2**	**(11.4)**		**(7.2)**	**8.4**	**1.2**
Changes in the scope of consolidation					1.6		1.6	0.8	2.4
Other movements					(0.1)		(0.1)	0.1	(0.1)
EQUITY AT 06/30/2021	**406.5**	**4,210.1**	**(133.6)**	**(4.5)**	**3,419.4**	**111.1**	**8,009.0**	**2,180.3**	**10,189.2**

(a) Movements in share capital transactions for a negative €13.4 million, negative €286.4 million and positive €299.8 million are due to the cancellation of treasury shares as described in note 5.11.1.

(b) The negative €5.7 million impact in translation gains and losses mainly concerns Norway (positive €26.0 million), Turkey (negative €17.9 million) and Sweden (negative €10.2 million).

3.5 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 1 SIGNIFICANT EVENTS OF THE PERIOD

1.1 COVID-19 PANDEMIC

Fiscal year 2020 was shaped by the Covid-19 pandemic which significantly impacted the European economy from the beginning of that year. To control its spread, governments and other authorities were forced to impose restrictions, including business closures.

After two lockdowns in 2020, a third lockdown was imposed during the first half of 2021 in most of Klépierre's countries of operation, which had a significant impact on rent collection. Most stores in our properties were forced to close between January and May 2021.

The customer risk as at June 30, 2021 was assessed in accordance with IFRS 9 based on rent collection as observed over 2020, for the various periods: before, during and after lockdown. The main rules applied are detailed below:

- From January to May 2021:
  - Open period: 15% of the invoicing of rents and service charges was provisioned as credit loss allowances. The 15% rate was retained based on the effective collection rate for October 2020, one month before the second lockdown as observed several months later (86%). When a collection rate exceeded the 85% target, the actual collection rate was retained. When a collection rate was below the target, the receivables were adjusted in line with the 85% target,
  - Closed period: 50% of the invoicing of rents and service charges was accounted for as Covid-19 discounts to be accrued; only small number of abatements have been signed so far, and few with or without lease modifications. Therefore, few abatements have been straight-lined in accordance with IFRS 16;
- June 2021:
  - 10% of the invoicing was provisioned as credit loss allowances. The 10% rate is consistent with the collection rate observed during the third quarter of 2020, when malls reopened after the first lockdown (92% as observed in March 2021);
- Receivables relating to insolvent or bankrupt tenants have been provisioned in full;
- All remaining 2020 receivables after accrued Covid-19 discounts have now been provisioned in full.

As at June 30, 2021, net allowances for credit losses relating to Covid-19 recognized in net rental income amounted to €62 million.

Total abatements deducted from gross rental income amounted to €110.2 million including few abatements relating to 2020, comprising:

- €100.6 million in abatements without lease modification recognized as one-off; and
- €9.6 million in abatements straight-lining in accordance with IFRS 16.

Investment property fair value measurement

As of June 30, 2021, 96.0% of the value of Klépierre's property portfolio (€20,544 million, including transfer taxes, on a total share basis), was estimated by external appraisers in accordance with the methodology described in the note 5.4.

Over the last six months, the main changes made by the appraisers were the following:

- ERV: on the back of a resilient business recovery last year, leasing transactions have been overall rather supportive and consistent with historical appraisers assumptions, leading to limited ERVs revisions in most Klépierre's malls. However, in some targeted malls, recent leasing transactions evidenced lower ERVs, that have been factored in valuers model;
- Discount/exit rate: overall, discount and exit rate have been increased by slightly less than 10 basis points, to reflect greater uncertainty over long-term cash flows, liquidity and value and growth prospects on exit; and
- Lastly, short term cash-flow (to factor in short-term Covid-19 impact) remained broadly unchanged, as well as inflation.

As of June 30, 2021, experts removed the "material uncertainty clause" they had included in their reports since June 30, 2020 for more than 99% of Klépierre's portfolio value.

Considering that transaction volumes and liquidity had recovered sufficiently to form an adequate opinion on values in these countries, appraisers only opted for a disclaimer which reads as follows:

"The outbreak of Novel Coronavirus (Covid-19), which was declared by the World Health Organisation as a "Global Pandemic" on the March 11, 2020, continues to affect economies and real estate markets globally. Nevertheless, as at the valuation date, property markets are mostly functioning again, with transaction volumes and other relevant evidence at levels where enough market evidence exists upon which to base opinions of value. Accordingly – and for the avoidance of doubt – our valuation is not reported as being subject to "material valuation uncertainty", as defined by VPS 3 and VPGA 10 of the RICS Valuation – Global Standards.

This explanatory note has been included to ensure transparency and to provide further insight as to the market context under which the valuation opinion was prepared. In recognition of the potential for market conditions to move rapidly in response to changes in the control or future spread of Covid-19, we highlight the importance of the valuation date."

During the first half of 2021, the value of Klépierre's shopping center portfolio declined by 1.9% on a like-for-like basis. This decrease is attributable to a combination of:

- Cash-flow effect (–0.8%): as appraisers have very slightly lowered estimated rental values on targeted assets as described above; and
- Market effect (–1.1%): as a result of the decrease in liquidity on the investment market and greater uncertainty surrounding future cash flows, the discount and exit rates have been increased further.

The tables below present the change in the valuation of the shopping center portfolio using different discount 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	+7.6%	+3.7%	+1.8%	−1.8%	−3.5%	−6.9%
Italy	+7.6%	+3.7%	+1.8%	−1.8%	−3.5%	−6.9%
Scandinavia	+7.7%	+3.7%	+1.8%	−1.8%	−3.6%	−7.0%
Iberia	+7.5%	+3.7%	+1.8%	−1.8%	−3.5%	−6.8%
CE & Other	+7.0%	+3.4%	+1.7%	−1.7%	−3.3%	−6.4%
Netherlands	+11.1%	+5.4%	+2.6%	−2.6%	−5.1%	−9.9%
Germany	+8.6%	+4.2%	+2.1%	−2.0%	−4.0%	−7.8%
TOTAL SHOPPING CENTERS	**+7.8%**	**+3.8%**	**+1.9%**	**−1.8%**	**−3.6%**	**−7.1%**

	Exit rate variance					
Geography	**−100 bps**	**−50 bps**	**−25 bps**	**+25 bps**	**+50 bps**	**+100 bps**
France	+15.6%	+6.9%	+3.2%	−2.9%	−5.5%	−10.1%
Italy	+12.1%	+5.5%	+2.6%	−2.4%	−4.6%	−8.5%
Scandinavia	+16.0%	+7.1%	+3.3%	−3.0%	−5.7%	−10.5%
Iberia	+11.7%	+5.3%	+2.5%	−2.3%	−4.4%	−8.2%
CE & Other	+10.1%	+4.6%	+2.2%	−2.0%	−3.9%	−7.3%
Netherlands	+16.4%	+7.2%	+3.4%	−3.2%	−6.0%	−10.9%
Germany	+19.7%	+8.7%	+4.1%	−3.7%	−7.0%	−12.7%
TOTAL SHOPPING CENTERS	**+14.6%**	**+6.5%**	**+3.1%**	**−2.8%**	**−5.3%**	**−9.7%**

1.2 REVALUATION OF THE ITALIAN ASSETS

The Italian Parliament voted in October 2020 a new step-up regime, which offered the possibility to reevaluate Italian assets. The step-up regime provided the flexibility to select the properties subject to the step-up and to choose the magnitude of the revaluation of the land and/or the constructions in the limit of their fair value. The constructions step-up can be made from an accounting and tax purposes subject to the payment of a 3% revaluation tax. The lands step-up can be made from an accounting purposes without payment of the 3% revaluation tax. The revaluation applies retroactively as from December 31, 2020 in the statutory accounts and for the first time in the June 30, 2021 consolidated accounts.

Klépierre has seized the step-up opportunity and decided to apply for a revaluation of constructions and lands of most of its portfolio. Consequently, lands are revaluated from an accounting perspective up to 100% of their latent gain as at December 31, 2020 and constructions from an accounting and tax perspective up to 70%-90% of their latent gain as at December 31, 2020.

In the December 31, 2020 statutory accounts of Italian property companies, the land value was increased by €459.4 million and construction value by €1,388 million (total share without equity-accounted companies), with as counterparts a revaluation reserve in the net equity. The revaluation tax on construction step-up is paid in three equal annual installments starting from July 2021.

From January 1, 2021, the annual amortization on constructions for companies revaluated is increased as a consequence of the higher new amortization base and the application of a 6% amortization rate (generally accepted rate for accounting and tax).

In the June 30, 2021 consolidated financial statements, the revaluation of Italian assets has no impact on consolidated land and construction values since Klépierre's investment properties are already carried at fair value according to IAS 40. The main impacts in total share without equity-accounted companies, relate to:

- The booking of the 3% revaluation tax for €43.9 million as a one-shot expense;
- The reversal of €384.2 million of deferred tax liability as a result of the lower difference between the fair value and the tax value of the properties due to the step-up; and
- The impairment up to €110.7 million of the tax goodwill attached to most of the revaluated properties.

1.3 DEBT AND FINANCING

During the first half of 2021, the Group repaid €863 million of senior notes that respectively matured in February (€299 million) and March (€564 million). These operations were financed by the use of available cash as well as by the increase in outstanding commercial papers.

1.4 INVESTMENTS

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

1.5 MAIN DISPOSALS

During the first half of 2021, Klépierre completed disposals totaling €30.4 million (total share, excluding transfer taxes). The main disposals concern a group of 15 retail units in France, a shopping center in Sweden and a set of apartments in Norway.

1.6 DIVIDEND

On June 17, 2021, the General Meeting of Shareholders approved the payment of a €1.00 per share cash dividend in respect of the 2020 fiscal year. The total dividend approved by Klépierre shareholders amounted to €285.3 million (excluding dividends payable on treasury shares) and was deducted from merger premiums and other premiums. The dividend was paid to shareholders on June 23, 2021.

1.7 CANCELLATION OF SHARES

On January 19, 2021 and June 22, 2021, the Group respectively canceled 5,091,144 and 4,493,022 shares, respectively, acquired in 2019 under the February 6, 2019 share buyback program for a total amount of €299.8 million.

NOTE 2 SIGNIFICANT ACCOUNTING PRINCIPLES

This section presents the Group's significant accounting principles. Additional information on accounting principles is presented in the individual notes.

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 21, 2021, the Executive Board approved the interim condensed consolidated financial statements of Klépierre SA for the period from January 1 to June 30, 2021 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, 2021 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 at 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, 2021, 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 a complete set of annual consolidated financial statements and should be read in conjunction with the published consolidated financial statements (or the Universal Registration Document) for 2020.

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, 2021

The accounting principles applied to the interim condensed consolidated financial statements for the six months ended June 30, 2021 are identical to those used to prepare the Group's consolidated financial statements for the year ended December 31, 2020, with the exceptions of the following new standards and interpretations, whose application is mandatory for the Group:

Amendments to IFRS 4, IFRS 9, IAS 39 and IFRS 7 – 2	Interest Rate Benchmark Reform Phase 2

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

2.2.2 Standards, amendments and interpretations whose application was not mandatory as of January 1, 2021

The following amendments published by the IASB have not been early adopted by Klépierre in its consolidated financial statements for the six months ended June 30, 2021:

IFRS 17	Insurance Contracts
Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 1	Presentation of Financial Statements
Amendment n°2 to IFRS 16	Covid-19 – Related Rent Concessions beyond June 30, 2021
Amendments to IFRS 4	Deferral of Effective Date of IFRS 9
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendment to IAS 8	Accounting Estimates
Amendment to IAS 12	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction
Amendment to IFRS 17	Insurance Contracts
Annual Improvements to IFRS	2018-2020 Cycle

The Group decided to not early-adopt the amendments to IFRS 9 on interest rate benchmark reform (phase 2) published on August 31, 2020 and approved by the EU in January 2021.

The reform of Ibor did not have a material impact on the Group's consolidated financial instruments, which are indexed to Euribor and Nordic Libor, which is not subject to index movements.

2.3 USE OF MATERIAL JUDGMENTS AND ESTIMATES

In preparing these consolidated financial statements in accordance with IFRS, Group management used certain estimates and 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 involves estimating the value in use of the cash-generating units to which the goodwill is allocated. In order to determine value in use, Klépierre prepares expected future cash flows for each cash-generating unit and applies a pre-tax discount rate to calculate the present value of these cash flows (see note 5.1).

Investment property and equity-accounted companies

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 measurements is described in note 1.1.

Credit risk assessment

Credit risk is assessed in accordance with IFRS 9, as described in note 1.1.

Financial instruments

The Group measures 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.

Deferred tax

See note 7.

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 consolidated financial statements, the assets and liabilities of 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. Being able to make such a decision regarding cash payments is the crucial distinction between the two items.

2.6 EARNINGS PER SHARE

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

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

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 (including Belgium & 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 Scandinavia segment amounted to €833.9 million as of June 30, 2021, versus €865.2 million as of December 31, 2020. As of June 30, 2021, the fair-value contribution of the Scandinavian portfolio in the consolidated statement of financial position represented an amount of €3,126.8 million in non-current assets, €534.2 million in current assets, €1,382.0 million in non-current liabilities and €526.5 million in current liabilities.

	France[a]		Scandinavia		Italy		Iberia		Netherlands	
In millions of euros	06/30/2021	06/30/2020	06/30/2021	06/30/2020	06/30/2021	06/30/2020	06/30/2021	06/30/2020	06/30/2021	06/30/2020
GROSS RENTS	**140.9**	**213.6**	**83.9**	**83.0**	**74.9**	**95.5**	**52.3**	**63.9**	**25.9**	**36.9**
Other rental income	8.2	17.4	1.4	0.6	1.5	2.8	1.6	1.8	0.0	0.0
Gross rental income	149.1	231.0	85.2	83.6	76.4	98.3	53.9	65.7	25.9	36.9
Rental and building expenses	(55.2)	(24.2)	(11.3)	(7.6)	(17.4)	(10.5)	(11.2)	(5.0)	(10.6)	(8.0)
Net rental income	93.9	206.8	73.9	76.1	59.1	87.8	42.7	60.7	15.3	29.0
Management and other income	17.6	17.0	3.8	5.6	7.1	6.1	2.3	5.0	1.0	1.2
Payroll and other general expenses	(20.3)	(18.0)	(7.9)	(6.9)	(11.2)	(10.5)	(6.0)	(5.9)	(4.9)	(4.8)
EBITDA	**91.2**	**205.8**	**69.9**	**74.8**	**54.9**	**83.4**	**39.1**	**59.7**	**11.4**	**25.3**
Depreciation, amortization and impairment	(3.7)	(6.2)	(1.6)	(1.4)	(0.9)	(0.8)	(0.2)	(5.6)	(0.1)	(0.2)
Change in value of investment properties	(193.5)	(291.9)	(113.1)	(122.5)	(51.3)	(68.5)	(26.3)	(29.3)	(36.5)	(32.1)
Net proceeds on disposal of investment properties and equity investments	(0.2)	2.7	0.6					0.4		
Share in earnings of equity-accounted companies	(2.9)	(10.1)	(0.1)	(1.2)	54.9[b]	0.2	(0.4)	(1.9)		
SEGMENT INCOME	**(109.2)**	**(99.7)**	**(44.3)**	**(50.2)**	**57.7**	**14.4**	**12.2**	**23.3**	**(25.2)**	**(7.0)**
Goodwill impairment										
Cost of net debt										
Change in the fair value of financial instruments										
PROFIT (LOSS) BEFORE TAX										
Income tax										
NET INCOME (LOSS)										

(a) Shopping centers and other retail properties, including Belgium.
(b) The positive income on equity-accounted companies in Italy for €54.9 million in mainly due to the tax effect on assets revaluation as described in note 1.2.

	Germany		CE & Other		Not allocated		Klépierre Group	
In millions of euros	06/30/2021	06/30/2020	06/30/2021	06/30/2020	06/30/2021	06/30/2020	06/30/2021	06/30/2020
GROSS RENTS	**14.5**	**24.5**	**35.0**	**40.3**			**427.3**	**557.6**
Other rental income	3.2		1.1	0.7			17.0	23.4
Gross rental income	17.7	24.5	36.0	41.0			444.3	581.0
Rental and building expenses	(6.1)	(8.9)	(11.9)	(5.4)			(123.8)	(69.5)
Net rental income	11.5	15.6	24.1	35.6			320.6	511.5
Management and other income	2.0	5.4	1.9	1.9			35.7	42.2
Payroll and other general expenses	(4.2)	(4.0)	(4.2)	(4.2)	(12.8)	(9.6)	(71.4)	(63.9)
EBITDA	**9.4**	**16.9**	**21.8**	**33.3**	**(12.8)**	**(9.6)**	**284.9**	**489.8**
Depreciation, amortization and impairment	(0.2)	(0.1)	(0.8)	(1.3)	(1.9)		(9.5)	(15.7)
Change in value of investment properties	(11.1)	(33.1)	(24.4)	(61.2)			(456.2)	(638.6)
Net proceeds on disposal of investment properties and equity investments			0.1	(0.0)			0.5	3.0
Share in earnings of equity-accounted companies			3.5	0.5			55.0	(12.4)
SEGMENT INCOME	**(1.9)**	**(16.3)**	**0.2**	**(28.7)**	**(14.7)**	**(9.6)**	**(125.3)**	**(173.9)**
Goodwill impairment							(112.8)	(1.9)
Cost of net debt							(58.2)	(52.9)
Change in the fair value of financial instruments							(4.3)	(15.8)
PROFIT (LOSS) BEFORE TAX							**(300.7)**	**(244.4)**
Income tax							368.5	34.4
NET INCOME (LOSS)							**67.8**	**(210.0)**

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 equity-accounted companies):

In millions of euros	Value of investment properties at 06/30/2021[a]	Value of investment properties at 12/31/2020[a]
France[b]	7,618.1	7,787.8
Scandinavia	2,923.4	3,420.9
Italy	3,193.9	3,234.8
Iberia	2,008.8	2,034.6
Netherlands	1,453.7	1,477.0
Germany	576.2	827.2
Central Europe & Other	1,069.1	1,107.3
TOTAL	**18,843.3**	**19,889.7**

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

3.3 NEW INVESTMENTS OVER THE PERIOD BY OPERATING SEGMENT

In millions of euros	Investment properties at fair value	Investment properties at cost	New investments at 06/30/2021[a]
Shopping centers	59.7	5.5	65.2
France[b]	29.8		29.8
Scandinavia	9.6		9.6
Italy	4.8	5.5	10.3
Iberia	0.5		0.5
Netherlands	13.2		13.2
Germany	0.7		0.7
Central Europe & Other	1.0		1.0
TOTAL	**59.7**	**5.5**	**65.2**

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

Investments over the period (including capitalized interest) in France mainly concern the Créteil Soleil refurbishment near Paris, the Grand Place extension in Grenoble and the Blagnac refurbishment near Toulouse.

Capital expenditures in the Scandinavia segment correspond to the Gulskogen Senter redevelopment in Drammen (Norway), the refurbishments of Emporia (Sweden) and Field's Copenhagen (Denmark).

In Italy, most of the investment is attributable to the Le Gru shopping center near Turin.

In the Netherlands, the bulk of capital expenditure relates to the final stages of the Hoog Catharijne shopping center redevelopment in Utrecht.

NOTE 4 SCOPE OF CONSOLIDATION

ACCOUNTING POLICIES

Scope of consolidation

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

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

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

Consolidation method

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

- **Control:** full consolidation. Control is presumed to exist when Klépierre directly or indirectly holds more than half of the company's voting rights. Control is also presumed to exist where the parent company has the power to direct the financial and 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 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, 2021, the Group's scope of consolidation included 247 companies, of which 211 fully consolidated companies and 36 companies accounted for using the equity method. The list of consolidated companies is set out in note 12.6.

The changes in scope of consolidation during the first half of 2021 were as follows:

- Klépierre SA sold 5.09% of its interest in Klépierre Berlin GmbH, reducing its stake in this company to 89.90%, and also sold 0.07% of its interest in Akmerkez Garymenkul Yatirim Ortakligi AS on the Istanbul stock market, bringing its shareholding in that company to 45.93%; and
- On June 2021, the Group sold the Swedish entity FAB Lackeraren Borlänge, owner of a shopping center in Borlänge near Stockholm.

In addition, Girardin SCI was merged into Girardin 2 SCI, a shell company was liquidated (KLP Polska Lublin Spk) and one entity was created (Ventura SAS).

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 with no impact on profit or loss and/or 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 tests if there is an 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 goodwill is less than its carrying amount.

Klépierre has two types of goodwill:

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 portfolio of business (i.e., before consideration of explicit or implicit financing costs) are estimated on the basis of the specific business plans developed in each country where the Group conducts management activities for itself and for third parties.

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

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

In the context of Covid-19, as described in note 1.1, the assumptions used to determine forecast cash flows were revised compared to previous periods.

Impairment tests consist in comparing the carrying amount of the entity with their recoverable value, as explained above.

As of June 30, 2021, goodwill totaled €471.9 million, versus €583.5 million as of December 31, 2020, breaking down as follows:

Goodwill of management companies

As of June 30, 2021, goodwill of management companies totaled €231.4 million, versus €233.2 million as of December 31, 2020.

In millions of euros	12/31/2020	Change in scope	Disposals, retirement of assets	Impairment	Currency movements	06/30/2021
France	117.7					117.7
Italy	53.7					53.7
Spain	32.0					32.0
Portugal	7.1					7.1
Netherlands	7.2					7.2
Germany	13.7					13.7
Scandinavia	1.9			(2.2)	0.3	(0)
GOODWILL RELATING TO MANAGEMENT ACTIVITIES	**233.2**	**-**	**-**	**(2.2)**	**0.3**	**231.4**

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

- The discount rate applied to France, Spain, Italy was stable compared to 2020 at 7.4%;
- The discount rate applied to Norway was 7.4% (down 2.0 basis points);
- The discount rate applied to Germany was 7.9% (up 1.0 basis points);
- The discount rate applied to other countries was 6.9% (down 0.5 basis points);
- 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 lockdowns, development fees were suspended and disposal fees were considered to be nil for fiscal year 2021;
- A growth rate for the 2021-2025 period based on the assumptions of the internal business plan 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, 2021, goodwill corresponding to the optimized value of deferred taxes totaled €240.6 million, versus €350.3 million as of December 31, 2020.

In millions of euros	12/31/2020	Change in scope	Disposals, retirement of assets	Impairment	Currency movements	06/30/2021
Former Corio assets	276.9			(97.1)		179.8
IGC	31.3			(13.3)		18.0
Oslo City	33.3				1.0	34.3
Nueva Condo Murcia	4.7					4.7
Other	4.0			(0.3)		3.7
GOODWILL ARISING ON DEFERRED TAX LIABILITIES	**350.3**	**-**	**-**	**(110.7)**	**1.0**	**240.6**

Further to the revaluation of Italian assets as disclosed in note 1.2, the related tax optimization decreased and the corresponding 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 an indication of impairment, by comparing their carrying amount with the recoverable amount. In the event of decline in value, an impairment loss is recognized in income. The Klépierre Group's intangible assets are not subject to independent valuation.

In millions of euros	12/31/2020	Acquisitions and capitalized expenses	Disposals, retirement of assets	Additions for the period	Currency movements	Changes in scope of consolidation	Reclassifications and other movements	06/30/2021
Leasehold rights	2.8							2.8
Goodwill	4.1							4.1
Software	94.8	3.6	(6.2)		0.5			92.7
Concessions, patents and similar rights	1.8							1.8
Other intangible assets	3.9							3.9
Total gross value	**107.4**	**3.6**	**(6.2)**		**0.5**			**105.3**
Leasehold rights	(1.1)							(1.1)
Goodwill	(2.5)							(2.5)
Software	(76.1)		6.2	(3.4)	(0.5)			(73.9)
Concessions, patents and similar rights	(1.5)							(1.5)
Other intangible assets	(3.4)							(3.4)
Total amortization	**(84.5)**		**6.2**	**(3.4)**	**(0.5)**			**(82.2)**
INTANGIBLE ASSETS – NET VALUE	**22.9**	**3.6**		**(3.4)**				**23.1**

"Software" includes software in service as well as ongoing IT projects.

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 straight-line basis over the lease term.

Despite the context of the Covid-19 crisis context, Klépierre has not modified its intended use of these assets.

In millions of euros	12/31/2020	Acquisitions and capitalized expenses	Disposals, retirement of assets	Additions for the period	Currency movements	Changes in scope of consolidation	Reclassifications and other movements	06/30/2021
Depreciable assets and work in progress	32.4	0.2			(0.2)		(0.3)	32.1
Right-of-use asset relating to property, plant and equipment[(a)]	35.5	0.7			(0.1)			36.2
Total gross value	**67.9**	**0.9**	**-**	**-**	**(0.3)**	**-**	**(0.3)**	**68.3**
Depreciable assets	(24.4)			(1.1)			0.3	(25.2)
Right-of-use asset relating to property, plant and equipment[(a)]	(16.2)			(4.2)				(20.3)
Total depreciation	**(40.6)**	**-**	**-**	**(5.3)**	**-**	**-**	**0.3**	**(45.6)**
Impairment								
PROPERTY, PLANT AND EQUIPMENT AND WORK IN PROGRESS – NET VALUE	**27.3**	**0.9**	**-**	**(5.3)**	**(0.3)**	**-**	**-**	**22.7**

(a) Movements in property, plant and equipment relating to leases 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 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, or significantly restructured, is measured at fair value if it 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 sale 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 capitalizes the interest rate applied to the expenses related to the asset in order to measure the attributable cost; if several non-specific borrowing lines exist, the interest 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 (see note 5.10). Accordingly, there are no transfers of properties between the fair value categories.

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

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

Shopping centers are valued by:

- Jones Lang LaSalle (JLL) values all Greek and Turkish assets and most of the Italian portfolio;
- CBRE values all assets in 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 12/31/2020	**19,756.8**
Additions to the scope of consolidation	
Capital expenditures	59.0
Capitalized interest	0.7
Disposals and removals from the scope of consolidation	(24.2)
Other movements, reclassifications	(648.2)
Currency movements	12.2
Fair value adjustments	(451.7)
INVESTMENT PROPERTIES AT FAIR VALUE – NET VALUE AS OF 06/30/2021	**18,704.5**

Investments for €59.0 million and capitalized interest for €0.7 million committed and recognized over the period mainly concern the Hoog Catharijne development project in Utrecht for €12.6 million, refurbishment and capital expenditures in France for €29.4 million and in Scandinavia for €9.6 million.

The Group completed disposals totaling €24.2 million, mainly attributable to the sales of the Kupolen shopping center located at Borlänge in Sweden and a set of six retail units in France.

The "Other movements, reclassifications" caption represents the reclassification of "Investment properties at fair value" to the "Investment properties held for sale" caption.

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

Shopping centers (weighted average)	06/30/2021 Annual rent in euros per sq.m.[a]	Discount rate[b]	Exit rate[c]	CAGR of NRI[d]	EPRA NIY
France	329	6.1%	5.1%	2.3%	4.8%
Italy	358	7.0%	6.0%	2.1%	5.8%
Scandinavia	291	7.0%	5.0%	2.5%	5.1%
Netherlands	227	7.7%	6.1%	2.6%	6.1%
Iberia	304	8.9%	7.2%	3.1%	6.0%
Germany	196	6.9%	6.1%	3.5%	4.9%
Central Europe & Other[e]	199	5.3%	4.7%	1.9%	7.1%
TOTAL GROUP	**288**	**6.8%**	**5.5%**	**2.4%**	**5.4%**

Discount and exit rates 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 €123, the average discount rate stands at 15.6%, the average exit rate is 8.7%, the compound annual growth rate of net rental income is 8.7% and EPRA NIY stands at 9.8%.

As of June 30, 2021, the average EPRA Net Initial Yield (NIY) of the portfolio stood at 5.4% (including transfer taxes). A 10-basis-point increase in yields would result in a €304 million decrease 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 12/31/2020	**132.9**
Capital expenditures	5.1
Capitalized interest	0.4
Disposals and removals from the scope of consolidation	
Other movements, reclassifications	4.8
Currency movements	
Impairment losses and reversals	(4.5)
INVESTMENT PROPERTIES AT COST – NET VALUE AS OF 06/30/2021	**138.7**

Investments over the period relate to the Shopville Gran Reno extension in Italy.

As of June 30, 2021, 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.

Klépierre has no held-for-sale investment property qualified as "discontinued". Accordingly, the accounting impacts for investment at property at fair value 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 12/31/2020	**28.3**
Disposals and removals from the scope of consolidation	(15.9)
Other movements, reclassifications	642.3
Currency movements	-
Fair value adjustments	-
INVESTMENT PROPERTIES HELD FOR SALE – NET VALUE AS OF 06/30/2021	**654.7**

During the first half of 2021, the Group sold a set of nine retail units in France.

The main assets classified as "Investment properties held for sale" as of June 30, 2021, concern:

- Four Norwegian malls: Vinterbro Senter in As, Nerstranda in Tromsø, Farmandstredet in Tønsberg and Amanda in Haugesung;
- The Boulevard Berlin shopping center in Germany; and
- Seven other retail units 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:

	06/30/2021				
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	18,322.6	1,284.6	966.3		20,573.6
Right-of-use asset relating to ground leases	381.9			(357.0)	24.9
Incl. upfront payments on ground leases	*24.9*				*24.9*
Investment properties at fair value	**18,704.5**	**1,284.6**	**966.3**	**(357.0)**	**20,598.4**
Investment properties at cost	138.7				138.7
Investment properties held for sale	654.7	30.3			685.0
Operating lease incentives	48.7				48.7
TOTAL	**19,546.6**	**1,314.9**	**966.3**	**(357.0)**	**21,470.8**

(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	12/31/2020 Attributable to owners of the parent	Share in net income (loss)	Dividends received	Capital increases and decreases	Currency movements	Changes in scope of consolidation and other movements	06/30/2021 Attributable to owners of the parent
Investments in joint ventures	817.5	50.8	2.5	(12.4)	4.4		862.8
Investments in associates	170.9	4.2	(8.1)		(7.4)		159.6
EQUITY-ACCOUNTED COMPANIES	**988.4**	**55.0**	**(5.6)**	**(12.4)**	**(3.0)**	**-**	**1,022.4**

Thirty-six companies were accounted for using the equity method as of June 30, 2021, of which twenty-seven joint ventures and nine associates.

Non-current assets presented in this section mainly concerned investment property held by equity-accounted companies. The valuation of the investment property follows the Group's rules as described in note 5.4.

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):

	06/30/2021		12/31/2020	
In millions of euros	100%	Attributable to owners of the parent	100%	Attributable to owners of the parent
Non-current assets	2,252.0	1,115.1	2,335.2	1,156.3
Current assets[(a)]	156.9	77.1	97.6	47.5
Cash and cash equivalents	91.3	44.6	99.8	48.1
Non-current external financial liabilities	(62.5)	(28.9)	(67.8)	(31.5)
Non-current financial liabilities (Group and associates)	(489.0)	(244.5)	(508.1)	(253.5)
Non-current liabilities	(120.1)	(59.8)	(243.7)	(121.5)
Current external financial liabilities	(12.7)	(6.3)	(14.5)	(7.2)
Current liabilities	(71.7)	(34.5)	(43.8)	(20.6)
NET ASSETS	**1,744.2**	**862.8**	**1,654.6**	**817.5**

(a) Including the held for sale asset Hovlandparken as of June 30, 2021.

The year-on-year decrease in non-current assets is mainly due to the decline in value of investment properties in connection with the Covid-19 crisis, as described in note 1.1.

Non-current liabilities mainly include deferred tax.

	06/30/2021		06/30/2020	
In millions of euros	100%	Attributable to owners of the parent	100%	Attributable to owners of the parent
Revenues from ordinary activities	53.2	26.1	69.8	34.5
Operating expenses	(14.6)	(7.1)	(13.8)	(6.7)
Change in value of investment properties	(47.0)	(23.1)	(77.0)	(37.4)
Financial income (expense)	(9.5)	(4.7)	(9.8)	(4.9)
Profit (loss) before tax	(17.9)	(8.9)	(30.7)	(14.4)
Tax	119.5	59.7	2.8	1.4
NET INCOME (LOSS)	**101.6**	**50.8**	**(27.9)**	**(13.0)**

Klépierre's share in the external net debt (current and non-current external financial liabilities adjusted for cash and cash equivalents) of its joint ventures remained stable at a net cash position of €9.4 million as of June 30, 2021.

(1) Cécobil SCS, Du Bassin Nord SCI, Le Havre Vauban SNC, Le Havre Lafayette SNC, Girardin 2 SCI, Société Immobilière de la Pommeraie SC, Parc de Coquelles SNC, Kleprim's SCI, Celsius Le Murier SNC, Celsius Haven SNC, Ventura SAS, 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):

In millions of euros	06/30/2021 100%	06/30/2021 Attributable to owners of the parent	12/31/2020 100%	12/31/2020 Attributable to owners of the parent
Non-current assets	1,019.0	168.7	1,043.2	176.0
Current assets	8.9	0.6	15.1	1.8
Cash and cash equivalents	15.4	3.4	21.0	5.4
Non-current external financial liabilities	(7.2)	(0.8)	(6.3)	(0.8)
Non-current financial liabilities (Group and associates)	(62.6)	(6.6)	(52.8)	(6.4)
Non-current liabilities	(10.3)	(1.5)	(10.5)	(1.5)
Current external financial liabilities	(0.1)	(0.0)	(0.1)	(0.0)
Current liabilities	(23.3)	(4.2)	(26.0)	(3.6)
NET ASSETS	**939.9**	**159.6**	**983.6**	**170.9**

In millions of euros	06/30/2021 100%	06/30/2021 Attributable to owners of the parent	06/30/2020 100%	06/30/2020 Attributable to owners of the parent
Revenues from ordinary activities	21.7	4.7	26.2	4.8
Operating expenses	(7.6)	(1.4)	(5.2)	(1.2)
Change in value of investment properties	(2.9)	0.7	(15.3)	(3.4)
Financial income (expense)	0.1	0.1	0.7	0.4
Profit (loss) before tax	11.3	4.2	6.4	0.6
Tax	0.7	0.0	0.0	0.0
NET INCOME	**12.0**	**4.2**	**6.4**	**0.6**

(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, Ventura 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) and potentially selling the assets.

Changes in the fair value of these assets are recognized directly in other comprehensive income, with the exception of interest income 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 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 the half-year 2021 are as follows:

In millions of euros	12/31/2020	Change in scope	Increases	Decreases	Other (including currency movements)	06/30/2021
Other long-term investments	0.4		0.5			0.9
Advances to equity-accounted companies and others	282.0		18.5	(11.4)	(2.5)	286.6
Loans	(0.0)					(0.0)
Deposits	16.4		1.0	(1.4)		16.0
Other long-term financial investments	1.1					1.1
TOTAL	**299.9**	**-**	**20.1**	**(12.8)**	**(2.5)**	**304.7**

The following table presents the net carrying amount of non-current assets as of June 30, 2021, in accordance with IFRS 9:

		Amounts recognized in the statement of financial position according to IFRS 9	
In millions of euros	Carrying amount 06/30/2021	Amortized cost	Fair value recognized in profit or loss
Other long-term investments	0.9		0.9
Advances to equity-accounted companies and others	286.6	286.6	
Loans	-	-	
Deposits	16.0	16.0	
Other long-term financial investments	1.1		1.1
TOTAL	**304.7**	**302.7**	**2.0**

The following table presents the positions as of December 31, 2020:

		Amounts recognized in the statement of financial position according to IFRS 9	
In millions of euros	Carrying amount 12/31/2020	Amortized cost	Fair value recognized in profit or loss
Other long-term investments	0.4		0.4
Advances to equity-accounted companies and others	282.0	282.0	
Loans	-	-	
Deposits	16.4	16.4	
Other long-term financial investments	1.1		1.1
TOTAL	**299.9**	**298.4**	**1.5**

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 expected 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 and forward-looking projections. In the context of the Covid-19 pandemic, a specific assessment method has been applied using a multi-criteria approach, as described in note 1.1.

In millions of euros	06/30/2021	12/31/2020
Trade receivables	373.1	280.8
Allowances for bad debts	(238.3)	(185.7)
Net value of trade receivables	**134.8**	**95.2**
Step-up rents and rent-free periods	65.0	61.0
TRADE AND OTHER RECEIVABLES	**199.8**	**156.2**

At June 30, 2021, after deduction of allowances for credit losses, trade receivables amounted to €134.8 million.

The impact of Covid-19 on trade receivables is presented in note 1.1.

5.8 OTHER RECEIVABLES

	06/30/2021			12/31/2020
In millions of euros	Total	Less than one year	More than one year	Total
Tax receivables	**67.3**	**67.3**		**63.7**
Income tax	10.8	10.8		9.4
VAT	40.8	40.8		41.3
Other tax receivables	15.6	15.6		13.0
Other	**215.6**	**215.6**		**268.5**
Service charges due	14.7	14.7		23.5
Downpayments to suppliers	85.2	85.2		96.6
Prepaid expenses	8.3	8.3		8.3
Funds from principals	80.2	80.2		83.8
Other	27.2	27.2		56.4
TOTAL	**282.8**	**282.8**		**332.3**

VAT mainly includes outstanding refunds in respect of construction projects in progress.

Funds managed by Klépierre Management on behalf of its principals stood at €80.2 million as of June 30, 2021 versus €83.8 million as of December 31, 2020. The management accounts of the principals are recognized under "Other liabilities" (see note 5.15) 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 meet the definition given by IAS 7 and IFRS 9, i.e., short-term, highly-liquid investments that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

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	06/30/2021	12/31/2020
Cash equivalents	0.0	10.0
• *Treasury bills and certificates of deposit*	*0.0*	*10.0*
• *Money-market investments*		
Cash	190.1	452.1
Gross cash and cash equivalents	190.1	462.1
Bank overdrafts	(214.2)	(9.4)
NET CASH AND CASH EQUIVALENTS	**(24.2)**	**452.7**

5.10 FAIR VALUE OF FINANCIAL ASSETS

ACCOUNTING POLICIES

Measurement and recognition 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 and 5.12.

Method used to determine 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.

Where prices quoted on an active market are available on the reporting date, they are used to determine fair value. Listed securities, bonds, 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.

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.

Fair value hierarchy of financial assets and liabilities

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);
- 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); and
- 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, 2021:

In millions of euros	Carrying amount 06/30/2021	Fair value	Level 1	Level 2	Level 3
Other long-term investments	0.9	0.9		0.9	
Advances to equity-accounted companies and others	286.6	286.6		286.6	
Loans	(0.0)	(0.0)		(0.0)	
Deposits	16.0	16.0		16.0	
Other long-term financial investments	1.1	1.1		1.1	
Total other non-current assets	**304.7**	**304.7**		**304.7**	
Cash equivalents	0.0	0.0	0.0		
• *Treasury bills and certificates of deposit*	*0.0*	*0.0*	*0.0*		
• *Money-market investments*					
Cash	190.1	190.1	190.1		
Gross cash and cash equivalents	**190.1**	**190.1**	**190.1**		
Bank overdrafts	**(214.2)**	**(214.2)**	**(214.2)**		
NET CASH AND CASH EQUIVALENTS	**(24.2)**	**(24.2)**	**(24.2)**		

The following table presents the positions as of December 31, 2020:

In millions of euros	Carrying amount 12/31/2020	Fair value	Level 1	Level 2	Level 3
Other long-term investments	0.4	0.4		0.4	
Advances to equity-accounted companies and others	282.0	282.0		282.0	
Loans	(0.0)	(0.0)		(0.0)	
Deposits	16.4	16.4		16.4	
Other long-term financial investments	1.1	1.1		1.1	
Total other non current assets	**299.9**	**299.9**		**299.9**	
Cash equivalents	10.0	10.0	10.0		
• *Treasury bills and certificates of deposit*	*10.0*	*10.0*	*10.0*		
• *Money-market investments*					
Cash	452.1	452.1	452.1		
Gross cash and cash equivalents	**462.1**	**462.1**	**462.1**		
Bank overdrafts	**(9.4)**	**(9.4)**	**(9.4)**		
NET CASH AND CASH EQUIVALENTS	**452.7**	**452.7**	**452.7**		

The fair value of financial assets is identical to the carrying amount of the Group's financial assets at amortized cost, as they are not remeasured.

5.11 EQUITY

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

As of June 30, 2021, the share capital comprised 290,355,032 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, 2021	299,939,198	419,914,877	4,426,768,551	6,872,715	303,842,957
Cancellation of shares in 2021	(9,584,166)	(13,417,832)	(286,423,221)		
Shares issued in 2021					
Dividend distribution in 2021				(6,872,715)	(278,112,959)
AS OF JUNE 30, 2021	**290,355,032**	**406,497,045**	**4,140,345,330**		**25,729,998**

During the six months ended June 30 2021, the Group canceled 9,584,166 shares as described in note 5.11.2. As a consequence, the share capital was reduced to €406.5 million and issue premiums to €4,140.3 million.

On June 17, 2021, the General Meeting of Shareholders approved the payment of a €1.00 per share cash dividend in respect of the 2020 fiscal year. The total dividend approved by Klépierre's shareholders amounted to €294.8 million (including dividends payable on treasury shares) and €285.3 million (excluding dividends payable on treasury shares).

The dividend distribution was deducted from merger premiums (€6.9 million), other premiums (€278.1 million) and other consolidated reserves (€0.4 million).

As of June 30, 2021, 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.

	06/30/2021						12/31/2020					
	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	500,212	272,023	42,000	706,442	3,493,860	5,014,537	631,374	244,774	53,500	706,442	13,078,026	14,714,116
• *o/w allocated*		*272,023*				*272,023*		*244,774*				*244,774*
Acquisition value *(in millions of euros)*	12.2	6.3	1.0	14.3	99.7	133.6	19.5	6.3	1.6	14.3	399.6	441.3
Proceeds from sales *(in millions of euros)*		(2.7)	(3.7)			(6.4)		(1.2)	(0.2)			(1.4)

As of June 30, 2021, Klépierre held 5,014,537 treasury shares, versus 14,714,116 shares as of December 31, 2020, mainly arising from the cancellation of 9,584,166 shares acquired in 2019 under the February 6, 2019 share buyback program:

- On January 19, 2021, the Group cancelled 5,091,144 shares; and
- On June 22, 2021, the Group cancelled 4,493,022 shares.

5.11.3 Other consolidated reserves

The decrease in other consolidated reserves is mainly attributable to:

- The appropriation of 2020 consolidated net loss for a negative €785.7 million (before distribution); and
- The movements of other items of comprehensive income for a negative €11.4 million that mainly relate to translation gains and losses and proceeds from sales of treasury shares.

5.11.4 Non-controlling interests

Non-controlling interests decreased by €71.8 million during the first half of 2021, mainly reflecting:

- Net income for the period attributable to non-controlling interests (negative €43.3 million impact);
- Payment of dividends (negative €37.8 million impact); and
- Foreign exchange impacts (positive €5.2 million impact), mainly in Scandinavia and in Turkey.

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, 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 a floating-rate liabilities or assets.

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

The adoption of hedge accounting has the following consequences:

- Fair value hedges of existing assets and liabilities: the hedged portion of the asset/liability is accounted for at fair value in the statement of financial position. The gains or losses resulting from changes in fair value are recognized immediately in profit or loss 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.

Tax treatment of changes in fair value of financial instruments

Klépierre applies the following rules:

- Deferred taxes are calculated based on the change in fair value of financial instruments based on the tax-rate of the country where the instrument is held; and
- For instruments held by SIIC eligible entities, deferred taxes are recognized for their non-SIIC portion in the SIIC/non-SIIC asset pro rata to Klépierre SA's statement of financial position.

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 €9,219.0 million as of June 30, 2021 versus €9,626.1 million at year-end 2020.

In millions of euros	06/30/2021	12/31/2020
NON-CURRENT		
Bonds net of costs/premiums	**6,265.8**	**6,413.7**
• Of which fair value hedge adjustments	10.7	28.9
Bank loans and borrowings – long term	**848.3**	**677.6**
Fair value adjustments to debt[(a)]	**1.7**	**4.5**
Other loans and borrowings	**162.2**	**148.3**
• Advance payments to associates	155.0	141.1
• Other	7.2	7.2
TOTAL NON-CURRENT FINANCIAL LIABILITIES	7,278.0	7,244.1
CURRENT		
Bonds net of costs/premiums	**211.9**	**950.8**
• Of which fair value hedge adjustments		0.7
Bank loans and borrowings – short term	**33.2**	**29.9**
• Of which other borrowings issue costs	3.2	3.2
Fair value adjustments to debt[(a)]	**1.0**	
Accrued interest	**43.4**	**72.5**
• On bonds	40.1	68.0
• On bank loans	2.4	2.7
• On advance payments to associates	0.9	1.8
Commercial paper	**1,649.4**	**1,326.1**
Other loans and borrowings	**2.2**	**2.7**
• Advance payments to associates	2.2	2.7
TOTAL CURRENT FINANCIAL LIABILITIES	1,941.0	2,381.9
TOTAL NON-CURRENT AND CURRENT FINANCIAL LIABILITIES	**9,219.0**	**9,626.1**

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

Net debt totaled €9,146 million as of June 30, 2021, versus €9,054 million as of December 31, 2020. 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	06/30/2021	12/31/2020
Non-current and current financial liabilities	9,219.0	9,626.1
Bank overdrafts	214.2	9.4
Revaluation due to fair value hedge and cross currency swap	(13.9)	(30.7)
Fair value adjustement of debt[(a)]	(2.7)	(4.6)
Cash and cash equivalents[(b)]	(270.3)	(545.8)
NET DEBT	**9,146.5**	**9,054.4**

(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 €80.2 million as of June 30, 2021 and for €83.8 million as of December 31, 2020.

The €92 million increase is attributable to:

- Cash inflows from operations and other items (foreign exchange, changes in working capital), amounting to €248 million;
- Cash outflows in respect of distributions for €326 million (including the 2020 dividend for €285 million, distributions to non-controlling interests for €40 million);
- Cash outflows in respect of capital expenditure for €55 million (see section 1.7.6 "EPRA Capital Expenditure" of the Management report) including €23 million in development projects and €30 million in standing assets; and
- Cash inflows from disposals for €41 million.

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 06/30/2021
Bonds						5,985	5,985
	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	0.875%	02/17/2031	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
						85	85
	Klépierre (formerly Corio)	EUR	3.516%	12/13/2022	At maturity	85	85
						453	453
	Steen & Strøm	NOK	NIBOR	08/09/2021	At maturity	69	69
	Steen & Strøm	NOK	2.620%	06/08/2022	At maturity	44	44
	Steen & Strøm	NOK	NIBOR	09/14/2022	At maturity	84	84
	Steen & Strøm	NOK	NIBOR	03/23/2023	At maturity	79	79
	Steen & Strøm	NOK	NIBOR	04/05/2023	At maturity	29	29
	Steen & Strøm	NOK	2.400%	11/07/2023	At maturity	49	49
	Steen & Strøm	NOK	2.550%	10/24/2024	At maturity	15	15
	Steen & Strøm	NOK	NIBOR	10/24/2024	At maturity	25	25
	Steen & Strøm	NOK	2.980%	05/23/2029	At maturity	10	10
	Steen & Strøm	SEK	1.093%	12/08/2022	At maturity	49	49
Bank loans and revolving credit facilities						3,675	183
	Klépierre SA	EUR	Euribor	12/16/2025	At maturity	1,385	
	Klépierre SA	EUR	Euribor	(b)	At maturity	2,025	183
	Steen & Strøm	NOK	NIBOR	2021	At maturity	147	
	Steen & Strøm	NOK	NIBOR	2023	At maturity	59	
	Steen & Strøm	NOK	NIBOR	2025	At maturity	59	
Mortgage loans						691	691
	Massalia Shopping Mall	EUR	Euribor	06/23/2026	At maturity	99	99
	Steen & Strøm	SEK	STIBOR	(c)		239	239
	Steen & Strøm	DKK	CIBOR	(c)		288	288
	Steen & Strøm	DKK	Fixed	(c)		64	64
Property finance leases						13	13
Short-term facilities and bank overdrafts						395	65
Commercial paper						1,650	1,650
	Klépierre SA	EUR	Euribor	-	At maturity	1,500	1,500
	Steen & Strøm	NOK	NIBOR	-	At maturity	61	61
	Steen & Strøm	SEK	STIBOR	-	At maturity	89	89
GROUP TOTAL[(a)]						**11,297**	**9,125**

(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 maturities from 2022 to 2025 and differents lenders.
(c) These lines combine several mortgage loans with maturities from 2023 to 2042 and differents lenders.

As a general rule, the Group finances its assets with equity or debt raised 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 these financings (€691 million) amounted to €920 million as of June 30, 2021.

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.

Covenants applicable to Klépierre SA financing

As of June 30, 2021, Klépierre SA complied with all its obligations arising from its borrowings.

Financing	Ratios/covenants	Limit(a)	06/30/2021	12/31/2020
Syndicated loans and bilateral loans	Net debt/Portfolio value ("Loan to Value")	≤60%	42.6%	41.4%
	EBITDA/Net interest expenses(b)	≥2.0x	6.5	7.3
	Secured debt/Portfolio value(c)	≤20%	0.6%	0.6%
	Portfolio value(d)	≥€10 bn	€18.2 bn	€18.5 bn
Bond issues	Secured debt/Revalued Net Asset Value(c)	≤50%	0.9%	0.9%

(a) Covenants are based on the 2021 revolving credit facility.
(b) Excluding the impact of liability management operations (non-recurring items).
(c) Excluding Steen & Strøm.
(d) Group share, including transfer taxes.

Financial covenants applicable to fully consolidated companies with non-controlling interests

As of June 30, 2021, all the borrowing entities of the Group met their financial obligations arising from their financial debts. In relation to a non-recourse mortgage loan granted to Massalia Shopping Mall (60% indirectly owned by Klépierre SA), a financial ratio resulted slightly above its covenant threshold as at March 2021. In this respect the borrower proceeded to an early partial repayment in order to comply with its contractual obligation.

A portion of Steen & Strøm's debt is subject to a covenant that requires shareholders' equity to be above or equal to 20% of net asset value at all times. On June 30, 2021, this ratio was 51.3%.

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	**6,265.8**		**6,265.8**	
• Of which fair value hedge adjustments	10.7		10.7	
Bank loans and borrowings – long term	**848.3**		**848.3**	
Fair value adjustments to debt(a)	**1.7**		**1.7**	
Other loans and borrowings	**162.2**		**155.0**	**7.2**
• Advance payments to associates	155.0		155.0	
• Other	7.2			7.2
TOTAL NON-CURRENT FINANCIAL LIABILITIES	**7,278.0**		**7,270.8**	**7.2**
CURRENT				
Bonds net of costs/premiums	**211.9**	**211.9**		
• Of which fair value hedge adjustments				
Bank loans and borrowings – short term	**33.2**	**33.2**		
Fair value adjustments to debt(a)	**1.0**	**1.0**		
Accrued interest	**43.4**	**43.4**		
• On bonds	40.1	40.1		
• On bank loans	2.4	2.4		
• On advance payments to associates	0.9	0.9		
Commercial paper	**1,649.4**	**1,649.4**		
Other loans and borrowings	**2.2**	**2.2**		
• Advance payments to associates	2.2	2.2		
TOTAL CURRENT FINANCIAL LIABILITIES	**1,941.0**	**1,941.0**		
TOTAL NON-CURRENT AND CURRENT FINANCIAL LIABILITIES	**9,219.0**	**1,941.0**	**7,270.8**	**7.2**

(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 revolving credit facilities.

5.12.5 Classification and fair value hierarchy 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 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			Fair value hierarchy		
In millions of euros	Carrying amount 06/30/2021	Liability at amortized cost	Liability at fair value recognized in profit or loss[(a)]	Fair value	Level 1	Level 2	Level 3
NON-CURRENT							
Bonds net of costs/premiums	6,265.8	5,648.2	617.6	6,591.1	6,591.1		
Bank loans and borrowings – long term	848.3	848.3		837.4		837.4	
Fair value adjustments to debt	1.7	1.7		1.7		1.7	
Other loans and borrowings	162.2	162.2		162.2		162.2	
TOTAL NON-CURRENT FINANCIAL LIABILITIES	**7,278.0**	**6,660.4**	**617.6**	**7,592.4**	**6,591.1**	**1,001.3**	
CURRENT							
Bonds net of costs/premiums	211.9	211.9		213.1	213.1		
Bank loans and borrowings – short term	33.2	33.2		33.2		33.2	
Fair value adjustments to debt	1.0	1.0		1.0		1.0	
Accrued interest	43.4	43.4		43.4		43.4	
Commercial paper	1,649.4	1,649.4		1,649.4		1,649.4	
Other loans and borrowings	2.2	2.2		2.2		2.2	
TOTAL CURRENT FINANCIAL LIABILITIES	**1,941.0**	**1,941.0**		**1,942.2**	**213.1**	**1,729.1**	
TOTAL NON-CURRENT AND CURRENT FINANCIAL LIABILITIES	**9,219.0**	**8,601.4**	**617.6**	**9,534.7**	**6,804.2**	**2,730.5**	

(a) Corresponds to the re-evaluated portion of the bonds as part of the fair value hedge presented in notes 5.9 and 5.13.

Fair value recognized in profit or loss amounted to €618 million as of June 2021. This corresponds to fixed-rate bonds that were converted into floating rate debts through receiver swaps and are qualified as a fair value hedge.

The following table presents the positions as of December 31, 2020:

		Amounts recognized in the statement of financial position according to IFRS 9			Fair value hierarchy		
In millions of euros	Carrying amount 12/31/2020	Amortized cost	Fair value recognized in profit or loss	Fair value	Level 1	Level 2	Level 3
NON-CURRENT							
Bonds net of costs/premiums	6,413.7	5,778.8	634.9	6,778.7	6,778.7		
Bank loans and borrowings – long term	677.6	677.6		678.2		678.2	
Fair value adjustments to debt	4.5	4.5		4.5		4.5	
Other loans and borrowings	148.3	148.3		148.3		148.3	
TOTAL NON-CURRENT FINANCIAL LIABILITIES	**7,244.1**	**6,609.2**	**634.9**	**7,609.7**	**6,778.7**	**831.0**	
CURRENT							
Bonds net of costs/premiums	950.8	856.0	94.8	957.0	957.0		
Bank loans and borrowings – short term	29.9	29.9		29.9		29.9	
Fair value adjustments to debt							
Accrued interest	72.5	72.5		72.5		72.5	
Commercial paper	1,326.1	1,326.1		1,326.1		1,326.1	
Other loans and borrowings	2.7	2.7		2.7		2.7	
TOTAL CURRENT FINANCIAL LIABILITIES	**2,381.9**	**2,287.2**	**94.8**	**2,388.1**	**957.0**	**1,431.1**	
TOTAL NON-CURRENT AND CURRENT FINANCIAL LIABILITIES	**9,626.1**	**8,896.4**	**729.7**	**9,997.9**	**7,735.7**	**2,262.2**	

Fair value recognized in profit or loss amounted to €730 million as of December 2020. This corresponds to fixed rate bonds that were converted into floating rate debt through receiver swaps.

5.13 LONG-TERM 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.

Long-term provisions amounted to €17.5 million as of June 30, 2021 versus €16.9 million as of December 31, 2020, and mainly concern business-related litigation and taxes outside the scope of IFRIC 23 in the different countries in which Klépierre operates.

5.14 PAYROLL, TAX LIABILITIES AND OTHER LIABILITIES

In millions of euros	06/30/2021	12/31/2020
Payroll and tax liabilities	**230.0**	**166.9**
Employees and related accounts	35.6	37.0
Social security and other bodies	11.8	10.3
Tax payables		
• Income tax	45.4	42.0
• VAT	56.0	46.1
Other taxes and duties	81.3	31.5
Other liabilities	**340.0**	**322.3**
Creditor customers	16.8	14.8
Prepaid income	42.4	29.1
Other liabilities	280.8	278.5

Creditor customers amount to €16.8 million and correspond to advance payments received from tenants in respect of service charges.

Other liabilities also include funds representing the management accounts of Klépierre Management's principals, offset in full by other receivables (see note 5.8 Other receivables). These funds totaled €80.2 million as of June 30, 2021 (€83.8 million as of December 31, 2020).

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.

In the context of the Covid-19 pandemic, different categories of rent abatements were identified depending on the status of negotiation with tenants. The application of IFRS 16 to these different categories is described in note 1.1.

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

Gross rental income breaks down as follows:

In millions of euros	06/30/2021	06/30/2020
MGR	523.3	542.7
Turnover rents	8.9	7.8
Specialty leasing	12.3	11.8
Parking	12.3	15.5
Lease incentives & discounts	(19.3)	(19.2)
Covid discounts	(110.2)	(1.0)
Gross rents	427.3	557.6
Other lease income	17.0	23.4
GROSS RENTAL INCOME	**444.3**	**581.0**

In the context of the Covid-19 pandemic, rent abatements have been identified based on the status of negotiations with tenants. The application of IFRS 16 to the different cases is described in note 1.1.

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 six months ended June 30, 2021, land expenses relating to variable payments on ground leases amounted to €3.4 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.

In millions of euros	06/30/2021	06/30/2020
Allowance to provision for bad debts	(120.5)	(31.8)
Write-back provision for bad debts	58.6	14.2
Net impairment on credit losses	(62.0)	(17.6)
Other building expenses	(8.7)	(7.8)
BUILDING EXPENSES (OWNER)	**(70.7)**	**(25.4)**

The net allowances for credit losses in the first half 2021 amounted to €62 million, and related mainly to the Covid-19 pandemic. The assessment method for customer credit risk is described in note 1.1.

6.5 OTHER OPERATING INCOME

Other operating income notably includes 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, 2021, depreciation, amortization and impairment of property, plant and equipment and intangible assets amounted to €8.8 million, of which €4.2 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, 2021, changes in value of investment properties amounted to a negative €456.2 million, versus a negative €638.6 million as of June 30, 2020.

In millions of euros	06/30/2021	06/30/2020
Change in value of investment properties at fair value[a]	(451.7)	(638.4)
Change in value of investment properties at cost	(4.5)	(0.2)
TOTAL	**(456.2)**	**(638.6)**

(a) The change in value of the right-of-use asset relating to ground leases amounts to a negative €3.6 million (see note 8).

Changes in the fair value of investment properties over the period are disclosed in note 1.1.

6.8 NET PROCEEDS FROM DISPOSALS OF INVESTMENT PROPERTIES AND EQUITY INVESTMENTS

Net proceeds from disposals over the first half of 2021 amounted to a positive €0.5 million corresponding to €30.4 million in disposal proceeds (including transfer taxes) less the carrying amount of the corresponding assets in an amount of €29.9 million (including transaction costs).

The main disposals over the period were:

- The Kupolen shopping center located at Borlänge in Sweden;
- 0.07% of the interest in Akmerkez Garymenkul Yatirim Ortakligi AS; and
- A set of fifteen retail units in France.

6.9 COST OF NET DEBT

The cost of net debt totaled €58.2 million in first-half 2021, versus €52.9 million in first-half 2020. Excluding IFRS 16 interest expense on lease liabilities and other pure accounting items (amortization of the fair value of debt, provision and capitalized interest, deferral of payments on swaps and capitalized interest), the restated cost of net debt slightly decreased compared to the first half of 2020.

In millions of euros	06/30/2021	06/30/2020
FINANCIAL INCOME	**24.8**	**40.4**
Income from sales of securities	0.0	0.0
Interest income on swaps	9.9	25.5
Deferral of payments on swaps	0.0	0.0
Capitalized interest	1.1	1.7
Interest on advances to associates	4.7	4.8
Sundry interest received	6.4	3.5
Other revenue and financial income	1.0	2.0
Currency translation gains	1.7	2.9
FINANCIAL EXPENSES	**(78.9)**	**(89.1)**
Expenses from sales of securities		
Interest on bonds	(56.0)	(70.0)
Interest on bank loans	(3.7)	(5.5)
Interest expense on swaps	(5.8)	(7.8)
Deferral of payments on swaps	(0.1)	(3.2)
Interest on advances to associates	(0.9)	(1.2)
Sundry interest paid	(0.1)	(0.6)
Other financial expenses	(11.2)	(16.5)
Currency translation losses	(3.1)	(1.5)
Transfer of financial expenses		8.7
Amortization of the fair value of debt[(a)]	1.9	8.4
COST OF NET DEBT	**(54.1)**	**(48.7)**
Interest expense on leases liabilities[(b)]	(4.2)	(4.2)
COST OF NET DEBT AFTER IFRS 16	**(58.2)**	**(52.9)**

(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 27.37%, Spain 25%, Italy 27.9%, Belgium 25%, Greece 22%, Portugal 21% plus a surtax where applicable, Poland 19%, Czech Republic 19%, Slovakia 21%, Sweden 20.6%, Norway 22%, Luxembourg 24.94%, Netherlands 25%, Denmark 22%, Turkey 25% or 20% and Germany 15.83% or 18.20%.

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 70% 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.

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

Income tax on companies not eligible for SIIC equivalent

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

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

Tax regime of Spanish SOCIMI entities

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

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

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

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

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

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

In millions of euros	06/30/2021	06/30/2020
Current tax	(43.8)	(8.0)
Deferred tax	412.3	42.4
TOTAL	**368.5**	**34.4**

For the six months ended June 30, 2021, the current tax charge amounted to €43.8 million, versus €8.0 million for first-half 2020. The significant increase in this item is mainly attributable to the 3% tax arising on the reevaluation of the Italian assets (see significant events).

Deferred tax income amounted to €412.3 million in first-half 2021, versus €42.4 million in first-half 2020, with the change stemming mainly from deferred taxes on investment properties correlated to the Italian assets reevaluation (see significant events) and fair value movements.

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	(115.6)	(14.2)	(226.0)	(355.7)
Theoretical tax expense at 27.37%	**31.6**	**3.9**	**61.9**	**97.4**
Tax-exempt earnings under the SIIC and SOCIMI tax regimes	**(29.9)**		**0.6**	**(29.3)**
Taxable sectors				
Impact of permanent differences	2.9	(3.5)	(10.0)	(10.7)
Untaxed consolidation adjustments	0.0	(0.3)	359.2	358.9
Impact of non-capitalized losses	(5.0)	(0.1)	(6.7)	(11.7)
Assignment of non-capitalized losses	0.0	0.0	0.0	0.0
Change of tax regime				
Change in tax rates and other taxes	7.5	0.3	(41.7)	(34.0)
Differences in tax rates between France and other countries		0.0	(2.2)	(2.2)
EFFECTIVE TAX EXPENSE	**7.1**	**0.2**	**361.1**	**368.5**

Breakdown of deferred taxes:

In millions of euros	12/31/2020	Change in scope	Change in net income	Cash flow hedging reserves	Asset, liability reclassifications	Other changes	06/30/2021
Investment properties	(1,528.0)	2.3	405.7		0.3	(2.4)	(1,122.2)
Derivatives	2.0		0.0	(1.3)	0.0	0.0	0.8
Tax loss carryforwards	20.7		(1.3)		5.7	(0.1)	24.9
Other items	(2.9)	0.0	0.2		(0.2)	0.4	(2.5)
Total for entities in a net liability position	**(1,508.3)**	**2.3**	**404.7**	**(1.3)**	**5.8**	**(2.1)**	**(1,098.9)**
Investment properties	0.0	(0.0)	0.3		(0.3)	0.0	0.0
Derivatives	0.0			(0.0)	(0.0)		(0.0)
Tax loss carryforwards	10.5		1.9		(5.7)	0.0	6.6
Other items	21.4	(0.0)	5.5		0.2	0.0	27.1
Total for entities in a net asset position	**31.9**	**(0.0)**	**7.6**	**(0.0)**	**(5.8)**	**0.0**	**33.7**
NET POSITIONS	**(1,476.4)**	**2.3**	**412.3**	**(1.3)**		**(2.1)**	**(1,065.2)**

Deferred tax in the income statement represents income of €412.3 million and mainly comprises:

- €406.0 million in deferred tax income resulting from temporary differences arising on changes in the fair market value and tax value of investment properties, mainly linked to the fiscal assets reevaluation in Italy (see significant events); and
- €5.7 million in deferred tax income presented in "Other items" which is mainly attributable to €5.4 million of allowances for bad debts and provisions for discounts in Italy.

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 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 as lessee 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. There 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 2021, the amounts recorded on the statement of financial position and relating to leases, as lessee, are as follows:

In millions of euros	12/31/2020	Increase (new leases)	Decrease (lease terminations)	Reevaluation and other movements	Allowances and debt reimbursment	Currency movements	Reclassifications	06/30/2021
Gross right-of-use asset relating to property, plant and equipment	35.5	0.7		(0.0)		(0.1)		36.2
Amortization of right-of-use asset relating to property, plant and equipment	(16.2)			0.0	(4.2)	0.0		(20.3)
Total net right-of-use asset relating to property, plant and equipment	**19.3**	**0.7**		**0.0**	**(4.2)**	**(0.0)**		**15.8**
Right-of-use asset relating to ground leases at fair value	389.1	9.9				0.2		399.2
Change in fair value of right-of-use asset relating to ground leases	(13.6)				(3.6)	(0.1)		(17.3)
Total right-of-use asset relating to ground leases	**375.5**	**9.9**			**(3.6)**	**0.1**		**381.9**
TOTAL ASSETS	**394.8**	**10.6**		**0.0**	**(7.8)**	**0.1**		**397.7**
Leases liabilities – non-current	357.0	9.9	(0.0)	0.0		0.1	(6.7)	360.3
Leases liabilities – current	14.2	0.7		0.0	(7.7)	(0.0)	6.7	13.9
TOTAL LIABILITIES	**371.3**	**10.6**	**(0.0)**	**0.0**	**(7.7)**	**0.1**		**374.3**

The breakdown of current and non-current lease liabilities as of June 30, 2021 is presented below:

In millions of euros	Total	Less than one year	One to five years	More than five years
Leases liabilities – non-current	360.3		34.2	326.1
Leases liabilities – current	13.9	13.9		
TOTAL LEASES LIABILITIES	**374.3**	**13.9**	**34.2**	**326.1**

As lessee, the amounts recognized in comprehensive income for the six months ended June 30, 2021 in respect of leases, by nature of contracts, 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	(4.2)		(4.2)
Change in value of investment properties		(3.6)	(3.6)
Interest expense on leases liabilities	(0.1)	(4.0)	(4.2)
Deferred tax on IFRS 16 restatement			
TOTAL	**(4.3)**	**(7.6)**	**(12.0)**

Variable rents on ground leases not restated in accordance with IFRS 16 amount to €3.4 million as of June 30, 2021 (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 expenses recorded in 2021 in relation to these leases are 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 Hedging strategy

As part of its risk management policy, 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. Most of the fixed-rate position is made of fixed-rate debts and swaps but options may be used to raise the hedging ratio up to 100%.

To achieve its target hedging rate Klépierre may use:

- Payer swaps to convert debt from floating rate to fixed rate;
- Receiver swaps in order to convert fixed-rate debt to floating rates; and
- Caps in order to limit the possible variations of short-term rates.

Given the nature of its business as a long-term property owner, 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, payer swaps maturities may exceed those of the underlying borrowings provided Klépierre's financing plan emphasizes the high probability of these borrowings being renewed.

As of June 30, 2021, the hedging ratio reached 97%, made of 74% of fixed-rate debts or payer swaps and 23% of caps.

9.1.2 Exposure to floating-rate debt

Recurrence of floating-rate financing requirement

Floating-rate debt represented 31% of the Group's borrowings as of June 30, 2021 (before hedging), and comprises bank loans (secured and unsecured) and commercial paper.

Identified risk

An increase in interests rates 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.

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)	**2,823.1**	**28.2**
• Net hedge	(2,524.5)	(15.9)
Gross position after hedging	**298.6**	**12.4**
NET POSITION AFTER HEDGING	**298.6**	**12.4**

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 hedge *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 06/30/2021			
• Euro-denominated portfolio	99.4	(4.2)	4.8
• Steen & Strøm portfolio	443.0	(0.9)	9.7
CASH FLOW HEDGE SWAPS AT 06/30/2021	**542.4**	**(5.1)**	**14.5**

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**	
12/31/2020	9,439	1.15%	100%	-	-	-	9,439	1.15%	1.22%
06/30/2021	8,830	1.13%	97%	295	1.09%	3%	9,125	1.13%	1.16%

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

The average all-in cost of debt calculated as of June 30, 2021 does not constitute a forecast over the coming period.

9.1.3 Exposure to fixed-rate debt

Description of fixed-rate borrowings

The bulk of Klépierre's fixed-rate borrowing comprises bonds (denominated in euros, Norwegian kronor and Swedish kronor) and mortgage loans.

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 when 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, 2021, the Group's fixed-rate debt stood at €6,302 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 instruments 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.

9.1.4 Derivatives portfolio

Fair value of the interest rate derivatives portfolio:

In millions of euros	Fair value net of accrued interest as of 06/30/2021[(a)]	Change in fair value during 2021	Matching entry
Cash flow hedge	(5.1)	7.8	Shareholders' equity
Fair value hedge	10.8	(18.8)	Financial liabilities/ Net income
Trading	(0.1)	(3.2)	Net income
TOTAL	**5.6**	**(14.2)**	

(a) *Fair value of the interest rate hedging portfolio are categorized on level 2.*

As of June 30, 2021, the breakdown of derivatives by maturity was as follows:

Hedging relationship *In millions of euros*	Currency	Klépierre Group derivatives 2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	Total
Cash flow hedge													**542**
	EUR						99						99
	NOK		49	29	39	64	29						211
	SEK	59	30					40					129
	DKK	63				40							103
Fair value hedge													**614**
	EUR										600		600
	NOK				14								14
	SEK												
	DKK												
Trading													**2,597**
	EUR	800	425	600	425	100							2,350
	NOK												
	SEK	40		59									99
	DKK		108	40									148
GROUP TOTAL													**3,754**

The “trading” category includes a portfolio of caps (for a notional amount of €2.1 billion) and a portfolio of payer swaps (€500 million). The cash-flow hedge and fair-value hedge categories only include swaps.

As of December 31, 2020, the breakdown of derivatives by maturity date was as follows:

Hedging relationship *In millions of euros*	Currency	Klépierre Group derivatives 2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	Total
Cash flow hedge													**887**
	EUR	350					99						449
	NOK		48	29	38	62	29						205
	SEK	60	30					40					130
	DKK	63				40							103
Fair value hedge													**708**
	EUR	94									600		694
	NOK				14								14
	SEK												
	DKK												
Trading													**4,913**
	EUR	3,516	425	500	225								4,666
	NOK												
	SEK	40		60									100
	DKK		108	40									148
GROUP TOTAL		**4,122**	**610**	**629**	**278**	**102**	**128**	**40**			**600**		**6,509**

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, 2021, 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 high effectiveness.

9.1.5 Fair value of financial 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 (assuming stable credit spreads);
- 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.

	06/30/2021			12/31/2020		
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	6,237.4	6,561.0	(380.9)	7,097.6	7,468.8	(317.2)
Fixed-rate bank loans	64.1	64.9	(0.8)	68.3	68.9	(1.0)
Other floating-rate loans	2,823.0	2,823.0		2,272.9	2,272.9	
TOTAL	**9,124.6**	**9,448.9**	**(381.7)**	**9,438.8**	**9,810.6**	**(318.2)**

(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, 2021, a 100-basis-point increase in interest would have resulted in a €23.5 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, 2021 was 6.4 years, with borrowings spread between different markets (the bonds and commercial paper represent 90% 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. Commercial papers, which represent the bulk of short-term financing, never exceed 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, 2021, the maturity schedule of contractual flows was as follows:

Repayment year *In millions of euros*	2021	2022	2023	2024	2025	2026	2027	2028	2029 and beyond	Total
Principal	1,219	971	962	819	381	626	676	26	3,445	9,125
Interest (loans and derivatives)	55	104	88	81	70	58	48	48	130	683
GROUP TOTAL (PRINCIPAL + INTEREST)	**1,274**	**1,075**	**1,051**	**900**	**451**	**684**	**724**	**74**	**3,574**	**9,807**

The €1,500 million of outstanding commercial paper will expire in less than 1 year, but are expected to roll over.

As of June 30, 2021, Klépierre had undrawn credit lines totaling €2,217 million (including bank overdrafts). These resources are sufficient to absorb all the refinancing scheduled until May 2024.

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 result in mandatory repayment.

Some of Klépierre SA's bonds (€6,070 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, 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 have 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 and 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.

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, its change in the fair value over the exercise offset the foreign exchange revaluation of the net investment recorded in shareholders' equity. As of June 30, 2021, the fair value of this instrument is equal to minus €1.3 million.

Fair value of the foreign exchange rate derivatives portfolio

In millions of euros	Fair value net of accrued interest as of 06/30/2021[(a)]	Change in fair value during 2021	Matching entry
Net investment hedge	(1.3)	0.8	Shareholders' equity
TOTAL	**(1.3)**	**0.8**	

(a) Fair value of the interest rate hedging portfolio are categorized on level 2.

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. As part of its risk-management policy, Klépierre aims at diversifying its lending counterparties and pays attention to their financial strength.

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. It also aims at diversifying its exposure among different counterparties.

NOTE 10 FINANCE AND GUARANTEE COMMITMENTS

10.1 COMMITMENTS GIVEN

In millions of euros	06/30/2021	12/31/2020
Commitments related to the Group's consolidated scope	**8.5**	
Purchase commitments	8.5	
Commitments related to the Group's financing activities		
Financial guarantees given	(a)	(a)
Commitments related to the Group's operating activities	**51.4**	**69.7**
Commitments under conditions precedent		8.5
Work completion commitments	18.6	28.5
Rental guarantees and deposits	1.7	1.7
Other commitments given	31.1	31.0
TOTAL	**59.9**	**69.7**

(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, 2021, purchase commitments related to Group's consolidated scope amounted to €8.5 million and correspond to the land acquisition commitment for the Coimbra side extension.

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.

Work completion commitments

Work completion commitments mainly relate to development projects in France.

Rental guarantees and deposits

Rental guarantees and deposits mainly comprise deposits related to local headquarters.

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.

SIIC distribution obligations carried forward

The Group, within the frame of the tax regime of *Sociétés d'investissement immobilier cotées (SIIC)*, must satisfy tax distribution obligations by distributing 95% of its rental income, 70% of its real estate capital gains and 100% of its dividends stemming from subsidiaries having elected for the SIIC regime or an equivalent regime. Nevertheless, this tax distribution obligation is capped at the statutory distributable income and is carried forward when the statutory distributable income is not sufficient. The carried forward tax distribution obligations as at June 30, 2021 amounts at €266.8 million and will be satisfied when the Company will have sufficient distributable capacity.

10.2 MUTUAL COMMITMENTS

Commitments related to development projects amounted to €16.0 million as of June 30, 2021 versus €19.4 million as of December 31, 2020. 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.

10.3 COMMITMENTS RECEIVED

In millions of euros	06/30/2021	12/31/2020
Commitments related to the Group's financing activities	**1,842.5**	**2,338.9**
Financing agreements obtained and not used[(a)]	1,842.5	2,338.9
Commitments related to the Group's operating activities	**838.4**	**411.6**
Sale commitments	490.8	30.2
Financial guarantees received in connection with management activities *(Loi Hoguet)*	160.0	190.0
Financial guarantees received from tenants and suppliers	187.6	191.4
TOTAL	**2,680.9**	**2,750.5**

(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, 2021, Klépierre had €1,842 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, 2021, sale commitments relate mainly to certain assets in Norway and Germany.

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

As part of its real-estate, leasing and property management activities, banking guarantees have been delivered to Klépierre Management for an amount capped at €160 million as of June 30, 2021.

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 2020, as set out in section 10.4 of the notes to the consolidated financial statements at December 31, 2020.

10.5 COMMITMENTS UNDER OPERATING LEASES – LESSORS

The main clauses contained in lessor lease agreement correspond to those applied in 2020, as set out in section 10.5 of the notes to the consolidated financial statements at December 31, 2020.

As of June 30, 2021, future minimum rents receivable under non-cancelable operating leases were as follows:

In millions of euros	06/30/2021
Less than one year	852.9
Between one and five years	1,393.8
More than five years	595.5
TOTAL	**2,842.2**

NOTE 11 EMPLOYEE COMPENSATION AND BENEFITS

11.1 PAYROLL EXPENSES

Total payroll expenses amounted to €54.1 million for the six months ended June 30, 2021, and include fixed and variable salaries plus mandatory and discretionary profit sharing for €39.8 million, pension-related expenses, retirement expenses and payroll costs for €12.7 million, and taxes and similar compensation-related payments for €1.6 million.

11.2 HEADCOUNT

As of June 30, 2021, the Group had an average of 1,040 employees, breaking down as 418 employees in France (including Belgium) and 622 employees in the other geographic segments, including 133 employees at the Scandinavian real estate company Steen & Strøm. The Klépierre Group's average headcount in first-half 2021 breaks down as follows:

	06/30/2021	12/31/2020
France	418	429
Scandinavia	133	132
Italy	170	172
Iberia	113	111
Netherlands	53	55
Germany	43	45
Central Europe & Other	110	108
TOTAL	**1,040**	**1,052**

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 performance share plans.

Performance share plans 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 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 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 €12.1 million as of June 30, 2021.

In millions of euros	12/31/2020	Increases during the period	Reversals (utilized provisions)	Reversals (surplus provisions)	Other movements	Changes in the scope of consolidation	06/30/2021
Provisions for employee benefit obligations							
• Defined benefit plans	9.4	0.3					9.7
• Other long term benefits	2.4	0.0					2.5
TOTAL	**11.8**	**0.3**					**12.1**

The other assumptions as at June 30, 2021 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, 2020.

11.4 PERFORMANCE SHARES

There are currently four performance share plans in place for Group executives and employees. Plans no. 1, no. 2, no. 3, no. 4 and no. 5 expired respectively in 2016, 2017, 2018, 2021 and 2021.

	Plan no. 6	
Plan authorized in 2017	**France**	**Other**
Grant date	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 allotted	216,300	94,600
Shares canceled	22,666	19,617
Shares fully vested	25,172	9,646
Lapsed shares at June 30, 2021	168,462	65,337
Outstanding shares at June 30, 2021	-	-

		Plan no. 7	
	France	Other	France
Plan authorized in 2018	Part 1	Part 1	Part 2
Grant date	04/24/2018	04/24/2018	07/09/2018
End of vesting period	04/24/2021	04/24/2022	07/09/2021
End of lock-up period	04/24/2023	-	07/09/2023
Shares allotted	220,500	88,800	3,300
Shares canceled	31,966	9,900	
Shares fully vested	94,267		
Lapsed shares at June 30, 2021	94,267	39,450	
Outstanding shares at June 30, 2021		39,450	3,300

	Plan no. 8	
Plan authorized in 2019	France	Other
Grant date	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 allotted	226,000	95,800
Shares canceled	42,200	7,000
Shares fully vested		
Lapsed shares at June 30, 2021		
Outstanding shares at June 30, 2021	183,800	88,800

		Plan no. 9	
	France	Other	France
Plan authorized in 2020	Part 1	Part 1	Part 2
Grant date	05/07/2020	05/07/2020	12/22/2020
End of vesting period	05/07/2023	05/07/2024	12/22/2023
End of lock-up period	05/07/2025	-	-
Shares allotted	215,300	97,600	7,250
Shares canceled	19,500		
Shares fully vested			
Lapsed shares at June 30, 2021			
Outstanding shares at June 30, 2021	195,800	97,600	7,250

The total expense recognized for the period for all performance share plans amounted to €0.8 million and includes updates to the performance criteria for Plans no. 8 and no. 9. It also takes into account an estimate of the number of beneficiaries at the end of each vesting period, as they 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 22.02% stake in Klépierre SA as of June 30, 2021.

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 6.08% stake in Klépierre SA as of June 30, 2021.

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

	06/30/2021	12/31/2020
In millions of euros	Equity-accounted companies	Equity-accounted companies
Loans and advances to equity-accounted companies	258.2	259.4
Non-current assets	258.2	259.4
Trade and other receivables	1.9	2.2
Other	9.1	4.1
Current assets	11.0	6.3
TOTAL ASSETS	**269.2**	**265.7**
Loans and advances from equity-accounted companies	0.7	1.1
Non-current liabilities	0.7	1.1
Trade payables	0.4	1.2
Other liabilities	-	-
Current liabilities	0.4	1.2
TOTAL LIABILITIES	**1.1**	**2.3**

INCOME STATEMENT ITEMS RELATED TO TRANSACTIONS WITH RELATED PARTIES

	06/30/2021	06/30/2020
In millions of euros	Equity-accounted companies	Equity-accounted companies
Management, administrative and related income	3.1	3.9
Operating income	3.1	3.9
Cost of net debt	4.7	4.8
Profit before tax	7.8	8.7
CONSOLIDATED NET INCOME	**7.8**	**8.7**

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

On July 1, 2021, Klépierre completed the disposal of the following malls in Norway:

- Vinterbro Senter in As, Nerstranda in Tromsø and Amanda in Haugesung, which are accordingly classified as held for sale in the consolidated financial statements; and
- The Nordbyen mall in Larvik held by an accounted subsidiary.

On July 8, 2021, Klépierre completed the disposal of Farmandstredet mall in Tønsberg which is accordingly classified as held for sale in the consolidated financial statements.

12.5 IDENTITY OF CONSOLIDATING COMPANIES

As of June 30, 2021, Klépierre was accounted for by the equity method in the consolidated financial statements of Simon Property Group, which holds a 22.02% stake in the share capital of Klépierre (including treasury shares).

Klépierre is included in the consolidated financial statements of APG Group, which as of June 30, 2021 held a 6.08% stake in the share capital of Klépierre (including treasury shares).

12.6 LIST OF CONSOLIDATED ENTITIES

List of consolidated companies Fully consolidated companies	Country	% interest 06/30/2021	12/31/2020	Change	% control 06/30/2021	12/31/2020	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%	-
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%	-
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	06/30/2021	12/31/2020	Change	06/30/2021	12/31/2020	Change
Klepierre & 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%	-
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 Procurement International SNC	France	100.00%	100.00%	-	100.00%	100.00%	-
SHOPPING CENTERS – INTERNATIONAL							
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%	100.00%	-	100.00%	100.00%	-
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	89.90%	94.99%	–5.09%	89.90%	94.99%	–5.09%
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%	-
Klepierre 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	06/30/2021	12/31/2020	Change	06/30/2021	12/31/2020	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%	-
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%	-
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%	-
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. 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**	**06/30/2021**	**12/31/2020**	**Change**	**06/30/2021**	**12/31/2020**	**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 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							
Projekt Arnekenstrasse Verwaltung GmbH	Germany	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Management Deutschland 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 Equity-accounted companies: joint control	Country	% interest 06/30/2021	12/31/2020	Change	% control 06/30/2021	12/31/2020	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%	-
Ventura SAS	France	50.00%		50.00%	50.00%		50.00%
Girardin 2 SCI	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%	-

List of consolidated companies Equity-accounted companies: significant influence	Country	% interest 06/30/2021	12/31/2020	Change	% control 06/30/2021	12/31/2020	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	45.93%	46.00%	–0.07%	45.93%	46.00%	–0.07%

List of deconsolidated companies at 06/30/2021	Country	% interest 06/30/2021	12/31/2020	% control 06/30/2021	12/31/2020	Comments
KLP Polska Sp. z o.o. Lublin sp.k.	Poland	0.00%	100.00%	0.00%	100.00%	Liquidated
FAB Lackeraren Borlänge	Sweden	0.00%	56.10%	0.00%	100.00%	Disposed
Girardin SCI	France	0.00%	33.40%	0.00%	33.40%	Merged

4

Statutory Auditors' Review Report on the Half-yearly Financial Information

For the period from January 1 to June 30, 2021

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, 2021;
- the verification of the information presented in the half-yearly management report.

Due to the global crisis related to the Covid-19 pandemic, the condensed half-yearly consolidated financial statements of this period have been prepared and reviewed under specific conditions. Indeed, this crisis and the exceptional measures taken in the context of the state of sanitary emergency have had numerous consequences for companies, particularly on their operations and their financing, and have led to greater uncertainties on their future prospects. Those measures, such as travel restrictions and remote working, have also had an impact on the companies' internal organization and the performance of our procedures.

These condensed half-yearly consolidated financial statements are the responsibility of your Executive Board. 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 on the condensed half-yearly consolidated financial statements subject to our review.

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

Paris-La Défense, August 6, 2021
The Statutory Auditors
French original signed by

DELOITTE & ASSOCIÉS
Damien Leurent
Emmanuel Proudhon

ERNST & YOUNG Audit
Bernard Heller

5

Persons responsible for the information

5.1 STATEMENT OF THE PERSON RESPONSIBLE FOR THE HALF-YEAR FINANCIAL REPORT

Paris – September 2, 2021

I certify that, to the best of my knowledge, these 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 mains 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 STATUTORY AUDIT AND THE FINANCIAL INFORMATION

Persons responsible for audits

Statutory Auditors

Deloitte & Associés

6 place de la Pyramide

92908 Paris la Défense Cedex

572 028 041 RCS Nanterre

Damien Leurent/Emmanuel Proudhon

First appointed: General Meeting of Shareholders of June 28, 2006

Last renewed: 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

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

Last renewed: 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

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 financial information

Jean-Michel Gault

Chief Financial Officer, member of the Executive Board

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