2011 Interim financial report

KLÉMURS
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Limited partnership with shares - share capital of 82 500 000 euros
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CONTENTS

Management report for the six months ended June 30, 2011

A. BUSINESS FOR THE PERIOD UNDER REVIEW

In the course of the first six months of 2011, Klémurs collected rents totaling 21.1 million euros, versus 22.1 million euros over the same period last year (-4.6%).

On a constant portfolio basis, the rise in rents was 0.5% (+€0.1M), primarily reflecting the following items:

- The average impact of index-linked rent adjustments (+1.0%) on minimum guaranteed rents. It should be noted that the Buffalo Grill leases (which account for 62% of all rents invoiced on a constant portfolio basis) were pegged to the ICC[1] for the 2nd quarter of 2010, up by 1.27%.
- The increase in variable rents, based on tenant retail revenues.
- The impact of vacancy, which nonetheless remains limited to 3 rental properties.

On a current portfolio basis, change in rents also reflected the impact of disposals:

- The sale of a retail complex located at Rue de la Champmeslé in downtown Rouen (Rouen Candé assets) in June 2010 and of the Paris Flandre asset (leased to Castorama) in November 2010.
- The sale of a retail property located in Montesson in June 2011.

At the June 30, 2011 reporting date, the financial occupancy rate was 99.4%, compared with 100% one year earlier. The late payment rate remains low (0.6%).

B. CONSOLIDATED EARNINGS FOR THE PERIOD

in millions of euros	June 30, 2010	June 30, 2010	Change	Change (%)
Rents	**21,1**	**22,1**	**-1,0**	**-4,6%**
Other rental income	0,1	0,4	-0,3	
Non-recovered rental expenses	0,0	0,0	0,0	
Building expenses	-1,3	-1,5	0,2	
Net lease income	**19,8**	**21,0**	**-1,2**	**-5,5%**
Other operating income	0,0	0,1	0,0	
Amortization allowance	-6,9	-7,4	0,6	
Depreciation write-off	2,0	8,9	-6,9	
Other general expenses	0,0	0,0	0,0	
Operating result	**15,0**	**22,5**	**-7,5**	
Net cost of debt	-8,8	-8,7	-0,1	1,4%
Profit on the sale of assets	-0,1	3,4	-3,4	
Effect of discounting	0,0	0,0	0,0	
Pre-tax earnings	**6,1**	**17,1**	**-11,0**	
Corporate income tax	0,0	0,0	0,0	
Net income	**6,1**	**17,1**	**-11,0**	

In 2010, other lease income mainly included the deferred payment of the entry fee paid by Castorama when it signed the lease for the Rue de Flandre retail property (Paris, 19th arrondissement).

The decrease in depreciation and amortization for the period is attributable to disposals (Paris-Flandre asset and Rouen Candé assets).

Thanks to the appreciation in the market values of assets held by Klémurs, a 2.0 million euros provision for investment property was reversed, resulting in a much lower figure than that recorded for the six months ended June 30, 2010 (8.9 M€).

In the month of June 2011, Klémurs also sold an asset occupied by retail tenant Saint-Maclou in Montesson, in connection with an expropriation process that was initiated by the *Etablissement Public Foncier des Yvelines.* This transaction resulted in a capital loss of 0.1 million euros. It should be noted that a capital gain of 3.4 million euros was recorded on the sale of an asset in the financial statements for the first six months of 2010.

[1] Cost of Construction Index

C. CHANGE IN CASH FLOW PER SHARE

In millions of euros	June 30, 2011	June 30, 2010	Change
Operating result	**15,0**	**22,5**	
+ Depreciation and amortization allowance	4,8	-1,7	
Cash flow from current operations	**19,9**	**20,8**	**-4,5 %**
- Net cost of debt[1]	-8,8	-10,0	-12,2%
Current cash flow before taxes	**11,0**	**10,8**	
- Corporate income tax	0,0	0,0	
Net current cash flow	**11,0**	**10,7**	**2,8 %**
Per share (in €)			
Number of shares	*8 238 629*	*8 233 918*	
Net current cash flow per share	**1,34**	**1,30**	**3,1 %**

[1] Cost of the equity-like financing included for June 30, 2010

Net current cash flow per share increased by 3.1% over one year, as completion of the repayment of the equity loan in December 2010 reduced interest expense.

D. OUTLOOK FOR 2011

Considering the resilience of its revenues and external growth operations under review, Klémurs expects a stable cash-flow over the year.

The gradual stabilization of the economic environment should enable real estate outsourcing operations to start up again. Klémurs will keep on focusing on those transactions although the Company will nonetheless not rule out other opportunistic acquisitions in the retail sector.

E. VALUE OF HOLDINGS AND NAV (NET ASSET VALUE)

1. Methodology

NAV per share is calculated each year on December 31 and June 30. The method used to establish NAV is to add to the consolidated shareholders' equity the unrealized capital gains on the real estate portfolio resulting from the difference between their market values as estimated by an appraiser and the net book values as carried in the Company's consolidated financial statements, which are established using the cost method.

The assignments entrusted to the appraisers are carried out in accordance with the SIIC Code of Business Ethics, as well as with the specifications contained in the valuation guidelines for real estate appraisers (*Charte de l'Expertise en Evaluation immobilière*), the recommendations issued by the COB/CNC working group chaired by Mr. Barthès de Ruyther, and the RICS and IVSC standards. For the 1st half-year of 2011, these appraisals were carried out by the following appraisers:

	Portfolios	Number of assets	Valuation (M€)	%		June report	December report
RCGE	- Buffalo Grill	157	403	63%	66%	summarized	detailed and summarized
	- Other	6	20	3%		summarized	detailed and summarized
BNP Paribas Real Estate	- Défi Mode	102	128	20%	34%	summarized	detailed and summarized
	- Cap Nord	13	38	6%		summarized	detailed and summarized
	- King Jouet	21	22	3%		summarized	detailed and summarized
	- Akene	3	19	3%		summarized	detailed and summarized
	- Sephora	2	10	2%		summarized	detailed and summarized
	- Da Costa	6	5	1%		summarized	detailed and summarized
TOTAL		**310**	**645**	**100 %**	**100%**		

2. Valuation of real estate holdings

The change in the value of holdings, transfer duties excluded, is indicated in the table below:

In millions of euros	June 30, 2011	December, 31 2010	Change	Change (%)
Constant portfolio	608,2	595,6	12,6	2,1%
Variable portfolio	0,0	1,1	-1,1	-
Total Holdings	**608,2**	**596,7**	**11,6**	**1,9%**

The constant portfolio includes all assets held and appraised on December 31, 2010 and not disposed of since.

In 2010, the variable portfolio includes the Montesson property that Klémurs sold in June 2011.

The average yield rate used by appraisers to determine the value of assets owned by Klémurs is 7.0% excluding transfer duties (6.5% duties included), compared with an average yield rate of 7.1% excluding transfer duties (6.7% duties included) on December 31, 2010. This compression explains most of the increase in the value of real estate holdings on a constant portfolio basis.

3. Determining NAV

Net asset value (NAV) has evolved as follows over the period:

In millions of euros	June 30, 2011	December 31, 2010	Change (%)	June 30, 2010
Consolidated shareholders' equity (1)	139,2	139,1	0,1%	106,9
Unrealized gains on holdings (duties included)	106,8	88,7		68,2
Fair value of financial instruments	20,8	28,1	0,0%	36,1
Reconstitution NAV	**266,8**	**255,9**	**4,3%**	**211,2**
Duties and fees on the sale of assets	-37,1	-36,8	0,8%	-36,3
EPRA NAV	**229,7**	**219,1**	**0,8%**	**174,9**
Effective taxes on unrealized capital gains	0,0	0,0	-	0
Fair value of financial instruments	-20,8	-28,1	*0,0%*	-36,1
EPRA NNNAV (Liquidative NAV)	208,9	191,0	-	138,8
Number of shares	*8 237 298*	*8 235 844*	*0,0%*	*8 232 469*
Reconstitution NAV	**32,4**	**31,1**	**4,8%**	**25,7**
EPRA NAV	**27,9**	**26,6**	**9,4%**	**21,3**
EPRA NNNAV (Liquidative NAV)	**25,4**	**23,2**	**9,4%**	**16,9**

[1] After the marking to market of financial instruments but excluding the perpetual subordinated loan

Consolidated shareholders' equity did not change significantly over the period, reflecting the positive impact of earnings for the period (€6.1M) and the improvement in the fair market value of interest rate hedging instruments (+€7.3M). It also reflects the impact of dividends paid out in respect of 2010 (-€13.4M), which occurred in April 2011.

Unrealized capital gains on investment property owned by Klémurs concerns properties that fall under SIIC status and as such are not subject to taxation.

EPRA NNNAV[2] came to 25.4 euros per share, an increase of 9.4% compared with December 31, 2010 (+2.2€). This increase is attributable to the appreciation in the market values of assets, which leads to an increase in the portfolio's unrealized capital gains (+18.1 M€) as well as the positive impact over the period of the change in the fair value of the portfolio of financial instruments.

F. FINANCING POLICY

[2] Excluding transfer duties, after deferred taxation and marking to market of financial instruments

1. Financing resources

The net debt of Klémurs amounted to 371.2 million euros on June 30, 2011, versus 367.5 million euros on December 31, 2010.

This 3.5 million euro increase primarily reflects the following items:

- A distribution of 12.7 million euros was made to shareholders in April 2011.
- Net current cash flow for the 1st half generated 11 million euros.

On June 30, 2011, the financing resources of Klémurs were broken down as follows:

- A club deal of up to 150 million euros, which was set up in December 2006 and is fully drawn down. It falls due in December 2011.
- A subordinated loan contracted with Klépierre in 2008, for a total of 130.1 million euros, due in July 2011.
- A senior loan granted by Klépierre in June 2010 for 20 million euros, falling due in June 2013.
- The property finance leases purchased when the assets of Buffalo Grill, Cap Nord, Défi Mode and King Jouet were acquired represent a total outstanding of 27.7 million euros on June 30, 2011. The average residual duration of these leases is around 6 years.
- Short-term financing of 43 million euros, primarily via the Klépierre Group's cash pooling.

The average duration of Klémurs' debt is 0.9 year, which allows the Company to maintain a moderate cost of debt with a low risk of refinancing, to the extent that as of June 30, 2011 Klépierre ensures 52% of Klémurs' debt. Klépierre can mobilize nearly 1.4 billion euros through its available credit lines. Nonetheless, the objective of Klémurs is to extend the duration of its debt by the end of 2011 through future refinancings.

2. Interest rate hedging

In light of changes in its debt situation, Klémurs did not add interest rate hedging instruments during the period.

For the six months ended June 30, 2011, 96% of the debt of Klémurs is hedged against changes in interest rates. The hedging portfolio contains only plain vanilla swaps, for a notional amount of 350 million euros in total. The average fixed rate is 4.06%, for an average residual duration of 3.4 years.

3. Financial ratios

At the June 30, 2011 reporting date, the principal financial ratios of Klémurs are in line with stated objectives and with the covenants related to its bank financing (€150M):

Principal covenants	Contractual limit	Value at 06/30/2011	Value at 12/31/2010
Loan-To-Value (Net debt / Value of holdings)	Total ratio ≤ 65%	**57,5 %**	**58,2 %**
	Senior ratio (1) *≤ 55%*	**37,4 %**	**37,6 %**
EBITDA / Net interest expense	Total ratio ≥ 1.8	**2,3**	**2,4**
	Senior ratio (1) *≥ 2.5*	***2,7***	***2,8***
Secured financing debt / Value of holdings	≤ 20%	**4,3 %**	**5,0 %**
Value of holdings, group share	≥ 300 M€	**645,3**	**633**

(1) excluding subordinated debts

4. Cost of debt

The average cost of Klémurs' debt, calculated as the ratio of interest expense to the average outstanding financing debt, was unchanged compared with 2010 (4.8%).

This stability can be attributed to the high rate of hedging (96%), which makes the cost of debt relatively insensitive to changes in short-term interest rates. As of June 30, 2011, a 100 basis point rise in rates would lead to an increase in the average cost of debt of around 4 basis points, which amounts to an increase in the cost of debt of 0.15 million euros. It would also lead to an increase of 11.2 million euros in the fair market value of the financial instruments and hence the NAV.

G. EVENTS SUBSEQUENT TO THE ACCOUNTING CUT-OFF DATE

To the best of management's knowledge, no events have occurred between the balance sheet closing date and the date of this report that would have a material impact on the assessment of Klémurs' financial condition and position compared with the data presented in this report.

COMPREHENSIVE INCOME STATEMENT (EPRA MODEL)

in thousands of euros	Notes	June 30, 2011	June 30, 2010
Lease income	*5,1*	21 191	22 534
Land expenses (real estate)		-3	-4
Non-recovered rental expenses		-	-2
Building expenses (owner)		-1 342	-1 521
Net rents		***19 846***	***21 007***
Management, administrative and related income		-	-
Other operating revenue	*5,1*	48	54
Payroll expenses		-	-
Other general expenses		-38	-38
Depreciation allowance on investment property	*5,2*	-4 827	1 500
Provisions for contingencies and losses		-	-
Gains on the sale of investment property and equity interests		*1 007*	*11 250*
Net book value of investment property and equity interests sold		*-1 064*	*-7 898*
Income from the sale of investment property and equity interests	*5,3*	***-57***	***3 352***
Operating income		**14 972**	**25 875**
Net cost of debt	*5,4*	-8 816	-8 698
Change in the fair value of financial instruments		-	-
Effect of discounting		-20	-40
Pre-tax earnings		**6 136**	**17 137**
Corporate income tax	*5,5*		-17
Net income of consolidated entity		**6 136**	**17 120**
of which			
Group share		6 136	17 120
Non-controlling interests			
Net earnings per share in euros	*8,2*	**0,7**	**2,1**

in thousands of euros	Notes	June 30, 2011	June 30, 2010
Net income of consolidated entity		**6 136**	**17 120**
Other comprehensive income items (gross of tax) recognized directly as equity		**7 421**	**-11 770**
Income from sales of treasury shares	*See statement of changes in consolidated equity*	*58*	*32*
Effective portion of profits and losses on cash flow hedging instruments (IAS 39)		*7 363*	*-11 588*
Translation profits and losses		-	-
Tax on other comprehensive income items		-	*-214*
Share of other comprehensive income items for associates		**-**	**-**
Total comprehensive income		**13 557**	**5 350**
of which			
Group share		13 557	5 350
Non-controlling interests		-	-
Comprehensive earnings per share in euros	*8,2*	**1,6**	**0,6**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (EPRA MODEL)

in thousands of euros	Notes	June 30, 2011	December 31, 2010
Investment property	*4,1*	538 497	544 274
Fixed assets in progress	*4,1*	-	-
Non-current assets	*4,2*	90	95
Interest rate swaps		-	-
Deferred tax assets	*4,9*	-	-
NON-CURRENT ASSETS		***538 587***	***544 369***
Investment property held for sale			-
Trade accounts and notes receivable	*4,3*	1 536	1 353
Other receivables	*4,4*	3 028	2 102
Tax receivables		*589*	*858*
Other debtors		*2 439*	*1 244*
Cash and cash equivalents	*4,5*	742	453
CURRENT ASSETS		***5 306***	***3 908***
TOTAL ASSETS		**543 893**	**548 277**
Capital	*4,6*	82 500	82 500
Additional paid-in capital		45 207	45 207
Legal reserve		918	212
Consolidated reserves		4 449	-31 511
- Treasury shares	*4,6*	*-256*	*-223*
- Marking to market of financial instruments	*4,8*	*-20 761*	*-28 124*
- Other equity instruments	*4,6*	*-*	*-*
- Reserves on other equity instruments	*4,6*	*-3 457*	*-3 457*
- Other consolidated reserves		*28 862*	*13 763*
- Balance carried forward		*61*	*-13 470*
Consolidated earnings		6 136	42 642
Shareholders' equity, group share		139 210	139 050
Non-controlling interests		*6*	*6*
SHAREHOLDERS' EQUITY		***139 216***	***139 056***
Non-current financial liabilities	*4,7*	41 580	44 936
Long-term allowances		-	-
Interest rate swaps	*4,8*	22 892	30 538
Security deposits and guarantees		7 188	7 106
Deferred tax liabilities	*4,9*	-	-
NON-CURRENT LIABILITIES		***71 660***	***82 580***
Current financial liabilities	*4,7*	330 100	322 951
Bank overdrafts		66	18
Trade payables		1 381	774
Payables to fixed asset suppliers		-	806
Other liabilities	*4,10*	515	618
Social and tax liabilities	*4,10*	955	1 474
Short-term allowances			-
CURRENT LIABILITIES		***333 017***	***326 641***
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**543 893**	**548 277**

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CONSOLIDATED CASH FLOW STATEMENT (EPRA MODEL)

in thousands of euros	June 30, 2011	June 30, 2010
Cash flows from operating activities		
Net income/loss from consolidated companies	6 136	17 120
Elimination of expenditure and income with no cash effect or not related to operating activities:		
- Depreciation, amortization and provisions	4 830	-1 496
- Capital gains and losses on asset sales net of taxes and deferred taxes	57	-3 530
- Reclassification of financial interests and other items	8 835	8 478
Gross cash flow from consolidated companies	**19 858**	**20 572**
Paid taxes	20	-4
Change in operating working capital requirement	-45	2 429
CASH FLOWS FROM OPERATING ACTIVITIES	**19 833**	**22 997**
Cash flows from investment activities		
Income from sales of investment properties	-	11 250
Income from sales of properties under construction	-	-
Income from sales of other fixed assets	-	-
Income from disposals of subsidiary companies	-	-
Acquisitions of investment properties	-818	-28
Acquisition costs of investment properties	-102	-131
Payments in respect of construction work in progress	-	-173
Acquisitions of other fixed assets	-	-
Acquisitions of subsidiaries through deduction of acquired cash	-	-
Change in fixed assets under the “real estate agent” regime	-	-
Change in loans and advance payments granted and other investments	5	10
NET CASH FLOWS FROM INVESTING ACTIVITIES	**-915**	**10 928**
Cash flows from financing activities		
Dividends paid to the parent company’s shareholders	-	-
Dividends paid to non-controlling interests	-	-
Dividends	-13 364	-9 598
Change in net position	-	-20 000
Repayment of share premium	-	-
Acquisitions/disposals of treasury shares	-33	-43
New loans, borrowings and hedging instruments	8 410	20 000
Repayment of loans, borrowings and hedging instruments	-4 769	-14 501
Interest paid	-8 921	-8 737
NET CASH FLOWS FROM FINANCING ACTIVITIES	**-18 677**	**-32 879**
Currency fluctuations		
CHANGE IN CASH AND CASH EQUIVALENTS	**241**	**1 046**
Cash at beginning of period	***435***	***-2 450***
Cash at end of period	***676***	***-1 404***

STATEMENT OF CHANGES IN EQUITY (EPRA MODEL)

in thousands of euros	Capital	Capital related reserves	Treasury shares	Hedging reserves	Consolidated reserves and earnings	Shareholders' equity Group share	Shareholders' equity Non-controlling interests	Total equity
Equity at 06/30/2010	**82 500**	**45 419**	**-260**	**-36 098**	**35 312**	**126 873**	**0**	**126 873**
Changes in accounting methods					-	-		-
Equity at 06/30/2010 – corrected	**82 500**	**45 419**	**-260**	**-36 098**	**35 312**	**126 873**	**0**	**126 873**
Capital transactions					-	-		-
Share-based payments					-	-		-
Treasury stock transactions			37		-	37		37
Dividends		-			-1 371	-1 371		-1 371
Net income for the period					***25 522***	***25 522***	***3***	***25 525***
Gains and losses recognized directly in equity					-			
Income from sales of treasury shares					15	15		15
Income from cash flow hedging				7 974	-	7 974		7 974
Translation profits and losses					-	-		-
Tax on other comprehensive income items					-	-		-
Other comprehensive income items	-	-	-	***7 974***	***15***	***7 989***	-	***7 989***
Change in translation adjustment					-	-		-
Changes in the scope of consolidation					-	-		-
Other equity instruments - subordinated loan granted by Klépierre					-20 000	**-20 000**		**-20 000**
Other movements					-	-	3	**3**
Equity at 12/31/2010	**82 500**	**45 419**	**-223**	**-28 124**	**39 478**	**139 050**	**6**	**139 056**
Changes in accounting methods					-	-		-
Equity at 12/31/2010 – corrected	**82 500**	**45 419**	**-223**	**-28 124**	**39 478**	**139 050**	**6**	**139 056**
Capital transactions		706			-	**706**		**706**
Share-based payments					-	-		-
Treasury stock transactions			-33		-14 070	**-14 103**		**-14 103**
Dividends					-	-		-
Net income for the period					*6 136*	***6 136***		***6 136***
Gains and losses recognized directly in equity					-			
Income from sales of treasury shares					58	**58**		**58**
Income from cash flow hedging				7 363	-	**7 363**		**7 363**
Translation profits and losses					-	-		-
Tax on other comprehensive income items					-	-		-
Other comprehensive income items	-	-	-	***7 363***	***58***	***7 421***		***7 421***
Change in translation adjustment					-	-		-
Changes in the scope of consolidation					-	-		-
Other equity instruments - subordinated loan granted by Klépierre					-	-		-
Other movements					-	-		-
Equity at 06/30/2011	**82 500**	**46 125**	**-256**	**-20 761**	**31 602**	**139 210**	**6**	**139 216**

1. Significant events of the 2011 fiscal year

❑ Acquisitions and disposals during the fiscal year

During the fiscal year, Klécapnor sold one asset:

- the commercial premises in Montesson, occupied by a Saint Maclou outlet, for 1 million euros.

2. Accounting principles and methods

❑ Corporate reporting

Klémurs is a French *société en commandite par actions* (partnership limited with shares) subject to the French company legislation and, in particular, to the provisions of the French Commercial Code. The Company's registered office is located at 21 avenue Kléber in Paris.

On July 21, 2011, the Management finalized the Klémurs consolidated financial statements for the period from January 1 to June 30, 2011 and authorized their publication.

Klémurs' shares are admitted to trading on compartment C of Euronext Paris™.

❑ Principles of financial statement preparation

In accordance with European Regulation (EC) No. 1126/2008 of November 3, 2008 on the application of international accounting standards, the Klémurs Group consolidated financial statements to June 30, 2011 have been prepared in accordance with IFRS released by the IASB as adopted by the European Union and applicable on that date. The IFRS framework as adopted by the European Union includes the IFRS rules (International Financial Reporting Standards) as well as the IAS rules (International Accounting Standards) and their interpretations.

The accounting principles applied to the consolidated interim financial statements to June 30, 2011 are identical to those used in the consolidated financial statements to December 31, 2010, with the exception of the following IFRS and following interpretations, which have no significant effect on the Group's financial statements:

IAS 24	:	Related Party disclosures (revised)
IFRIC 19	:	Extinguishing Financial Liabilities with Equity Instruments
Amendment to IFRS 1	:	Exemptions from disclosures under IFRS 7
Amendment to IFRIC 14	:	Prepayments of a Minimum Funding Requirement
Amendments to IAS 32	:	Classification of Rights Issues.

These revised standards are applied prospectively and have no affect on the accounting treatment of transactions before January 1, 2011.

The effective date or amendment of other standards for which application is mandatory as from January 1, 2010 had no effect on the interim financial statements at June 30, 2011.

Finally, Klémurs has not applied early the new standards, amendments and interpretations adopted by the European Union where application in 2011 was optional.

❑ Compliance with accounting standards

The consolidated financial statements of Klémurs SCA and all its subsidiaries have been prepared in accordance with International Financial Reporting Standards (IFRS).

❑ Consolidated Financial Statements – Basis of preparation

The consolidated financial statements include the financial statements of Klémurs SCA and its subsidiaries at June 30, 2011. The financial statements of subsidiaries are prepared for the same accounting period as that of the parent company, using consistent accounting methods.

Subsidiaries are consolidated with effect from the date on which they were acquired, which is the date on which the Group acquired a controlling interest; this accounting treatment continues until the date on which control ceases.

The Group's consolidated financial statements are prepared on the basis of the historical cost principle, with the exception of financial derivatives and financial assets held for sale, which are measured at fair value. The book value of assets and liabilities covered by fair-value hedges, which would otherwise be measured at cost, is adjusted to reflect changes in the fair value of the hedged risks. The consolidated financial statements are presented in euros, with all amounts rounded to the nearest thousand unless otherwise indicated.

❑ Summary of material judgments and estimates

In preparing these consolidated financial statements in accordance with IFRS, the Group management was required to use estimates and make a number of realistic and reasonable assumptions. Some 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.

▪ Use of estimates

The principal assumptions made in respect of future events and other sources of uncertainty relating to the use of year-end estimates for which there is a significant risk of material change to the net book values of assets and liabilities in subsequent years are presented below:

- Investment property
  The Group appoints third-party appraisers to conduct half-yearly appraisals of its real estate assets in accordance with the methods described in paragraph 8.1. The appraisers make assumptions concerning future flows and rates that have a direct impact on the value of the buildings.
- Financial instruments
  The Group measures the fair value of the financial instruments it uses in accordance with the standard models applied by the market and described in note 2.14.

2.1. Scope and method of consolidation

❑ Scope of consolidation

The Klémurs consolidated financial statements cover all those companies over which Klémurs exercises majority control, joint control or significant influence.

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

Subsidiaries are consolidated with effect from the date on which the Group gains effective control.

The Group consolidates Special Purpose Entities (SPEs) formed specifically to manage individual transactions (even where it has no equity interest), provided that the Group exercises substantial control over the relationship (the business of the entity is conducted exclusively on behalf of the Group, and the Group holds the decision-making and management powers). The Group has no Special Purpose Entities.

❑ Method of consolidation

The consolidation method is not based solely on the percentage of legal ownership of each subsidiary:

- Majority control: full consolidation. Control is presumed to exist when Klémurs directly or indirectly holds more than half of the entity's voting rights. Control is also presumed to exist where the parent company has the power to direct the financial and operational policies of the Company and appoint, dismiss or convene the majority of the members of the board of directors or equivalent management body;
- Joint control: proportional consolidation. Joint control exists where operational, strategic and financial decisions require unanimous agreement between the controlling parties. The agreement is contractual, subject to bylaws and shareholder agreements.
- Significant influence: consolidation using the equity method. Significant influence is defined as the power to contribute to a company's financial and operating policy decisions, rather than to exercise sole or joint control over those policies. Significant influence is presumed where the Group directly or indirectly holds 20% or more of an entity's voting rights. Holdings in associated companies are initially recognized in the balance sheet at cost, plus or minus the share of the net cash position generated after the acquisition, minus impairment.
- No influence: the Company is not consolidated.

Changes in equity of companies consolidated using the equity method are reported on the assets side of the balance sheet under "Investments in associates" and under the corresponding equity item on the liabilities and equity side. Goodwill on companies consolidated using the equity method is also reported under "Investments in associates".

Intercompany transactions

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

2.2. Accounting for business combinations

Business combinations before January 1, 2010

Under IFRS 3, all business combinations covered by the standard must be accounted for using the acquisition method.

A business combination is defined as the bringing together of separate entities or businesses into a single reporting entity. An acquisition can be considered as a business combination if a set of integrated 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 processes acquired and, particularly, the auxiliary services provided by the acquired entity.

On the date of acquisition, the acquiring company must allocate the acquisition cost by recognizing the identifiable assets, liabilities and contingent liabilities of the acquired entity (excluding non-current assets held for sale) at their fair value on this date.

The difference between the price paid to acquire the shares of consolidated companies and the Group's percentage interest in the net fair value of their identifiable assets and liabilities on the date of acquisition is recognized as goodwill.

On the acquisition date, the acquiring company recognizes positive goodwill as an asset. Negative goodwill is immediately recognized in the income statement.

In accordance with IFRS 3 "Business Combinations", goodwill is not amortized. However, it must be tested for impairment at least annually, and more frequently if events or changes in circumstance indicate possible impairment.

For the purposes of this test, goodwill is broken down by cash-generating unit (CGU), which is defined as the smallest identifiable group of assets that generates measurable cash flows.

Intangible assets are recognized separately from goodwill where they are individually identifiable, *i.e.* where they arise from contractual or legal rights or where they can be separated from the business activities of the acquired entity and are expected to generate future economic benefits.

Any adjustments to assets and liabilities recognized on a provisional basis must be made within twelve months of the acquisition date.

Business combinations as from January 1, 2010

The rules set out above were modified by adoption of IFRS 3 (Revised). The main changes were as follows:

An entity must determine whether a transaction or other event represents a business combination as defined by IFRS 3, which stipulates that the assets and liabilities acquired must constitute a business. A business is an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return (dividends, cost savings or other economic benefits) directly to investors.

In deciding whether a transaction is a business combination the Group notably considers whether a set of integrated 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 entity preparing the financial statements must report the transaction as an asset acquisition.

All business combinations must be recognized using the acquisition method. The consideration transferred (acquisition cost) is measured as the fair value of assets given, equity issued and liabilities incurred at the transfer date. The assets and liabilities of the business acquired are measured at their fair value at the acquisition date. Any liabilities are only recognized if they represent a real obligation at the date of the business combination and if their fair value can be reliably measured. Costs directly attributable to the acquisition are recognized as expenses.

Any surplus of the consideration transferred over the share attributable to owners of the parent in the net fair value of the business's identifiable assets and liabilities is recognized as goodwill. Amounts recognized at the acquisition date may be adjusted where the acquiring party becomes aware of new information whose origin stems from facts and circumstances that existed at the acquisition date. Goodwill cannot be adjusted after the end of the measurement period (a maximum of twelve months after taking control of the acquired entity). Further acquisitions of non-controlling interests do not trigger recognition of additional goodwill. Earnout clauses are included in the acquisition cost at fair value at the acquisition date irrespective of the likelihood that they will be earned. During the measurement period, subsequent adjustments are reflected in goodwill if they result from additional information about facts and circumstances that existed at the acquisition date. After that, earnout adjustments are recognized in income, unless the counterpart of the earnouts is an equity instrument.

Minority interests, now renamed "Non-controlling interests" are optionally recognized for each business combination:

– either at the corresponding share in the fair value of assets and liabilities (as previously);
– or at fair value (full goodwill method).

Where a business is acquired in stages, the previous holding is remeasured at fair value at the date control is transferred. Any difference between fair value and net book value of this investment is recognized in income for the fiscal year.

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.

Finally, IFRS 3 (Revised) also changes the treatment of deferred tax assets, obliging companies to recognize a gain in income for deferred tax assets unrecognized at the acquisition date or during the measurement period.

2.3. 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 arise from legal or contractual rights), controlled by the Company as a result of past events and provide an expectation of future financial benefits.

IAS 38 states that an intangible asset should be amortized only where it has a known useful life. Intangible assets with no known useful life should not be amortized, but should be tested annually for impairment (IAS 36).

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

2.4. Investment property

IAS 40 defines investment property as property held by the owner or lessee (under a finance lease) for the purpose of rental income or capital growth or both, rather than:

- using in the production or supply of goods or services or for administrative purposes; or
- selling in the ordinary course of business (trading).

All of Klémurs real estate meets this definition of "Investment property".

After initial recognition, investment property is measured:

- either at fair value (with changes in value recognized in the income statement);
- or at cost in accordance with the methods required under IAS 16, in which case the Company must disclose the fair value of investment property in the notes to the financial statements.

Klémurs has adopted the IAS 40 cost model. To produce financial reporting that is both complete and comparable to the financial statements of key competitors applying the fair value model to their investment property, Klémurs is providing *pro forma* financial data restating its investment property on a fair value basis.

Cost model

Fixed assets are recognized at cost, inclusive of duties and fees, and are depreciated using the component method.

Depreciation of these assets must reflect consumption of the related economic benefits. It should be:

- calculated on the basis of the depreciable amount, which is equivalent to the acquisition cost less the residual value of the assets;
- spread over the useful life of the PPE components. Where individual components have different useful lives, each component whose cost is significant relative to the total cost of the asset must be depreciated separately over its own useful life.

After initial recognition, fixed assets are measured at cost, less any accumulated depreciation and impairment losses. These assets are straight-line depreciated over their useful life.

The depreciation period, depreciation method and residual asset values should be reviewed at each balance sheet date.

In addition, fixed assets are tested for impairment whenever there is evidence of a loss of value at June 30 or December 31. Where such evidence exists, the new recoverable asset value is compared against its net carrying amount, and any impairment is recognized.

Capital gains or losses realized on investment property disposals are recognized under “Income from sale of investment property” in the income statement.

Adoption of the cost model requires application of the component method.

The component method

The component method is applied based on the recommendations of the Fédération des Sociétés Immobilières et Foncières (French Federation of Property Companies) for components and useful life:

- for properties developed by the companies themselves, assets are classified by component type and measured at their realizable value;
- where investment properties are held in the portfolio (sometimes for long periods), components are broken down into four categories: business premises, shopping centers, offices and residential properties.

Four components have been identified for each of these asset types (in addition to land):

- Structures;
- Facades, cladding and roofing;
- General and Technical Installations (GTI);
- Fittings.

Depending on the category of real estate, Klémurs uses one of two different tables:

- Type 1: for retail units and Buffalo Grill restaurants;
- Type 2: for retail park units.

	Type 1		Type 2	
	Duration	Share of total	Duration	Share of total
Structures	30-40 years	50%	30 years	70%
Facades	15-25 years	15%	30 years	10%
GTI	10-20 years	25%	20 years	5%
Fittings	5-15 years	10%	10 years	15%

Purchase costs are divided between land and buildings. The proportion allocated to buildings is amortized over the useful life of the structures.

The residual value is equivalent to the current estimate of the amount the Company would achieve if the asset concerned were already of an age and condition commensurate with the end of its useful life, less disposal expenses.

Given the useful life periods applied, the residual value of components is zero.

❑ Buildings under development

Property under construction or undergoing refurbishment for future use as investment property has been covered by IAS 40 since January 1, 2009 (IFRS amendment published in May 2008).

2.5. Non-current assets held for sale

The provisions of IFRS 5 regarding presentation and measurement apply to investment property measured using the cost model under IAS 40 whenever the sales process is underway and the asset concerned fulfils the criteria for recognition as an asset held for sale. An impairment test is conducted immediately before any asset is recognized as being held for sale.

In accordance with the provisions of IFRS 5, the Klémurs group reclassifies all property covered by a contract of sale (*mandat de vente*).

The accounting impact is as follows:

- Cost of sale is imputed to net book value or net fair value, whichever is the lower;
- The assets concerned are presented separately;
- Depreciation ceases.

2.6. Impairment of assets

IAS 36 applies to property, plant and equipment and intangible assets, including goodwill. It requires an assessment to be made to establish whether there is any indication that an asset may be impaired.

Such indications may include:

- a major decline in market value;
- significant changes in the technological, economic or legal environment.

For testing purposes, 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.

Assets must not be recognized at more than their recoverable amount.

The recoverable amount is the fair asset value minus selling costs or its value in use, whichever is the higher.

Value in use is calculated on the basis of discounted future cash flows expected to arise from the planned use of an asset and from its disposal at the end of its useful life.

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

Under certain circumstances, the entity may later recognize all or part of such impairment losses in its income statement, with the exception of unallocated goodwill.

The Klémurs group treats each property as a CGU.

2.7. Leases

❑ Leases

IAS 17 defines a lease as an agreement under which the lessor transfers to the lessee the right to use an asset for a given period of time in exchange for a single payment or series of payments.

IAS 17 distinguishes two types of lease:

- A finance lease, which is a lease that transfers substantially all the risks and rewards incident to ownership of an asset to the lessee. Title to the asset may or may not eventually be transferred at the end of the lease term;
- All other leases are classified as operating leases.

❑ Recognition of stepped rents and rent-free periods

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

Stepped rents and rent-free periods are recognized as additions to, or deductions from, lease income for the fiscal year.

The reference period adopted is the first firm lease term.

❑ Entry fees

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

Entry fees are part of the net amount exchanged between the lessor and the lessee under a lease. As such, the accounting periods in which this net amount is to be recognized should not be affected by the form of the agreement and the payment schedule. Entry fees are spread over the first firm lease term.

❑ Early termination indemnities

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

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

Eviction compensation

When a lessor terminates a lease prior to the expiration date, he must pay eviction compensation to the lessee.

- **Replacement of a lessee**

Where the payment of eviction compensation enables asset performance to be maintained or improved (higher rent, and therefore higher asset value), revised IAS 16 allows for this expense to be capitalized as part of the cost of the asset, provided that the resulting increase in value is confirmed by independent appraisers. Where this is not the case, the cost is recognized as an expense.

- **Renovation of a property requiring the removal of resident lessees**

Where eviction compensation is paid as a result of the fact that major renovation or reconstruction of a property requires the prior removal of lessees, the cost of the compensation is treated as a preliminary expense and recognized as an additional component of the total renovation cost.

- **Building leases: IAS 40 and IAS 17**

Land and building leases are classified as operating or finance leases, and are treated in the same way as leases for other types of assets. However, since the useful life of land is usually indefinite, the majority of the risks and rewards inherent in ownership will not be transferred to the lessee (land leases are operating leases) unless title is intended to be transferred to the lessee at the end of the lease term. Initial payments made in this respect therefore constitute pre-lease payments, and are amortized over the term of the lease in accordance with the pattern of benefits provided. Analysis is on a lease-by-lease basis.

Under the IAS 40 components method, these initial payments are classified as prepaid expenses.

2.8. Trade and other receivables

Trade receivables are recognized and measured at invoice face value minus accruals for non-recoverable amounts. Bad debts are estimated when it is likely that the entire amount receivable will not be recovered. When identified as such, non-recoverable receivables are recognized as losses.

2.9. Borrowing costs

In April 2007, the IASB published an amendment to IAS 23. Under revised IAS 23, borrowing costs directly attributable to the acquisition, construction or production of an eligible asset must be capitalized.

The previous accounting method used by Klémurs already consisted of including borrowing costs in the total cost of a qualifying asset where they were directly attributable to the acquisition, construction or production of that asset.

2.10. 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.

IAS 37 requires that non-interest-bearing long-term liabilities are discounted.

2.11. Current and deferred taxes

❑ Tax status of *Sociétés d'investissements immobiliers cotées* (SIIC)

▪ General features of the SIIC tax status

All SIICs are entitled to the corporate tax exemption status introduced by article 11 of the 2003 French finance act as implemented under the decree of July 11, 2003 provided that their stock is listed on a regulated French market, that they are capitalized at 15 million euros or more and that their corporate purpose is either the purchase or construction of properties for rent or direct or indirect investment in entities with that corporate purpose. The option to adopt SIIC status is irrevocable. Subsidiaries subject to corporate income tax and owned at least 95% by the Group may also claim SIIC status.

In return for tax exemption, companies must distribute 85% of their rental income, 50% of the capital gains made on property disposals and 100% of the dividends received from SIIC-status subsidiaries subject to corporate income tax.

Claiming SIIC status makes the entity concerned immediately subject to a 16.5% exit tax on unrealized gains on properties and on shares in partnerships not subject to corporate income tax. 25% of the exit tax is payable on December 15 of the year in which SIIC status is first adopted, with the balance payable over the following three years.

Klémurs made the transition from SIIC subsidiary status (initially opted for on September 26, 2003 with retrospective effect from January 1, 2003) to SIIC parent company status at the time of its market flotation in December 2006.

▪ Discounting of exit tax liability

The exit tax liability is discounted on the basis of its payment schedule. This liability is payable over a 4-year period, commencing at the point when the entity concerned adopts SIIC status.
Following initial recognition in the balance sheet, the liability is discounted and an interest expense is recognized in the income statement on each balance sheet date. In this way, the liability is reduced to its net present value on that date. The discount rate is calculated on the basis of the interest rate curve, taking into account the deferment period and the Klémurs refinancing margin.

▪ Corporate income tax on companies not eligible for SIIC status

Since adopting SIIC status in 2003, Klémurs SCA has made a distinction between SIICs that are exempt from property leasing and capital gains taxes, and other companies that are subject to those taxes.

Corporate income tax on non-SIICs is calculated in accordance with French common law.

❑ French common law and deferred tax

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

Both current and future income taxes are offset where such offsetting is legally permissible and where they originate within the same tax consolidation group and are subject to the same tax authority.

Deferred taxes are recognized where there are timing differences between the carrying amounts of balance sheet 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 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 regulations adopted, or to be adopted before the balance sheet 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 balance sheet 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 equity holding 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 applicable at the closing date, this rate is currently 34.43%.

2.12. 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 on net profit or loss for the period.

2.13. Distinction between liabilities and equity

The difference between liabilities and equity depends on whether or not the issuer is bound by an obligation to make a cash payment to the other party. The fact of being able to make such a decision regarding cash payment is the crucial distinction between these two concepts.

2.14. Financial assets and liabilities

Financial assets include long-term financial investments, current assets representing accounts receivable, debt securities and investment securities (including derivatives) and cash.

Financial liabilities include borrowings, other forms of financing and bank overdrafts, derivatives and accounts payable.

IAS 39 “Financial instruments: recognition and measurement” describes how financial assets and liabilities must be measured and recognized.

❑ Measurement and recognition of financial assets

▪ Loans and receivables

This category includes loans to subsidiaries and related companies, other loans and receivables. All are recognized at amortized cost, which is calculated using the effective interest rate method. The effective interest rate is the rate that precisely discounts estimated future cash flows to the net carrying amount of the financial instrument.

▪ Available-for-sale financial assets

Available-for-sale financial assets include equity interests.

Equity interests are the holdings maintained by the Group in non-consolidated companies.

Investments in equity instruments not listed in an active market and whose fair value cannot be reliably measured must be measured at cost.

▪ Cash and cash equivalents

Cash and cash equivalents includes cash held in bank accounts, short-term deposits maturing in less than three months, money market funds and other marketable securities.

Measurement and recognition of financial liabilities

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

Recognition of liabilities at amortized cost

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

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

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

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

If a swap 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 hedge ended.

Measurement and recognition of derivatives

Klémurs' financial policy is to provide all the facilities and associated hedging instruments needed by the Group at parent company level.

Klémurs hedges its liabilities using derivatives and has consequently adopted hedge accounting in accordance with IAS 39:

- Hedges to cover balance sheet items whose fair value fluctuates in response to interest rate, credit or exchange rate risks (Fair Value Hedge): e.g. fixed-rate liability;
- Hedges to cover the exposure to future cash flow risk (cash flow hedges), which consists of fixing future cash flows of a variable-rate liability or asset.

The Klémurs portfolio meets all IAS 39 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 balance sheet. The gains or losses resulting from changes in fair value are recognized immediately in profit or loss. At the same time, there is an opposite corresponding adjustment in the fair value of the hedging instrument, in line with its effectiveness;
- 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 recycled 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.

Recognition date: trade or settlement

IFRS seeks 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.

Klémurs applies the following rules:

- derivatives are recognized at their trade date, since their measurement effectively takes account of any deferred start dates;
- other financial instruments (especially liabilities) are recognized on the basis of their settlement date.

Determination of fair value

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

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

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

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

Tax treatment of changes in fair value

In the case of Klémurs, the non-SIIC part of the deferred tax on financial instruments recognized at fair value is calculated *pro rata* of net financial income.

2.15. Segment information

IFRS 8 requires the presentation of information about the operating segments of the Group, and replaces the previous provisions applying to the determination of level one sectors (business sectors) and level two sectors (geographic sectors).

Operating sectors are identified on the basis of the internal reporting model used by Management when evaluating performance and allocating resources.

Since the Klémurs group has no specific operational business requiring separate reporting to Management and for which separate financial information is available, no segment information is presented as at June 30, 2011.

3. Scope of consolidation

COMPANIES	Country	Method June 2011 *	% interest June 30, 2011	% interest December 31, 2010	% interest Change	% control June 30, 2011	% control December 31, 2010	% control Change
KLEMURS	France	FC	100,00%	100,00%	-	100,00%	100,00%	-
KLECAPNOR	France	FC	100,00%	100,00%	-	100,00%	100,00%	-
Immo Dauland SCI	France	FC	99,87%	99,87%		99,87%	99,87%	
* FC: Full consolidation								

Equity interests in subsidiaries

The scope of the Group consolidation was unchanged during the 1st half of 2011 and includes 3 companies that are fully integrated.

4. Notes to the corporate financial statements: consolidated statement of financial position

4.1. Investment property and fixed assets in progress

in thousands of euros	December 31, 2010	Acquisitions, new businesses and contributions	Reduction by disposals, retirement of assets	Allowances for the period	Changes in the scope of consolidation	Other movements, reclassification	June 30, 2011
Land	270 001	78	-787				269 292
Buildings and fixtures	327 491	36	-337				327 190
Total gross value	**597 492**	**114**	**-1 124**	**-**	**-**	**-**	**596 482**
Buildings and fixtures	-45 428		60	-6 854			-52 222
Total depreciation	**-45 428**	**-**	**60**	**-6 854**	**-**	**-**	**-52 222**
Provision for impairment	-7 790			2 027			-5 763
INVESTMENT PROPERTY – NET VALUE	**544 274**	**114**	**-1 064**	**-4 827**	**-**	**-**	**538 497**

The increase of 114 thousand euros in real estate holdings relates to the costs of exercising options on property finance leases.

The commercial premises in Montesson were sold in June for a total of 1 million euros, generating a capital loss of 57 thousand euros.

There were no fixed assets in progress at June 30, 2011.

The majority of the "Provision for impairment" item was composed of real-estate provisions on the assets Défi Mode (4.6 million euros), Buffalo Grill (0.8 million euros), Sephora (0.2 million euros) and Klécapnor (0.2 million euros).

4.2. Non-current assets

Other non-current assets mainly refer to 60 thousand euros in loans to finance lease tenants (prepayments).

4.3. Trade accounts and notes receivable

in thousands of euros	Shops	Other activities	June 30, 2011	December 31, 2010
Receivables	1 638	-	1 638	1 455
Provisions	-102	-	-102	-102
TOTAL	**1 536**	**-**	**1 536**	**1 353**

At June 30, 2011, the majority of the “Receivables” item refers to 1.1 million euros in future billing scheduled for July 2011.

4.4. Other receivables

in thousands of euros	June 30, 2011	December 31, 2010
State	***589***	***858***
- VAT	589	858
Other receivables	***2 439***	***1 244***
- Down payments to suppliers	46	75
- Prepaid expenses	173	215
- Rental expenses and land tax to be rebilled to tenants	1 057	798
- Receivables on the sale of investment property	1 007	-
- Other	156	156
TOTAL	**3 028**	**2 102**

The receivable on the sale of investment property, 1 million euros, corresponds at the selling price of the commercial premise of Montesson. The payment must intervene at the beginning of July 2011.

Breakdown by maturity date

in thousands of euros	June 30, 2011	Less than 1 year	More than 1 year
State	***589***	***589***	***-***
- VAT	589	589	-
Other receivables	***2 439***	***2 439***	***-***
- Down payments to suppliers	46	46	-
- Prepaid expenses	173	173	-
- Rental expenses and land tax to be rebilled to tenants	1 057	1 057	-
- Receivables on the sale of investment property	1 007	1 007	-
- Other	156	156	-
TOTAL	**3 028**	**3 028**	**-**

4.5. Cash and cash equivalents

in thousands of euros	June 30, 2011	December 31, 2010
Cash equivalents	***318***	***406***
- Money market investments	318	406
Cash	***424***	***47***
TOTAL	**742**	**453**

Cash equivalents comprise money-market open-end and mutual funds in France.

The Group reported net cash of:

in thousands of euros	June 30, 2011	December 31, 2010
Cash equivalents	318	406
Cash	424	47
Gross cash and cash equivalents	**742**	**453**
Bank credit balances	66	18
Net cash and cash equivalents	**676**	**435**

4.6. Shareholders' equity

Share capital:

At June 30, 2011, capital was represented by 8,250,000 shares each of 10 euros par value. The share capital is fully paid up.

	June 30, 2011	December 31, 2010
Authorized		
Ordinary shares at 10 euros each	8 250 000	8 250 000
TOTAL	**8 250 000**	**8 250 000**

Treasury shares:

Acting on the authorizations granted by the general meeting of shareholders, Klémurs purchased its own shares during the period. The number of treasury shares totaled 12,702 at June 30, 2011 (compared with 14,156 at December 31, 2010) at a total acquisition cost of 256 thousand euros.

All sales and purchases of treasury shares were made under a market liquidity agreement.

The acquisition cost of purchased securities and gains made on sales of securities were respectively debited from, and credited to, equity.

4.7. Non-current and current financial liabilities

Change in indebtedness

Non-current (more than one year) and current (less than one year) financial liabilities totaled 371.7 million euros at June 30, 2011.

Net debt totaled 371.2 million euros, compared to 367.5 million euros at December 31, 2010; it corresponds to total financial liabilities plus current bank facilities, minus net cash.

This increase of 3.7 million comes mainly from the payment, in April 2011, of the dividend 2010 which was partially compensated by the cash-flow of the fiscal year.

in thousands of euros	June 30, 2011	December 31, 2010
NON-CURRENT		
Loans and borrowings from credit institutions – more than one year	**21 580**	**24 936**
Other loans and borrowings	**20 000**	**20 000**
- Loans from the Group and associates	-	-
- Advance payments to the Group and associates	20 000	20 000
Total non-current financial liabilities	**41 580**	**44 936**
CURRENT		
Loans and borrowings from credit institutions – less than one year	**156 122**	**156 471**
Accrued interest	**906**	**785**
- On loans from credit institutions	7	5
- On loans from the Group and associates	899	780
Other loans and borrowings	**173 072**	**165 695**
- Loans from the Group and associates	130 057	130 057
- Advance payments to the Group and associates	43 015	35 638
Total current financial liabilities	**330 100**	**322 951**

Principal sources of financing

Non-current financial liabilities (more than one year):

- At June 30, 2011, the total amount outstanding in relation to the property finance leases purchased as part of the Buffalo Grill, Cap Nord, Défi Mode and King Jouet acquisitions was 27.7 million euros. The average residual term of this finance is six years; i.e. an outstanding amount of 21.6 million euros at more than one year;
- A 20 million euros senior advance from Klépierre maturing June 2013.

Current financial liabilities (less than one year):

- A 150 million euro bank loan maturing December 2011, fully drawn. The loan is linked to the main financial covenants presented in note 6.2;
- The amount of the property finance leases outstanding at less than one year is 6.1 million euros;
- A 130.1 million euro subordinated loan from Klépierre maturing July 2011.
- Finally, Klémurs has access to short-term finance of 43 million euros, the majority of which is borrowed from the Klépierre group cash centralization fund.

Breakdown of borrowings by maturity date

– Breakdown of current and non-current financial liabilities:

in thousands of euros	Total	Less than 1 year	1-5 years	More than 5 years
NON-CURRENT				
Loans and borrowings from credit institutions – more than one year	**21 580**	**-**	**14 506**	**7 074**
Other loans and borrowings	**20 000**	**-**	**20 000**	**-**
- Loans from the Group and associates	-	-	-	-
- Advance payments to the Group and associates	20 000	-	20 000	-
Total non-current financial liabilities	**41 580**	**-**	**34 506**	**7 074**
CURRENT				
Loans and borrowings from credit institutions – less than one year	**156 122**	**156 122**	**-**	**-**
Accrued interest	**906**	**906**	**-**	**-**
- On loans from credit institutions	7	7	-	-
- On loans from the Group and associates	899	899	-	-
Other loans and borrowings	**173 072**	**173 072**	**-**	**-**
- Loans from the Group and associates	130 057	130 057		
- Advance payments to the Group and associates	43 015	43 015	-	-
Total current financial liabilities	**330 100**	**330 100**	**-**	**-**

– Maturity schedule of financing at June 30, 2011 (amounts drawn in millions of euros):

Repayment year	2011	2012	2013	2014	2015	2016	2017	2018	2019-2024	TOTAL
Syndicated loan	150	-	-	-	-	-	-	-	-	**150**
Bilateral loan (Klépierre)	130	-	-	-	-	-	-	-	-	**130**
Senior bilateral loan (Klépierre)	-	-	20	-	-	-	-	-	-	**20**
Property finance leases	3	5	4	4	3	3	3	2	1	**28**
Overdrafts or Klépierre short-term funding	43	-	-	-	-	-	-		-	**43**
TOTAL	**326**	**5**	**24**	**4**	**3**	**3**	**3**	**2**	**1**	**371**

in millions of euros

In the absence of a contractual maturity date, the finance received by Klémurs from the Klépierre group cash centralization fund (43 million euros) is shown with a maturity date of 2011. In reality Klépierre intends to renew and adjust these lines to meet the finance needs of Klémurs.

– The contractual flows including principal and interest (non-discounted) by maturity date are as follows (in millions of euros, based on interest rates at June 30, 2011):

Repayment year	2011	2012	2013	2014	2015	2016	2017	2018	2019-2024	TOTAL
Syndicated loan	153	-	-	-	-	-	-	-	-	**153**
Bilateral loan	132	-	-	-	-	-	-	-	-	**132**
Senior bilateral loan (Klépierre)	1	1	20	-	-	-	-	-	-	**22**
Property finance leases	4	6	4	4	4	3	3	2	1	**32**
Overdrafts or Klépierre short-term funding	44	-	-	-	-	-	-		-	**44**
TOTAL	**333**	**7**	**25**	**4**	**4**	**3**	**3**	**2**	**1**	**382**

in millions of euros

At December 31, 2010, the payment schedule for the contractual flows was as follows (based on interest rates at December 31, 2010):

Repayment year	2011	2012	2013	2014	2015	2016	2017	2018	2019-2024	TOTAL
Syndicated loan	152	-	-	-	-	-	-	-	-	**152**
Bilateral loan	132	-	-	-	-	-	-	-	-	**132**
Senior bilateral loan (Klépierre)	1	1	20	-	-	-	-	-	-	**21**
Property finance leases	8	6	4	4	4	3	3	2	1	**34**
Overdrafts or Klépierre short-term funding	36	-	-	-	-	-	-		-	**36**
TOTAL	**328**	**6**	**24**	**4**	**4**	**3**	**3**	**2**	**1**	**376**

in millions of euros

4.8. Interest rate hedging instruments

Rate hedging portfolio

As part of its risk management policy (see corresponding section), Klémurs has contracted interest rate swap agreements allowing it to switch from variable rate to fixed rate debt and vice-versa. Under this arrangement, the Klémurs hedge rate (the proportion of gross financial debt arranged or hedged at fixed rate) was 96% at June 30, 2011.

- **At June 30, 2011, the Group had the following swap contracts in place:**

Fixed rate payer	Notional amt. in millions of euros	Maturity
Klémurs	50	01/02/14
Klémurs	50	12/31/14
Klémurs [1]	150	01/02/15
Klémurs	100	04/01/15

[1] *Maturity period spread over 3 agreements, each of 50 million euros*

Breakdown by maturity date

- **At June 30, 2011, the breakdown of derivatives by maturity date was as follows:**

Hedging relationship	2011	2012	2013	2014	2015	2016	2017	2018	Total
Cash Flow Hedge									
. of which spot start swaps	-	-	-	100	250	-	-	-	**350**
. of which forward start swaps	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**100**	**250**	**-**	**-**	**-**	**350**

in millions of euros

- **The associated contractual cash flows (interest) break down as follows (positive cash flows = payer flows, based on interest rates at June 30, 2011):**

Hedging relationship	2011	2012	2013	2014	2015	2016	2017	2018	Total
Cash Flow Hedge									
. of which spot start swaps	8,8	8,8	8,8	7,7	0,6	-	-	-	**34,7**
. of which forward start swaps	-	-	-	-	-	-	-	-	
Total	**8,8**	**8,8**	**8,8**	**7,7**	**0,6**	**-**	**-**	**-**	**34,7**

in millions of euros

At December 31, 2010, the breakdown of derivatives by maturity date and the payment schedule for the corresponding interest flows were as follows (based on interest rates at December 31, 2010):

Breakdown of derivatives by maturity date

Hedging relationship	2011	2012	2013	2014	2015	2016	2017	2018	Total
Cash Flow Hedge									
. of which spot start swaps	-	-	-	100	*250*	-	-	-	**350**
. of which forward start swaps	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**100**	**250**	**-**	**-**	**-**	**350**

in millions of euros

Associated contractual cash flows (interest)

Hedging relationship	2011	2012	2013	2014	2015	2016	2017	2018	Total
Cash Flow Hedge									
. of which spot start swaps	11,5	11,5	11,5	10,0	0,8	-	-	-	**45,4**
. of which forward start swaps	-	-	-	-	-	-	-	-	
Total	**11,5**	**11,5**	**11,5**	**10,0**	**0,8**	**-**	**-**	**-**	**45,4**

in millions of euros

Fair value

Derivatives	Fair value net of accrued interest at June 30, 2011	Change in fair value during FY 2011	Counterparty
Cash flow hedge	-20 760	7 364	Shareholders' equity

in thousands of euros

4.9. Deferred taxes

Since 2010 all Klémurs group companies are subjected to the SIIC status. No deferred taxes are recognized.

4.10. Social and tax liabilities and Other liabilities

in thousands of euros	June 30, 2011	December 31, 2010
Social and tax liabilities	***955***	***1 474***
Social security and other bodies	33	78
State	922	1 396
- Corporate Income Tax	*852*	*832*
- VAT	*70*	*564*
Other taxes and duties	-	-
Other liabilities	***515***	***618***
Creditor customers	368	369
Prepaid income	-	-
Entry fees	109	172
Other liabilities	38	77

Corporate income tax at June 30, 2011, mainly comprised the balance of tax owed by Klécapnor following its transition to SIIC status in 2008. This tax is paid over four years starting from December 2008, the transition date, and ending in December 2011.

N.B.: The Group has no personnel.

5. Notes to the corporate financial statements: comprehensive income statement

5.1. Operating revenue

Group revenues consist of lease income.

Other operating revenue refers to miscellaneous management income.

5.2. Operating expenses

"Operating expenses" are mainly composed of net write-backs from allowances on depreciation, amortization and provisions on investment property, which went from a 1.5 million euro gain at June 30, 2010 and a 2.3 million euro gain at December 31, 2010 to a 4.8 million euro charge at June 30, 2011. The gain generated in 2010 corresponds to a significant write-back to provisions on property.

5.3. Income from sales of investment property and equity investments

Income from sales corresponds to the capital loss of 57 thousand euros resulting from the sale of the commercial premises in Montesson.

5.4. Net cost of debt

The cost of debt totaled 8.8 million euros at June 30, 2011, compared to 17.9 million euros at December 31, 2010 and 8.7 million euros at June 30, 2010. The slight increase compared to the first half of 2010 is mainly due to the rise in short-term interest rates, bearing in mind that Klémurs has a 96% hedging rate.

in thousands of euros	June 30, 2011	June 30, 2010
Interest on advances	-555	-236
Interest on loans from credit institutions	-3 061	-2 498
Income from sale of securities	1	
Net interest on swaps	-5 172	-5 964
Other financial income and expense	-29	-
COST OF DEBT	**-8 816**	**-8 698**

5.5. Tax

in thousands of euros	June 30, 2011	June 30, 2010
Current taxes payable	-	-17
Deferred tax	-	-
TOTAL	**-**	**-17**

As from June 30, 2011, all Klémurs group companies pay taxes as SIICs.

RECONCILIATION BETWEEN THEORETICAL TAX AND ACTUAL TAX AT JUNE 30, 2011

in thousands of euros	SIIC sector	Non-SIIC sector	Total
Pre-tax earnings and earnings from equity-method companies	**6 136**		**6 136**
THEORETICAL TAX EXPENSE AT 34.43%	**-2 113**	-	**-2 113**
Exonerated earnings of the SIIC sector	**2 113**	**-**	**2 113**
Taxable sectors			
Impact of permanent time lags inc. share of income/loss	-	-	**-**
Untaxed consolidation restatements	-	-	**-**
Impact of non-capitalized deficits	-	-	**-**
Allocation of non-capitalized deficits	-	-	**-**
Exit tax on special reserve for long-term capital gains	-	-	**-**
Change in tax regime	-	-	**-**
Discounting of deferred taxes following restructuring, discounting of rates and other taxes without base	-	-	**-**
Rate differences	-	-	**-**
ACTUAL TAX EXPENSE	**-**	**-**	**-**

6. Exposure to risks and hedging strategy

Klémurs pays close attention to managing the risks inherent in its business and in the financial instruments it uses. The Group identifies and regularly measures its exposure to the various sources of risk (interest rates, liquidity, legal issues, counterparties, equity markets, etc.) and puts in place appropriate management policies as required.

6.1. Interest rate risk

A) Cash flow hedge rate risk

- **Recurrence of variable rate financing requirement**

In structural terms, variable rate debt represents a significant proportion of the Group's borrowings (around 98% of debt at June 30, 2011, before hedging). It includes lease finance (most of which is arranged at variable rate), drawdowns of syndicated loans and group loans and advances

- **Identified risk**

An increase in the interest rate against which variable rate debts are indexed (one-month Euribor and three-month Euribor) could result in an increase in the future interest rate expense.

- **Measurement of risk exposure**

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

	Variable-rate borrowings	
Interest rate position before hedging *(in millions of euros)*	Amount	Change in financial expenses caused by a 1% increase in interest rates
Gross Position (variable-rate debt)	**365,1**	**3,7**
- Marketable securities	-0,3	0,0
Net position before hedging	**364,7**	**3,6**

Interest rate position after hedging *(in millions of euros)*	Amount	Change in financial expenses caused by a 1% increase in interest rates
Gross Position before hedging	**365,1**	**3,7**
- Net hedge	-350,0	-3,5
Gross Position after hedging	**15,1**	**0,2**
- Marketable securities	-0,3	0,0
Net position after hedging	**14,7**	**0,1**

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

Cash Flow Hedge (in millions of euros)	Fair value	Change in fair value caused by a 1% rise in interest rates
Fair value of cash flow hedge swaps at 06/30/2011 (notional amount: 350 million euros)	**-22,9**	**11,2**
Fair value of cash flow hedge swaps at 12/31/2010 (notional amount: 350 million euros)	-28,1	16,4

Financial debt after hedging breaks down as follows:

In millions of euros	Fixed-rate borrowings			Variable-rate borrowings			Total gross financial debts		Average cost of debt, base
	Amount	Rate	Fixed part	Amount	Rate	Variable part	Amount	Rate	June 30, 2011
At 12/31/2009	359	4,73%	96%	14	1,34%	4%	373	4,60%	4,62%
At 12/31/2010	357	4,74%	97%	10	1,67%	3%	367	4,66%	4,68%
At 06/30/2011	356	4,72%	96%	15	2,20%	4%	371	4,62%	4,64%

The “Average cost of debt, base June 2011” item is calculated on the basis of the debt and hedging structure in place at June 30, 2011 and the short-term interest rate current at that date. It also includes the effect of spreading other expenses and commissions.

Hedging strategy

Klémurs has set a target hedging rate of at least 70%. This rate is defined as the proportion of fixed-rate debt (after hedging) to gross financial debt.

Generally, hedge terms may exceed those of the debts hedged, on condition that the Klémurs finance plan emphasizes the high probability of these debts being renewed.

B) Fair Value Hedge rate risk

Risk identified in relation to Klémurs fixed-rate debt

Its fixed-rate debt provides Klémurs with risk-free exposure to fluctuations in interest rates, insofar as the fair value of fixed-rate debt increases when rates fall, and vice-versa.

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

Measurement of risk exposure and hedging strategy

Klémurs’ fixed-rate debt is currently limited to a small number of property finance leases, which at June 30, 2011 represented outstanding capital of approximately 6 million euros.

Klémurs has no short-term plans to significantly increase fixed-rate debt as a proportion of its total finance. The main sources of additional fixed rate debt are potentially, in general, further bilateral bank loans, calls on the bond market or an issue of convertible bonds or other “equity-linked” products. Given these circumstances, Klémurs currently has no plans to hedge against the Fair Value Hedge rate risk.

C) Marketable securities

At June 30, 2011, Klémurs held marketable securities of 318 thousand euros comprising solely of money market open-ended mutual funds.

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

D) Fair value of financial assets and liabilities

Under IFRS, financial debts are recognized in the balance sheet at amortized cost and not at fair value.

It is estimated that the fair value of Klémurs' bank borrowings (most of which are arranged at variable rate) is comparable to their book value.

Derivatives are recognized in the balance sheet at their fair value.

At June 30, 2011, a 1% rise in rates would have resulted in a rise of 11.2 million euros in the value of the Group's interest rate swaps.

E) Measures and resources for managing interest rate exposure

Given the importance to Klémurs of managing interest rate risk, its Management is involved in all decisions concerning the hedging portfolio. The Finance Department uses IT systems to provide real-time tracking of market trends and calculate the market values of its financial instruments, including derivatives.

6.2. Liquidity risks

Klémurs pays close attention to the medium-term refinancing needs of its business, and the need to diversify the Group's maturity dates and sources of finance in such a way as to facilitate renewals.

At June 30, 2011, debt was therefore spread across a range of sources (syndicated loans, property finance leases, Klépierre loans, etc.) and counterparties. The average debt term is 0.9 years.

Klémurs also receives support from its majority shareholder Klépierre, which can provide it with any advances required to bridge the period during which new finance is arranged.

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

The syndicated loans granted to Klémurs are accompanied by financial covenants. Failure to comply with these covenants may result in compulsory early repayment (see the note concerning financial liabilities). These covenants are based on the standard ratios applying to real estate companies, and the limits imposed leave Klémurs with sufficient flexibility to ensure that liquidity risk remains low. Specifically, the maximum Loan to Value ratio of 65% (including subordinated debts) is compatible with Klémurs' financial strategy.

Principal covenants	Maximum amount of related finance (millions of euros)	Impact of non compliance	Contractual limit	Level at 06/30/2011
Loan to Value	150	Default	Total ratio ≤ 65%	57,5%
			*Senior ratio ≤ 55% **	*37,4%*
EBITDA / Interest expense			Total ratio ≥ 1.8	2,3
			*Senior ratio ≥ 2.5 **	*2,7*
Secured debt/Revalued assets			≤ 20%	4,3%
Revalued asset value – group share			≥ 300 million euros	645,3

** excluding subordinated debt*

6.3. Legal risk

During 2009, Buffalo Grill had decided to withhold payment of a portion of some rents, corresponding to the application of the indexation clause contained in its lease. Following the issue of a provisional court order (*ordonnance de référé*), confirmed on appeal, upholding the application made by Klémurs, Buffalo Grill is now up to date with all its rental payments. However, the underlying suit is ongoing.

Excluding this situation, in the six months covered by these consolidated financial statements, neither Klémurs nor its subsidiary companies have been the subject of any governmental, judicial or arbitration action (including any actions of which the issuer has knowledge and any currently suspended or threatened actions) which could have, or has recently had, a significant impact on the financial position or profitability of the issuer and/or the Group.

7. Finance and guarantee commitments

7.1. Reciprocal commitments

There were no reciprocal commitments at June 30, 2011.

7.2. Commitments received and given

in thousands of euros	June 30, 2011	December 31, 2010
Commitments given		
- Guarantees, deposits and mortgages	-	
- Purchase commitments	-	-
TOTAL	**-**	**-**
Commitments received		
- Deposits received from tenants	2 519	2 519
TOTAL	**2 519**	**2 519**

❑ Guarantees given

There were no guarantees given at June 30, 2011.

❑ Guarantees received

Klémurs and Immo Dauland have various guarantees from their lessees.

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

7.3. Retention commitments

All buildings and property finance leases acquired by Klémurs come under the tax status described in article 210-E of the French General Tax Code. They are covered by a 5-year retention commitment commencing on their date of acquisition.
The equity investment in Immo Dauland is also subject to the tax regime set out in article 210-E of the French General Tax Code, and must be retained for at least five years as from its acquisition by Klémurs.
Klécapnor is under a 5-year obligation to retain full ownership of its buildings under the terms of article 238 bis JA of the French General Tax Code.

7.4. Commitments under operating leases – Lessors

- **General description of the main clauses contained in the lessor lease agreements**

Lease terms range from nine years (with two renewal options) for Buffalo Grill restaurants, to twelve years with an initial binding period of six years for the Sephora and Défi Mode contracts and the King Jouet leases acquired in 2008. Other leases run for nine, ten or twelve years (most with 3-year renewal periods).

Indexation against a benchmark index is applied when reappraising the minimum guaranteed rent. Since January 1, 2009, guaranteed rents have been indexed either against the French cost of construction index (ICC) or the new commercial rents index (ILC). The ILC is a compound index derived from the French consumer price index (IPC), retail trade sales value index (ICAV) and cost of construction index (ICC).

The majority of leases also contain an additional clause covering variable rent, which is equivalent to the difference between the minimum guaranteed rent and a contractually-defined percentage.

The aim is to consolidate all or part of the variable rent into the guaranteed rent at the time of lease renewal. In most cases, the variable rent is therefore brought back to zero on expiration of the lease. It reduces annually as the guaranteed rent rises in line with indexation.

At June 30, 2011, the total future minimum rents receivable under non-cancelable operating leases were as follows:

in thousands of euros	June 30, 2011
Less than 1 year	40 478
1 to 5 years	114 949
More than 5 years	3 524
TOTAL	**158 951**

8. Additional information

8.1. Disclosures about the fair value model

❑ Comprehensive income statement and consolidated statement of financial position: Fair value

COMPREHENSIVE INCOME STATEMENT AT FAIR VALUE (EPRA MODEL)

in thousands of euros	June 30, 2011 Fair value model	June 30, 2010 Fair value model
Lease income	21 191	22 534
Land expenses (real estate)	-	-
Non-recovered rental expenses	-	-2
Building expenses (owner)	-1 311	-1 493
Net rents	***19 880***	***21 039***
Management, administrative and related income	-	-
Other operating revenue	48	54
Change in the fair value of investment property	12 526	14 788
Payroll expenses	-	-
Other general expenses	-38	-38
Depreciation allowance on investment property	-	-
Provisions for contingencies and losses	-	-
Gains on the sale of investment property and equity interests	1 007	11 250
Net book value of investment property and equity interests sold	-1 050	-11 852
Income from the sale of investment property and equity interests	***-43***	***-602***
OPERATING INCOME	**32 373**	**35 241**
Net dividends and provisions on non-consolidated investments	-	-
Net cost of debt	-8 816	-8 698
Change in the fair value of financial instruments	-	-
Effect of discounting	-20	-40
PRE-TAX EARNINGS	**23 537**	**26 503**
Corporate income tax	-	-17
NET INCOME/LOSS OF CONSOLIDATED ENTITY	**23 537**	**26 486**
of which		
Group share	*23 537*	*26 486*
Non-controlling interests		*-*

in thousands of euros	Notes	June 30, 2011	June 30, 2010
Net income of consolidated entity		**23 537**	**26 486**
Other comprehensive income items (gross of tax) recognized directly as equity		**7 421**	**-6 943**
Income from sales of treasury shares	*See statement of changes in consolidated equity*	*58*	*12*
Effective portion of profits and losses on cash flow hedging instruments (IAS 39)		*7 363*	*-7 197*
Translation profits and losses		-	-
Tax on other comprehensive income items		*0*	*242*
Share of other comprehensive income items for associates		**-**	**-**
Total comprehensive income		**30 958**	**19 543**
of which			
Group share		30 958	19 543
Non-controlling interests		-	-
Comprehensive earnings per share in euros	*8,2*	**3,8**	**2,4**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT FAIR VALUE (EPRA MODEL)

in thousands of euros	June 30, 2011 Fair value model	December 31, 2010 Fair value model
Investment property	-	-
Fair value of investment property	607 637	596 047
Fixed assets in progress	-	-
Non-current assets	90	95
Interest rate swaps	-	-
Deferred tax assets		
NON-CURRENT ASSETS	***607 727***	***596 142***
Fair value of property held for sale	-	-
Trade accounts and notes receivable	1 536	1 353
Other receivables	2 903	1 943
Tax receivables	*589*	*858*
Other debtors	*2 314*	*1 085*
Cash and cash equivalents	742	453
CURRENT ASSETS	***5 181***	***3 749***
TOTAL ASSETS	**612 908**	**599 891**
Capital	82 500	82 500
Additional paid-in capital	45 207	45 207
Legal reserve	918	212
Consolidated reserves	56 064	-9 277
- Treasury shares	*-256*	*-223*
- Marking to market of financial instruments	*-20 761*	*-28 124*
- Fair value of investment property	*51 615*	*22 234*
- Other equity instruments	-	-
- Reserves on other equity instruments	*-3 457*	*-3 457*
- Other consolidated reserves	*28 862*	*13 763*
- Balance carried forward	*61*	*-13 470*
Consolidated earnings	23 537	72 023
Shareholders’ equity, group share	208 225	190 665
Non-controlling interests	6	*5*
SHAREHOLDERS' EQUITY	***208 231***	***190 670***
Non-current financial liabilities	41 580	44 936
Long-term allowances	-	-
Interest rate swaps	22 892	30 538
Security deposits and guarantees	7 188	7 106
Deferred tax liabilities	-	-
NON-CURRENT LIABILITIES	***71 660***	***82 580***
Current financial liabilities	330 100	322 951
Bank overdrafts	66	18
Trade payables	1 381	774
Payables to fixed asset suppliers	0	806
Other liabilities	515	618
Social and tax liabilities	955	1 474
Short-term allowances		-
CURRENT LIABILITIES	***333 017***	***326 641***
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**612 908**	**599 891**

❑ Comprehensive income statement and consolidated statement of financial position: Transition from the cost method to fair value

COMPREHENSIVE INCOME STATEMENT AT FAIR VALUE (EPRA MODEL)

in thousands of euros	June 30, 2011	Fair value restatements	June 30, 2011 Fair value model
Lease income	21 191	-	21 191
Land expenses (real estate)	-3	3	-
Non-recovered rental expenses	0	-	-
Building expenses (owner)	-1 342	31	-1 311
Net rents	***19 846***	***34***	***19 880***
Management, administrative and related income	-	-	-
Other operating revenue	48	-	48
Change in the fair value of investment property	-	12 526	12 526
Payroll expenses	-	-	-
Other general expenses	-38	-	-38
Depreciation allowance on investment property	-4 827	4 827	0
Provisions for contingencies and losses	-	-	-
Gains on the sale of investment property and equity interests	1 007	-	1 007
Net book value of investment property and equity interests sold	-1 064	14	-1 050
Income from the sale of investment property and equity interests	***-57***	***14***	***-43***
OPERATING INCOME	**14 972**	**17 401**	**32 373**
Net cost of debt	-8 816	-	-8 816
Change in the fair value of financial instruments	-	-	-
Effect of discounting	-20	-	-20
PRE-TAX EARNINGS	**6 136**	**17 401**	**23 537**
Corporate income tax	0	-	-
NET INCOME/LOSS OF CONSOLIDATED ENTITY	**6 136**	**17 401**	**23 537**
of which			
Group share	*6 136*	*17 401*	*23 537*
Non-controlling interests	-	-	-

in thousands of euros	Notes	June 30, 2011	Fair value restatements	June 30, 2011 Fair value model
Net income of consolidated entity		**6 136**	**17 401**	**23 537**
Other comprehensive income items (gross of tax) recognized directly as equity		**7 421**	**-**	**7 421**
Income from sales of treasury shares	*See statement of changes in consolidated equity*	*58*	-	*58*
Effective portion of profits and losses on cash flow hedging instruments (IAS 39)		*7 363*	-	*7 363*
Translation profits and losses		-	-	-
Tax on other comprehensive income items		-	-	-
Share of other comprehensive income items for associates		**-**	**-**	**-**
Total comprehensive income		**13 557**	**17 401**	**30 958**
of which				
Group share		13 557	17 401	30 958
Non-controlling interests		-	-	-
Comprehensive earnings per share in euros	*8,2*	**1,6**	**2,2**	**3,8**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT FAIR VALUE (EPRA MODEL)

in thousands of euros	June 30, 2011	Fair value restatements	June 30, 2011 Fair value model
Investment property	538 497	-538 497	-
Fair value of investment property	-	607 637	607 637
Fixed assets in progress	-	-	-
Non-current assets	90	-	90
Interest rate swaps	-	-	-
Deferred tax assets	-	-	-
NON-CURRENT ASSETS	***538 587***	***69 140***	***607 727***
Fair value of property held for sale	-	-	-
Trade accounts and notes receivable	1 536	-	1 536
Other receivables	3 028	-125	2 903
Tax receivables	*589*	-	*589*
Other debtors	*2 439*	*-125*	*2 314*
Cash and cash equivalents	742	-	742
CURRENT ASSETS	***5 306***	***-125***	***5 181***
TOTAL ASSETS	**543 893**	**69 015**	**612 908**
Capital	82 500	-	82 500
Additional paid-in capital	45 207	-	45 207
Legal reserve	918	-	918
Consolidated reserves	4 449	51 615	56 064
- Treasury shares	*-256*	-	*-256*
- Marking to market of financial instruments	*-20 761*	-	*-20 761*
- Fair value of investment property	-	*51 615*	*51 615*
- Other equity instruments	-	-	-
- Reserves on other equity instruments	*-3 457*	-	*-3 457*
- Other consolidated reserves	*28 862*	-	*28 862*
- Balance carried forward	*61*	-	*61*
Consolidated earnings	6 136	17 401	23 537
Shareholders' equity, group share	139 210	69 016	208 226
Non-controlling interests	6	- 1	5
SHAREHOLDERS' EQUITY	***139 216***	***69 015***	***208 231***
Non-current financial liabilities	41 580	-	41 580
Long-term allowances	-	-	-
Interest rate swaps	22 892	-	22 892
Security deposits and guarantees	7 188	-	7 188
Deferred tax liabilities	-	-	-
NON-CURRENT LIABILITIES	***71 660***	***-***	***71 660***
Current financial liabilities	330 100	-	330 100
Bank overdrafts	66	-	66
Trade payables	1 381	-	1 381
Payables to fixed asset suppliers	-	-	0
Other liabilities	515	-	515
Social and tax liabilities	955	-	955
Short-term allowances	-	-	-
CURRENT LIABILITIES	***333 017***	***-***	***333 017***
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**543 893**	**69 015**	**612 908**

❑ Principles and methods

Fair value is the amount at which an asset may be traded between fully-informed, consenting parties acting under the conditions of normal competition.

The fair value is the price (excluding transaction fees and expenses) most likely to be reasonably obtained in the market on the closing date (fees are measured on the basis of a direct sale of the building, even though these costs may, in some cases, be reduced by selling the company that owns the asset).

The fair value of Klémurs' buildings is determined by third-party appraisers who appraise the Group's portfolio on June 30 and December 31 of each year, exclusive of transfer duties and fees.

However, given the fact that these appraisals are, by their nature, estimates, it is possible that the amount realized on the disposal of some real estate assets will differ from the appraised value of those assets, even where such disposal occurs within a few months of the balance sheet date.

In preparing its financial statements for the period ended 30.06.11, Klémurs engaged two independent appraisal companies to value its real estate holdings. Retail Consulting Group Expertise was appointed to appraise the Feu Vert and Buffalo Grill assets as well as the Châlon Sud 2 retail park. BNP Paribas Real Estate was appointed to appraise Défi Mode, Sephora, King Jouet, Cap Nord, Akene and Da Costa.

This appraisal was conducted in accordance with the SIIC Code of Business Ethics, the provisions of the *Charte de l'expertise en évaluation immobilière*, the recommendations contained in the report issued by the "Barthès de Ruyther" COB/CNC working group and the standards set by the RICS and the IVSC.

In determining the market value of a retail property, appraisers apply a yield rate to net annual lease income for occupied premises, and to the net market rental price for vacant properties, discounted over the anticipated period of vacancy.

The capitalized value of real estate or rebates on minimum guaranteed rent payments, expenses payable on vacant premises and non-chargeable work is deducted from the fair market value calculated above. The discount rate applied is the same as the yield rate used in the fair market value calculation.

Gross lease income comprises the Minimum Guaranteed Rent (MGR), the variable part of the rent and the market rental price for vacant properties. Total net lease income is calculated by deducting the following expenses from gross lease income: management charges, non-rebillable charges, charges on vacant premises and losses on late payments.

The yield rate is set by the appraiser based on a range of parameters, including: retail sales area, competition, type of ownership, lease income and extension potential, comparability with recent transactions in the market, any discrepancy between the lease income received by Klémurs and the market rate, and the permanence of the revenue received by the lessor.

Assets appraised for the first time and those where the most recent appraisal is no greater than 110% of net book value (excluding deferred taxes) are appraised in two ways: the first is a yield-based appraisal, as explained above, whilst the second is an appraisal based on the discounted future flows method. This second method calculates the value of a property asset as the sum of discounted financial flows based on a discount rate defined by the appraiser.

The appraiser estimates anticipated total revenues and expenses on the asset side, and then measures an "ultimate value" at the end of the 10-year analytical period. By comparing the market rental values with face rental values, the appraiser takes account of the rental potential of the property asset by retaining the market rental value at the end of the lease, after deduction of the expenses incurred in remarketing the property. Lastly, the appraiser discounts the forecast cash flow to determine the actual value of the property asset.

The discount rate adopted reflects the market risk-free rate, plus a property market risk and liquidity premium reflecting the location, specification and tenancy of each building.

Property under construction or undergoing refurbishment for future use as investment property has been covered by IAS 40 since January 1, 2009. At June 30, 2011, the Klémurs real estate portfolio contained no asset in progress.

8.2. 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 current shares in circulation, 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 current shares in circulation, excluding treasury shares, and adjusted to reflect the effects of diluting options.

		June 30, 2011	June 30, 2010
Numerator			
Net income/loss, group share (in thousands of euros)	*a*	6 136	17 120
Comprehensive income/loss, group share (in thousands of euros)	*a'*	*13 557*	*5 350*
Denominator			
Average weighted number of shares before dilutive effect	***b***	**8 238 629**	**8 233 918**
Effect of dilutive options			
Total potential dilutive effect	***c***	-	-
Average weighted number of shares after dilutive effect	***d=b+c***	**8 238 629**	**8 233 918**
Undiluted earnings per share, group share (in euros)	***a/b***	**0,7**	**2,1**
Diluted earnings per share, group share (in euros)	***a/d***	**0,7**	**2,1**
Undiluted comprehensive earnings per share, group share (in euros)	***a'/b***	***1,6***	***0,6***
Diluted comprehensive earnings per share, group share (in euros)	***a'/d***	***1,6***	***0,6***

At June 30, 2011, Klémurs held 12,702 treasury shares.

8.3. Related companies

❑ Transactions with related parties

Transactions with related companies were governed by the same terms as those applying to transactions subject to normal conditions of competition.

The principal transactions conducted with related parties are those:

- between the consolidated companies of the Klémurs group (a list of the Group's consolidated companies is given in note 3 "Scope of consolidation");
- with Klépierre SA, 84.11% shareholder in Klémurs (including treasury shares), and Klépierre group companies;
- with BNP Paribas group, 50.91% shareholder in Klépierre (including treasury shares).

Since those transactions conducted during the year and in progress at the end of the period between fully-consolidated Klémurs group companies are fully eliminated in the consolidation process, the following tables show only data relating to transactions with other related parties.

▪ Balance sheet positions with related parties at period end

in thousands of euros	June 30, 2011	December 31, 2010
ASSETS		
Cash and cash equivalents	**742**	**453**
- Cash equivalents	318	406
- Cash	424	47
TOTAL ASSETS	**742**	**453**
LIABILITIES		
Loans and borrowings from credit institutions – more than one year	**-**	**-**
Other loans and borrowings NC	**20 000**	**20 000**
- Loans from the Group and associates	-	-
- Advance payments to the Group and associates NC	20 000	20 000
Interest rate swaps	**22 892**	**30 538**
Loans and borrowings from credit institutions – less than one year	**120 000**	**120 000**
Accrued interest	**906**	**785**
- On loans from credit institutions	7	5
- On loans from the Group and associates	899	780
Other loans and borrowings C	**173 072**	**165 695**
- Loans from the Group and associates C	130 057	130 057
- Advance payments to the Group and associates C	43 015	35 638
Bank overdrafts	**66**	**18**
Trade payables	**376**	**210**
TOTAL LIABILITIES	**337 312**	**337 246**

▪ Off-balance sheet items related to transactions with related parties:

There are no off-balance sheet items related to transactions with related parties.

Income items related to transactions with related parties

in thousands of euros	June 30, 2011		June 30, 2010	
Building expenses (owner)	**-**	**774**	**-**	**949**
Net cost of debt	**-**	**8 015**	**-**	**7 819**
- Interest on loans from credit institutions	-	2 289	-	1 656
- Net interest expense on swaps	-	5 172	-	5 964
- Interest on advance payments to associates	-	554	-	199
TOTAL	**-**	**8 789**	**-**	**8 768**

8.4. Post-balance sheet date events

To the best of our knowledge, no events likely to have a significant effect on the financial statements occurred after the balance sheet date.

8.5. Identity of the consolidating company

At June 30, 2011, Klémurs is fully consolidated by Klépierre. Klépierre holds an 84.11% equity stake in Klémurs (including treasury shares).

Note that at June 30, Klépierre is fully consolidated by BNP Paribas group. BNP Paribas holds a 50.91% equity stake in Klépierre (including treasury shares).

Klémurs

A French limited company in the form of a *Société en Commandite par Actions*

21, avenue Kléber
75 016 Paris

Statutory Auditors' review report on the first half-year financial information

Period from 1 January 2011 to 30 June 2011

Mazars
61, rue Henri Regnault
92400 Courbevoie

Deloitte & Associés
185, avenue Charles-de-Gaulle
92200 Neuilly-sur-Seine

Klémurs

A French limited company in the form of a *Société en Commandite par Actions*
21, avenue Kléber
75 016 Paris

Statutory Auditors' review report on the first half-year financial information

Period from 1 January 2011 to 30 June 2011

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

To the Shareholders,

In compliance with the assignment entrusted to us by your 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 half-year consolidated financial statements of Klémurs covering the period January 1 to June 30 2011,
- the verification of the information contained in the interim management report.

These half-year consolidated financial statements are the responsibility of the Manager. Our role is to express a conclusion on these financial statements based on our limited review.

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 limited 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 limited review, nothing has come to our attention that causes us to believe that the accompanying half-year consolidated financial statements do not give a true and fair view of the assets and liabilities and of the financial position of the Group as at June 30, 2011 and of the results of its operations for the period then ended in accordance with IFRSs as adopted by the European Union.

2. Specific verification

We have also verified the information given in the interim management report commenting the half-year consolidated financial statements subject to our limited review. We have no matters to report as to its fair presentation and consistency with the half-year consolidated financial statements.

Courbevoie and Neuilly-sur-Seine, July 27, 2011

The Statutory Auditors

French original signed by

Mazars	Deloitte & Associés	
Julien Marin-Pache	Pascal Colin	Laure Silvestre-Siaz

STATEMENT OF THE PERSON RESPONSIBLE FOR THE INTERIM FINANCIAL REPORT

Paris - August 30, 2011

I certify that, to the best of my knowledge, these complete financial statements for the 1st half of the year, have been drawn up in accordance with the applicable accounting standards and accurately reflect the assets, financial position and earnings of the company and all of its consolidated subsidiaries, and that the attached interim management report presents a faithful description of the important events arisen during the first six months of the fiscal year, their incidence on the accounts, the main related-party transactions as well as a description of the principal risks and uncertainties for the remaining six months of the fiscal year.

Laurent MOREL
Chairman of Klepierre Executive Board, itself Chairman of Klepierre Conseil, itself General Manager of Klemurs.

PERSONS RESPONSIBLE FOR AUDITS

STATUTORY AUDITORS

DELOITTE & ASSOCIÉS
185, avenue Charles de Gaulle
92200 Neuilly-sur-Seine
572028041 R.C.S. NANTERRE
Pascal Colin/Laure Silvestre-Siaz
1st appointment: GM of July 12, 2006.
End of term: fiscal year 2015.

MAZARS
61, rue Henri Regnault
92400 Courbevoie
784824153 R.C.S. NANTERRE
Julien Marin-Pache
1st appointment: GM of December 13, 2007.
End of term: fiscal year 2015.

ALTERNATE STATUTORY AUDITORS

Société BEAS
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92200 Neuilly-sur-Seine
315172445 R.C.S. NANTERRE
1st appointment: GM of July 12, 2006.
End of term: fiscal year 2009.

Patrick DE CAMBOURG
61, rue Henri Regnault
92400 Courbevoie
1st appointment: GM of December 13, 2007.
End of term: fiscal year 2012.

PERSON RESPONSIBLE FOR FINANCIAL DISCLOSURES

Jean-Michel GAULT
Deputy CEO of Klepierre, itself Chairman of Klepierre Conseil, itself General Manager of Klemurs.
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