KLEPIERRE


# 2012 INTERIM FINANCIAL REPORT

French corporation (*société anonyme*) with an Executive Board and a Supervisory Board
with share capital of 279.258.476 euros
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# SUMMARY OF THE INTERIM FINANCIAL REPORT

# SUMMARY OF THE MANAGEMENT REPORT

## 1. ECONOMIC ENVIRONMENT[1]

The macroeconomic outlook remains subdued in Europe in a context marked by fiscal policy tightening and ongoing concerns over public debt. On average for the Eurozone, GDP is expected to remain flat in 2012 (OECD: -0.1% / IMF: -0.3%), a forecast that has not changed much since November 2011 (OECD: +0.2%). In the countries where Klépierre is present, the situation is nonetheless mixed: new forecasts call for a contraction in GDP for Hungary (-1.5%), the Czech Republic (-0.5%), Spain (OECD: -1.6% / IMF: -1.5%) and Italy (OECD: -1.7% / IMF: -1.9%). Growth forecasts for Sweden have been revised downward, but will nonetheless remain in positive territory (+0.6%). Further GDP growth is anticipated for Poland (+2.9%) and Norway (+2.3%). For France, GDP is expected to be virtually unchanged in 2012 (OECD: +0.6% / IMF: +0.3%). Forecasts remain the same for the other countries Belgium (+0.4%), Denmark (+0.8%) and Portugal (-3.2%).

## 2. RETAIL TENANT REVENUE TRENDS (year-to-date through June)

**Retail sales in Klépierre shopping centers were up by 1.4% for the first six months of the current year compared to the same period in 2011.**

**On a comparable portfolio basis (excluding new spaces: extensions and new centers), retail revenues were virtually unchanged (-0.2%)** despite adverse calendar effects and bad weather conditions in April and May.

| | France-Belgium | Scandinavia | Italy | Iberia | Central Europe | Other countries | TOTAL |
|---|---|---|---|---|---|---|---|
| Δ current portfolio | 2,8% | 3,1% | -3,1% | -5,4% | 3,0% | -10,8% | **1,4%** |
| Δ comparable portfolio | -0,5% | 3,1% | -3,1% | -7,3% | 3,0% | -10,8% | **-0,2%** |

This performance confirms the intrinsic quality of Klépierre shopping centers in an environment of lackluster consumption. It is also the outcome of active rental management in terms of tenant rotation and enhancement of the retail mix.

**In terms of segments**, Beauty/Health posted a strong increase in sales (+3.5%). Sales remained virtually unchanged for Personal products (-0.2%) and Restaurants/Food (-0.3%). Sales for the Culture/Gift/Leisure and Household goods segments were down by 2.1% and 6.5%, respectively.

[1] OECD (May 2012) / IMF (July 2012)

## 2.1. FRANCE-BELGIUM

In France, despite lackluster consumer confidence and unfavorable weather conditions, retail revenues in Klépierre shopping centers were almost stable for the six first months of the year (-0.6%). Centers such as Odysseum (Montpellier; +11.1%), Rennes Colombia (+9.3%), Les Passages de l'Hôtel-de-Ville (Boulogne-Billancourt; +2.7%), Val d'Europe (Greater Paris Area; +1.7%) and Blagnac (Toulouse; +1.7%) posted solid results.

Sales are on the rise at L'esplanade (Louvain-la-Neuve, Belgium): over the first six months of the year, retail sales grew by 2.3%.

## 2.2. SCANDINAVIA

Scandinavian shopping centers posted the highest increase in retail sales (+3.1 %).

In Norway, sales were up by 2.2% boosted by a strong showing in June (+4.1%). Over the first six months of the year, sales were spiked by the performance of Gulskogen in Drammen (+11.9%) and Metro in Lørenskog (+7.3%).

In Sweden, retail sales were also on the rise for the 1$^{st}$ half of 2012: +3.5%. Sollentuna (Stockholm), the Group's largest center in the country, posted a 9.1% increase in sales.

Sales were also up for the three Danish shopping centers: Field's (Copenhagen; +9.1%), Brunn's Galleri (Arhus; +2.5%) and Bryggen (Viejle; +2.0%). In total, retail revenues are 5.6% higher than the level observed during the first six months of 2011.

## 2.3. ITALY

Sales for Italian shopping malls were down by 3.1% over the first six months of the year. The decrease is mainly attributable to the Household goods and the Personal products segments which was adversely impacted by bad weather conditions in April and May.

## 2.4. IBERIA

In Spain, the macroeconomic situation deteriorated in the course of the 2$^{nd}$ quarter of 2012. For the first six months of the year, sales are down by 8.2%. The two biggest centers of the portfolio (La Gavia in Madrid and Meridiano in Tenerife) continue to resist.

In Portugal, as further austerity measures are implemented, the decrease in sales is limited to 3.7% for the 1$^{st}$ half of the year (excluding Aqua Portimão, inaugurated in April 2011 whose sales are not reflected in this change). Parque Nascente in Gondomar, the Group's biggest center in the country, posted a 2.0% increase in sales.

## 2.5. CENTRAL EUROPE

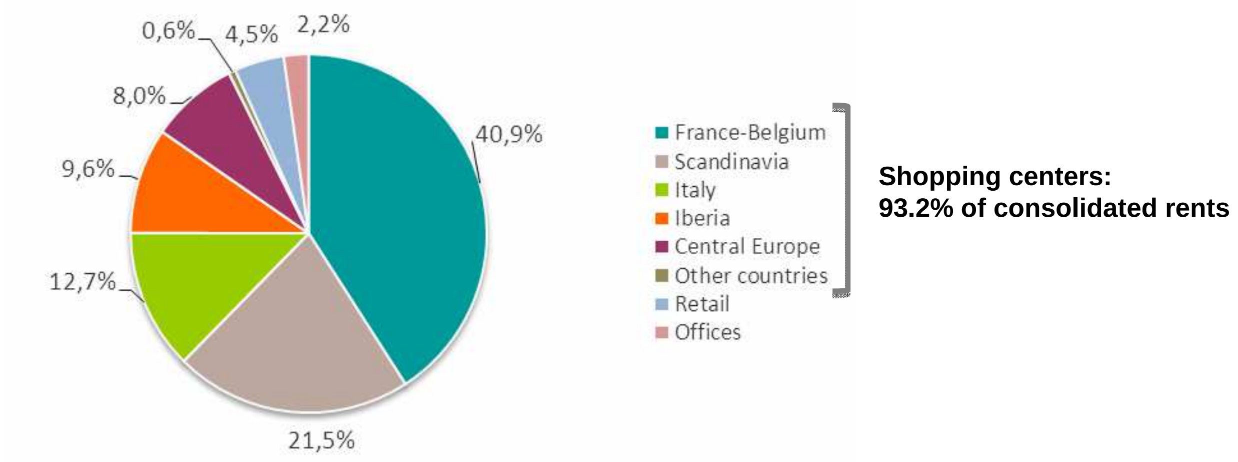
In Poland, the centers posted a 3.7% increase in sales for the first six months of 2012.

In Hungary, the macroeconomic situation is deteriorating and austerity measures have put a serious strain on household purchasing power. Sales in the Groups' malls nevertheless rose during the 1st half of the year (+3.0%), bolstered by the strong performances of Corvin in Budapest where sales were 36.3% higher for the six first months of 2012 than for the same period in 2011.

Sales for the three Czech centers rose during the first six months of 2012 (+2.1%).

# 3. RENTAL BUSINESS

## BREAKDOWN OF CONSOLIDATED RENTS AS OF 06/30/2012 BY REGION/SEGMENT




**Klépierre's consolidated rents for the 1st half of 2012 came to 486.1 million euros** (+3.2% compared with the 1st half of 2011). Shopping center rents amounted to 453.3 million euros (+4.0% on a current portfolio basis), rents from retail assets (Klémurs) to 21.9 million euros (+3.7%), and office building rents to 10.9 million euros (-20.9%). On a constant portfolio and forex basis, the changes were +2.1% for total rents, +1.6% for shopping center rents, +2.1% for retail assets rents and +26.7% for office building rents.

**Fee income for the 1st half of 2012 reached 43.5 million euros, up by 9.6%.**

**Overall, revenues for the 1st half of 2012 came to 529.6 million euros an increase of 3.7% compared with June 30, 2011.**

## 3.1. SHOPPING CENTER SEGMENT

| 06/30/2012 | Δ retailers revenues[1] | RENTS (M€) | | Δ current portfolio basis | Δ constant portfolio & forex basis[2] | Financial occupancy rate | | Late payment rate[3] | |
|---|---|---|---|---|---|---|---|---|---|
| | | H1 2012 | H1 2011 | | | H1 2012 | H1 2011 | H1 2012 | H1 2011 |
| France-Belgium | -0,5% | **198,8** | 181,6 | 9,5% | 4,8% | 98,4% | 98,8% | 1,0% | 0,6% |
| Scandinavia | 3,1% | **104,3** | 101,3 | 3,0% | 2,8% | 96,3% | 95,7% | 0,5% | 0,5% |
| Italy | -3,1% | **61,7** | 59,6 | 3,5% | 2,3% | 97,9% | 98,7% | 3,6% | 3,4% |
| Iberia | -7,3% | **46,6** | 48,3 | -3,6% | -4,7% | 91,5% | 92,2% | 3,5% | 2,2% |
| Central Europe | 3,0% | **38,9** | 41,4 | -6,0% | -5,8% | 94,8% | 93,8% | 4,2% | 5,2% |
| Other countries | -10,8% | **3,0** | 3,8 | -22,3% | -22,3% | 91,6% | 89,4% | 19,8% | 21,0% |
| TOTAL | -0,2% | 453,3 | 436,0 | 4,0% | 1,6% | 96,5% | 96,7% | 1,9% | 1,9% |

[1] 6-month change on a comparable basis (excluding new centers and extensions.

[2] On a constant portfolio and current exchange rate basis, rents rose by 4.6% for Scandinavia, declined by 6.0% for Central Europe, and increased by 2.0% for the shopping center segment as a whole.

[3] Rate 6 months out.

**Rents from the shopping center segment grew by 4.0%** during the 1st half of 2012, reaching 453.3 million euros, boosted in particular by the contribution of new spaces which include:

- The two new shopping centers that opened for business in April 2011: Le Millénaire, a 56 000 sq.m. facility located just outside Paris and Aqua Portimão, in Algarve, a popular tourist destination in Portugal;
- The Roques-sur-Garonne regional shopping center, acquired in November 2011, located in Toulouse, a powerful urban area in France;
- St.Lazare-Paris, the new retail space in the Saint-Lazare train station that was inaugurated in March 2012, situated in the heart of the number one retail and business district of the French capital.

On a constant portfolio and exchange rate basis, rents rose by 1.6%. This increase was driven by France, Belgium, Scandinavia, Italy and the Czech Republic, which together represent 82.8% of shopping center segment rents. Other countries, including Spain, Portugal and Hungary, posted negative figures that reflect the difficult macroeconomic situations they face.

**Financial occupancy remains high** (96.5%) and the **late payment rate was maintained at a low level** (1.9%), in line with those observed at year-end 2011.

Leasing activity was particularly dynamic during the 1st half of 2012: 1 186 leases were signed. New tenants include leading European retailers such as H&M, Sephora, McDonald's, C&A and New Yorker, not to mention other retailers that are also accelerating the pace of their expansion across Europe: Hema, Kiko, Primark, Apple, etc.

### 3.1.1. FRANCE-BELGIUM (40.9% of consolidated rents)

| 06/30/2012 | Δ retailers revenues | Rents (M€) | | Δ on a current basis | Δ on a constant basis | Financial occupancy rate | | Late payment rate[1] | |
|---|---|---|---|---|---|---|---|---|---|
| | | H1 2012 | H1 2011 | | | H1 2012 | H1 2011 | H1 2012 | H1 2011 |
| France | -0,6% | **191,7** | 174,7 | 9,8% | 4,9% | **98,4%** | 98,8% | **0,9%** | 0,6% |
| Belgium | 2,3% | **7,1** | 6,9 | 2,6% | 2,6% | **100,0%** | 99,2% | **2,5%** | 1,2% |
| TOTAL | -0,5% | 198,8 | 181,6 | 9,5% | 4,8% | 98,4% | 98,8% | 1,0% | 0,6% |

[1] Rate 6 months out

In France (39.4% of consolidated rents) rents were up by 4.9% on a constant portfolio basis, for an average impact of index-linked rent adjustments of 3.0%. This outperformance is attributable to the positive impact of new leases signed in 2011 (with an average rate of reversion of +18.8%). In the course of the 1st half of 2012, 97 leases renewed/changes in tenant mix were recorded with a 15.9% increase in financial conditions. Among the leases signed, retailers Hema and Adidas Performance opened stores at the Val d'Europe shopping center (Greater Paris Area) where they will be joined during the 4th quarter of this year by an Apple store (777 sq.m.). Rents also got a boost from the addition of a Saturn sales outlet (now operating under the name Boulanger) for Créteil Soleil (Greater Paris Area).

On a current portfolio basis, growth reached 9.8%, driven by the acquisition of the Roques-sur-Garonne regional shopping center in November 2011 (Toulouse) and by the full contribution of the Le Millénaire shopping center, which opened for business just outside Paris on April 27, 2011. The latter also received an ICSC (International Council of Shopping Centers) ReStore award, which recognizes a project that contributes to sustainable development at the local and regional levels. Rents also reflected the contribution of St.Lazare Paris, the new retail space at Saint-Lazare train station that was inaugurated on March 21, 2012. For retailers, the new space offers a unique opportunity to open a store in one of the biggest retail neighborhoods of Europe, which also happens to be the top business district in the French capital. Esprit, Hema, Kickers, Kiko, Kusmi tea, Lacoste, Lush, L'Occitane, Marypaz, Muji to Go, Pandora, Pylones, Virgin and Yellow Korner figure among the retailers available to the 450 000 daily commuters who transit through the station and local visitors.
Rents were also impacted by disposals completed in 2011 (Aire-sur-la-Lys, La Roche-sur-Yon, Melun-Boissénart, notably). Asset sales completed since the beginning of the year had no impact on rents at June 30, 2012.

In Belgium (1.5% of consolidated rents), rents from retail tenants at L'esplanade (Louvain-la-Neuve) rose by 2.6%, driven by index-linked rent adjustments.

### 3.1.2. SCANDINAVIA (21.5% of consolidated rents)

| 06/30/2012 | Δ retailers revenues | Rents (M€) | | Δ current portfolio & forex basis [1] | Δ constant portfolio & forex basis [1] | Financial occupancy rate | | Late payment rate[2] | |
|---|---|---|---|---|---|---|---|---|---|
| | | H1 2012 | H1 2011 | | | H1 2012 | H1 2011 | H1 2012 | H1 2011 |
| Norway | 2,2% | **48,1** | 47,5 | 1,3% | 1,8% | **97,7%** | 96,7% | **0,1%** | 0,3% |
| Sweden | 3,5% | **34,2** | 32,7 | 4,4% | 2,9% | **96,7%** | 96,4% | **1,1%** | 0,4% |
| Denmark | 5,6% | **22,0** | 21,0 | 4,8% | 4,5% | **93,5%** | 92,6% | **0,7%** | 1,4% |
| TOTAL | 3,1% | 104,3 | 101,3 | 3,0% | 2,8% | 96,3% | 95,7% | 0,5% | 0,5% |

[1] On a constant portfolio and current exchange rate basis, rents were up by 5.2% for Norway, by 3.6% for Sweden, and by 4.8% for Denmark. For Scandinavia as a whole, the increase is 4.6%.
[2] Rate 6 months out

Rents from Norwegian shopping centers (9.9% of consolidated rents) were up by 1.8% on a constant portfolio and exchange rate basis, for index-linked rent adjustments of +1.4%. The Gulskogen center in Drammen, whose extension was inaugurated in November 2010, turned in a satisfactory performance. In addition, the shopping center received a Commendation award in the "Refurbishments and/or Extensions" category bestowed by the International Council of Shopping Centers. The Arkaden shopping center in Oslo got a boost from lease renegotiations that were completed in 2011 (+18% on average).
On a current portfolio basis, rents were impacted by the sale of Sjøsiden in November 2011.

In Sweden (7.0% of consolidated rents), rents rose by 2.9% in the 1st half of 2012 on a constant portfolio and exchange rate basis, thanks to sound fundamentals. From a rental management perspective, the 1st half of 2012 was particularly productive, with leases signed for 10.7 million euros in annual rent, with conditions up slightly on average.

In Denmark (4.5% of consolidated rents), shopping center rents rose by 4.5% on a constant portfolio and exchange rate basis, thanks to the impact of index-linked rent adjustments and a lower vacancy rate.

### 3.1.3. ITALY (12.7% of consolidated rents)

| 06/30/2012 | Δ retailers revenues | Rents (M€) | | Δ on a current basis | Δ on a constant basis | Financial occupancy rate | | Late payment rate[1] | |
|---|---|---|---|---|---|---|---|---|---|
| | | H1 2012 | H1 2011 | | | H1 2012 | H1 2011 | H1 2011 | H1 2011 |
| **Italy** | -3,1% | **61,7** | 59,6 | 3,5% | 2,3% | **97,9%** | 98,7% | **3,6%** | 3,4% |

[1] Rate 6 months out

Rents from Italian shopping centers rose by 2.3% in the 1st half of 2012 on a constant portfolio basis, slightly outperforming the average index-linked rent adjustment (+1.9%), thanks among other things to some changes in tenant mix at Metropoli (Milan) in 2011 (with the addition of Footlocker and Douglas in particular).

On a current portfolio basis, rents reflected the impact of the acquisition of the retail parks Romagna Center (Savignano; acquired in January 2011) and Montebello (final acquisition completed in February 2012).

### 3.1.4. IBERIA (9.6% of consolidated rents)

| 06/30/2012 | Δ retailers revenues | Rents (M€) | | Δ on a current basis | Δ on a constant basis | Financial occupancy rate | | Late payment rate[1] | |
|---|---|---|---|---|---|---|---|---|---|
| | | H1 2012 | H1 2011 | | | H1 2012 | H1 2011 | H1 2012 | H1 2011 |
| **Spain** | -8,2% | **37,6** | 39,5 | -4,8% | -5,0% | **90,9%** | 91,5% | **3,9%** | 2,1% |
| **Portugal** | -3,7% | **9,0** | 8,8 | 2,0% | -3,3% | **94,4%** | 96,0% | **2,0%** | 2,9% |
| TOTAL | -7,3% | 46,6 | 48,3 | -3,6% | -4,7% | 91,5% | 92,2% | 3,5% | 2,2% |

[1] Rate 6 months out

In Spain (7.7% of consolidated rents), rents for the 1st half of 2012 declined by 5.0% on a constant portfolio basis. While the La Gavia (Madrid) and Meridiano (Tenerife) centers are resilient, the rest of the holdings in the portfolio are suffering in light of Spain's current economic and social situation. Retail tenant sales revenue is down by 8.2%, and this situation is weighting adversely on the late payment rate. Lease renegotiation conditions are down slightly for leases signed during the 1st half (-3.6%), and the financial occupancy rate is down compared with June 30, 2011.

In Portugal (1.9% of consolidated rents), rents are down by 3.3% on a constant portfolio basis. The vacancy rate has risen by 1.6 percentage points compared with the situation on June 30, 2011, and conditions on lease renegotiations are down. Nonetheless, the late payment rate remains reasonable.
On a current portfolio basis, rents were positively impacted by the full contribution of Aqua Portimão, which successfully opened on April 14, 2011.

### 3.1.5. CENTRAL EUROPE (8.0% of consolidated rents)

| 06/30/2012 | Δ retailers revenues | Rents (M€) | | Δ current portfolio & forex basis [1] | Δ constant portfolio & forex basis [1] | Financial occupancy rate | | Late payment rate[2] | |
|---|---|---|---|---|---|---|---|---|---|
| | | H1 2012 | H1 2011 | | | H1 2012 | H1 2011 | H1 2012 | H1 2011 |
| Poland | 3,7% | **17,5** | 17,7 | -1,5% | -1,6% | **95,6%** | 97,4% | **4,0%** | 3,5% |
| Hungary | 3,0% | **11,0** | 13,5 | -18,4% | -18,6% | **91,0%** | 88,3% | **5,3%** | 6,5% |
| Czech Republic | 2,1% | **10,4** | 10,1 | 2,7% | 3,9% | **97,6%** | 94,9% | **3,4%** | 6,3% |
| TOTAL | 3,0% | 38,9 | 41,4 | -6,0% | -5,8% | 94,8% | 93,8% | 4,2% | 5,2% |

[1] On a constant portfolio and current exchange rate basis, rents were down by 1.5% for Poland, down by 18.4% for Hungary, up by 2.7% for the Czech Republic, and down by 6.0% for the Central European region.
[2] Rate 6 months out

In Poland (3.6% of consolidated rents), on a constant portfolio and exchange rate basis, rents were down slightly (-1.6%). The vacancy rate continues to rise for the Krakow and Sosnowiec centers. Lease renegotiations in the 1st half of 2012 resulted in an average decline in guaranteed rent of 4.5%.

In Hungary (2.3% of consolidated rents), additional measures have been enacted to support tenants over the 1st half of the year and lease renegotiations led to a 18.6% decline in rents on a constant portfolio basis.

In the Czech Republic (2.1% of consolidated rents), the increase in rents on a constant portfolio basis was in line with the increase due to index-linked rent adjustments.

### 3.1.6. OTHER COUNTRIES (0.6% of consolidated rents)

| 06/30/2012 | Δ retailers revenues | Rents (M€) | | Δ on a current basis | Δ on a constant basis | Financial occupancy rate | | Late payment rate[2] | |
|---|---|---|---|---|---|---|---|---|---|
| | | H1 2012 | H1 2011 | | | H1 2012 | H1 2011 | H1 2012 | H1 2011 |
| Greece | -16,0% | **2,2** | 3,0 | -26,7% | -26,7% | **93,0%** | 89,0% | **25,3%** | 25,3% |
| Slovakia | -2,4% | **0,8** | 0,8 | -6,5% | -6,5% | **86,6%** | 91,0% | **6,5%** | 7,4% |
| TOTAL | -10,8% | 3,0 | 3,8 | -22,3% | -22,3% | 91,6% | 89,4% | 19,8% | 21,0% |

[1] Rate 6 months out

## 3.2. RETAIL PROPERTY SEGMENT – KLÉMURS (4.5% of consolidated rents)

| 06/30/2012 | Rents (€M) H1 2012 | Rents (€M) H1 2011 | ∆ current portfolio basis | ∆ constant portfolio basis | Financial occupancy rate H1 2012 | Financial occupancy rate H1 2011 | Late payment rate [1] H1 2012 | Late payment rate [1] H1 2011 |
|---|---|---|---|---|---|---|---|---|
| Retail-Klémurs | 21,9 | 21,1 | 3,7% | 2,1% | 99,1% | 99,4% | 0,4% | 0,3% |

[1] Rate 6 months out

On a constant portfolio basis, retail property rents rose by 2.1%, reflecting the combined impact of:

- Index-linked rent adjustments (+4.1%): 65% of leases in value terms were pegged to the French cost of construction index for the 2nd quarter of 2011, which was up by 5.01%;
- A slight decrease in additional variable rents (-0.3 M€), attributable to their absorption by index-linked adjustments.

On a current portfolio basis, rents provided by Klémurs reflect the contribution of the acquisitions made in October 2011 (Delbard garden centers and the restaurant building lease acquired) and the impact of the sale of a cafeteria in Saint-Malo completed in 2011.

## 3.3. OFFICE PROPERTY SEGMENT (2.2% of consolidated rents)

| 06/30/2012 | Rents (€M) H1 2012 | Rents (€M) H1 2011 | ∆ current portfolio basis | ∆ constant portfolio basis | Financial occupancy rate H1 2012 | Financial occupancy rate H1 2011 | Late payment rate[1] H1 2012 | Late payment rate[1] H1 2011 |
|---|---|---|---|---|---|---|---|---|
| Offices | 10,9 | 13,8 | -20,9% | 26,7% | 90,1% | 95,1% | 0,8% | 0,0% |

[1] Rate 6 months out

On a constant portfolio basis, rents were up by 26.7% (+2.1 M€), reflecting the combined impact of index-linked rent adjustments (+0.2 M€) and changes involving leases made in 2011 and 2012 (+1.8 M€), in particular the lease-up of the Séreinis building (12 000 sq.m.; Issy-les-Moulineaux) effective as of September 1, 2011.

On a current portfolio basis, rents reflected the impact of several asset disposals:

- in 2011, the Jardins des Princes building (Boulogne-Billancourt) on May 31 and Le Barjac (Paris, 15th arrondissement) on June 30;
- in 2012, the Anatole France building (Levallois-Perret) on March 19.

The Equilis building (Issy-les-Moulineaux), which has been under renovation since October 31, 2011 following the departure of the tenant Steria, contributed to the decline in rents on a current portfolio basis. The renovation work in progress will be completed by the end of July 2012. All of the available space in the building (17 038 sq.m.) has already found a new tenant - the Safran group - effective as of September 1, 2012 for a binding period of 9 years.

Lastly, rents for the 1st half of 2012 got a boost from the addition of the Les Bureaux du Canal office building adjacent to the Le Millénaire shopping center in Aubervilliers (17 194 sq.m.). This asset (Klépierre and Icade each own a 50% share) is 71% leased up.

As of June 30, 2012, the financial occupancy rate was 90.1%, compared with 95.1% one year earlier. There was 9 070 sq.m. of vacant space on June 30, 2012, versus 4 215 sq.m. on June 30, 2011, in the following two buildings:

- 6 405 sq.m. at 192 Charles de Gaulle (Neuilly-sur-Seine); this building is in the process of being restructured and hence is being leased on a short-term lease basis.
- 2 664 sq.m. for Les Bureaux du Canal in Aubervilliers.

**Lease renewal schedule as of June 30, 2012**

| Years | ≤2012 | 2013 | 2014 | 2015 | 2016 | 2017+ | Total |
|---|---|---|---|---|---|---|---|
| **By date of next exit option** | **3,4** | **9,9** | **1,1** | **0,3** | **0,0** | **8,4** | **23,1** |
| *as a % of the total* | *14,8%* | *42,9%* | *4,6%* | *1,3%* | *0,0%* | *36,4%* | *100,0%* |
| | | | | | | | |
| **By end of lease date** | **3,4** | **7,7** | **0,4** | **0,1** | **2,3** | **9,3** | **23,1** |
| *as a % of the total* | *14,8%* | *33,1%* | *1,5%* | *0,3%* | *9,9%* | *40,4%* | *100,0%* |

The 2012 expiration concerns Lexisnexis, a tenant occupying the building at 141 Rue de Javel (Paris, 15th arrondissement) whose lease is in the process of being renewed, and the tenant Chanel, at 192 Charles de Gaulle (Neuilly-sur-Seine) which vacate its premises in the course of the 2nd half of 2012.

## 3.4. FEES

Fee income for the 1st half of 2012 came to 43.5 million euros, versus 39.7 million euros one year prior. This 9.6% increase is attributable to the rise in fees due to the status of the development projects included in Klépierre's committed development pipeline.

# 4. DEVELOPMENT-DISPOSALS

## 4.1. THE COMMERCIAL REAL ESTATE INVESTMENT MARKET IN THE FIRST HALF OF 2012

### 4.1.1. The retail real estate investment market in Continental Europe[2]

In 2011, transactions in the retail real estate market in Continental Europe amounted to 19.1 billion euros, an increase of 36% compared with 2010 (14.0 Bn€). In the 1st half of 2012, transactions totaled 6.6 billion euros, a decrease of 40% compared to the 1st half of 2011 (11.1 Bn€).

This change is attributable to the lack of financing and the scarcity of prime assets, which investors prefer. Activity is relatively weak in Southern Europe, but remains resilient in Northern countries. Germany remains the most active market, with 40% of completed transactions. France comes in second, with 17% of transactions, followed by Norway (11%), Poland (7%), Sweden (5%), Belgium (5%) and Finland (4%). The 2nd quarter of 2012 was active with the acquisition of a building located on the Champs-Elysées completed by a Qatari fund for an amount of 500 million euros. The latter gave a significant boost to the French market: the volume of transactions for the 1st half of 2012 (1.1 Bn€) rose by 58% compared with the same period in 2011 (0.7 Bn€).
The gap supply/demand gap persists for prime products. Yields appear to have stabilized at low levels. Although domestic investors are still active, the French market remains attractive to foreign investors, in particular from the English-speaking countries and the Middle-East.

### 4.1.2. The office property investment market in Ile-de-France[3]

With 1.1 million sq.m. leased up during the 1st half of 2012, demand increased versus the same period last year (+3%), though the 2nd quarter saw a slowdown. Paris and the Western Crescent accounted for 22% and 30% of transactions in volume, respectively. The percentage for new and redeveloped space is slightly down compared to 2011, and represents 34% (vs. 39%) of total space leased-up since the beginning of the year. Transactions for spaces measuring between 1 000 sq.m. and 5 000 sq.m. bolstered the market. The market's key players were the banking-insurance and manufacturing sectors, accounting each for 23% of lease-ups during the 1st half.

Totaling 3.7 million sq.m., immediate supply is virtually unchanged since late 2009. The percentage of new and restructured space is 25% in line with the level observed at year-end

[2] Source: Jones Lang LaSalle
[3] Source: CBRE

2011. The average vacancy rate for Ile-de-France stands at 6.7% (6.6% at year-end 2011), and the gaps between one sector and the next are unchanged.

Average face rents for new, redeveloped and renovated premises stood at 306 €/sq.m. (vs. 296 €/sq.m. in 2011), with contrasting levels between prime and secondary locations. Commercial incentives remain significant and generally exceed 1 month of free rent of firm lease commitment.

Office buildings have been the focus of interest for investors in France, with 3.6 billion euros invested during the 1st half of 2012. Investors remained extremely selective about the location: Paris and the Western Crescent accounted for 72% of transactions.

## 4.2. INVESTMENTS MADE IN THE FIRST HALF OF 2012

| In millions of euros | Operating assets as of June 30, 2012 | Development projects | TOTAL |
|---|---|---|---|
| **France-Belgium** | Le Millénaire*<br>St.Lazare Paris | Bègles Rives d'Arcins<br>Claye-Souilly (extension-renovation)<br>Clermont Jaude (extension)<br>Perpignan Claira (extension-renovation)<br>L'esplanade (extension) | 120,5 |
| **Scandinavia** | - | Emporia<br>Viva | 70,5 |
| **Italy** | Montebello | - | 13,8 |
| **SHOPPING CENTERS** | **25,5** | **181,2** | **206,7** |
| **TOTAL** | **25,5** | **181,2** | **206,7** |

* Klépierre share (50%)

In the course of the 1st half of 2012, Klépierre invested 206.7 million euros in new developments:

- 25.5 million euros were invested in assets under operation or recently opened for business:
  - The Le Millénaire shopping center opened on April 27, 2011 (Aubervilliers, France);
  - St.Lazare Paris, the new retail space at Saint-Lazare train station (Paris, France), opened in late March 2012;
  - A retail park located in Montebello (Lombardy, Italy).
- 181.2 million euros were invested in shopping centers under development mainly in France and Scandinavia (see section 4.3. below).

## 4.3. DEVELOPMENT PIPELINE FOR THE SECOND HALF OF 2012-2016

The Group's development pipeline of projects has a total value of 3.3 billion euros, which includes 0.9 billion euros worth of committed projects[4], 1.4 worth of controlled projects[5] and 1.1 worth of identified projects[6]. Expressed in group share, the respective amounts are 2.8 billion euros, 0.7 billion euros, 1.1 billion euros and 0.9 billion euros.

For the period running from the 2nd half of 2012 through-2016, the Group plans to invest 2.5 billion euros (total share), which breaks down as follows: 0.3 billion euros for committed projects, 1.2 billion euros for controlled projects, and 0.9 billion euros for identified projects.

| In millions of euros | Estimated cost[1] | Amounts to outlay H2 2012-2016 | Expected net initial yield[2] | Floor area (sq.m.) | Expected opening date | Pre-let rate (%) | |
|---|---|---|---|---|---|---|---|
| | | | | | | MGR[3] | Floor area |
| Emporia (Malmö, Sweden) | 360,0 | 82,6 | 7,4% | 79 000 | Q4 2012 | 90% | 81% |
| Claye-Souilly (extension/ renovation - France) | 105,8 | 29,5 | 6,6% | 13 000 | Q4 2012 | 86% | 89% |
| Perpignan Claira (extension/ renovation, France) | 36,0 | 12,1 | 8,3% | 8 200 | Q4 2012 | 86% | 89% |
| Bègles Rives d'Arcins (extension - France) | 63,5 | 22,4 | 7,9% | 12 900 | Q2 2013 | 78% | 73% |
| Jaude 2 (extension - Clermont-Ferrand - France) | 100,2 | 57,8 | 7,5% | 16 000 | Q4 2013 | 19% | 13% |
| Besançon Pasteur (France) | 56,0 | 43,3 | 6,4% | 15 000 | Q1 2015 | 30% | 30% |
| Other operations | | | | | | | |
| COMMITTED OPERATIONS | 890,7 | 345,0 | 7,2% | 201 168 | | | |
| Romagna Center (extension - Italy) | 34,3 | 34,2 | | 8 000 | Q1 2014 | | |
| Marseille Bourse (extension/ renovation - France)* | 16,9 | 15,9 | | 2 661 | Q2 2014 | | |
| Chaumont (France) | 39,0 | 38,4 | | 29 000 | Q2 2014 | | |
| Kristianstad (Sweden) | 106,4 | 71,5 | | 25 000 | Q4 2014 | | |
| Allum (extension/ renovation - Sweden) | 56,6 | 54,2 | | 14 500 | Q1 2015 | | |
| Viva (Odense - Denmark) | 201,4 | 165,3 | | 48 500 | Q1 2015 | | |
| Grand Portet (extension/ renovation - France) | 50,7 | 47,7 | | 8 000 | Q4 2015 | | |
| Torp (Sweden) | 121,1 | 117,9 | | 56 000 | 2 016 | | |
| Asane (Norway) | 109,6 | 89,5 | | 52 000 | 2 018 | | |
| Val d'Europe (extension - France) | 99,5 | 98,6 | | 17 000 | Q2 2016 | | |
| L'esplanade (extension - Belgium) | 130,3 | 109,8 | | 26 000 | 2016-2017 | | |
| CONTROLLED OPERATIONS | 1377,9 | 1199,8 | ~ 8% | 470 465 | | | |
| IDENTIFIED OPERATIONS | 1055,4 | 940,2 | - | 401 001 | | | |
| TOTAL | 3 324,1 | 2 484,9 | - | 1 072 634 | | | |

* Klépierre share (50%)
[1] Estimated cost price before financial costs.
[2] Expected net rents / Total estimated cost price before financial costs.
[3] MGR: Minimum guaranteed rent.

The Group's committed and controlled investments scheduled for the 2nd half of 2012-2016 period, will remain focused on France-Belgium (45%) and Scandinavia (46%) and will entail either the completion of dominant shopping center projects, most of which have already won the loyalty of retailers, or extension-renovation projects of existing shopping centers that already dominate their catchment area and that have proven appeal and clearly identified growth potential. Those projects are, for the most part, located in the European regions

[4] Projects that are in the process of completion, for which Klépierre controls the land and has obtained the necessary administrative approvals and permits.
[5] Projects that are in the process of advanced review, for which Klépierre has control over the land (acquisition made or under offer, contingent on obtaining the necessary administrative approvals and permits).
[6] Projects that are in the process of being put together and negotiated.

identified by Klépierre which combine strong purchasing power and favorable demographic growth for the years ahead.
The rise in the pre-let rates for the major projects under development currently attests to the high level of retailer interest in quality locations situated in areas that are powerful shopping magnets:

- The Emporia shopping center (Malmö, Sweden), which will open its doors on October 25, 2012, leased up at nearly 90%. Located in the heart of an urban renewal project for the city of Malmö, the center is enviably situated thanks to the dedicated train station and its immediate proximity to the thoroughfare linking to downtown Malmö, and the E20 freeway linking Sweden and Denmark.
- The extension-renovation of the Claye-Souilly shopping center (located in the Greater Paris Area, France), which will be inaugurated in November 2012, is 86% leased up.
- The extension-renovation of the Perpignan Claira shopping center (France), whose last phase will open in the 1st quarter of 2013, is 86% leased up.
- The extension-renovation of Bègles Rives d'Arcins (Bordeaux, France), which will welcome its first customers in the 2nd quarter of 2013, is 78% leased up.
- The extension of the Jaude shopping center (Clermont-Ferrand, France), which is scheduled for opening in the 4th quarter of 2013, is 19% leased up.
- The downtown shopping gallery Besançon Pasteur (France), which will welcome its first visitors in the 1st quarter of 2015, is currently 30% leased-up.

## 4.4. DISPOSALS

Since the beginning of this year, Klépierre has sold 334.1 million euros worth of assets excluding transfer duties. These sales have involved both shopping centers located in France and office buildings situated the inner rim of Paris.

| Assets | Sale price (M€, excl. duties) | Date |
|---|---|---|
| Claye-Souilly – 45% stake (Greater Paris Area, France) [1] | | 04/16/2012 |
| Bourges (Centre, France) | | 06/27/2012 |
| Flins-sur-Seine (Greater Paris Area, France) | | 06/28/2012 |
| Portfolio of 5 assets (France) [2] | | 06/29/2012 |
| Lormont (Bordeaux, France) | | 23/07/2012 |
| **Shopping centers** | **210,4** | |
| Anatole France – 50% stake (Levallois-Perret) [3] | | 03/19/2012 |
| Séreinis (Issy-les-Moulineaux) | | 07/11/2012 |
| Collines de l'Arche – 30,44% stake (La Défense) [4] | | 07/17/2012 |
| **Offices** | **123,6** | |
| **TOTAL** | **334,1** | |

[1] 45% stake of which 17% stake sold by CNP Assurances and 28% by Klépierre
[2] Aulnoy-lez-Valenciennes, Beaune, Moulins, Guingamp, retail park La Roche-sur-Yon
[3] Disposal of a 50% stake jointly owned
[4] Disposal of a 30.44% stake jointly owned

These sales were completed for prices slightly above the latest appraised values, attesting to the high level of investor interest in products that offer secure yields over long periods.

Sale and purchase promissory agreements for close to 190 million euros worth of additional assets have been signed year-to-date. Overall, disposals to date made or under sale and purchase promissory agreement total more than 520 million euros at the end of July, half of the 1 billion euros projected under the 2012-2013 disposal program announced by Klépierre.

Other assets are the subject of due diligence processes.

# 5. CONSOLIDATED EARNINGS AND CASH-FLOW

## 5.1. EARNINGS BY SEGMENT

### 5.1.1. Shopping center segment

| In millions of euros | 06/30/12 | 06/30/11 | Change |
|---|---|---|---|
| Rents | 453,3 | 436,0 | 4,0% |
| Other rental income | 4,3 | 6,7 | -35,1% |
| **RENTAL INCOME** | **457,6** | **442,7** | **3,4%** |
| Rental & buiding expenses | - 49,7 | - 48,9 | 1,6% |
| **NET RENTS** | **407,9** | **393,8** | **3,6%** |
| Management and other income | 49,2 | 47,8 | 3,0% |
| Payroll and general expenses | - 65,5 | - 61,8 | 6,0% |
| **EBITDA** | **391,6** | **379,8** | **3,1%** |
| D&A | - 173,5 | - 161,9 | 7,2% |
| Proceeds from sales | 46,3 | 6,7 | |
| Share in earnings in equity-methods investees | 0,7 | 0,7 | 0,4% |
| **SEGMENT EARNINGS** | **265,0** | **225,3** | **17,6%** |

Rental income for the period came to 457.6 million euros, an increase of 14.9 million euros (+3.4%) over the prior corresponding period.

The change observed for other rental income is mainly attributable to the end of the straightlining of entry fees that were billed for the extensions at Blagnac and Saint-Orens (Toulouse).

The 0.8 million euro increase in rental and building expenses reflects higher taxes in Italy with the IMU (*Imposta Municipale Unica*), and in France, with the CVAE (*Cotisation sur la Valeur Ajoutée des Entreprises*).

Management and other income increased by 1.4 million euros versus the six months ended June 30, 2011 which is attributable to the rise in fees due to the status of the development projects included in Klépierre's committed development pipeline

Payroll and general operating expenses totaled 65.5 million euros, an increase of 6.0% compared with the six months ended June 30, 2011.

EBITDA for the period was 391.6 million euros, up by 11.8 million euros versus the corresponding period in 2011.

Depreciation and amortization was 140.5 million euros for the period, an increase of 7.8 million euros that reflects the development of the property portfolio. Asset impairment allowances for the period (34.4 M€) were up by 7.8 million euros compared with the preceding period.

Contingency and loss allowance for the period was 1.4 million euros versus -2.6 million euros as of June 30, 2011.

Proceeds from the sale of assets, 46.3 million euros, include the impact of the sales completed in France: Flins-sur-Seine and Bourges (France) centers as well as a portfolio of 5 retail properties[7]. Including the disposal of a 45% stake in the Claye-Souilly center, sales amounted to 202.9 million euros.

Including the impact of earnings from equity method investees (Progest group), totaling 0.7 million euros, the shopping center segment produced earnings for the half-year period of 265.0 million euros, an increase of 17.6%.

| In millions of euros | France-Belgium | | Scandinavia | | Italy | | Iberia | | Central Europe | | Other countries | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 06/30/12 | 06/30/11 | 06/30/12 | 06/30/11 | 06/30/12 | 06/30/11 | 06/30/12 | 06/30/11 | 06/30/12 | 06/30/11 | 06/30/12 | 06/30/11 |
| Rents | 198,8 | 181,6 | 104,3 | 101,3 | 61,7 | 59,6 | 46,6 | 48,3 | 38,9 | 41,4 | 3,0 | 3,8 |
| Other rental income | 3,4 | 5,6 | - | - | 0,8 | 0,9 | 0,1 | 0,1 | 0,0 | 0,0 | 0,0 | 0,0 |
| **RENTAL INCOME** | **202,2** | **187,2** | **104,3** | **101,3** | **62,5** | **60,6** | **46,7** | **48,4** | **38,9** | **41,4** | **3,0** | **3,8** |
| Rental & buiding expenses | - 15,2 | - 14,9 | - 14,9 | - 15,8 | - 6,4 | - 5,0 | - 4,9 | - 4,8 | - 8,0 | - 7,1 | - 0,2 | - 1,3 |
| **NET RENTS** | **187,0** | **172,3** | **89,4** | **85,5** | **56,1** | **55,6** | **41,7** | **43,6** | **30,9** | **34,3** | **2,8** | **2,5** |
| Management and other income | 24,9 | 23,6 | 15,0 | 15,6 | 3,1 | 3,4 | 2,9 | 3,1 | 3,2 | 1,9 | 0,1 | 0,2 |
| Payroll expense and other general costs | - 27,2 | - 27,0 | - 20,8 | - 17,8 | - 6,1 | - 5,5 | - 7,2 | - 6,7 | - 4,0 | - 4,5 | - 0,2 | - 0,2 |
| **EBITDA** | **184,7** | **168,9** | **83,7** | **83,3** | **53,0** | **53,5** | **37,4** | **40,1** | **30,1** | **31,7** | **2,6** | **2,4** |
| D&A | - 55,8 | - 47,7 | - 37,9 | - 38,9 | - 18,4 | - 17,9 | - 23,2 | - 23,2 | - 31,9 | - 30,4 | - 6,4 | - 3,7 |
| Proceeds from sales | 45,3 | 3,4 | 1,1 | 0,2 | - | - | - | 3,1 | - 0,1 | 0,0 | - | - |
| Share in earnings in equity-methods investees | 0,7 | 0,7 | - | - | - | - | - | - | - | - | - | - |
| SEGMENT EARNINGS | 174,9 | 125,3 | 46,8 | 44,6 | 34,6 | 35,5 | 14,2 | 19,9 | -1,8 | 1,3 | -3,8 | -1,2 |

## 5.1.2. Retail segment - Klémurs

| In millions of euros | 06/30/12 | 06/30/11 | Change |
|---|---|---|---|
| Rents | 21,9 | 21,1 | 3,7% |
| Other rental income | 0,0 | 0,1 | -29,7% |
| **RENTAL INCOME** | **22,0** | **21,2** | **3,6%** |
| Rental & buiding expenses | - 1,0 | - 0,7 | 38,1% |
| **NET RENTS** | **21,0** | **20,5** | **2,4%** |
| Management and other income | 0,1 | 0,3 | -71,3% |
| Payroll and general expenses | - 0,8 | - 1,1 | -22,6% |
| **EBITDA** | **20,3** | **19,7** | **2,9%** |
| D&A | - 6,5 | - 4,8 | 35,0% |
| Proceeds from sales | - | - 0,1 | |
| SEGMENT EARNINGS | 13,7 | 14,8 | -7,3% |

For the six months ended June 30, 2012, rental income from retail properties rose by 3.6% (+0.8 M€), to 22.0 million euros.

Rental, building and land expenses were 1.0 million euros for the period, primarily reflecting the fees paid to outside service providers.

[7] Aulnoy-lez-Valenciennes, Beaune, Moulins, Guingamp, retail park La Roche-sur-Yon

Rental and administrative management fees paid to Klépierre Conseil have been eliminated from this presentation.

Payroll and general operating expenses for the period came to 0.8 million euros, primarily reflecting the allocation of costs for personnel in charge of management and development for the company.

EBITDA for the period was 20.3 million euros, up by 0.6 million euros.

Despite a slight decrease in the value of holdings, a 0.4 million euros provision for impairment was reversed thanks to the effect of amortization allowance for the period. A reversal of a provision for impairment of 2.0 million was recorded during the six months ended June 30, 3011.

Segment earnings for the period produced a 13.7 million euros profit.

### 5.1.3. Office segment

| In millions of euros | 06/30/12 | 06/30/11 | Change |
|---|---|---|---|
| Rents | 10,9 | 13,8 | -20,9% |
| Other rental income | 0,2 | - | |
| **RENTAL INCOME** | **11,1** | **13,8** | **-19,5%** |
| Rental & buiding expenses | - 2,3 | - 1,8 | 25,6% |
| **NET RENTS** | **8,9** | **12,0** | **-26,3%** |
| Management and other income | 0,8 | 0,2 | 306,6% |
| Payroll and general expenses | - 0,4 | - 0,5 | -14,3% |
| **EBITDA** | **9,2** | **11,7** | **-21,2%** |
| D&A | - 3,8 | - 4,8 | -22,0% |
| Proceeds from sales | 4,1 | 22,5 | |
| **SEGMENT EARNINGS** | **9,6** | **29,5** | **-67,5%** |

Rental income for the period was 11.1 million euros, a 19.5% decrease that reflected disposals completed in 2011 and 2012.

Rental and building charges for the period reflect the cost of the vacancy at the Equilis (Issy-les-Moulineaux) and 192 Charles de Gaulle (Neuilly-sur-Seine) buildings,as well as fees paid to outside service providers.

Payroll and general operating expenses came to 0.4 million euros.

EBITDA for the period reached 9.2 million euros, a decline of 21.2% compared with the six months ended June 30, 2011.

Depreciation and amortization expense for the period decreased by 1.0 million euros, attributable to asset sales completed.

The Office segment generated proceeds from asset sales of 4.1 million euros following the sale of a 50% stake in the Anatole France building (Levallois-Perret). For the six months ended June 30, 2011, proceeds from asset sales were 22.5 million euros, including the Jardins des Princes (Boulogne-Billancourt) and Le Barjac (Paris, 15th arrondissement) buildings.

Earnings for the Office segment at the June 30, 2012 reporting date came to 9.6 million euros, down by 67.5%.

## 5.2. CONSOLIDATED EARNINGS AND CASH-FLOW

### 5.2.1. Earnings

| In millions of euros | June 30, 2012 | June 30, 2011 | Change | |
|---|---|---|---|---|
| | | | M€ | % |
| **RENTAL INCOME** | **490,7** | **477,7** | **13,0** | **2,7%** |
| Rental & building expenses | - 52,9 | - 51,4 | - 1,5 | 2,9% |
| **NET RENTS** | **437,8** | **426,3** | **11,4** | **2,7%** |
| Management and administrative income | 43,5 | 39,7 | 3,8 | 9,6% |
| Other operating income | 6,6 | 8,8 | - 2,3 | -25,6% |
| Payroll expense | - 57,7 | - 54,1 | - 3,6 | 6,7% |
| Other general expenses | - 20,7 | - 20,4 | - 0,3 | 1,5% |
| **EBITDA** | **409,4** | **400,3** | **9,1** | **2,3%** |
| D&A on investment property | - 185,5 | - 168,6 | - 16,9 | 10,0% |
| D&A on PPE | 1,2 | - 3,1 | 4,3 | -137,5% |
| Proceeds of sales | 50,4 | 29,2 | 21,2 | 72,7% |
| **RESULTS OF OPERATIONS** | **275,5** | **257,8** | **17,7** | **6,9%** |
| Financial result | - 158,9 | - 154,1 | - 4,9 | 3,2% |
| Share in earnings for equity method investees | 0,7 | 0,7 | 0,0 | 0,4% |
| **PRE-TAX CURRENT INCOME** | **117,2** | **104,4** | **12,8** | **12,3%** |
| Corporate income tax | - 8,2 | - 12,1 | 3,9 | -32,2% |
| **NET INCOME** | **109,0** | **92,3** | **16,7** | **18,1%** |
| Non-controlling interests | - 40,4 | - 31,8 | - 8,7 | 27,3% |
| **NET INCOME (GROUP SHARE)** | **68,6** | **60,5** | **8,0** | **13,3%** |

Rental income amounted to 490.7 million euros, with 457.6 million euros of the total provided by shopping centers, 22.0 million euros provided by retail properties and 11.1 million euros provided by office properties. Compared with June 30, 2011, rental income from shopping centers rose by 4.0% on a current portfolio basis (+1.6% on a constant basis). Lease income from retail properties was up by 3.7% on a current basis (+2.1% on a constant basis), while lease income from office properties declined by 20.9% on a current basis (+26.7% on a constant basis). Net rents for the 1st half of the year came to 437.8 million euros, an increase of 2.7% compared with the same period last year.

Management and administrative income (fees) from service businesses totaled 43.5 million euros, up by 3.8 million euros.

Other operating income primarily includes gains on charges reinvoiced to tenants and various indemnities.

Owner's building expenses for the period came to 52.9 million euros, an increase of 1.5 million euros or 2.9%. This increase is attributable to higher taxes.

Payroll expense for the period was 57.7 million euros, versus 54.1 million euros for the preceding period. The total headcount was 1 495 on June 30, 2012.

Other general expenses came to 20.7 million euros up by 1.5%.

The operating ratio (total expenses/net operating income) for the period was 16.1% for the six months ended June 30, 2012, versus 15.7% for the 1st half of 2011.

**EBITDA for the period was 409.4 million euros, a 2.3% increase compared with the six months ended June 30, 2011.**

Depreciation and amortization for buildings was 185.5 million euros for the period, up by 16.9 million euros compared with the six months through June 30, 2011. This decrease includes an asset impairment allowance of 33.9 million euros, an increase of 9.4 million euros. The rise in depreciation and amortization allowance (7.5 M€) was partly offset by the impact of asset sales.

Depreciation and amortization expense for contingencies for the period came to 1.2 million euros, versus -3.1 million euros for the six months ended June 30, 2011.

Proceeds from the sale of assets came to 50.4 million euros for the period, compared with 29.2 million euros for the six months through June 30, 2011. This line item includes the proceeds from the sale of the Flins-sur-Seine and Bourges shopping centers, and the sale of a 50% stake in the Anatole France (Levallois-Perret) office building as well as a portfolio of 5 French retail properties[8].

**Results from operations, 275.5 million euros for the period, rose by 6.9% compared with the first six months of 2011.**

The financial result for the period is a loss of 158.9 million euros, compared with a loss of 154.1 million euros for the six months ended June 30, 2011, up by 4.9 million euros. Of this amount, 2.4 million euros are attributable to the change in fair value of financial instruments. The increase in the net cost of debt is due to the rise in the average debt. The cost of Klépierre's debt observed for the 1st half of 2012 – the ratio of interest expense to average financing debt – shows a decline of 3 basis points compared to the same previous year same period (4.14%). Klépierre's financial policy and structure are described in more detail in paragraph 10.

For the six months ended June 30, 2012, tax expense is 8.2 million euros, a decrease of 3.9 million euros.

- Tax payable for the period is 15.8 million euros, versus 14.5 million euros on June 30, 2011.

[8] Aulnoy-lez-Valenciennes, Beaune, Moulins, Guingamp, and the retail park La Roche-sur-Yon.

- Deferred tax credits amounted to 7.6 million euros, versus 2.4 million euros for the 1st half of 2011. The change is mainly due to deferred tax credits recorded for asset impairment allowances.

Consolidated net income for the six months ended June 30, 2012 was 109.0 million euros, up by 18.1% compared with June 30, 2011.

Minority share of net income (non-controlling interests) for the period was 40.4 million euros, mainly from the shopping center segment, bringing group share of net income to 68.6 million euros, an increase of 13.3%.

### 5.2.2. Change in net current cash-flow

| In millions of euros | June 30, 2012 | June 30, 2011 | Change | |
|---|---|---|---|---|
| | | | M€ | % |
| ***Total share*** | | | | |
| EBITDA-Shopping centers | 391,6 | 379,8 | 11,8 | 3,1% |
| EBITDA-Offices | 9,2 | 11,7 | - 2,5 | -21,2% |
| EBITDA-Retail properties | 20,3 | 19,7 | 0,6 | 2,9% |
| Corporate and shared expenses | - 11,7 | - 10,9 | - 0,8 | 7,2% |
| **EBITDA** | **409,4** | **400,3** | **9,1** | **2,3%** |
| Restatement payroll and deferred expenses | 2,3 | 1,6 | 0,7 | 41,4% |
| **OPERATING CASH FLOW** | **411,7** | **402,0** | **9,8** | **2,4%** |
| Net cost of debt | - 156,9 | - 154,1 | - 2,8 | 1,8% |
| Restatement financial allowance | 5,7 | 11,1 | - 5,4 | -49,0% |
| **CURRENT CASH FLOW BEFORE TAXES** | **260,5** | **259,0** | **1,5** | **0,6%** |
| Share in equity method investees | 0,7 | 0,7 | 0,0 | 0,4% |
| Current tax expenses | - 12,5 | - 12,7 | 0,3 | -2,2% |
| **NET CURRENT CASH FLOW** | **248,7** | **246,9** | **1,8** | **0,7%** |
| | | | | |
| ***Group share before dividend payment in shares*** | | | | |
| **NET CURRENT CASH FLOW (GROUP SHARE)** | **185,3** | **184,1** | **1,1** | **0,6%** |
| ***Group share after dividend payment in shares*** | | | | |
| **NET CURRENT CASH FLOW (GROUP SHARE)** | **185,8** | **184,1** | **1,6** | **0,9%** |
| Restatement payroll expenses (employee benefits, stock-options) | - 2,1 | - 1,5 | - 0,6 | |
| Restatement amortization allowances and provisions for contingencies and losses | - 3,6 | - 6,0 | 2,4 | |
| Other restatements related to tax | - 1,9 | - 0,9 | - 1,1 | |
| **EPRA EARNINGS** | **178,1** | **175,7** | **2,4** | **1,3%** |
| | | | | |
| Number of shares before dividend payment in shares | 185 271 440 | 186 799 952 | | |
| Number of shares after dividend payment in shares | 187 399 561 | 186 799 952 | | |
| | | | | |
| ***Before dividend payment in shares*** | | | | |
| **NET CURRENT CASH FLOW PER SHARE (IN EURO)** | **1,00** | **0,99** | **0,01** | **1,5%** |
| | | | | |
| ***After dividend payment in shares*** | | | | |
| **NET CURRENT CASH FLOW PER SHARE (IN EURO)** | **0,99** | **0,99** | **0,01** | **0,6%** |
| **EPRA EARNINGS PER SHARE (IN EURO)** | **0,95** | **0,94** | **0,01** | **1,0%** |

After-tax, global net current cash flow for the period came to 248.7 million euros, an increase of 0.7%. Group share, it was 185.3 million euros (1.00 euro per share), up by 0.6% (+1.5% per share) versus the first six months of 2011 (before dividend payment in shares).

## 6. OUTLOOK

The Group is well on track in its bid to strengthen its financial structure: Klépierre posted a strong improvement in its level of liquidity and financial ratios. These improvements are attributable to the payment of a part of the 2011 dividend in the form of shares, good access to the bond market and the satisfactory implementation of its disposal program.

The Group is on track to meet its target of 1 billion euros in asset sales by the end of 2013.

Klépierre confirms that it expects rents to grow by 2% to 2.5% on a constant portfolio basis over the full year 2012. On a current portfolio basis, the faster than expected execution of the asset sale program should result in a 3 to 4% increase in rents, a level slightly lower than the circa 4% initially anticipated.

Excluding the impact of the payment of the dividend in the form of shares (9 822 100 new shares were issued in May 2012), net current cash-flow per share is still expected to increase slightly (i.e., by about as much as the observed increase in 2011, or 1.8%). Taking the automatic impact of the increase in the number of shares into account, this objective translates into a slight decrease in net current cash-flow per share for the full year 2012.

# 7. NET ASSET VALUE (NAV)

## 7.1. APPRAISAL OF THE GROUP'S ASSETS

### 7.1.1. Methodology

On December 31 and June 30 of each year, Klépierre adjusts the value or its net assets per share (NAV). The valuation method used entails adding unrealized capital gains to the book value of consolidated shareholders' equity. These unrealized gains reflect the difference between independently appraised market values recorded in the consolidated financial statements.

Klépierre entrust the task of appraising its real estate assets to various appraisers. For the 1st half year of 2012, these appraisals were carried out by the following appraisers:

| Appraisers | Portfolios | Number of assets | Valuation[1] | | in % | June report | December report |
|---|---|---|---|---|---|---|---|
| RCGE | - France (incl. retail properties) | 223 | 4 820 | 28% | 44% | Summarized | Summarized + detailled |
| | - Italy | 29 | 1 639 | 10% | | Summarized | Summarized + detailled |
| | - Spain : KFE and KFV | 37 | 736 | 4% | | Summarized | Summarized + detailled |
| | - Portugal | 7 | 293 | 2% | | Summarized | Summarized + detailled |
| | - Greece | 5 | 49 | 0% | | Summarized | Summarized + detailled |
| JLL | - France: Progest, Soco, Le Havre Coty, Odysseum | 34 | 1 773 | 10% | 21% | Summarized | Summarized + detailled |
| | - Poland | 7 | 442 | 3% | | Summarized | Summarized + detailled |
| | - Norway | 7 | 912 | 5% | | Summarized | Summarized + detailled |
| | - Hungary | 7 | 168 | 1% | | Summarized | Summarized + detailled |
| | - Belgium | 1 | 256 | 2% | | Summarized | Summarized + detailled |
| DTZ | - Denmark | 3 | 836 | 5% | 23% | Summarized | Summarized + detailled |
| | - Norway | 9 | 871 | 5% | | Summarized | Summarized + detailled |
| | - Sweden | 10 | 1 033 | 6% | | Summarized | Summarized + detailled |
| | - Spain | 34 | 330 | 2% | | Summarized | Summarized + detailled |
| | - Italy | 8 | 366 | 2% | | Summarized | Summarized + detailled |
| | - Hungary | 7 | 146 | 1% | | Summarized | Summarized + detailled |
| | -Czech Rep and Slovakia | 4 | 346 | 2% | | Summarized | Summarized + detailled |
| Auguste Thouard / BNPP Real Estate | - France (incl. Offices and retail properties) | 203 | 1 928 | 11% | 11% | Summarized | Summarized + detailled |

[1] Values in millions euros including transfer duties

These appraisal assignments were conducted in accordance with the Code of Compliance for SIICs, as well as with the Real Estate Appraisal Guidelines (*Charte de l'Expertise en Evaluation Immobilière),* the recommendations of the COB/CNCC working group chaired by Mr. Barthès de Ruyther, and the standards set forth by the RICS and the IVSC.

### 7.1.2. Results of appraisals

The value of Klépierre's property portfolio excluding transfer duties stands at 16.4 billion euros total share and 12.9 billion euros group share. In total share Shopping center assets account for 92.9%, retail properties for 3.8% and office properties 3.2%. In group share these percentages are 91.7%, 4.1% and 4.2%, respectively.

Pursuant to a change in the scope of application of IAS 40, the Group appraises its committed development projects using appraisals established by in-house teams. In particular, this change in scope impacts the following projects: Jaude in Clermont-Ferrand (France) and Emporia in Malmö (Sweden). Projects that are not appraised are carried at their cost price. These are mainly Scandinavian projects: Kristianstad (Sweden) and Viva in Odense (Denmark). Development projects represent 4.2% of the Group's property portfolio value.

On a constant portfolio and exchange rate basis, the change in the value of assets over 6 months is +0.4% for the shopping center segment, -0.5% for the retail segment and +0.6% for the office segment. Over 12 months, the increase is 2.9%: +2.8% for the shopping center segment, +1.5% for the retail segment and +5.6% for the office segment.

## Value of holdings, total share (excluding transfer duties)

| In millions of euros | 06/30/2012 | In % of total holdings | Change over 6 months | | | Change over 12 months | | |
|---|---|---|---|---|---|---|---|---|
| | | | 12/31/2011 | Current portfolio basis | Constant portfolio basis* | 06/30/2011 | Current portfolio basis | Constant portfolio basis* |
| France | 6 856 | 41,7% | 6 704 | 2,3% | 1,8% | 6 354 | 7,9% | 6,5% |
| Belgium | 272 | 1,7% | 250 | 8,8% | 2,3% | 246 | 10,9% | 4,3% |
| **France-Belgium** | **7 128** | **43,4%** | **6 954** | **2,5%** | **1,9%** | **6 599** | **8,0%** | **6,5%** |
| Norway | 1 581 | 9,6% | 1 503 | 5,2% | 0,1% | 1 514 | 4,4% | 1,1% |
| Sweden | 1 383 | 8,4% | 1 308 | 5,7% | 2,4% | 1 180 | 17,2% | 5,0% |
| Denmark | 906 | 5,5% | 892 | 1,5% | 1,2% | 890 | 1,8% | 0,5% |
| **Scandinavia** | **3 870** | **23,6%** | **3 703** | **4,5%** | **1,1%** | **3 584** | **8,0%** | **2,1%** |
| **Italy** | **1 777** | **10,8%** | **1 779** | **-0,1%** | **-0,8%** | **1 746** | **1,8%** | **0,2%** |
| Spain | 1 066 | 6,5% | 1 110 | -3,9% | -3,9% | 1 099 | -3,0% | -2,7% |
| Portugal | 253 | 1,5% | 266 | -4,8% | -4,8% | 271 | -6,6% | -5,6% |
| **Iberia** | **1 320** | **8,0%** | **1 376** | **-4,1%** | **-4,1%** | **1 370** | **-3,7%** | **-3,2%** |
| Poland | 439 | 2,7% | 431 | 2,1% | 2,1% | 422 | 4,1% | 4,1% |
| Hungary | 331 | 2,0% | 363 | -8,9% | -9,7% | 380 | -12,8% | -16,3% |
| Czech Republic | 330 | 2,0% | 310 | 6,4% | 6,4% | 299 | 10,2% | 10,2% |
| **Central Europe** | **1 100** | **6,7%** | **1 104** | **-0,3%** | **-0,4%** | **1 101** | **-0,1%** | **0,1%** |
| Greece | 49 | 0,3% | 67 | -26,6% | -26,6% | 77 | -35,6% | -35,6% |
| Slovakia | 16 | 0,1% | 15 | 5,8% | 5,8% | 15 | 4,9% | 4,9% |
| **Other countries** | **66** | **0,4%** | **83** | **-20,7%** | **-20,7%** | **92** | **-28,9%** | **-28,9%** |
| TOTAL SHOPPING CENTERS | 15 261 | 92,9% | 14 999 | 1,7% | 0,4% | 14 493 | 5,3% | 2,8% |
| TOTAL RETAIL ASSETS | 627 | 3,8% | 630 | -0,3% | -0,5% | 608 | 3,2% | 1,5% |
| TOTAL OFFICES | 534 | 3,2% | 547 | -2,4% | 0,6% | 522 | 2,3% | 5,6% |
| TOTAL HOLDINGS | 16 422 | 100,0% | 16 176 | 1,5% | 0,4% | 15 623 | 5,1% | 2,9% |

* For Scandinavia change is indicated on constant portfolio and forex basis

## Value of holdings, group share (excluding transfer duties)

| In millions of euros | 06/30/2012 | In % of total holdings | Change over 6 months | | | Change over 12 months | | |
|---|---|---|---|---|---|---|---|---|
| | | | 12/31/2011 | Current portfolio basis | Constant portfolio basis* | 06/30/2011 | Current portfolio basis | Constant portfolio basis* |
| France | 5 482 | 42,7% | 5 443 | 0,7% | 1,7% | 5 119 | 7,1% | 6,5% |
| Belgium | 272 | 2,1% | 250 | 8,8% | 2,3% | 246 | 10,9% | 4,3% |
| **France-Belgium** | **5 755** | **44,8%** | **5 693** | **1,1%** | **1,7%** | **5 364** | **7,3%** | **6,3%** |
| Norway | 887 | 6,9% | 843 | 5,2% | 0,1% | 849 | 4,4% | 1,1% |
| Sweden | 776 | 6,0% | 734 | 5,7% | 2,4% | 662 | 17,2% | 5,0% |
| Denmark | 508 | 4,0% | 501 | 1,5% | 1,2% | 499 | 1,8% | 0,5% |
| **Scandinavia** | **2 171** | **16,9%** | **2 078** | **4,5%** | **1,1%** | **2 011** | **8,0%** | **2,1%** |
| **Italy** | **1 520** | **12,3%** | **1 523** | **-0,2%** | **-0,8%** | **1 518** | **0,1%** | **0,2%** |
| Spain | 932 | 7,3% | 967 | -3,6% | -3,6% | 958 | -2,7% | -2,2% |
| Portugal | 253 | 2,0% | 266 | -4,8% | -4,8% | 271 | -6,6% | -5,6% |
| **Iberia** | **1 185** | **9,2%** | **1 233** | **-3,9%** | **-3,9%** | **1 229** | **-3,5%** | **-2,9%** |
| Poland | 439 | 3,4% | 431 | 2,1% | 2,1% | 422 | 4,1% | 4,1% |
| Hungary | 331 | 2,6% | 363 | -8,9% | -9,7% | 380 | -12,8% | -16,3% |
| Czech Republic | 330 | 2,6% | 310 | 6,4% | 6,4% | 299 | 10,2% | 10,2% |
| **Central Europe** | **1 100** | **8,6%** | **1 104** | **-0,3%** | **-0,4%** | **1 101** | **-0,1%** | **0,1%** |
| Greece | 42 | 0,3% | 57 | -26,9% | -26,9% | 66 | -36,4% | -36,4% |
| Slovakia | 16 | 0,1% | 15 | 5,8% | 5,8% | 15 | 4,9% | 4,9% |
| **Other countries** | **58** | **0,5%** | **72** | **-20,0%** | **-20,0%** | **81** | **-28,6%** | **-28,6%** |
| TOTAL SHOPPING CENTERS | 11 789 | 91,7% | 11 703 | 0,7% | 0,2% | 11 303 | 4,3% | 2,7% |
| TOTAL RETAIL ASSETS | 528 | 4,1% | 530 | -0,3% | -0,5% | 512 | 3,2% | 1,5% |
| TOTAL OFFICES | 534 | 4,2% | 547 | -2,4% | 0,6% | 522 | 2,3% | 5,6% |
| TOTAL HOLDINGS | 12 850 | 100,0% | 12 779 | 0,6% | 0,2% | 12 337 | 4,2% | 2,8% |

* For Scandinavia change is indicated on constant portfolio and forex basis

**Shopping centers**

The value of the shopping center portfolio excluding transfer duties stands at 15 261 million euros (11 789 M€ in group share), i.e., an increase of 261 million euros compared with December 31, 2011 (+1.7%). Over 12 months, the increase in the value of the portfolio is 768 million euros (+5.3%).

43 assets have a unit value that exceeds 100 million euros, and they account for 58.4% of the estimated value of the shopping center portfolio; 46 assets have a unit value of between 50 and 100 million euros (22.6%); 71 assets have a unit value of between 15 et 50 million euros (13.9%); 106 have a unit value that is below 15 million euros (5.2%).

On a constant portfolio and exchange rate basis, the value of the shopping center portfolio rose by 0.4% (+53 M€) over 6 months. Over 12 months, the increase is 2.8% (+371 M€). The average yield rate of the portfolio stands at 6.3% excluding duties, unchanged compared with December 31, 2011 and June 30, 2011.

The change on a current portfolio basis includes the forex impact related to the appreciation of Scandinavian currencies since December 31, 2011 which increases values by 65 million euros.

External growth added 230 million euros to the increase in the value of this portfolio over 6 months. This change is attributable to developments and acquisitions in France (+134 M€) in Scandinavia (+66 M€), in Belgium (+16 M€) and in Italy (+12 M€). Significant changes are listed below:

- In France, the first appraisal of Roques-sur-Garonne shopping center (Toulouse) which was valued at its acquisition price in December 2011 and the status of the Claye-Souilly, Bègles Rives d'Arcins (Bordeaux) and Jaude (Clermont-Ferrand) extension projects;
- In Belgium, the acquisition of the land for the future extension of L'esplanade shopping center (Louvain-la-Neuve);
- In Italy, the acquisition of a retail park located in Montebello (Lombardy);
- In Sweden, the status of the Emporia project (Malmö).

This change is partly offset by the impact of the disposal program (-86 M€) in France: Bourges, Aulnoy-lez-Valenciennes, Beaune Saint-Jacques, Flins-sur-Seine, Guingamp, Moulins shopping centers and a retail park in La Roche-sur-Yon were sold.

**Retail assets - Klémurs**

The value of the portfolio of retail assets excluding transfer duties stands at 627.4 million euros (527.8 M€ in group share), i.e., a decrease of 0.3% over 6 months and an increase of 3.2% over 12 months.

On a constant portfolio basis, the change in the value of the retail assets is -0.5% (-3.2 M€) over 6 months (+1.5% over 12 months). The average yield rate of the retail assets portfolio stands at 7.0% excluding duties, unchanged compared with December 31, 2011 and June 30, 2011.

On a current portfolio basis, the change in the valuation of assets includes the acquisition of 4 Delbard garden centers and a restaurant under building lease completed in October 2011.

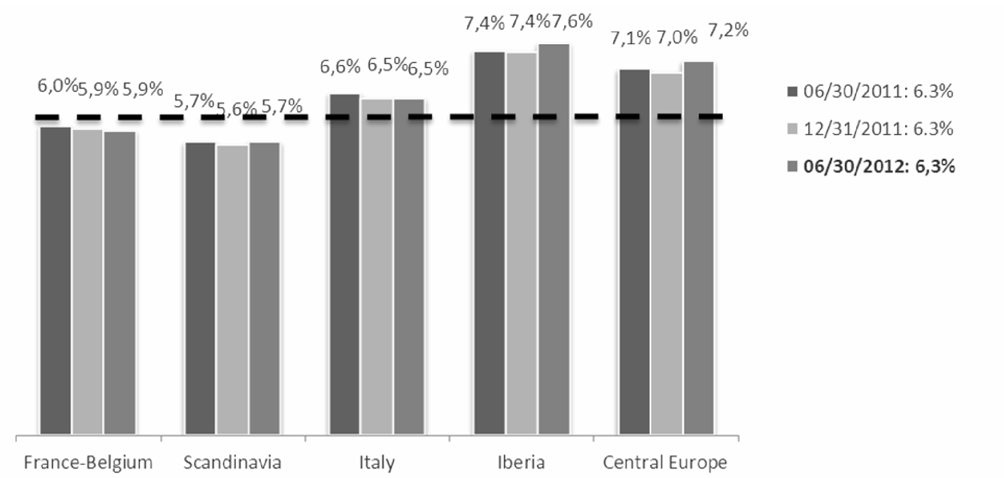
**Offices**

The value of the office portfolio stands at 533.5 million euros excluding duties.

On a constant portfolio basis, the value of the assets increased by 0.6% over 6 months (+5.6% over 12 months). The average yield rate of the portfolio stands at 6.2% excluding duties, down by 10 basis points compared with December 31, 2011 and down by 40 basis points compared with June 30, 2011.

On a current portfolio basis the change is -2.4% over 6 months (+2.3% over 12 months). The decrease takes into account the disposal of the Anatole France building (Levallois-Perret) completed in the 1st quarter of 2012. The increase over 12 months is attributable to the rise in the value of the Séreinis building following its letting in September 2011.

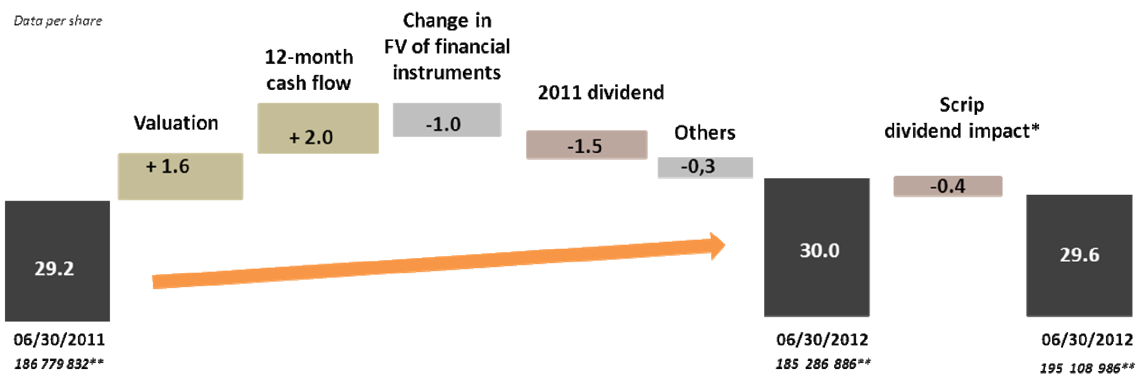
**Change in yields, shopping center portfolio**



## 7.2. CHANGE IN EPRA NNNAV PER SHARE

| In millions of euros | June 30, 2012 | December 31, 2011 | June 30, 2011 | Change over 6 months | | Change over 12 months | |
|---|---|---|---|---|---|---|---|
| Consolidated shareholders' equity (group share) | 2 108 | 2 101 | 2 301 | 7 | 0,3% | -193 | -8,4% |
| Unrealized capital gains on holdings (duties included) | 3 894 | 3 880 | 3 420 | 13 | 0,3% | 474 | 13,8% |
| Fair value of financial instruments | 371 | 306 | 171 | 65 | 21,2% | 200 | 116,9% |
| Differed tax on asset values on the balance sheet | 321 | 320 | 320 | 1 | 0,4% | 1 | 0,2% |
| Reconstitution NAV | 6 694 | 6 607 | 6 212 | 87 | 1,3% | 481 | 7,7% |
| Duties and fees on the sale of assets | -341 | -381 | -335 | 40 | -10,4% | -6 | 1,8% |
| EPRA NAV | 6 352 | 6 226 | 5 877 | 126 | 2,0% | 475 | 8,1% |
| Effective taxes on capital gains | -210 | -235 | -226 | 25 | -10,7% | 16 | -7,2% |
| Fair value of financial instruments | -371 | -306 | -171 | -65 | 21,2% | -200 | 116,9% |
| Fair value of fixed-rate debt | -2 | 123 | -22 | -125 | -101,7% | 20 | -90% |
| Liquidative NAV (EPRA NNAV) | 5 770 | 5 808 | 5 458 | -38 | -0,7% | 311 | 5,7% |
| Number of shares, end of period (after dilutive effect) | 195 108 986 | 185 250 832 | 186 779 092 | | | | |
| *Per share (€)* | | | | | | | |
| *Reconstitution NAV per share* | *34,3* | *35,7* | *33,3* | *-1,4* | *-3,8%* | *1,0* | *3,1%* |
| *EPRA NAV per share* | *32,6* | *33,6* | *31,5* | *-1,1* | *-3,1%* | *1,1* | *3,5%* |
| *Liquidative NAV (EPRA NNNAV) per share* | *29,6* | *31,4* | *29,2* | *-1,8* | *-5,7%* | *0,3* | *1,2%* |

**Liquidative NAV (EPRA NNNAV)[9] stands at 29.6 euros per share compared with 31.4 euros at December 31, 2011 and 29.2 euros at June 30, 2011.** This 1.8 euro decrease over 6 months can be broken down as follows:




* EPRA NNNAV 06/30/2012 after payment of the dividend in shares / Number of shares after payment of the dividend in the form of shares – (EPRA NNNAV 06/30/2012 after payment of the dividend in shares – Capital increase following payment of the dividend in shares) / (Number of shares after payment of the dividend in the form of shares – Number of new shares created after the payment of the dividend in the form of shares) = 5 770 M€ / 195 108 986 - (5 770 M€ - 217.7 M€) / (195 108 986 - 9 822 100) = 0.4 €.
** Number of shares (end of period)

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

The change in EPRA NNNAV reflects the stable valuation of the portfolio and the positive impact (+1.0 euro) of cash flow for the 1st half of 2012, offset by the change in the fair value of financial instruments (-1.0 euro) which reflects the improvement in Klépierre's secondary spread on fixed debt rate and the decrease in interest rates during the 1st half. The payment of the dividend to shareholders has an impact of -1.5 euro. Finally, on May 21, 2012, with 81.4% of rights to the dividend exercised in favor of a share payment, 9 822 100 new shares were issued: the impact on EPRA NNNAV per share was -0.4 euro.

# 8. FINANCIAL POLICY

## 8.1. FINANCIAL RESOURCES

### 8.1.1. Change in net debt

Consolidated net debt stands at 7 598 million euros, compared to 7 618 million euros at December 31, 2011 (-20 M€).
Excluding forex impact, consolidated net debt decreased by 61 million euros:

- The main financing needs for the period came from investments (207 million euros) and the 2011 dividend payment (270 M€).
- The Company's own resources covered the 1st half financing needs and were divided between disposals (200 M€, group share), the capital increase related to scrip dividend (218 M€) and free cash flow.
- The translation into euros of net debt stated in foreign currencies generated a positive forex impact of 41 million euros, which reflects the appreciation of Scandinavian currencies against the euro.

The decrease in net debt translates into an improvement in the Loan-To-Value ratio which, after taking into account disposals made after the accounting cut-off date (115 M€), stands at 44.8% (i.e., a decrease of over 1 percentage point compared to December 31, 2011).

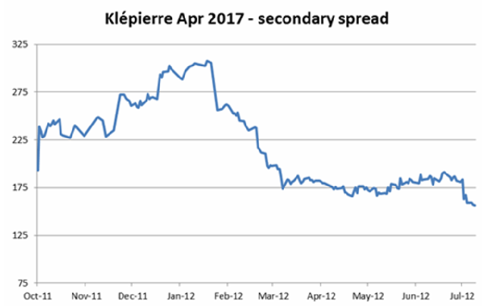
### 8.1.2. Available resources

The Group's level of liquidity (available lines and net cash) rose sharply over the 1st half of 2012, and now stands now at more than 1 billion euros, i.e., an increase of close to 300 million euros compared to December 31, 2011.

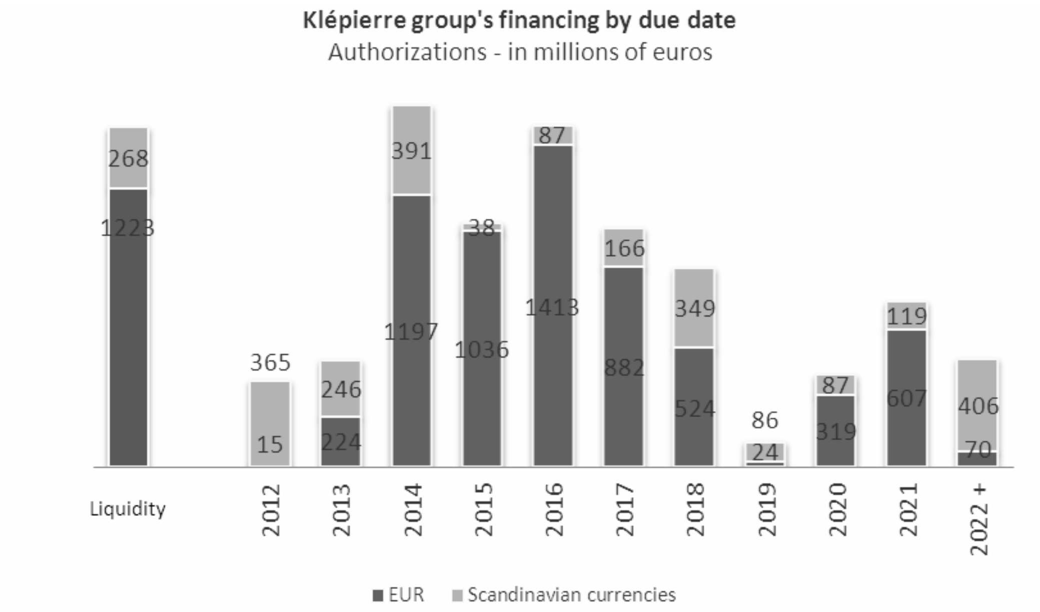
After taking into account financing operations and disposals executed after the accounting cut-off date the Group's level of liquidity is about 500 million euros higher, i.e., close to 60% of its financing needs until 2015. This improvement is the consequence of the satisfactory completion of the disposal program and the completion of financing operations carried out during the 1st half of 2012:

- In the 1st quarter of 2012, the maturity of a 1 billion euro credit line due in 2013 was extended to 4 years on average.
- In the 2nd quarter of 2012, Klépierre confirmed its good access to the bond market by raising 300 million euros in the form of private placements or tap-ups to existing bonds. In addition two tap-ups to existing bonds (due in 2017 and 2021) were completed in the beginning of July for a total amount of 188.5 million euros. All these transactions involved a large number of pan-European investors, allowing Klépierre to raise long-term financing (average duration of 8.5 years) at a very competitive cost

(3.65%) that was, on average, 20 basis points lower than the conditions offered in the secondary market.

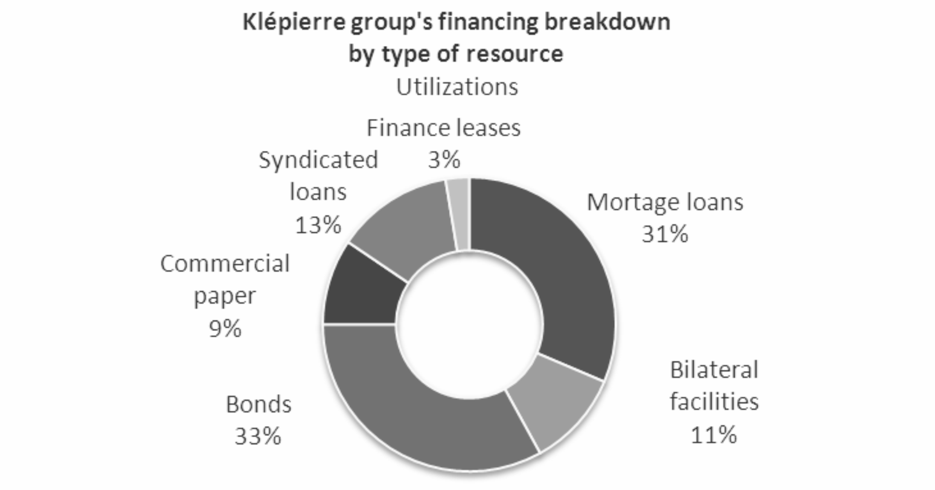



- In Scandinavia, the main refinancing for 2012 is due in the 4th quarter and relates to a 2 billion Norwegian Krona mortgage loan (265 M€) for which negotiations are underway with several banks. As of today, Steen & Strøm has 1.2 billion Norwegian Krona (165 M€) in financing commitments available under the form of mortgage loans that cover almost all its financing needs. Steen & Strøm intends to finance the remainder by managing all the opportunities offered by the Scandinavian market either through mortgage loans or bond issues. Generally, the Group's access to the Scandinavian markets remains very satisfactory: in early July Steen & Strøm had 268 million euros in available liquidities.

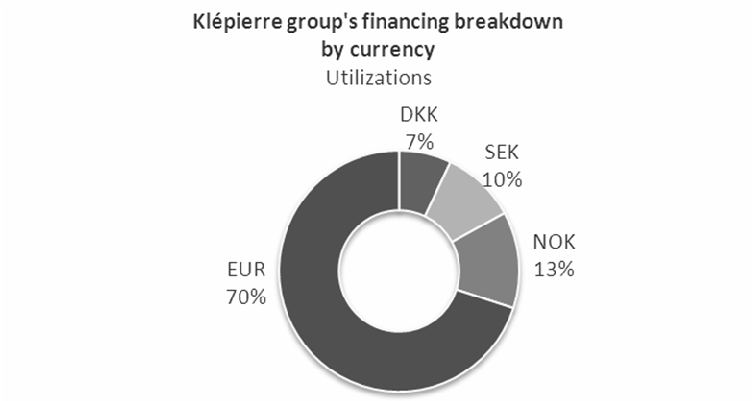



### 8.1.3. Debt structure and duration

The bond issues completed in the course of the 1st half of 2012 have enabled the Group to further diversify the overall balance of its various sources of financing, tilting the balance toward the bond market, which now represents more than 33% of financing resources, after taking into account the two tap-ups to the bonds due in 2017 (100 M€) and 2021 (88.5 M€).




The currency breakdown of financing resources remains consistent with the geographic exposure of the Group's portfolio of assets.

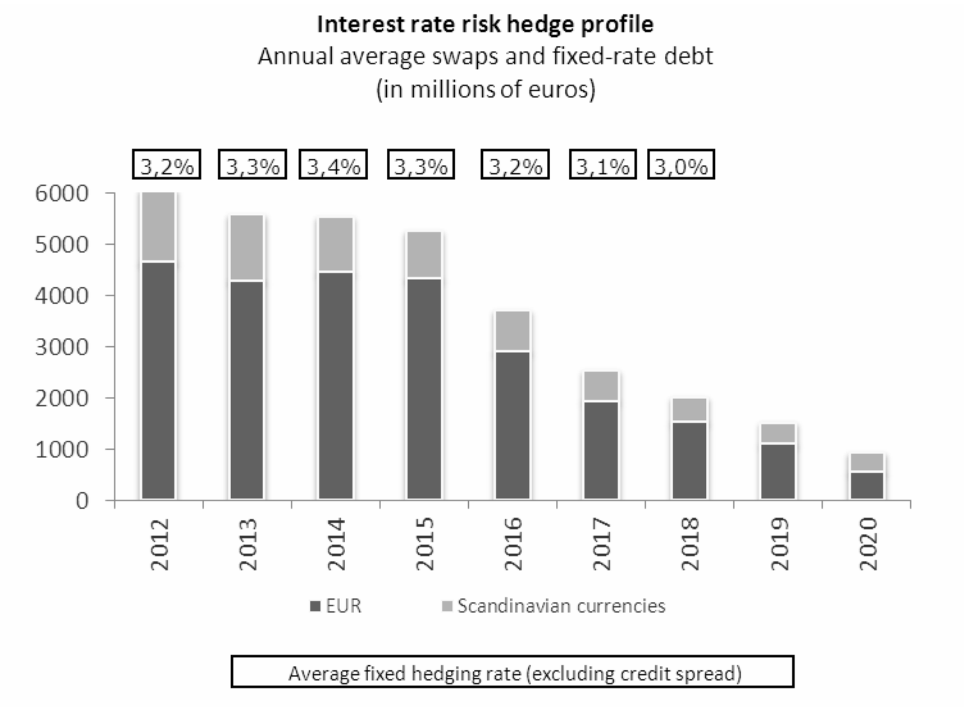



With the implementation of the two new bilateral facilities and the completion of bond issues, the average duration of the debt has been raised by 0.4 year compared to December 31, 2011, and currently stands at 5.3 years.

## 8.2. INTEREST RATE HEDGING

In light of the expected fall in its debt and in order to take into account the implementation of fixed-rate bond debts, Klépierre cancelled 900 million euros worth of swaps with a maturity level below to 3 years.

As the new bonds are being kept at fixed-rates, the Group's hedged rate is unchanged (80%). Klépierre managed to lengthen its hedging duration while reducing by approximately 25 basis points the average fixed rate of its debt.




## 8.3. COST OF DEBT

The average cost of debt for Klépierre over the period (the ratio of interest expense – restated of deferral payment on swaps – to average outstanding financing debt) is 3 basis points lower than in 2011 and stands at 4.14%. Based on the structure of interest-rates on June 30, 2012, the cost of debt for the Group would increase by 0.10% in the event of a 0.50% increase in rates, i.e., a 7.7 million euro impact on the cost of debt.

## 8.4. FINANCIAL RATIOS AND RATINGS

As of June 30, 2012, the Group's financing covenants remain in line with the commitments agreed to under its financing agreements.

The financial rating of Klépierre by Standard & Poor's was maintained in April 2012 at BBB+/A2 (long- and short-term ratings, respectively) with a stable outlook.

| Financing | Maximum amount of related financing (M€) | Impact of non-compliance | Ratios/ covenants | Limit [1] | 06/30/2012 | 12/31/2011 |
|---|---|---|---|---|---|---|
| Syndicated loans | 3 289 | Default | Net debt / Value of holdings ("Loan-to-Value") | ≤60% | 45,1% | 45,8% |
| | | | EBITDA / Net interest expenses | ≥2,0 | 2,6 | 2,5 |
| | | | Secured debt / Value of holdings | ≤20% | 14,7% | 14,5% |
| | | | Value of holdings, group share | ≥€6 Bn | €13,2 Bn | €13,2 Bn |
| | | | Financings of subsidiaries (excluding Steen & Strøm) / Total gross financial debt | ≤30% | 6,0% | 7,9% |
| Bond issues Klépierre SA | 2 289 | Default | Secured debt / Revalued Net Asset Value (excluding Steen & Strøm) [2] | ≤50% | 9,2% | 9,2% |

[1] Most constraining contract limit
[2] NAV including transfer duties after deferred tax

After taking into account disposals completed after the accounting cut-off date the Loan-To-Value ratio stands at 44.8%

A portion of Steen & Strøm debt is subject to a financial covenant that requires shareholders' equity to be equal to at least 20% of NAV at all times. On June 30, 2012, this ratio was 31.6%

## 9. EVENTS SUBSEQUENT TO THE ACCOUNTING CUT-OFF DATE

To the best of management's knowledge, no other 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 Klépierre's financial condition and position compared with the data presented in this report.

# 10. SYNTHETIC TABLES

| REVENUES (TOTAL SHARE) RENTS | | | 2012/ 2011 (%) | |
|---|---|---|---|---|
| In millions of euros | 06/ 30/ 2012 | 06/ 30/ 2011 | Current portfolio and forex basis | Constant portfolio and forex basis |
| France | 191,7 | 174,7 | 9,8% | 4,9% |
| Belgium | 7,1 | 6,9 | 2,6% | 2,6% |
| Norway | 48,1 | 47,5 | 1,3% | 1,8% |
| Sweden | 34,2 | 32,7 | 4,4% | 2,9% |
| Denmark | 22,0 | 21,0 | 4,8% | 4,5% |
| Italy | 61,7 | 59,6 | 3,5% | 2,3% |
| Greece | 2,2 | 3,0 | -26,7% | -26,7% |
| Spain | 37,6 | 39,5 | -4,8% | -5,0% |
| Portugal | 9,0 | 8,8 | 2,0% | -3,3% |
| Poland | 17,5 | 17,7 | -1,5% | -1,6% |
| Hungary | 11,0 | 13,5 | -18,4% | -18,6% |
| Czech Republic | 10,4 | 10,1 | 2,7% | 3,9% |
| Slovakia | 0,8 | 0,8 | -6,5% | -6,5% |
| SHOPPING CENTERS | 453,3 | 436,0 | 4,0% | 1,6% |
| RETAIL | 21,9 | 21,1 | 3,7% | 2,1% |
| OFFICES | 10,9 | 13,8 | -20,9% | 26,7% |
| TOTAL RENTS | 486,1 | 471,0 | 3,2% | 2,1% |
| FEES | 43,5 | 39,7 | 9,6% | |
| REVENUES | 529,6 | 510,7 | 3,7% | |

| REVENUES (GROUP SHARE) RENTS | | | 2012/ 2011 (%) | |
|---|---|---|---|---|
| In millions of euros | 06/ 30/ 2012 | 06/ 30/ 2011 | Current portfolio and forex basis | Constant portfolio and forex basis |
| France | 156,0 | 139,8 | 11,6% | 5,1% |
| Belgium | 7,1 | 6,9 | 2,6% | 2,6% |
| Norway | 27,0 | 26,7 | 1,3% | 1,8% |
| Sweden | 19,2 | 18,4 | 4,4% | 2,9% |
| Denmark | 12,4 | 11,8 | 4,8% | 4,5% |
| Italy | 52,7 | 51,7 | 1,9% | 2,2% |
| Greece | 1,8 | 2,6 | -28,3% | -28,3% |
| Spain | 32,6 | 34,3 | -4,8% | -4,9% |
| Portugal | 9,0 | 8,8 | 2,0% | -3,3% |
| Poland | 17,5 | 17,7 | -1,5% | -1,6% |
| Hungary | 11,0 | 13,5 | -18,8% | -19,0% |
| Czech Republic | 10,4 | 10,1 | 2,7% | 3,9% |
| Slovakia | 0,8 | 0,8 | -6,5% | -6,5% |
| SHOPPING CENTERS | 357,4 | 343,1 | 4,2% | 1,3% |
| RETAIL | 18,4 | 17,8 | 3,7% | 2,1% |
| OFFICES | 10,9 | 13,8 | -20,9% | 26,7% |
| TOTAL RENTS | 386,8 | 374,6 | 3,2% | 1,9% |
| FEES | 37,1 | 33,6 | 10,5% | |
| REVENUES | 423,9 | 408,2 | 3,8% | |

# SUMMARY OF THE CONSOLIDATED ACCOUNTS

KLEPIERRE

## COMPREHENSIVE INCOME STATEMENT (EPRA MODEL)

| in thousands of euros | Notes | 06/30/2012 | 06/30/2011 |
|---|---|---|---|
| Lease income | 6.1 | 490 673 | 477 716 |
| Land expenses (real estate) | 6.2 | -2 226 | -1 242 |
| Non-recovered rental expenses | 6.3 | -21 462 | -17 565 |
| Building expenses (owner) | 6.4 | -29 227 | -32 601 |
| ***Net rents*** | | ***437 758*** | ***426 308*** |
| Management, administrative and related income | | 43 519 | 39 717 |
| Other operating revenue | | 6 575 | 8 839 |
| Survey and research costs | | -380 | -644 |
| Payroll expenses | 10.1 | -57 700 | -54 092 |
| Other general expenses | | -20 365 | -19 801 |
| Depreciation and impairment allowance on investment property | 6.6 | -180 186 | -163 931 |
| Depreciation and impairment allowance on intangible assets and property, plant and equipment | 6.6 | -5 346 | -4 665 |
| Provisions | | 1 179 | -3 145 |
| | | 0 | 0 |
| Gains on the disposal of investment property and equity investments | 6.7 | 111 155 | 83 382 |
| Net book value of investment property and equity investments sold | 6.7 | -60 752 | -54 189 |
| ***Income from the disposal of investment property and equity investments*** | | ***50 403*** | ***29 193*** |
| ***Profit on the disposal of short term assets*** | | ***0*** | ***0*** |
| ***Goodwill impairment*** | | ***0*** | ***0*** |
| **Operating income** | | **275 457** | **257 779** |
| Net dividends and provisions on non-consolidated investments | | 14 | 109 |
| *Financial income* | | *79 599* | *71 007* |
| *Financial expenses* | | *-236 522* | *-225 281* |
| Net cost of debt | 6.8 | -156 923 | -154 273 |
| Change in the fair value of financial instruments | | -2 027 | 420 |
| Effect of discounting | | 0 | -330 |
| Share in earnings of equity method investees | | 660 | 657 |
| **Profit before tax** | | **117 181** | **104 362** |
| Corporate income tax | 7 | -8 181 | -12 061 |
| **Net income of consolidated entity** | | **109 000** | **92 301** |
| **Of which** | | | 0 |
| *Group share* | | *68 565* | *60 534* |
| *Non-controlling interests* | | *40 435* | *31 767* |
| **Undiluted average number of shares** | | **187 399 561** | **186 799 952** |
| **Undiluted comprehensive earnings per share (euro)** | | **0,4** | **0,3** |
| **Diluted average number of shares** | | **187 399 561** | **186 799 952** |
| **Diluted comprehensive earnings per share (euro)** | | **0,4** | **0,3** |

| in thousands of euros | Notes | 06/30/2012 | 06/30/2011 |
|---|---|---|---|
| **Net income of consolidated entity** | | **109 000** | **92 301** |
| **Other comprehensive income items recognized directly as equity** | | -3 306 | 109 495 |
| Income from sales of treasury shares | | *997* | *531* |
| Effective portion of profits and losses on cash flow hedging instruments (IAS 39) | | *-54 542* | *63 360* |
| Translation profits and losses | | *41 677* | *56 236* |
| Tax on other comprehensive income items | | *8 562* | *-10 632* |
| Share of other comprehensive income items of equity method investees | | 0 | 0 |
| **Total comprehensive income** | | **105 694** | **201 796** |
| **Of which** | | | |
| *Group share* | | *58 268* | *157 923* |
| *Non-controlling interests* | | *47 426* | *43 873* |
| **Undiluted comprehensive earnings per share (euro)** | | **0,3** | **0,8** |
| **Diluted comprehensive earnings per share (euro)** | | **0,3** | **0,8** |

KLEPIERRE

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (EPRA MODEL)

| *in thousands of euros* | Notes | 06/30/2012 | 12/31/2011 |
|---|---|---|---|
| Goodwill | *5.1* | 134 980 | 134 647 |
| Intangible assets | *5.2* | 31 421 | 30 462 |
| Property, plant and equipment and work in progress | *5.3* | 31 792 | 28 244 |
| Investment property | *5.4* | 11 092 139 | 11 064 739 |
| Investment property under construction | *5.5* | 772 712 | 748 084 |
| Equity method securities | *5.7* | 19 142 | 19 914 |
| Other non-current assets | *5.9* | 20 527 | 22 490 |
| Non-current derivatives | *5.15* | 105 872 | 97 028 |
| Deferred tax assets | *7* | 113 921 | 101 285 |
| ***NON-CURRENT ASSETS*** | | ***12 322 506*** | ***12 246 893*** |
| Investment property held for sale | *5.6* | 108 053 | 61 418 |
| Inventory | | 409 | 408 |
| Trade accounts and notes receivable | *5.10* | 134 252 | 98 939 |
| Other receivables | *5.11* | 395 296 | 312 627 |
| *Tax receivables* | | *46 746* | *37 471* |
| *Other debtors* | | *348 551* | *275 156* |
| Current derivatives | *5.15* | 0 | *0* |
| Cash and cash equivalents | *5.12* | 240 681 | 287 088 |
| ***CURRENT ASSETS*** | | ***878 691*** | ***760 480*** |
| **TOTAL ASSETS** | | **13 201 197** | **13 007 373** |
| Capital | | 279 259 | 265 507 |
| Additional paid-in capital | | 1 773 876 | 1 569 970 |
| Legal reserves | | 26 551 | 26 551 |
| Consolidated reserves | | -40 115 | 92 739 |
| *Treasury shares* | | *-101 042* | *-101 088* |
| *Hedging reserves* | | *-374 234* | *-327 941* |
| *Other consolidated reserves* | | *435 161* | *521 768* |
| Consolidated earnings | | 68 565 | 142 414 |
| Shareholders' equity, group share | | 2 108 136 | 2 097 181 |
| Non-controlling interests | | 1 397 953 | 1 326 040 |
| ***SHAREHOLDERS' EQUITY*** | *5.13* | ***3 506 089*** | ***3 423 221*** |
| Non-current financial liabilities | *5.14* | 6 782 153 | 6 856 237 |
| Long-term provisions | *5.16* | 13 180 | 13 602 |
| Pension commitments | *10.3* | 15 618 | 14 389 |
| Non-current derivatives | *5.15* | 458 459 | 454 455 |
| Security deposits and guarantees | | 147 763 | 142 135 |
| Deferred tax liabilities | *7* | 423 313 | 429 481 |
| ***NON-CURRENT LIABILITIES*** | | ***7 840 486*** | ***7 910 299*** |
| Current financial liabilities | *5.14* | 1 188 315 | 1 079 811 |
| Bank facilities | *5.12* | 50 308 | 98 934 |
| Trade payables | | 190 155 | 109 464 |
| Payables to fixed asset suppliers | | 31 722 | 34 084 |
| Other liabilities | *5.17* | 295 793 | 251 509 |
| Current derivatives | *5.15* | 5 711 | 8 191 |
| Social and tax liabilities | *5.17* | 92 618 | 91 860 |
| Short-term provisions | | 0 | 0 |
| ***CURRENT LIABILITIES*** | | ***1 854 622*** | ***1 673 853*** |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | | **13 201 197** | **13 007 373** |

## CONSOLIDATED CASH FLOW STATEMENT (EPRA MODEL)

| *in thousands of euros* | 06/30/2012 | 06/30/2011 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Net income from consolidated companies | 109 000 | 92 301 |
| Elimination of expenditure and income with no cash effect or not related to operating activities | | |
| • Depreciation, amortization and provisions | 187 341 | 173 092 |
| • Capital gains and losses on asset disposals net of taxes and deferred taxes | - 44 006 | - 11 263 |
| • Reclassification of financial interests and other items | 179 547 | 169 617 |
| **Gross cash flow from consolidated companies** | **431 882** | **423 747** |
| Paid taxes | - 11 237 | - 10 831 |
| Change in operating working capital requirement | - 30 497 | 49 893 |
| **Cash flows from operating activities** | **390 148** | **462 809** |
| **Cash flows from investing activities** | | |
| Income from sales of investment properties | 105 810 | 81 292 |
| Income from sales of other fixed assets | 44 | 9 |
| Income from disposals of subsidiaries (net of cash disposed) | 14 798 | - 3 |
| Acquisitions of investment properties | - 44 793 | - 67 563 |
| Acquisition costs of investment properties | - 1 620 | - 169 |
| Payments in respect of construction work in progress | - 166 510 | - 162 454 |
| Acquisitions of other fixed assets | - 7 673 | - 6 316 |
| Acquisitions of subsidiaries through deduction of acquired cash | - 16 193 | - 25 693 |
| Issuing/repayment of loans and advance payments granted and other investments | 1 582 | 12 113 |
| **Net cash flows from investing activities** | **- 114 555** | **- 168 784** |
| **Cash flows from financing activities** | | |
| Dividends paid to the parent company's shareholders (1) | - 51 097 | - 252 227 |
| Dividends paid to non-controlling interests | - 89 864 | - 57 093 |
| Dividends payable | - | 2 487 |
| Capital increase | - | 56 072 |
| Repayment of share premium | - | - |
| Acquisitions/disposal of treasury shares | - 829 | - 815 |
| New loans, borrowings and hedging instruments | 832 311 | 771 324 |
| Repayment of loans, borrowings and hedging instruments | - 834 518 | - 686 022 |
| Interest paid | - 240 273 | - 161 426 |
| Other cash flows related to financing activities (2) | 111 969 | - |
| **Net cash flows from financing activities** | **- 272 301** | **- 327 700** |
| **Effect of foreign exchange rate changes on cash and cash equivalents** | **- 1 073** | **- 4 940** |
| **CHANGE IN CASH AND CASH EQUIVALENTS** | **2 219** | **- 38 615** |
| ***Cash at year-start*** | ***188 154*** | ***179 872*** |
| ***Cash at year-end*** | ***190 373*** | ***141 257*** |

(1) Dividend paid in 2012 for 268.8 million euros of which only 51.1 million euros was in cash.

(2) Cash Flow resulting from the change of in the ownership interest in Clayes-Souilly without loss of control

## STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

| *in thousands of euros* | Capital | Capital related reserves | Treasury stock | Hedging reserves | Consolidated reserves | Equity, group share | Equity, non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|
| **Equity at 06/30/2011** | **265 507** | **1 596 521** | **-70 143** | **-171 400** | **680 200** | **2 300 685** | **1 308 560** | **3 609 245** |
| Share capital transactions | | | | | | | - 52 785 | **- 52 785** |
| Share-based payments | | | | | | | | |
| Treasury share transactions | | | - 30 945 | | - 670 | **- 31 615** | | **- 31 615** |
| Dividends | | | | | | | - 3 103 | **- 3 103** |
| | | | | | | | - | - |
| **Net income for the period** | | | | | **81 880** | **81 880** | **23 596** | **105 476** |
| **Gains and losses recognized directly in equity** | | | | | | | | |
| Income from sales of treasury shares | | | | | - 1 766 | **- 1 766** | - 11 | **- 1 777** |
| Income from cash flow hedging | | | | - 190 105 | - | **- 190 105** | - 19 029 | **- 209 134** |
| Translation profits and losses | | | | | - 94 395 | **- 94 395** | **- 6 357** | **- 100 752** |
| Tax on other comprehensive income items | | | | 33 564 | **-** | **33 564** | 4 759 | **38 323** |
| **Other comprehensive income items** | | | | **- 156 541** | **- 96 161** | **- 252 702** | **- 20 638** | **- 273 340** |
| Changes in the scope of consolidation | | | | | - 447 | **- 447** | 39 632 | **39 185** |
| Other movements | | | | | - 620 | **- 620** | 30 778 | **30 158** |
| **Equity at 12/31/2011** | **265 507** | **1 596 521** | **-101 088** | **-327 941** | **664 182** | **2 097 181** | **1 326 040** | **3 423 221** |
| Share capital transactions | 13 752 | 203 906 | | | | **217 658** | | **217 658** |
| Share-based payments | | | | | | | | |
| Treasury share transactions | | | 46 | | | **46** | | **46** |
| Dividends | | | | | - 268 755 | **- 268 755** | - 91 895 | **- 360 650** |
| **Net income for the period** | | | | | **68 565** | **68 565** | **40 435** | **109 000** |
| **Gains and losses recognized directly in equity** | | | | | | | | |
| Income from sales of treasury shares | | | | | 1 000 | **1 000** | - 3 | **997** |
| Income from cash flow hedging | | | | - 54 909 | - | **- 54 909** | 367 | **- 54 542** |
| Translation profits and losses | | | | | 34 996 | **34 996** | 6 681 | **41 677** |
| Tax on other comprehensive income items | | | | 8 616 | **-** | **8 616** | - 54 | **8 562** |
| **Other comprehensive income items** | | | | **- 46 293** | **35 996** | **- 10 297** | **6 991** | **- 3 306** |
| Changes in the scope of consolidation | | | | | - 4 996 | **- 4 996** | 116 959 | **111 963** |
| Other movements | | | | | 8 734 | **8 734** | - 577 | **8 157** |
| **EQUITY AT 06/30/2012** | **279 259** | **1 800 427** | **-101 042** | **-374 234** | **503 726** | **2 108 136** | **1 397 953** | **3 506 089** |

# 1. SIGNIFICANT EVENTS OF THE FIRST HALF OF 2012

## 1.1. Investments made

The Group invested a total of 206.6 million euros mainly in France (105.4 million euros), Scandinavia (70.5 million euros) and Italy (13.8 million euros). The majority of this expenditure was on Emporia (Sweden), due to open at the end of 2012 and on extension and renovation projects in France: Carré Jaude 2, Claye-Souilly and Rives d'Arcins.

In Belgium, the subsidiary Coimbra invested 14.4 million euros in acquiring the site for the future Louvain La Neuve extension.

## 1.2. Disposals

Eight assets were sold for a total of 105.8 million euros:

- An undivided ownership terms (50%) office building located at 105 rue Anatole-France in Levallois (16.5 million euros);

- Seven French shopping malls including La Roche-sur-Yon, Aulnoy-les-Valenciennes, Beaune-Saint Jacques and Bourges (88.4 million euros).

The Group also disposed of 45% of the Claye-Souilly shopping center, as part of an asset transfer and shareholder restructuring.

## 1.3. Dividend

The general meeting of shareholders held on April 12, 2012, set the dividend amount per share for the 2011 fiscal year at 1.45 euros and proposed the payment in cash or in shares.

81.4% of shareholders chose to have the dividend paid in shares. This resulted in a 217.7 million euros increase in the equity and the creation of 9,822,100 new shares.

Cash dividend payments totaled 51.1 million euros.

Once this transaction was completed, Klépierre SA's share capital amounted to 279,258,476 euros and was divided into 199,470,340 shares with a par value of 1.40 euros.

## 1.4. Debt

Klépierre raised 300 million euros on the bond market in the first half of 2012. These issues were part of the Euro Medium Term Notes (EMTN) program:

- On May 16, 2012, a fifteen-year bond for 50 million euros, maturing May 21, 2027 paying 4.23% coupon;

- On May 29, 2012, additional 50 million euros raised on the debt maturing on April 14, 2020 bringing the issue paying 4.625% coupon to 300 million euros;

- On May 29, 2012, additional 200 million euros raised on the debt maturing on March 14, 2021 bringing the issue paying 4.75% coupon to 500 million euros.

On March 7, 2012, two new credit lines were set up for a total of 1 billion euros, out of which 500 million euros expiring in 2016 and another 500 million euros expiring in 2018.

On March 8, 2012, Klépierre waived 1,425 million euros of the bilateral 2,400 million euro credit line opened in October 2009, bringing the available amount to 975 million euros (675 million euros on tranche A and 300 million euros on tranche B of the loan).

The commercial paper program was increased by 100 million euros, bringing the total to 600 million.

## 1.5. Klépierre SA shareholder changes

Until March 14, 2012, Klépierre was owned 50.91% by the BNP Paribas Group. On March 14, 2012, the bank completed the sale of a 28.7% stake in the share capital of Klépierre to Simon KP I and Simon KP II. (Simon Property Group Inc.). Subsequent to this operation, BNP Paribas owned a 22.2% stake in the share capital of Klépierre SA.

The headquarters of Simon Property Group are located in Indianapolis (Indiana) in the United States.

# 2. ACCOUNTING PRINCIPLES AND METHODS

## 2.1. Corporate reporting

Klépierre is a French corporation (Société anonyme or SA) subject to French company legislation, and more specifically the provisions of the French Commercial Code. The Company's registered office is located at 21 avenue Kléber in Paris.

On July 16, 2012, the Executive Board finalized the Klépierre SA consolidated financial statements for the period from January 1 to June 30, 2012 and authorized their publication.

Klépierre shares are traded on the Euronext Paris™ market (Compartment A).

## 2.2. Principles of financial statement preparation

The interim consolidated financial statements are prepared and presented in the form of condensed financial statements, according to IAS 34, relative to Interim Financial Reporting. As the accounts are condensed financial statements, they do not include all the information required by IFRS, do not contain all the information and notes required to prepare annual financial statements and, in this respect, they have to be read alongside the published consolidated financial statements (or the registration document) relative to fiscal year 2011.

In accordance with Regulation (EC) No. 1126/2008 of November 3, 2008 on the application of international accounting standards, the Klépierre group consolidated financial statements to June 30, 2012 have been prepared in accordance with IFRS published 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 (International Financial Reporting Standards), the IAS (International Accounting Standards) and their interpretations (SIC and IFRIC).

This framework is available on the website:
http://ec.europa.eu/internal_market/accounting/ias/index_en.htm

The accounting principles applied to the interim consolidated financial statements to June 30, 2012 are identical to those used in the consolidated financial statements to December 31, 2011, with the exception of the adoption of the following new standards and interpretations, for which application is mandatory for the Group:

- 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 IFRS 7 : Disclosures – Transfer of Financial Assets;
- Amendment to IFRIC 14 : Prepayments of a minimum funding requirement;
- Amendment to IAS 32 : Classification of rights issues;
- Improvements to : Annual improvement to IFRS standards – May 2010;

IFRS issued in 2010

- IFRS 1 First-time Adoption of IFRS,
- IFRS 3 Business Combinations,
- IFRS 7 Financial Instruments: Disclosures,
- IAS 1 Presentation of Financial Statements,
- IAS 27 Consolidated and Separate Financial Statements,
- IAS 34 Interim Financial Reporting,
- IFRIC 13 Customer Loyalty Programs.

These standards, amendments and interpretations had no significant impact on the Group's financial statements at June 30, 2012.

These standards are applied prospectively and have no effect on the accounting treatment of transactions before January 1, 2012.

Klépierre has not applied early the new standards, amendments and interpretations adopted by the European Union where application in 2012 was optional.

The texts published by the IASB and not yet adopted by the European Union are the following:

- Amendment to IAS 1 Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income;
- Amendment to IAS 12 Deferred Tax – Recovery of Underlying Assets;
- Amendment to IAS 32 Offsetting Financial Assets and Financial Liabilities;
- IAS 19 Employee Benefits;
- IAS 28 Investments in Associates and Joint Ventures;
- Amendment to IFRS 1 Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters;
- Amendment to IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities;
- IFRS 9 Financial Instruments;
- IFRS 10 Consolidated Financial Statements;
- IFRS 11 Joint Arrangements;
- IFRS 12 Disclosure of Interests in Other Entities;
- IFRS 13 Fair Value Measurement.

Klépierre's process for determining the potential impacts on the Group's consolidated financial statements is currently being implemented.

## 2.3. Consolidated Financial Statements – basis of preparation

The consolidated financial statements comprise the financial statements of Klépierre SA and its subsidiaries for the period to June 30, 2012. The financial statements of subsidiaries are prepared for the same accounting period as that of the parent company using consistent accounting methods.

The Group's consolidated financial statements are prepared on the basis of the historical cost principle, with the exception of financial derivatives and available-for-sale financial assets, 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.

## 2.4. Use 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.

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:

- ***Measurement of goodwill***

The Group tests goodwill for impairment at least once a year. This involves estimating the value in use of the cash-generating units to which the goodwill is allocated. In order to determine their value in use, Klépierre prepares estimates based on expected future cash flows from each cash-generating unit, and applies a pre-tax discount rate to calculate the current value of these cash flows.

- ***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 2.12.2 of the notes to the consolidated financial statements at December 31, 2011.

The appraisers make assumptions concerning future flows and rates that have a direct impact on the value of the buildings.

- ***Financial instruments***

The Group assesses the fair value of the financial instruments it uses in accordance with the standard models practiced on the market and described in paragraph 2.21.4 of the notes to the consolidated financial statements at December 31, 2011.

## 2.5. Options used under IFRS 1

As part of the first application of the IFRS framework, IFRS 1 provides exemptions from some provisions of other IFRS standards. The application of these exemptions is optional.

For the Group, they relate mainly to:

- business combinations: non-restatements of business combinations occurring before the date of transition to IFRS;
- fair value or revaluation as deemed cost: use as deemed cost for property, plant and equipment and investment properties of the fair value applied in the consolidated financial statements in the revaluation carried out on January 1, 2003 following the adoption of SIIC (listed real estate company) status;
- employee benefits: for post-employment defined benefits, the Group accounts for actuarial gains or losses on its commitments by applying the so-called "corridor" method;
- share-based payment transactions: only plans granted after November 7, 2002 whose rights were exercised at January 1, 2005 were recognized as an expense on the income statement.

## 2.6. 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:

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

Almost all of Klépierre real estate meets this definition of "Investment property". Buildings occupied by the Group are recognized as tangible assets.

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.

Klépierre chose to apply the IAS 40 cost model.

### 2.6.1. Cost model

Investment property, plant and equipment (PPE) are recognized at cost, inclusive of duties and fees, and are amortized using the component method.

The distribution between non-depreciable values (land) and depreciable values (buildings) is established according to the methods set by the experts, i.e.:

- based on the land/building ratio for office buildings;
- by comparison with the reconstruction cost for shopping centers.

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 book value, 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.

### 2.6.2. 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 recognized at cost;
- for other properties, 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.

Components are broken down based on the history and technical characteristics of each building.

Klépierre uses the following matrix to determine components:

| | Offices | | Shopping centers | | Retail stores | |
|---|---|---|---|---|---|---|
| | Period | QP | Period | QP | Period | QP |
| Structures | 60 years | 60% | 30 to 50 years | 50% | 30 to 40 years | 50% |
| Facades | 30 years | 15% | 25 years | 15% | 15 to 25 years | 15% |
| GTI | 20 years | 15% | 20 years | 25% | 10 to 20 years | 25% |
| Fittings | 12 years | 10% | 10 to 15 years | 10% | 5 to 15 years | 10% |

A wear and tear ratio is applied when the acquired property is not new.

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.

## 2.7. Fair value of investment property

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 most likely price (excluding transaction fees and expenses) that could be reasonably obtained in the market on the balance sheet date.

The fair value of Klépierre's buildings is appraised by the independent appraisers responsible for valuing the Group's holdings on June 30 and December 31 of each year, but excludes transfer duties and fees (fees are measured on the basis of a direct sale of the building, even though these costs can, in some cases, be reduced by selling the company that owns the asset).

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.

Klépierre entrusts the task of appraising its real estate holdings to various experts. Offices are appraised by Auguste-Thouard.

Shopping centers are appraised by:

- Retail Consulting Group Expertise (RCGE) appraises French assets (with the exception of Progest, SCOO, Le Havre Coty, Klécar North-Est, Klécar West, Le Millénaire, Roques sur Garonne and Odysseum Montpellier portfolios), approximately 50% of Spanish assets, all of the Portuguese and Greek assets and the Italian portfolio excluding Klépierre Italie (i.e. shopping centers not owned 100% by the group);
- Jones Lang LaSalle (JLL) appraises the Progest, SCOO, Le Havre Coty, the Millénaire and Odysseum Montpellier portfolios in France, all Polish and Belgian assets and 50% of Hungarian and Norwegian assets;
- Auguste-Thouard appraises two regions of the Klécar assets (the North-Eastern and Western regions) and the center Roques sur Garonne;
- DTZ appraises Danish, Swedish, Slovakian, Czech assets, 50% of Norwegian, Spanish, Hungarian assets and Klépierre Italie (shopping centers 100% owned by the group);

Retail stores are appraised by:

- Retail Consulting Group Expertise (RCGE) appraises Feu-Vert assets, Buffalo Grill restaurants and the Chalon Sud 2 retail park;
- Auguste-Thouard appraises the Défi Mode, Sephora, King Jouet, Cap Nord, Akene, Da Costa and Delbard portfolios.

All appraisals are conducted in accordance with the principles of the Charte de l'Expertise en Evaluation Immobilière, the "Barthès de Ruyter" COB/CNC working group recommendations and RCIS standards. The fees paid to appraisers, agreed prior to their appraisal of the properties concerned, are fixed on a lump sum basis to reflect the number and complexity of the assets appraised. The fee is entirely unrelated to the appraised value of the assets concerned.

The appraising methodology of appraisals of the Offices and Shopping Centers corresponds to the one used in 2011, as indicated in paragraph 2.12.2 of the notes to the consolidated financial statements at December 31, 2011.

# 3. SEGMENT INFORMATION

## 3.1. Segment income statement at June 30, 2012

For management purposes, the Group is structured into business segments and geographic regions. There are eight operating segments.

Shopping centers are structured into six operating segments:

- France/Belgium (France, Belgium);
- Scandinavia (Norway, Sweden and Denmark);
- Italy;
- Iberia (Spain, Portugal);
- Central Europe (Hungary, Poland, Czech Republic).
- Other countries (Greece, Slovakia).

The remaining two operating segments are Retail assets and Office buildings.

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

Group financial policy (including the impact of financial expenses and revenues), corporate activities and fiscal result calculation are handled at Group level, and are not allocated to the operating segments.

| In millions of euros | SHOPPING CENTERS | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | France - Belgium | | Scandinavia | | Italy - Greece | | Iberia | | Central Europe | | Other countries | |
| | 06/30/12 | 06/30/11 | 06/30/12 | 06/30/11 | 06/30/12 | 06/30/11 | 06/30/12 | 06/30/11 | 06/30/12 | 06/30/11 | 06/30/12 | 06/30/11 |
| *Rents* | *198,8* | *181,6* | *104,3* | *101,3* | *61,7* | *59,6* | *46,6* | *48,3* | *38,9* | *41,4* | *3,0* | *3,8* |
| *Other rental income* | *3,4* | *5,6* | *-* | *-* | *0,8* | *0,9* | *0,1* | *0,1* | *0,0* | *0,0* | *0,0* | *0,0* |
| **Lease income** | **202,2** | **187,2** | **104,3** | **101,3** | **62,5** | **60,6** | **46,7** | **48,4** | **38,9** | **41,4** | **3,0** | **3,8** |
| Rental and real-estate expenses | -15,2 | -14,9 | -14,9 | -15,8 | -6,4 | -5,0 | -4,9 | -4,8 | -8,0 | -7,1 | -0,2 | -1,3 |
| **Net rental income** | **187,0** | **172,3** | **89,4** | **85,5** | **56,1** | **55,6** | **41,7** | **43,6** | **30,9** | **34,3** | **2,8** | **2,5** |
| Management and related income | 24,9 | 23,6 | 15,0 | 15,6 | 3,1 | 3,4 | 2,9 | 3,1 | 3,2 | 1,9 | 0,1 | 0,2 |
| Payroll and other general expenses | -27,2 | -27,0 | -20,8 | -17,8 | -6,1 | -5,5 | -7,2 | -6,7 | -4,0 | -4,5 | -0,2 | -0,2 |
| **EBITDA** | **184,7** | **168,9** | **83,7** | **83,3** | **53,0** | **53,5** | **37,4** | **40,1** | **30,1** | **31,7** | **2,6** | **2,4** |
| Depreciation, amortization and provisions | -55,8 | -47,7 | -37,9 | -38,9 | -18,4 | -17,9 | -23,2 | -23,2 | -31,9 | -30,4 | -6,4 | -3,7 |
| Income from disposals | 45,3 | 3,4 | 1,1 | 0,2 | 0,0 | 0,0 | - | 3,1 | -0,1 | 0,0 | 0,0 | 0,0 |
| Share in result of associates | 0,7 | 0,7 | - | - | 0,0 | 0,0 | - | - | - | - | 0,0 | 0,0 |
| ***SEGMENT EARNINGS*** | ***174,9*** | ***125,3*** | ***46,8*** | ***44,6*** | ***34,6*** | ***35,5*** | ***14,2*** | ***19,9*** | ***-1,8*** | ***1,3*** | ***-3,8*** | ***-1,2*** |

KLEPIERRE

| In millions of euros | SHOPPING CENTERS Total | | RETAIL France | | OFFICES France | | UNALLOCATED | | KLEPIERRE GROUP | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 06/30/12 | 06/30/11 | 06/30/12 | 06/30/11 | 06/30/12 | 06/30/11 | 06/30/12 | 06/30/11 | 06/30/12 | 06/30/11 |
| *Rents* | *453,3* | *436,0* | *21,9* | *21,1* | *10,9* | *13,8* | - | - | *486,1* | *471,0* |
| *Other rental income* | *4,3* | *6,7* | *0,0* | *0,1* | *0,2* | - | - | - | *4,6* | *6,8* |
| **Lease income** | **457,6** | **442,7** | **22,0** | **21,2** | **11,1** | **13,8** | **-** | **-** | **490,7** | **477,7** |
| Rental and real-estate expenses | -49,7 | -48,9 | -1,0 | -0,7 | -2,3 - | 1,8 | - | - | - 52,9 | - 51,4 |
| **Net rents** | **407,9** | **393,8** | **21,0** | **20,5** | **8,9** | **12,0** | **-** | **-** | **437,8** | **426,3** |
| Management and related income | 49,2 | 47,8 | 0,1 | 0,3 | 0,8 | 0,2 | 0,0 | 0,3 | 50,1 | 48,6 |
| Payroll expenses and general expenses | -65,5 | -61,8 | -0,8 | -1,1 | -0,4 | -0,5 | -11,7 | -11,2 - | 78,4 | - 20,4 |
| **EBITDA** | **391,6** | **379,8** | **20,3** | **19,7** | **9,2** | **11,7** | **-11,7** | **-10,9** | **409,7** | **400,3** |
| Depreciation, amortization and provisions | -173,5 | -161,9 | -6,5 | -4,8 | -3,8 | -4,8 | -0,5 | -0,2 | -184,4 | -171,7 |
| Income from disposals | 46,3 | 6,7 | - | - 0,1 | 4,1 | 22,5 | | - | *50,4* | 29,2 |
| Share in result of associates | 0,7 | 0,7 | - | - | - | - | | - | *0,7* | 0,7 |
| ***SEGMENT EARNINGS*** | ***265,0*** | ***225,3*** | ***13,7*** | ***14,8*** | ***9,6*** | ***29,5*** | ***-12,2*** | ***-11,1*** | ***276,1*** | ***258,4*** |
| Net dividends and provisions on non-consolidated investments | | | | | | | | | 0,0 | 0,1 |
| Net cost of debt | | | | | | | | | - 156,9 | - 154,3 |
| Change in the fair value of financial instruments | | | | | | | | | - 2,0 | 0,4 |
| Effect of discounting | | | | | | | | | - | - 0,3 |
| **PRE-TAX EARNINGS** | | | | | | | | | **117,2** | **104,4** |
| Corporate income tax | | | | | | | | | - 8,2 | - 12,1 |
| ***NET INCOME*** | | | | | | | | | ***109,0*** | ***92,3*** |

## 3.2. Net book value of investment property by operating segment

| *in thousands of euros* | Net book value of investment property |
|---|---|
| **Shopping centers** | **10 274 437** |
| France-Belgium | 3 899 406 |
| Scandinavia | 3 205 242 |
| Italy | 1 352 852 |
| Iberia | 1 037 040 |
| Central Europe | 722 476 |
| Other countries | 57 422 |
| **Retail** | **536 996** |
| **Offices properties** | **280 706** |
| **TOTAL** | **11 092 139** |

## 3.3. Investment by operating segment

Investments include acquisitions and changes of scope.

| *in thousands of euros* | Shopping centers | Retail | Office properties | Total 06/30/2012 |
|---|---|---|---|---|
| Property, plant and equipment | 4 478 | - | - | 4 478 |
| Investment property | 44 626 | 106 | - | **44 732** |
| Investment property under construction | 165 421 | 44 | 1 045 | **166 510** |
| **TOTAL** | **214 525** | **150** | **1 045** | **215 720** |

Liabilities are unallocated.

## 3.4. Customer receivables/payables by operating segment

| *in thousands of euros* | 06/30/2012 | 12/31/2011 |
|---|---|---|
| **Shopping centers** | **126 896** | **92 975** |
| France-Belgium | 55 094 | 27 362 |
| Scandinavia | 12 184 | 14 763 |
| Italy | 17 574 | 16 934 |
| Iberia | 12 808 | 10 484 |
| Central Europe | 25 058 | 19 937 |
| Other countries | 4 179 | 3 495 |
| **Offices properties** | **5 721** | **3 533** |
| **Retail** | **1 635** | **2 431** |
| **Total** | **134 252** | **98 939** |

# 4. SCOPE OF CONSOLIDATION

At June 30, 2012 the Group scope of consolidation includes 247 companies compared to 254 at December 31, 2011, including 214 fully consolidated companies, 26 proportionally consolidated companies and 7 companies consolidated using the equity method.

The main changes compared with the scope at December 31, 2011 are:

| Companies | Country | Methods at 06/30/2012 | % d'interest | | % control | |
|---|---|---|---|---|---|---|
| | | | 06/30/2012 | 12/31/2011 | 06/30/2012 | 12/31/2011 |
| Les Bureaux de l'Esplanade II | Belgium | FC | 100,00% | 0,00% | 100,00% | 0,00% |
| SCI Portes de Claye | France | FC | 55,00% | 0,00% | 55,00% | 0,00% |
| Kleprim's | France | PC | 50,00% | 0,00% | 50,00% | 0,00% |
| SNC KC2 | France | NC | 0,00% | 83,00% | 0,00% | 100,00% |
| SCI des Salines | France | NC | 0,00% | 50,00% | 0,00% | 50,00% |
| SCI les Bas Champs | France | NC | 0,00% | 50,00% | 0,00% | 50,00% |
| SCI Des dunes | France | NC | 0,00% | 50,00% | 0,00% | 50,00% |
| SCI la Française | France | NC | 0,00% | 50,00% | 0,00% | 50,00% |
| Ségécé India | India | NC | 0,00% | 100,00% | 0,00% | 100,00% |
| Mölndal Centrum Byggnads FAB | Sweden | NC | 0,00% | 56,10% | 0,00% | 100,00% |
| Mölndal Centrum Karpen FAB | Sweden | NC | 0,00% | 56,10% | 0,00% | 100,00% |
| Mölndal Centrum Kojlan FAB | Sweden | NC | 0,00% | 56,10% | 0,00% | 100,00% |
| Östra Centrum i Kristianstad Fastighets AB | Sweden | NC | 0,00% | 56,10% | 0,00% | 100,00% |

(1) FC : Full Consolidation, PC : Proportional Consolidation, EM : Equity Method Consolidation, NC : Deconsolidated during the period

**Integration of two fully consolidated companies and one proportionally consolidated entity:**

• The Belgian company Les Bureaux de l'Esplanade II acquired by Coimbra on April 25, 2012, to carry the future expansion of the Louvain La Neuve shopping center. Goodwill amounted to 12.5 million euros.

• The French real estate company SCI Portes de Clayes, a subsidiary of Klépierre (55%) and of Cardif Assurances Vie (45%). On April 16, 2012, the company received a contribution from SNC KC2 in form of a real estate development in Clayes Souilly. Since SNC KC2 is 83% owned by the Klépierre Group, this joint venture with Cardif Assurances Vie transferred to the latter the remaining 28% ownership of the asset.

• The French company Kléprims, 50% owned by Kleprojet 1 and 50% owned by Holprim's. This company operates a real estate project in Riom (Puy-de-Dôme).

**10 companies were removed from the scope of consolidation:**

• The French companies SCI des Salines, SCI des Dunes, SCI des Bas Champs and SCI La Française, which have not carried on any business nor held any assets since December 2011, were deconsolidated on January 1, 2012.

• The Indian management company, Ségécé India was deconsolidated.

• The Swedish companies Mölndal Centrum Karpen, Mölndal Centrum Koljan and Mölndal Centrum Byggnads were sold on February 29, 2012 to the Mölndal municipality under an agreement to sell the mall project to the town in the event of non-completion.

• The company SNC KC2, which has not held any assets since the transfer of Clayes Souilly to SCI Portes de Clayes, was merged into Klecar France on June 4, 2012.

• The Swedish company Östra Centrum i Kristianstad was merged into its parent company on May 31, 2012.

The business combinations completed in 2012 were recognized using the acquisition method in accordance with IFRS 3 (Revised).

The contribution made by entities acquired during the year to the Group's main consolidated financial statement items was as follows:

| *in thousands of euros* | *Country* | *Acquisition date* | Rents | Operating results | Net income | Intangible assets | Property, plant and equipment | Investment property and fixed assets in progress | Net fixed assets | Net indebtedness including bank overdrafts |
|---|---|---|---|---|---|---|---|---|---|---|
| Les Bureaux de l'Esplanade II | Belgique | 25 avril 2012 | - | - | - | - | - | 14376 | 14376 | - |
| **TOTAL** | | | **0** | **0** | **0** | **0** | **0** | **14 376** | **14 376** | **0** |

| *in thousands of euros* | Purchase price of securities | Outflows for securities acquisitions 2012 | Outflows for current account purchases 2012 | Cash at acquisition date |
|---|---|---|---|---|
| Les Bureaux de l'Esplanade II | 14 398 | 14 398 | - | 62 |

# 5. NOTES TO THE FINANCIAL STATEMENTS: BALANCE SHEET

## 5.1. Goodwill

The goodwill amount at June 30, 2012 totaled 135 million euros, compared with 134.6 million euros at December 31, 2011.

The change is mainly attributable to the re-measurement of the goodwill on Steen & Strøm due to exchange rate movements.

## 5.2. Intangible assets

The "Software" item comprises software in service and current expenditure. The change in the item is explained by the deployment of the Group's new management and accounting system (Eastern Europe in 2009, France in 2010, 2011 and 2012).

| *in thousands of euros* | 12/31/2011 | Acquisitions, new businesses and contributions | Reduction by disposals, retirement of assets | Allowances for the period | Changes in the scope of consolidation | Currency fluctuations | Other movements, reclassification | 06/30/2012 |
|---|---|---|---|---|---|---|---|---|
| Leasehold right | 2 008 | - | - | - | - | 21 | - | 2 029 |
| Goodwill | 3 571 | - | - | - | - | - | 2 814 | 6 385 |
| Software | 29 454 | 3 186 | - | - | - | 47 | 3 398 | 36 085 |
| Concessions, patents and similar rights | 5 106 | 2 | - | - | - | 13 | - 3 330 | 1 791 |
| Other intangible assets | 6 475 | 7 | - | - | - | - | - | 6 482 |
| **TOTAL GROSS VALUE** | **46 614** | **3 195** | **0** | **0** | **0** | **81** | **2 882** | **52 772** |
| Leasehold right | - 367 | - | - | - 71 | - | - | - | - 438 |
| Goodwill | - 521 | - | - | - 205 | - | - | - 2 409 | - 3 135 |
| Software | - 7 426 | - | - | - 1 796 | - | - 48 | - 2 640 | - 11 909 |
| Concessions, patents and similar rights | - 3 597 | - | - | - 25 | - | - 5 | 2 567 | - 1 060 |
| Other intangible assets | - 4 241 | - | - | - 292 | - | - | - 276 | - 4 810 |
| **TOTAL DEPRECIATION AND AMORTIZATION** | **-16 152** | **0** | **0** | **-2 389** | **0** | **-53** | **-2 758** | **- 21 352** |
| **INTANGIBLE ASSETS – NET VALUE** | **30 462** | **3 195** | **0** | **-2 389** | **0** | **28** | **124** | **31 421** |

## 5.3. Property, plant and equipment and work in progress

Property, plant and equipment include its business premises at 21, rue La Perouse, in Paris 16th arrondissement and the furniture and equipment.

| *in thousands of euros* | 12/31/2011 | Acquisitions, new businesses and contributions | Reduction by disposals, retirement of assets | Allowances for the period | Changes in the scope of consolidation | Currency fluctuations | Other movements, reclassification | 06/30/2012 |
|---|---|---|---|---|---|---|---|---|
| Non-depreciable assets | 10 210 | - | - | - | - | - | - | 10 210 |
| Depreciable assets and work in progress | 48 563 | 4 478 | - 324 | - | 1 015 | 26 | 2 153 | 55 911 |
| **TOTAL GROSS VALUE** | **58 773** | **4 478** | **- 324** | **-** | **1 015** | **26** | **2 153** | **66 121** |
| Depreciable assets | - 30 529 | - | 325 | - 2 957 | - 701 | - 17 | - 449 | - 34 328 |
| **Total depreciation and amortization** | **- 30 529** | **-** | **325** | **- 2 957** | **- 701** | **- 17** | **- 449** | **- 34 328** |
| Impairment | - | - | - | - | - | - | - | - |
| **PROPERTY, PLANT AND EQUIPMENT AND WORK IN PROGRESS – NET VALUE** | **28 244** | **4 478** | **1** | **-2 957** | **314** | **9** | **1 704** | **31 793** |

## 5.4. Investment property

| *in thousands of euros* | 12/31/2011 | Acquisitions, new businesses and contributions | Reduction by disposals, retirement of assets | Allowances for the period | Changes in the scope of consolidation | Currency fluctuations | Other movements, reclassification | 06/30/2012 |
|---|---|---|---|---|---|---|---|---|
| Non-depreciable assets | 5 640 585 | 18 751 | - 21 553 | - | 48 802 | - | - 16 240 | 5 670 345 |
| Depreciable assets | 7 217 706 | 25 981 | - 45 404 | - | 76 492 | - | 141 285 | 7 416 060 |
| **TOTAL GROSS VALUE** | **12 858 291** | **44 732** | **- 66 957** | **-** | **125 294** | **-** | **125 045** | **13 086 405** |
| Amortization of depreciable assets | - 1 493 290 | - | 13 182 | - 145 291 | - 15 500 | - | - 12 512 | - 1 653 411 |
| **TOTAL DEPRECIATION AND AMORTIZATION** | **- 1 493 290** | **-** | **13 182** | **- 145 291** | **- 15 500** | **-** | **- 12 512** | **- 1 653 411** |
| Impairment | - 300 262 | - | - | - 33 931 | - | - | - 6 662 | - 340 855 |
| **INVESTMENT PROPERTY – NET VALUE** | **11 064 739** | **44 732** | **-53 775** | **-179 222** | **109 794** | **0** | **105 872** | **11 092 140** |

**Acquisitions**, excluding investment property under construction, totaled 44.7 million euros. The most significant investments were made in France (16.6 million euros in Portes de Claye) and in Italy (13.8 million euros in the Montebello retail park).

**Disposals** in France include the Kleber Anatole France office building (Levallois) and seven French shopping malls including La Roche-sur-Yon, Aulnoy-lez-Valenciennes, Beaune-Saint Jacques and Bourges.

The **"Other movements and reclassifications"** item represents the net balance arising as a result of the reclassification of investment properties as "Property held for sale", and assets put in use during the period, which have been reclassified from "Investment property under construction".

The **"Impairment"** item recorded an allowance net of reversals of 33.9 million euros.

- provisions, of 44.1 million euros, relate to shopping centers in Spain (10.7 million euros), Hungary (8.7 million euros), Scandinavia (6.1 million euros), France (5.5 million euros), Greece (5 million euros) and Poland (4 million euros);
- reversals, of 10.2 million euros, mainly relate to Scandinavia (4.5 million euros) and Portugal (3.3 million euros).

## 5.5. Investment property under construction

| *in thousands of euros* | 12/31/2011 | Acquisitions, new businesses and contributions | Reduction by disposals, retirement of assets | Allowances for the period | Changes in the scope of consolidation | Currency fluctuations | Other movements, reclassification | 06/30/2012 |
|---|---|---|---|---|---|---|---|---|
| Investment property under construction | 761 262 | 166 510 | - | - | 9 263 | - 14 827 | - 149 496 | 772 712 |
| Impairment | - 13 178 | - | - | - | - 21 | 13 199 | - | - |
| **INVESTMENT PROPERTY UNDER CONSTRUCTION – NET VALUE** | **748 084** | **166 510** | **0** | **0** | **9 242** | **-1 628** | **-149 496** | **772 712** |

The **"Other movements and reclassifications"** item relates to assets brought into use and, primarily, Paris Saint-Lazare at 145 million euros.

Reversal of a 13.2 million euro provision is due to the disposal of shares of the three Swedish Mölndal companies.

Assets in progress at June 30, 2012 (gross amounts) were:

- in France: extension-renovation of Claye-Souilly (65.5 million euros), Bègles Arcins (44.3 million euros), new center creation project in Clermont-Ferrand (Le Grand Carré de Jaude, 45.7 million euros);
- abroad: the Emporia project (292.3 million euros) in Sweden, Vinterbro, Farmandstredet, Hovlandsbanen and Okern (42.5 million euros) in Norway, Odense and Fields (69.8 million euros) in Denmark.

## 5.6. Investment property held for sale

| *in thousands of euros* | 31 décembre 2011 | Acquisitions, new businesses and contributions | Reduction by disposals, retirement of assets | Other movements, reclassification | 06/30/2012 |
|---|---|---|---|---|---|
| **BUILDINGS HELD FOR SALE** | **61 418** | **0** | **0** | **46 635** | **108 053** |

Three properties are being held for sale: Grand Nimes shopping center (net book value of 23 million euros), Sereinis and Les Collines de l'Arche office buildings (net book value of 74.5 and 10.5 million euros respectively).

Bordeaux Saint-Christoly shopping mall and Krakow Plaza center in Poland held for sale at December 31, 2011 were reclassified in investment property at June 30, 2012 (net book value of both properties combined at December 31, 2011 of 61 million euros).

## 5.7. Equity method securities

| *in thousands of euros* | |
|---|---|
| **Investments in companies accounted for by the equity method at December 31, 2011** | **19 914** |
| Share in net income of associates 2012 | 660 |
| Dividends received from companies accounted for by the equity method | - 1 473 |
| Departures from the scope of consolidation | - |
| Changes in the Group's interest and the consolidation methods | 42 |
| **Investments in companies accounted for by the equity method at June 30, 2012** | **19 142** |

7 companies were consolidated under the equity method at June 30, 2012.

## 5.8. Joint ventures

Joint ventures are consolidated using the proportional consolidation method.

| *in thousands of euros* | 06/30/2012 | 12/31/2011 |
|---|---|---|
| ***Share in joint ventures' balance sheets*** | | |
| Non-current assets | 857 934 | 859 813 |
| Current assets | 63 531 | 58 175 |
| Non-current liabilities | -343 416 | -341 512 |
| Current liabilities | -32 819 | -34 426 |
| **Net Assets** | **545 230** | **542 050** |

| *in thousands of euros* | 06/30/2012 | 12/31/2011 |
|---|---|---|
| ***Share in net income of joint ventures*** | | |
| Revenues from ordinary activities | 28 454 | 25 450 |
| Operating expenses | -16 912 | -17 321 |
| Financial income | -6 492 | -6 047 |
| Profit before tax | 5 049 | 2 082 |
| Tax | 1 217 | 984 |
| **Net Income** | **6 266** | **3 066** |

## 5.9. Other non-current assets

| *in thousands of euros* | 12/31/2011 | Newly consolidated | Increases | Reductions | Other | 06/30/2012 |
|---|---|---|---|---|---|---|
| Other long-term investments | 147 | -5 | - | - | 34 | 176 |
| Loans and advances to non-consolidated companies, companies consolidated using the equity method and proportionally consolidated companies | 6 832 | - | 7 101 | -657 | -7 072 | 6 204 |
| Loans | 1 308 | - | 68 | -1 354 | 310 | 332 |
| Deposits | 12 775 | - | 1 142 | -1 294 | -157 | 12 466 |
| Other long-term financial investments | 1 428 | - | - | - | -79 | 1 349 |
| **TOTAL** | **22 490** | **-5** | **8 311** | **-3 305** | **-6 964** | **20 527** |

## 5.10. Trade accounts and notes receivable

Trade accounts include the effect of spreading benefits granted to tenants of offices and shopping centers.

All of the receivables have a maturity of less than one year, except stepped rents and rent-free periods which are spread over the fixed term of the lease.

| *in thousands of euros* | 06/30/2012 | 12/31/2011 |
|---|---|---|
| Trade receivables | 104 939 | 73 176 |
| Bad debts | 40 159 | 36 036 |
| Stepped rents and rent-free periods of leases | 22 914 | 21 783 |
| **Gross value** | **168 012** | **130 995** |
| Provisions on bad debts | -33 760 | -32 055 |
| **Net value** | **134 252** | **98 940** |

## 5.11. Other receivables

| in thousands of euros | 06/30/2012 total | 06/30/2012 Less than one year | 06/30/2012 More than one year | 12/31/2011 total |
|---|---|---|---|---|
| **Tax receivables** | **46 746** | **46 647** | **99** | **37 472** |
| - Corporate income tax | *5 397* | *5 397* | - | *6 837* |
| - VAT | 41 349 | 41 250 | 99 | 30 635 |
| **Other receivables** | **348 551** | **281 538** | **67 013** | **275 156** |
| - Calls for funds | *99 346* | *99 346* | - | *106 627* |
| - Down payments to suppliers | *68 596* | *68 265* | *331* | *6 765* |
| - Prepaid expenses | *64 955* | *9 655* | *55 300* | *65 308* |
| - Other | *115 654* | *104 272* | *11 382* | *96 456* |
| **Total** | **395 297** | **328 185** | **67 112** | **312 627** |

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

Pre-lease payments on construction leases or emphyteutic rights are amortized over the lifetime of the lease and recognized under Prepaid expenses, totaling 54.1 million euros.

Funds managed by Ségécé on behalf of principals are recognized under “Other” and total 82.4 million euros, compared with 60.1 million euros at December 31, 2011. The management accounts of the principals are recognized under “other debts” at the same amount.

All of the receivables have a maturity of less than one year, except the non-current portion of building leases, which totaled 54 million euros at June 30, 2012.

## 5.12. Cash and cash equivalents

| *in thousands of euros* | 06/30/2012 | 12/31/2011 |
|---|---|---|
| ***Cash equivalents*** | **28 764** | **85 822** |
| - Treasury and certificates of deposit | 10 000 | 13 000 |
| - Money market investments | 18 764 | 72 822 |
| **Cash** | **211 917** | **201 266** |
| **Gross cash and cash equivalents** | **240 681** | **287 088** |
| Bank facilities | 50 308 | 98 934 |
| **Net cash and cash equivalents** | **190 373** | **188 154** |

Cash equivalents refer to 19 million euros invested in French open-ended money market funds and in certificates of deposit in Italy (10 million euros).

Funds managed by Ségécé on behalf of its principals are classified under “Other receivables” (82.4 million euros at June 30, 2012 and 60.1 million euros at December 31, 2011). The available cash and marketable securities are made up of “Cash and cash equivalents”, plus the amount of funds managed by Ségécé on behalf of principals, and totaled 323.2 million euros.

## 5.13. Shareholders’ equity

### 5.13.1. Capital

At June 30, 2012, capital was represented by 199,470,340 shares each of 1.40 euros par value. The capital is fully paid up. Shares are either registered or bearer.

| *in thousands of euros* | Number of shares | Capital | Issue premiums |
|---|---|---|---|
| **Authorized** | 0 | 0 | 0 |
| At January 1, 2012 | 189 648 240 | 265 507 | 1 569 970 |
| Issuing of new shares over the 2012 first semester | 9 822 100 | 13 751 | 203 906 |
| **At June 30, 2012** | **199 470 340** | **279 258** | **1 773 876** |

### 5.13.2. Treasury shares

| | 06/30/2012 | | | 12/31/2011 | | |
|---|---|---|---|---|---|---|
| | Stock options | Liquidity | External growth | Stock options | Liquidity | External growth |
| Number of shares (1) | 2 682 740 | 217 773 | 1 460 841 | 2 682 740 | 253 827 | 1 460 841 |
| *Acquisition value (in millions of euros)* | *64,8* | *5,4* | *30,8* | *64,8* | *5,4* | *30,9* |
| *Income from sale (in millions of euros)* | - | *1* | - | - | *-1,2* | - |
| (1) Of which allocated. | 2 466 440 | 0 | 0 | 2 466 440 | 0 | 0 |

The Group sold shares in Klépierre SA during the year, as authorized by the ordinary general meetings of shareholders.

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

### 5.13.3. Non-controlling interests

The variation of non-controlling interests is due to the changes in the scope of consolidation, related to the acquisition of interests in the company SCI Portes Claye for 116.9 million euros.

## 5.14. Current and non-current financial liabilities

### 5.14.1. Change in indebtedness

Current and non-current financial liabilities amount to 7,970 million euros as of June 30, 2012.

Net indebtedness totals 7,598 million euros, compared with 7,.618 million euros at December 31, 2011. Net indebtedness is the difference between financial liabilities (excluding fair value hedge revaluation) plus bank overdrafts, and minus available cash and marketable securities.

This 20 million euro decrease is the result of the following effects:

- most of the financing needs for the period were generated by investments (207 million euros), as well as by the payment of the dividend distributed in respect of fiscal year 2011 (270 million euros);
- own financing resources widely covered the financing needs of the first semester, the resources were divided between asset sales (200 million euros in group share), the capital increase related to dividend payment in shares (218 million euros) and free cash flow;
- net debt conversion of foreign currency into euros generated a positive exchange rate effect of 41 million euros. This reflects the appreciation of Scandinavian currencies against the euro.

| *in thousands of euros* | 06/30/2012 | 12/31/2011 |
|---|---|---|
| *NON-CURRENT* | | |
| **Bonds net costs/premiums** | **2 457 339** | **2 124 032** |
| ** Of which revaluation due to fair value hedge* | 100 072 | 69 614 |
| **Loans and borrowings from credit institutions – more than one year** | **4 203 184** | **4 657 178** |
| **Other loans and borrowings** | **121 630** | **75 027** |
| ** Advance payments to the Group and associates* | 121 630 | 75 027 |
| **TOTAL NON-CURRENT FINANCIAL LIABILITIES** | **6 782 153** | **6 856 237** |
| *CURRENT* | | |
| **Bonds net costs/premiums** | **-** | **-** |
| ** Of which revaluation due to fair value hedge* | - | - |
| **Loans and borrowings from credit institutions – less than one year** | **403 724** | **357 975** |
| **Accrued interest** | **43 006** | **83 571** |
| ** On bonds* | *25 371* | *64 527* |
| ** On loans from credit institutions* | *15 737* | *16 230* |
| ** On advance payments to the Group and associates* | *1 898* | *2 814* |
| **Commercial paper** | **739 296** | **635 577** |
| **Other loans and borrowings** | **2 288** | **2 688** |
| ** Advance payments to the Group and associates* | *2 288* | *2 688* |
| **TOTAL CURRENT FINANCIAL LIABILITIES** | **1 188 314** | **1 079 811** |
| **TOTAL NON-CURRENT AND CURRENT FINANCIAL LIABILITIES** | **7 970 467** | **7 936 048** |

### 5.14.2. Principal sources of financing

The Group's main financings are detailed in the table below.

The main changes lie in the issuance of 300 million euros of private placements through the bond market and the signature of two bilateral revolving credit facilities of 500 million euros each.

These funds enabled the company to cancel part of the credit facility put in place in June 2009 (1.425 million euros) and to reduce the drawings on other revolving credit facilities.

| GROUP'S FINANCING | | | | | | | |
|---|---|---|---|---|---|---|---|
| *in millions of euros* | Borrower | Issue currency | Reference rate | Maturity date | Repayment profile | Maximum amount | Amount used as at 06/30/2012 |
| **Bonds** | | | | | | **2 369** | **2 369** |
| | Klépierre | EUR | 4,250% | 16/03/2016 | *In fine* | 689 | 689 |
| | Klépierre | EUR | 4,000% | 13/04/2017 | *In fine* | 750 | 750 |
| | Klépierre | EUR | 4,625% | 14/04/2020 | *In fine* | 300 | 300 |
| | Klépierre | EUR | 4,750% | 15/03/2021 | *In fine* | 500 | 500 |
| | Klépierre | EUR | 4,230% | 21/05/2027 | *In fine* | 50 | 50 |
| | Steen & Strom | NOK | NIBOR | 29/10/2013 | *In fine* | 80 | 80 |
| **Syndicated loans** | | | | | | **1 000** | **1 000** |
| | Klépierre | EUR | Euribor | 21/09/2014 | *In fine* | 1 000 | 1 000 |
| **Bilateral loans** | | | | | | **2 318** | **992** |
| | Klépierre | EUR | E3m | 30/06/2015 | *Amortized* | 675 | 675 |
| | Klépierre (back-up) | EUR | E3m | 30/06/2015 | *In fine* | 300 | 0 |
| | Klépierre | EUR | E3m | 07/03/2016 | *In fine* | 500 | 0 |
| | Klépierre | EUR | E3m | 28/10/2016 | *In fine* | 200 | 200 |
| | Klépierre (back-up) | EUR | E3m | 07/03/2018 | *In fine* | 500 | 0 |
| | Kleprim's | EUR | E3m | 31/01/2017 | *In fine* | 9 | 2 |
| | IGC | EUR | E3m | 31/03/2013 | *In fine* | 20 | 1 |
| | Klépierre | SEK | STIBOR | 31/03/2014 | *In fine* | 114 | 114 |
| **Mortgage loans** | | | | | | **2 437** | **2 437** |
| principal : | IGC | EUR | E6m | 30/09/2014 | *In fine* | 140 | 140 |
| | Klecar Italia | EUR | E3m | 30/06/2015 | *Amortized* | 99 | 99 |
| | GC Assago | EUR | E3m | 03/07/2015 | *Amortized* | 101 | 101 |
| | Steen & Strom [3] | NOK | NIBOR | | | 817 | 817 |
| | Steen & Strom [3] | SEK | STIBOR | | | 673 | 673 |
| | Steen & Strom [3] | DKK | CIBOR/Fixed [2] | | | 517 | 517 |
| **Property finance leases** | | | | | | **198** | **198** |
| **Short-term lines and bank overdrafts** | | | | | | **109** | **20** |
| **Commercial papers** | | | | | | **739** | **739** |
| | Klépierre | EUR | - | - | *In fine* | 600 | 600 |
| | Steen & Strom | NOK | | | *In fine* | 139 | 139 |
| Total FOR THE GROUP [1] | | | | | | **8 570** | **7 755** |

[1] Totals are calculated excluding the backup lines of funding since the maximum amount of the "commercial paper" line includes that of the backup line

[2] Of which fixed rate debt for 213 million euros

[3] Steen & Strom has several loans in the three different Scandinavian currencies (NOK,SEK,DKK)

### 5.14.3. Financial covenants relating to financing and rating

The Group's main credit agreements include clauses, which, if not complied with, could result in demands for early repayment of the corresponding financing.

The stipulated financial ratios and amounts and their levels as at June 30, 2012, are shown in the interim financial report.

### 5.14.4. Breakdown of borrowings by maturity date

### *Breakdown of current and non-current financial liabilities*

| *in thousands of euros* | Total | Less than one year | One to five years | More than 5 years |
|---|---|---|---|---|
| *NON-CURRENT* | | | | |
| **Bonds net costs/premiums** | **2 457 339** | **-** | **1 607 339** | **850 000** |
| * *Of which revaluation due to fair value hedge* | 100 072 | - | 100 072 | - |
| **Loans and borrowings from credit institutions – more than one year** | **4 203 184** | **-** | **2 891 157** | **1 312 027** |
| **Other loans and borrowings** | **121 630** | **-** | **121 630** | **-** |
| * *Advance payments to the Group and associates* | 121 630 | - | 121 630 | - |
| TOTAL NON-CURRENT FINANCIAL LIABILITIES | **6 782 153** | **0** | **4 620 126** | **2 162 027** |
| *CURRENT* | | | | |
| **Bonds net costs/premiums** | **-** | **-** | **-** | **-** |
| * *Of which revaluation due to fair value hedge* | **-** | **-** | **-** | **-** |
| **Loans and borrowings from credit institutions – less than one year** | **403 724** | **403 724** | **-** | **-** |
| **Accrued interest** | **43 006** | **43 006** | **-** | **-** |
| * *On bonds* | 25 371 | 25 371 | - | - |
| * *On loans from credit institutions* | 15 737 | 15 737 | - | - |
| * *On advance payments to the Group and associates* | 1 898 | 1 898 | - | - |
| **Commercial paper** | **739 296** | **739 296** | **-** | **-** |
| **Other loans and borrowings** | **2 288** | **2 288** | **-** | **-** |
| * *Advance payments to the Group and associates* | 2 288 | 2 288 | - | - |
| TOTAL CURRENT FINANCIAL LIABILITIES | **1 188 314** | **1 188 314** | **0** | **0** |
| TOTAL NON-CURRENT AND CURRENT FINANCIAL LIABILITIES | **7 970 467** | **1 188 314** | **4 620 126** | **2 162 027** |

### *Maturity schedule of financing (amounts drawn in euro millions equivalent)*

| *Repayment year* | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2 020 | 2021 and after | TOTAL |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Principal | 999 | 450 | 1588 | 773 | 1000 | 942 | 373 | 111 | 406 | 1113 | **7755** |
| Interest | 124 | 188 | 181 | 156 | 123 | 88 | 71 | 61 | 49 | 148 | **1190** |
| **TOTAL FOR THE GROUP (principal + interests)** | **1 123** | **638** | **1 769** | **929** | **1 123** | **1 030** | **444** | **172** | **455** | **1 262** | **8 945** |

*in millions of euros*

In 2012, the main funding amounts falling due relate to 300 million Norwegian Kroner of commercial paper (40 million euros), the extinctions of two mortgage loans of respectively 2 billion Norwegian Kroner (265 million euros) and 400 million Swedish Kroner (46 million euros). Moreover, the commercial papers issued in euros (600 million euros) are fully covered by back-up lines (600 million euros).

## 5.15. Hedging instruments

### 5.15.1. Rate hedging portfolio

As part of its risk management policy (see section 8 “Exposure to risks and hedging strategy”), Klépierre has contracted interest rate swap agreements allowing it to switch from variable rate to fixed rate debt and vice-versa. Thanks to these instruments, the group’s hedging rate (the proportion of gross financial debt arranged or hedged at fixed rate) was 80% at June 30, 2012.

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*At June 30, 2012, the breakdown of derivatives by maturity date was as follows:*

| *in millions of euros* | | DERIVATIVES OF KLEPIERRE GROUP | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Hedging relationship | Currency | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | TOTAL |
| **Cash flow hedge** | | | | | | | | | | | | | **5 652** |
| | EUR | 200 | 200 | 212 | 1 215 | 757 | 450 | 700 | 50 | 500 | - | - | 4 285 |
| | NOK | 106 | - | 199 | - | 159 | 116 | - | - | - | - | - | 580 |
| | SEK | 80 | - | 69 | 17 | 23 | 57 | 23 | 46 | 103 | 69 | 34 | 520 |
| | DKK | 70 | 27 | 67 | - | 40 | - | - | - | - | 63 | - | 268 |
| **Fair value hedge** | | | | | | | | | | | | | **1 100** |
| | EUR | - | - | - | - | - | 750 | - | - | 250 | 100 | - | 1 100 |
| | NOK | - | - | - | - | - | - | - | - | - | - | - | - |
| | SEK | - | - | - | - | - | - | - | - | - | - | - | - |
| | DKK | - | - | - | - | - | - | - | - | - | - | - | - |
| **Trading** | | | | | | | | | | | | | **400** |
| | EUR | - | 400 | - | - | - | - | - | - | - | - | - | 400 |
| | NOK | - | - | - | - | - | - | - | - | - | - | - | - |
| | SEK | - | - | - | - | - | - | - | - | - | - | - | - |
| | DKK | - | - | - | - | - | - | - | - | - | - | - | - |
| **TOTAL GROUPE** | | **456** | **627** | **547** | **1 233** | **980** | **1 373** | **723** | **96** | **853** | **231** | **34** | **7 152** |

*Fair value of the interest rate hedging portfolio*

| Derivatives in millions of euros | Fair value net of accrued interest as at 06/30/2012 | Change in fair value during 2012 | Counterparty |
|---|---|---|---|
| Cash flow hedge | -447,7 | -20,6 | Shareholders' equity |
| Fair value hedge | 100,1 | 30,5 | Borrowings |
| Trading | -1,0 | 20,2 | Earnings |
| **TOTAL** | **-348,7** | **30,0** | |

### 5.15.2. Exchange rate hedging

When it carried out the capital increase of its subsidiary Steen & Strøm in 2011, Klépierre SA raised funding in Swedish kronor in order to hedge its balance sheet position in that currency. This operation is known as a “net investment hedge”.

## 5.16. Long-term provisions

Provisions came to 13.2 million euros, and showed a decrease by 0.4 million euros. These include a 6.2 million euro provision to cover the risk presented by a major retailer tax liquidation established by the Principality of Asturias (Spain). The balance of 7 million euros comprises mainly provisions for litigation and provisions for other business-related risks (tenants, warranty claims, etc.).

### 5.17. Social and tax liabilities and other liabilities

| *in thousands of euros* | 06/30/2012 | 12/31/2011 |
|---|---|---|
| **Social and tax liabilities** | **92 618** | **91 860** |
| Personnel and related accounts | 27 112 | 22 623 |
| Social security and other bodies | 6 730 | 6 297 |
| Tax payables | - | - |
| * Corporate income tax | 6 402 | 5 917 |
| * VAT | 31 067 | 38 204 |
| Other taxes and duties | 21 307 | 18 819 |
| **Other liabilities** | **295 793** | **251 509** |
| Creditor customers | 91 788 | 95 420 |
| Prepaid income | 47 008 | 28 179 |
| Other liabilities | 156 997 | 127 910 |

The 91.8 million euros advance payments received from tenants in respect of charges are recognized in "Creditor customers".

The "Other liabilities" item consists primarily of funds representing the management accounts of Ségécé's principals, balanced by an equal amount in "Other receivables" on the asset side of the balance sheet. These funds totaled 82.4 million euros at June 30, 2012, compared with 60.1 million euros at December 31, 2011.

## 6. NOTES TO THE FINANCIAL STATEMENTS: COMPREHENSIVE INCOME STATEMENT

### 6.1. Lease income

Lease income includes:

- rents from investment property and rent-related income, such as car park rentals and early termination indemnities;
- other lease income: income from entry fees and other income.

Stepped rents, rent-free periods and entry fees are spread over the fixed term of the lease.
Charges invoiced to tenants are not included in lease income but deducted from rental expenses.

### 6.2. Land expenses (real estate)

Land expenses (real estate) correspond to lease payments (or depreciation of initial payments) for properties built on land subject to a construction lease or an operating contract (concession). This applies primarily to shopping centers.

### 6.3. Non-recovered rental expenses

These expenses are stated net of charges re-invoiced to tenants and are mainly comprised of expenses on vacant premises.

## 6.4. Owners' building expenses

These expenses are composed of owners' rental expenses, expenses related to construction work, legal costs, expenses on bad debts and costs related to real estate management.

## 6.5. Other operating revenue

Other operating revenue includes:

- building works re-invoiced to tenants;
- other income.

## 6.6. Depreciation and provisions on investment properties

Depreciation and provisions on investment property and other fixed assets decreased by 16.9 million euros to 185.5 million euros.

This variation includes an asset impairment allowance of 33.9 million euros, an increase of 9.4 million euros. Most of the increase in depreciation and amortization expense on real estate (6.8 million euros) is attributable to growth in holdings.

## 6.7. Income from sales of investment property and equity interests

Income from sales totaled 50.4 million euros. This originated in:

- The sale of seven French shopping centers including Aulnoy-lez-Valenciennes (12.3 million euros), Flins-sur-Seine (9.4 million euros), Beaune Saint-Jacques (6.7 million euros), Bourges (5.3 million euros) and La Roche-sur-Yon (5.1 million euros);
- the sale of the office building Kléber Anatole France located in Levallois-Perret (4.1 million euros);
- the sale of equity investments of Swedish companies: Mölndal Centrum Karpen, Mölndal Centrum Koljan and Mölndal Centrum Byggnads (0.5 million euros).

## 6.8. Net cost of debt

The net cost of debt amounts to 156.9 million euros, compared with 154.3 million euros at June 30, 2011.

This 2.6 million euro increase reflects the rise in outstanding debt, the cost of debt having fallen since June 30, 2011.

Capitalized financial expense was 9.2 million euros compared to 10.7 million euros at June 30, 2011.

| *in thousands of euros* | 06/30/2012 | 12/31/2011 |
|---|---|---|
| **Financial income** | **79 599** | **71 007** |
| Income from sale of securities | 368 | 498 |
| Interest income on swaps | 50 895 | 51 370 |
| Deferral of payments on swaps | 169 | 585 |
| Capitalized interest | 9 217 | 10 712 |
| Shareholder loans from associates | 316 | 37 |
| Sundry interest received | 1 588 | 1 388 |
| Other revenue and financial income | 4 927 | 4 103 |
| Currency translation gains | 12 119 | 2 316 |
| **Financial expenses** | **-236 523** | **-225 281** |
| Expenses from sale of securities | 0 | 0 |
| Interest on bonds | -45 846 | -51 492 |
| Interest on loans from credit institutions | -69 502 | -67 548 |
| Interest expense on swaps | -90 465 | -83 326 |
| Deferral of payments on swaps | -5 463 | -10 336 |
| Shareholder loans from associates | -1 579 | -1 884 |
| Sundry interest paid | -410 | -112 |
| Other financial expenses | -19 348 | -7 958 |
| Currency translation losses | -12410 | -2703 |
| Transfer of financial expenses | 8 500 | 78 |
| **Net cost of debt** | **-156 924** | **-154 274** |

## 7. TAXES

| *in thousands of euros* | 06/30/2012 | 12/31/2011 |
|---|---|---|
| Current taxes payable | - 15 792 | - 14 464 |
| Deferred tax | 7 611 | 2 403 |
| **Total** | **- 8 181** | **- 12 061** |

The Group's tax expense was -15.7 million euros, versus -14.5 million euros at June 30, 2011.

This line included a 4 million euro non-recurring tax expense in June 2012 against a 1.7 million euro non-recurring tax expense in June 2011 (mainly from capital gains on disposal of assets, exit tax adjustments and late payment interest).

Excluding non-recurring items, tax expense was stable over the three tax sectors.

A breakdown of tax expense between the exempt (SIIC), common law in France and overseas sectors is shown in the reconciliation between theoretical tax and actual tax:

| *in thousands of euros* | France | | Foreign companies | Total |
|---|---|---|---|---|
| | SIIC sector | Common law | | |
| Pre-tax earnings from equity-method companies | 110 058 | 14 172 | - 7 709 | **116 521** |
| **Theoretical tax expense at 34.43%** | - 37 951 | - 4 879 | 2 654 | **- 40 176** |
| **Exonerated earnings of the SIIC sector** | 28 117 | - | - | **28 117** |
| **Taxable sectors** | - | - | - | **-** |
| Impact of permanent time lags | 11 171 | 2 939 | - 3 155 | **10 955** |
| Untaxed consolidation restatements | 3 087 | - 136 | - 2 552 | **399** |
| Impact of non-capitalized deficits | - 4 781 | - 1 | - 85 | **- 4 867** |
| Assignment of non-capitalized deficits | 118 | 17 | - 4 510 | **- 4 375** |
| Exit tax on special reserve of long-term capital gains | - | - | - 23 | **- 23** |
| Change of tax regime | - | - | - | **-** |
| Discount to present of deferred tax following restructuring | - | - | - | **-** |
| Discounting of tax rates and other taxes | 47 | 35 | 1 224 | **1 306** |
| Rate differences | - | 912 | - 429 | **483** |
| **Actual tax expense** | **- 192** | **- 1 113** | **- 6 876** | **- 8 181** |

Deferred taxes are composed of:

| *in thousands of euros* | 12/31/2011 | Change in net income | Cash flow hedging reserves | Other changes | 06/30/2012 |
|---|---|---|---|---|---|
| Buildings | - 495 995 | 10 892 | - | - 9 136 | - 494 239 |
| Derivatives | 13 218 | - | 33 | 264 | 13 515 |
| Deficits | 46 031 | 22 423 | - | - 7 668 | 60 786 |
| Other items | 7 265 | - 12 756 | - | 2 116 | - 3 375 |
| **Total for entities in a net liability position** | **-429 481** | **20 559** | **33** | **-14 424** | **-423 313** |

| *in thousands of euros* | 12/31/2011 | Change in net income | Cash flow hedging reserves | Other changes | 06/30/2012 |
|---|---|---|---|---|---|
| Buildings | 7 037 | - 83 | - | 1 689 | 8 643 |
| Derivatives | 62 665 | 435 | 8 529 | - 259 | 71 370 |
| Deficits | 37 389 | - 25 310 | - | 8 739 | 20 818 |
| Other items | - 5 806 | 12 010 | - | 6 886 | 13 090 |
| **Total for entities in a net asset position** | **101 285** | **-12 948** | **8 529** | **17 055** | **113 921** |
| **NET POSITIONS** | **-328 196** | **7 611** | **8 562** | **2 631** | **-309 392** |

The deferred tax in the income statement showed a net gain of 7.6 million euros. This gain mainly comprised:

- a 2.9 million euro expense resulting from tax loss discounting,
- a 10.8 million euro gain for variation in deferred taxes on real estate, in particular, 2.9 million euros for real estate depreciation allowances,

The "Other changes" item, showing an amount of 2.6 million euros, recorded the impact of currency variations (-4.8 million euros) and restatements of unrealized gains and losses in equity (+8.1 million euros).

The ordinary tax losses carried forward are capitalized where their realization is deemed probable. The expected time scale for recovering tax loss carried forward capitalized for all entities within the Group is 5 to 7 years.

The deferred tax capitalized on the tax loss carried forward amounts to 81.6 million euros at June 30, 2012, compared to 68.7 million euros at June 30 2011.

The deferred tax not capitalized on the tax loss carried forward amounts to 115.2 million euros at June 30, 2012 compared to 85.2 million euros at June 30, 2011.

# 8. EXPOSURE TO RISKS AND HEDGING STRATEGY

Klépierre identifies and regularly measures its exposure to the various sources of risk (interest rates, liquidity, foreign exchange, counterparties, equity markets shares, legal etc.) and sets applicable management policies as required.

## 8.1. Rate risk

### 8.1.1. Rate risk – exposure to variable-rate debt

#### ■ *Identified risk and measurement of risk exposure*

In structural terms, variable-rate debt represents a significant proportion of the Group's borrowings (68% of debt at June 30, 2012, before hedging).

An increase in the interest rate against which variable-rate debts are indexed could result in an increase in the future interest rate expenses.

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

| Interest rate position before hedging *(in millions of euros)* | Amount | Change in financial expenses caused by a 1% increase in interest rates |
|---|---|---|
| **Gross position before hedging** | **5 247** | **52,5** |
| - Marketable securities | -29 | -0,3 |
| **Net position before hedging** | **5218** | **52,2** |

| 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** | **5 247** | **52,5** |
| - Net hedge | -3 729 | -37,3 |
| **Gross position after hedging** | **1 518** | **15,2** |
| - Marketable securities | -29 | -0,3 |
| **Net position after hedging** | **1489** | **14,8** |

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

| Fair value of cash flwo hedge *(in millions of euros)* | Fair value net of accrued interest | Change in financial expenses caused by a 1% increase in interest rates |
|---|---|---|
| **Cash-Flow Hedge Swaps at 06/30/2012** | | |
| . Euro-denominated portfolio | -399,7 | 153 |
| . Steen & Strom portfolio | -48,0 | 48 |
| **Cash-Flow Hedge Swaps at 06/30/2012** | **-447,7** | **201** |

*Break down of financial borrowings after interest rate hedging:*

| *In millions of euros* | Fixed-rate borrowings | | | Variable-rate borrowings | | | Total gross borrowings | | Average cost of debt, base 06/30/2012 |
|---|---|---|---|---|---|---|---|---|---|
| | Amount | Rate | Fixed part | Amount | Rate | Variable part | Amount | Rate | |
| 12/31/2011 | 5 872 | 4,46% | 76% | 1 865 | 2,72% | 24% | 7 736 | 4,04% | **4,20%** |
| 6/30/2012 | 6 223 | 4,16% | 80% | 1 532 | 2,45% | 20% | 7 755 | 3,82% | **3,97%** |

N.B.: The average cost of debt « base June 30, 2012 » is calculated on the basis of the interest rates and funding structure in place at June 30, 2012, and is not, therefore, a forecast of the average cost of debt for Klépierre over the upcoming period.

- ***Hedging strategy***

Klépierre has set a target hedging rate of approximately 70%. This rate is defined as the proportion of fixed-rate debt (after hedging) to gross borrowings. As the previous table shows, this proportion was 80% as at June 30, 2012.

In order to achieve its target level, Klépierre focuses on the use of swap agreements, which enable fixed rates to be swapped for variable rates, and vice-versa. Klépierre's hedging strategy includes both the long-term and short-term aspects of its borrowings.

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

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

### 8.1.2. Rate risk – exposure to fixed-rate debt

- ***Identified risk and measurement of risk exposure***

Klépierre's fixed-rate debt provides a risk-free exposure to fluctuations of interest rates, as far as the fair value of fixed-rate debt increases while rates fall, and vice-versa.

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

As at June 30, 2012, fixed rate debt amounts to 2,508 million euros before hedging.

- ***Hedging strategy***

The "fair value hedge" strategy is calibrated to address the overall hedge rate target. It is also based on the use of rate swaps allowing fixed-rate payments to be swapped to variable-rate payments. The "credit margin" component is not hedged.

The duration of "fair value hedge" instruments is never longer than that of the debt hedged, since Klépierre wishes to obtain a very high level of "efficiency", as defined by IAS 32/39.

### 8.1.3. Marketable securities

Cash equivalents refer to French open-ended money market funds (OPCVM) and certificates of deposit in Italy.

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

### 8.1.4. Fair value of financial assets and liabilities

The Group recognizes the borrowings in the balance sheet at amortized cost.

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

- variable-rate bank debt: the fair value is equal to the nominal amount;
- fixed-rate bank debt: the fair value is calculated solely on the basis of rate fluctuations;
- bonds (and convertibles, where applicable): use of market quotations where these are available.

Klépierre does not reevaluate the margin component of its unlisted loans.

| | 06/30/2012 | | | 31/12/2011 | | |
|---|---|---|---|---|---|---|
| *In millions of euros* | Par value | Fair value | Change in fair value caused by a 1% increase in interst rate* | Par value | Fair value | Change in fair value caused by a 1% increase in interst rate* |
| Fixed-rate bonds | 2 289 | 2 392 | -118 | 1 989 | 1 936 | -33 |
| Fixed-rate bank loans | 219 | 225 | -5 | 221 | 229 | -5 |
| Other variable-rate loans | 5247 | 5247 | - | 5526 | 5527 | - |
| **Total** | **7755** | **7864** | **-123** | **7736** | **7692** | **-38** |

** change in the fair value of the debt as a result of a parallel shift in the rate curve*

Derivatives are recognized in the balance sheet at their fair value. As at June 30, 2012, a 1% rise in rates would have resulted in a rise of 142 million euros in the value of the Group's euro-denominated interest rate derivatives.

## 8.2. Liquidity risk

The average duration of indebtedness is five years, as at June 30, 2012. The borrowings are spread between markets and instruments in order to diversify maturity dates and sources of financing in such a way it facilitates renewals.

Klépierre also has unused credit lines (including bank overdrafts) totaling 815 million euros as at June 30, 2012. These lines will be sufficient to absorb the main refinancing scheduled for the next year.

Outstanding commercial paper, which represents the bulk of short-term financing, never exceeds the "backup" lines.

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

Klépierre SA bonds (2,289 million euros) include a bearer option, providing the possibility of requesting early repayment in the event of a change of control generating a change of Klépierre's rating to "non-investment grade". Apart from this clause, no other financial covenant refers to Standard & Poor's rating for Klépierre.

The main financial covenants are detailed in the management report.

## 8.3. Currency risk

Klépierre conducts its business in some countries beyond the Eurozone: Czech Republic, Hungary, Poland and Scandinavia.

For the first 3 countries the currency risk has not been assessed sufficiently high to warrant derivative hedging, since the acquisitions and the acquisition financing were denominated in euros.

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

In Scandinavia though, leases are denominated in local currency. Funding is therefore also raised in local currency. The principal exposure of the Klépierre group to Scandinavian currency risk is therefore limited essentially to the funds invested in the company (share in equity of Steen & Strøm), which were partially financed in euros.

### 8.4. Counterparty risk

Counterparty risk is limited by the fact that Klépierre is structurally a borrower. This risk is therefore limited essentially to those investments made in derivative transactions by the Group and its counterparties.

The counterparty risk on investments is limited by the type of products mainly used: monetary UCITS managed by recognized institutions, loans from the governments of countries in which Klépierre operates.

Regarding the hedging instruments, Klépierre conducts derivative instrument transactions only with financial institutions recognized as financially sound.

## 9. FINANCE AND GUARANTEE COMMITMENTS

### 9.1. Commitments given

| *Commitments given*<br>*in thousands of euros* | 06/30/2012 | 12/31/2011 |
|---|---|---|
| **Commitments related to the Group's consolidated scope** | **2 154** | **2 154** |
| Purchase commitments | 2 154 | 2 154 |
| **Commitments related to Group financing** | **2 323 247** | **2 269 935** |
| Financial guarantees given | 2 323 247 | 2 269 935 |
| **Commitments related to the Group's operating activities** | **368 861** | **376 321** |
| Commitments on works contracts (Property development/Sale before completion) | 161 929 | 196 759 |
| Commitments under conditions precedent | 113 704 | 54 919 |
| Work completion commitments | 70 860 | 101 456 |
| Rental guarantees and deposits | 1 331 | 1 288 |
| Other commitments given | 21 037 | 21 898 |
| **Total** | **2 694 263** | **2 648 409** |

### 9.1.1. Commitments related to the Group's consolidated scope

- ***Equity acquisition commitments***

At June 30, 2012, this item comprised an earn-out payment of 2.1 million euros related to the acquisition of the Seriate and Pesaro centers in Italy.

The price paid for Sadyba (part of the Polish acquisitions made in 2005) is subject to an earn-out clause. Klépierre does not own the land of the center fully but under a lease that expires July 31, 2021. An earn-out payment shall be made to the seller if the seller obtains, within ten years starting from July 2005, an extension of the lease or full ownership. As the probability of the lease being extended or full ownership being obtained cannot be measured, the earn-out payment is not currently recognized.

### 9.1.2. Commitments related to Group financing

- ***Financial guarantees given***

In general terms, the Group finances its assets from equity or debt contracted by its parent company, rather than pledging its own assets, except for Scandinavia, where Steen & Strøm mainly relies on local currency mortgages to fund its activities.

The breakdown by country of guaranteed debts and mortgages is shown in the following table:

| *in thousands of euros* | Loan amount at 06/30/2012 | Mortgage amount at 06/30/2012 |
|---|---|---|
| . France | 80 972 | 103 812 |
| . Italy | 400 216 | 960 000 |
| . Norway | 798 233 | 906 197 |
| . Sweden | 527 259 | 460 444 |
| . Denmark | 516 568 | 534 021 |
| **TOTAL** | **2 323 247** | **2 964 473** |

### 9.1.3. Commitments related to the Group's operating activities

- ***Commitments on works contracts (Property Development/Sale Before Completion)***

The commitments on works contracts are reciprocal guarantees given under property development contracts and sale before completion contracts (under which payment is guaranteed by the buyer and completion by the developer).

At June 30, 2012, the Group's main commitments are related to shopping center construction projects, such as the Bègles Rives d'Arcins (9.5 million euros), Carré Jaude 2 (50 million euros) and Besançon Pasteur (32.7 million euros) projects in France and the Emporia project in Sweden (63 million euros). There is a remaining commitment of 6.2 million euros related to the Paris Saint-Lazare center, opened March 21, 2012.

- ***Commitments under conditions precedent***

The commitments under conditions precedent relate to purchase promissory agreements on land or assets and earn-out payments on acquisitions.

Several commitments have been given for acquisitions of land (e.g. Claye-Souilly, Corep – Rives d'Arcins, Chaumont and Perpignan-Claira), for a total amount of 18.5 million euros. The Group is committed to acquire assets as part of the Cours de Danube – Val d'Europe, Centre Bourse Grands Magasins and Carré Jaude 2 projects for a total amount of 23.4 million euros.

In 2011 the Italian subsidiary IGC was committed to make an earn-out payment of 4 million euros related to the acquisition of the Varese Center. This earn-out payment was executed in the first quarter of 2012.

A sale engagement was signed end of March 2012, concerning an office building located in Pantin, for 71.8 million euros. This engagement is subject to conditions precedent to obtain a building permit.

- ***Work completion commitments***

The decrease in work completion commitments compared to 2011 is mainly the result of completion extension and renovation projects for the centers of Hérouville (-8.7 million euros) and Perpignan-Claira (-5 million euros) in France and in Norway (-8 million euros).

The principal extension and renovation projects are Claye-Souilly (18.4 million euros), Perpignan-Claira (10 million euros), Hérouville (8 million euros), Rives d'Arcins (4 million euros) in France and Vinterbro (16.1 million euros) in Norway.

- ***Rental guarantees and deposits***

The "Rental guarantees and deposits" item is mainly composed of deposits for the business premises of the Group's management subsidiaries (Ségécé) abroad.

- ***Other commitments given***

Other commitments are given for payment guarantees on amounts owed to the state (15.2 million euros) and deposits on loans to employees (5.7 million euros).

## 9.2. Commitments received

| *Commitments received* *in thousands of euros* | 06/30/2012 | 12/31/2011 |
|---|---|---|
| **Commitments related to Group financing** | **706 250** | **1 315 000** |
| Financing agreements obtained and not used | 706 250 | 1 315 000 |
| **Commitments related to the Group's operating activities** | **494 892** | **342 952** |
| Sale commitments | 145 072 | - |
| Deposits received guaranteeing the real-estate management activity (under the "Hoguet" law) | 260 030 | 260 030 |
| Deposits received from tenants | 89 790 | 82 922 |
| **Total** | **1 201 142** | **1 657 952** |

### 9.2.1. Commitments related to Group financing

- ***Financing agreements obtained and not used***

As at June 30, 2012, Klépierre has 700 million euros of committed and unused credit lines on the two bilateral revolving credit facilities with BNP Paribas (expiring in 2016 and 2018).

An additional amount of 50 million euros is also available in the form of an uncommitted BNP Paribas overdraft, partly drawn as at June 30, 2012. Steen & Strøm has 39 million euros in uncommitted credit lines. Other subsidiaries have an amount of 25.5 million euros of unused credit lines available.

### 9.2.2. Commitments related to the Group's operating activities

- ***Sale commitments***

During the first half year Klépierre signed commitments to sell two office buildings (Sereinis and Collines de l'Arche) and a shopping center (Grand Nimes). These commitments represent 145 million euros at June 30, 2012.

- ***Deposits received guaranteeing the real estate management activity (under the "Hoguet" law)***

As part of its real-estate management activities in 2012, the Klépierre group, via Ségécé, enjoyed a financial guarantee from BNP Paribas for a variable amount capped at 260 million euros.

- ***Deposits received from tenants***

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

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.

## 9.3. Shareholders' agreements

The Group is subject to the shareholders' and partners' agreements previously signed and which correspond to those applied in 2011, as indicated in paragraph 9.3 of the notes to the consolidated financial statements at December 31, 2011. A new shareholders' agreement was signed in the first half of 2012:

***Shareholders' agreement signed by KC2 SNC, KLÉPIERRE, CARDIF ASSURANCE VIE and BNP PARIBAS PIERRE II regarding SCI PORTES DE CLAYE***

This agreement, signed on April 16, 2012, contains provisions governing relations between company shareholders.

It provides the usual protection in the event of plans to sell company shares to third parties:

- Reciprocal right of first refusal,
- Full tag-along rights,
- Full drag-along rights in the event of majority shareholder plans to sell its full equity stake.

It also contains minority shareholders' right of first refusal in the event of a sale of assets by the Company.

KC 2 SNC has not been party to this agreement since June 5, 2012, when all its holdings were transferred.

## 9.4. Commitments under operating leases – Lessors

The main clauses contained in the lessor's lease agreement correspond to those applied in 2011, as indicated in paragraph 9.4 of the notes to the consolidated financial statements at December 31, 2011.

At June 30, 2012, the total future minimum rents receivable under non-cancelable operating leases were as follows:

| *in thousands of euros* | 06/30/2012 |
|---|---|
| Less than one year | 798 904 |
| Between one and five years | 1 258 372 |
| More than five years | 189 669 |
| **Total** | **2 246 945** |

# 10. EMPLOYEE COMPENSATION AND BENEFITS

## 10.1. Payroll expenses

At June 30, 2012, total payroll expenses amounted to 57.7 million euros.

Fixed and variable salaries and wages plus incentives and profit sharing totaled 46.7 million euros, pension-related expenses, retirement expenses and other staff benefits were 10 million euros, taxes and similar compensation-related payments were 1.1 million euros.

## 10.2. Employees

In the first half of 2012, the Group had an average of 1,448 employees: 875 work outside France, including 395 in the Scandinavian real estate company Steen & Strøm. The average headcount of the Klépierre group in the first half of 2012 breaks down as follows:

| *Regions* | 06/30/2012 | 12/31/2011 | 06/30/2011 |
|---|---|---|---|
| France-Belgium | 573 | 578 | 579 |
| Scandinavia | 395 | 397 | 403 |
| Italy | 122 | 122 | 122 |
| Iberia | 163 | 162 | 163 |
| Central Europe | 195 | 212 | 216 |
| **Total** | **1 448** | **1 471** | **1 483** |

## 10.3. Employee benefits

### 10.3.1. Defined contribution pension plans

In France, the Klépierre group contributes to a number of national and inter-profession basic and supplementary pension organizations.

### 10.3.2. Defined benefit pension plans

The defined benefit pension plans set up by Klépierre, as well as their actuarial appraisals, correspond to those indicated in section 10.3 of the notes to the Group's consolidated financial statements for the year ended December 31, 2011.

The provisions recognized for defined benefit pension plans totaled 12.5 million euros at June 30, 2012.

| *in thousands of euros* | 12/31/2011 | Allowances for the period | Write-backs (provision used) | Write-backs (provision unused) | Other movements | Changes in the scope of consolidation | 06/30/2012 |
|---|---|---|---|---|---|---|---|
| Provisions for employee benefit commitments | | | | | | | |
| . Defined benefit schemes | 11 498 | 922 | - 2 | - 10 | 99 | - | 12 507 |
| . Other long term benefits | 2 891 | 220 | 0 | - | - | - | 3 111 |
| **Total** | **14 389** | **1 142** | **-2** | **-10** | **99** | **0** | **15 618** |

The assumptions used at December 31, 2011 are given in section 10.3.2 of the notes to the Group's consolidated financial statements for the year ended December 31, 2011.

At June 30, 2012, the main assumptions used were reviewed to take into account any changes during the first semester.

## 10.4. Stock-options

There are currently five stock option plans in place for Group executives and employees.

## Summary data

| | Plan n°1 | Plan n°2 | Plan n°3 | |
|---|---|---|---|---|
| | | | Without performance conditions | With performance conditions |
| Date of the general meeting of shareholders | 4/7/2006 | 4/7/2006 | 4/7/2006 | 4/7/2006 |
| Date of the Executive Board | 5/30/2006 | 5/15/2007 | 4/6/2009 | 4/6/2009 |
| Start date for exercising options | 5/31/2010 | 5/16/2011 | 4/6/2013 | 4/6/2013 |
| Expiration date | 5/30/2014 | 5/15/2015 | 4/5/2017 | 4/5/2017 |
| Subscription or purchase price (1) | 29,49 | 46,38 | 22,60 | entre 22,6 et 27,12 |
| Stock purchase options originally granted before any adjustment | 195 000 | 143 000 | 378 500 | 102 500 |
| Stock purchase options originally granted (number adjusted to reflect the division of the face value per 3 and the discount of preferential rights granted for the capital increase of December 2008) | 603 490 | 443 146 | NA | NA |
| Stock purchase options canceled at June 30, 2012 | 69 873 | 48 998 | 37 500 | 0 |
| Stock purchase options exercised at June 30, 2012 | | | 3 750 | 938 |
| Outstanding stock purchase options at June 30, 2012 (after additional adjustment to reflect the discount of preferential rights granted for the capital increase of December 2008) | 533 617 | 394 148 | 337 250 | 101 562 |

(1) After adjustment of the division per three of the face value in 2007 and the discount of preferential rights granted for the capital increase of December 2008.

| | Plan n°4 | | Plan n°5 | |
|---|---|---|---|---|
| | Without performance conditions | With performance conditions | Without performance conditions | With performance conditions |
| Date of the general meeting of shareholders | 4/9/2009 | 4/9/2009 | 4/9/2009 | 4/9/2009 |
| Date of the Executive Board | 6/21/2010 | 6/21/2010 | 5/27/2011 | 5/27/2011 |
| Start date for exercising options | 6/21/2014 | 6/21/2014 | 5/27/2015 | 5/27/2015 |
| Expiration date | 6/20/2018 | 6/20/2018 | 5/26/2019 | 5/26/2019 |
| Subscription or purchase price | 22,31 | between 22,31 and 26,77 | 27,94 | between 27,94 and 33,53 |
| Stock purchase options originally granted before any adjustment | 403 000 | 90 000 | 492 000 | 114 000 |
| Stock purchase options originally granted (number adjusted to reflect the division of the face value per 3 and the discount of preferential rights granted for the capital increase of December 2008) | | | | |
| Stock purchase options canceled at at June 30, 2012 | 22 500 | | 12 000 | |
| Stock purchase options exercised at at June 30, 2012 | 0 | | 0 | |
| Outstanding stock purchase options at at June 30, 2012 | 380 500 | 90 000 | 480 000 | 114 000 |

The first two are standard stock option plans, and are therefore not performance linked. The third, fourth and fifth plans are performance-related for Executive Board members and partly performance-related for the Executive Committee.

The features of the plans are unchanged and can be consulted in section 10.4 of the notes to the Group's consolidated financial statements for the year ended December 31, 2011.

The calculated expense of the period amounts to 0.9 million euros for all the plans and also reflects the estimated population of beneficiaries at the end of each vesting period, because beneficiaries may lose their rights if they leave the Klépierre Group during this period.

# 11. ADDITIONAL INFORMATION

## 11.1. Disclosures about the fair value model

Klépierre chose to apply the IAS 40 cost model and, as a result, must disclose the fair value of investment property in the notes to the financial statements.

| ***Comprehensive income statement at fair value (EPRA model)*** *in thousands of euros* | 06/30/2012 Fair value model | 06/30/2011 Fair value model |
|---|---|---|
| Lease income | 490 673 | 477 716 |
| Land expenses (real estate) | -1 063 | |
| Non-recovered rental expenses | -21 462 | -17 565 |
| Building expenses (owner) | -28 964 | -32 339 |
| ***Net rents*** | ***439 184*** | ***427 812*** |
| Management, administrative and related income | 43 519 | 39 717 |
| Other operating revenue | 6 575 | 8 839 |
| Change in the fair value of investment property | -39 007 | 290 523 |
| Survey and research costs | -380 | -644 |
| Payroll expenses | -57 700 | -54 092 |
| Other general expenses | -20 365 | -19 801 |
| Depreciation and impairment allowance on investment property | | |
| Depreciation and impairment allowance on PPE | -5 346 | -4 665 |
| Provisions | 1 179 | -3 145 |
| Gains on the disposal of investment property and equity investments | 111 155 | 83 382 |
| Net book value of investment property and equity investments sold | -109 257 | -77 373 |
| ***Income from the disposal of investment property and equity investments*** | **1 898** | **6 009** |
| ***Profit on the disposal of short-term assets*** | **0** | **0** |
| ***Goodwill impairment*** | | |
| **Operating income** | **369 557** | **690 553** |
| Net dividends and provisions on non-consolidated investments | 14 | 109 |
| *Financial income* | *79 599* | *71 007* |
| *Financial expenses* | *-236 522* | *-225 281* |
| Net cost of debt | -156 923 | -154 273 |
| Change in the fair value of financial instruments | -2 027 | 420 |
| Effect of discounting | | -330 |
| Share in earnings of equity method investees | 443 | -366 |
| **Profit before tax** | **211 064** | **536 113** |
| Corporate income tax | -12 424 | -72 406 |
| **Net income of consolidated entity** | **198 640** | **463 707** |
| **of which** | | |
| *Group share* | *104 533* | *347 099* |
| *Non-controlling interests* | *94 107* | *116 609* |
| **Undiluted average number of shares** | **187 399 561** | **186 799 952** |
| **Undiluted comprehensive earnings per share (euros)** | **0,6** | **1,9** |
| **Diluted average number of shares** | **187 399 561** | **186 799 952** |
| ***Diluted comprehensive earnings per share (euros)*** | **0,6** | **1,9** |

| *in thousands of euros* | Notes | 06/30/2012 | 06/30/2011 |
|---|---|---|---|
| **Net income of consolidated entity** | | **198 640** | **463 707** |
| **Other comprehensive income items recognized directly as equity** | | -11 463 | 109 362 |
| Income from sales of treasury shares | | *997* | *531* |
| Effective portion of profits and losses on cash flow hedging instruments (IAS 39) | | *-54 542* | *63 360* |
| Translation profits and losses | | *33 520* | *56 103* |
| Tax on other comprehensive income items | | *8 562* | *-10 632* |
| Share of other comprehensive income items of equity method investees | | *0* | *0* |
| **TOTAL COMPREHENSIVE INCOME** | | **187 177** | **573 069** |
| **of which** | | | |
| *Group share* | | *85 520* | *442 508* |
| *Non-controlling interests* | | *101 657* | *130 562* |
| **Comprehensive earnings per share in euros** | | **0,5** | **2,4** |
| **Diluted comprehensive earnings per share (euros)** | | **0,5** | **2,4** |

| *Consolidated statement of financial position (EPRA model)*<br><br>*in thousands of euros* | 06/30/2012<br>Fair value model | 12/31/2011<br>Fair value model |
|---|---|---|
| Goodwill | 130 330 | 117 844 |
| Intangible assets | 31 421 | 30 462 |
| Property, plant and equipment and work in progress | 31 792 | 28 244 |
| Investment property at fair value | 15 677 541 | 15 635 736 |
| Investment property at cost model | 312 544 | 207 495 |
| Equity method securities | 25 370 | 26 359 |
| Other non-current assets | 20 527 | 22 490 |
| Non-current derivatives | 105 872 | 97 028 |
| Deferred tax assets | 95 688 | 90 559 |
| ***NON-CURRENT ASSETS*** | ***16 431 085*** | ***16 256 217*** |
| Fair value of property held for sale | 115 228 | 65 539 |
| Inventory | 409 | 408 |
| Trade accounts and notes receivable | 134 252 | 98 939 |
| Other receivables | 339 230 | 257 251 |
| *Tax receivables* | 46 746 | *37 471* |
| *Other debtors* | 292 485 | *219 780* |
| Current derivatives | 0 | *0* |
| Cash and cash equivalents | 240 681 | 287 088 |
| ***CURRENT ASSETS*** | ***829 800*** | ***709 225*** |
| **TOTAL ASSETS** | **17 260 885** | **16 965 442** |
| Capital | 279 259 | 265 507 |
| Additional paid-in capital | 1 773 876 | 1 569 970 |
| Legal reserves | 26 551 | 26 551 |
| Consolidated reserves | 3 016 463 | 2 533 853 |
| *Treasury shares* | -101 042 | *-101 088* |
| *Hedging reserves* | -374 234 | *-327 941* |
| *Fair value of investment property* | 3 075 816 | *2 460 370* |
| *Other consolidated reserves* | 415 923 | *502 512* |
| Consolidated earnings | 104 533 | 764 066 |
| Shareholders' equity, group share | 5 200 682 | 5 159 947 |
| Non-controlling interests | 2 115 811 | 1 971 069 |
| ***SHAREHOLDERS' EQUITY*** | ***7 316 493*** | ***7 131 016*** |
| Non-current financial liabilities | 6 782 153 | 6 856 237 |
| Long-term provisions | 13 180 | 13 602 |
| Pension commitments | 15 618 | 14 389 |
| Non-current derivatives | 458 459 | 454 455 |
| Security deposits and guarantees | 147 763 | 142 135 |
| Deferred tax liabilities | 672 597 | 679 755 |
| ***NON-CURRENT LIABILITIES*** | ***8 089 770*** | ***8 160 573*** |
| Current financial liabilities | 1 188 315 | 1 079 811 |
| Bank facilities | 50 308 | 98 934 |
| Trade payables | 190 155 | 109 464 |
| Payables to fixed asset suppliers | 31 722 | 34 084 |
| Other liabilities | 295 793 | 251 509 |
| Current derivatives | 5 711 | 8 191 |
| Social and tax liabilities | 92 618 | 91 860 |
| Short-term provisions | 0 | 0 |
| ***CURRENT LIABILITIES*** | ***1 854 622*** | ***1 673 853*** |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | **17 260 885** | **16 965 442** |

KLEPIERRE

| Comprehensive income statement at fair value (EPRA model) *in thousands of euros* | 06/30/2012 Cost model | Fair value restatements | 06/30/2012 Fair value model |
|---|---|---|---|
| Lease income | 490 673 | | 490 673 |
| Land expenses (real estate) | -2 226 | 1 163 | -1 063 |
| Non-recovered rental expenses | -21 462 | | -21 462 |
| Building expenses (owner) | -29 227 | 263 | -28 964 |
| ***Net rents*** | ***437 758*** | ***1 426*** | ***439 184*** |
| Management, administrative and related income | 43 519 | | 43 519 |
| Other operating revenue | 6 575 | | 6 575 |
| Change in the fair value of investment property | | -39 007 | -39 007 |
| Survey and research costs | -380 | | -380 |
| Payroll expenses | -57 700 | | -57 700 |
| Other general expenses | -20 365 | | -20 365 |
| Depreciation and impairment allowance on investment property | -180 186 | 180 186 | |
| Depreciation and impairment allowance on intangible assets and property, plant and equipn | -5 346 | | -5 346 |
| Provisions | 1 179 | | 1 179 |
| Gains on the disposal of investment property and equity investments | 111 155 | | 111 155 |
| Net book value of investment property and equity investments sold | -60 752 | -48 505 | -109 257 |
| ***Income from the disposal of investment property and equity investments*** | ***50 403*** | ***-48 505*** | ***1 898*** |
| ***Profit on the disposal of short term assets*** | ***0*** | | ***0*** |
| ***Goodwill impairment*** | ***0*** | | ***0*** |
| **Operating income** | **275 457** | **94 100** | **369 557** |
| Net dividends and provisions on non-consolidated investments | 14 | | 14 |
| *Financial income* | *79 599* | | *79 599* |
| *Financial expenses* | *-236 522* | | *-236 522* |
| Net cost of debt | -156 923 | | -156 923 |
| Change in the fair value of financial instruments | -2 027 | | -2 027 |
| Effect of discounting | 0 | | 0 |
| Share in earnings of equity method investees | 660 | -217 | 443 |
| **Profit before tax** | **117 181** | **93 883** | **211 064** |
| Corporate income tax | -8 181 | -4 243 | -12 424 |
| **Net income of consolidated entity** | **109 000** | **89 640** | **198 640** |
| **of which** | | | |
| *Group share* | *68 565* | 35 968 | *104 533* |
| *Non-controlling interests* | *40 435* | *53 672* | *94 107* |
| **Undiluted average number of shares** | **187 399 561** | **187 399 561** | **187 399 561** |
| **Undiluted comprehensive earnings per share (euros)** | **0,4** | **0,2** | **0,6** |
| **Diluted average number of shares** | **187 399 561** | **187 399 561** | **187 399 561** |
| ***Diluted comprehensive earnings per share (euros)*** | ***0,4*** | ***0,2*** | ***0,6*** |

| *in thousands of euros* | Notes | 06/30/2012 Cost model | Fair value restatements | 06/30/2012 Fair value model |
|---|---|---|---|---|
| **Net income of consolidated entity** | | **109 000** | **89 640** | **198 640** |
| **Other comprehensive income items recognized directly as equity** | | -3 306 | -8 157 | -11 463 |
| Income from sales of treasury shares | | *997* | | *997* |
| Effective portion of profits and losses on cash flow hedging instruments (IAS 39) | | *-54 542* | | *-54 542* |
| Translation profits and losses | | *41 677* | *-8 157* | *33 520* |
| Tax on other comprehensive income items | | *8 562* | | *8 562* |
| Share of other comprehensive income items of equity method investees | | - | - | - |
| **Total comprehensive income** | | **105 694** | **81 483** | **187 177** |
| **of which** | | | | |
| *Group share* | | 58 268 | 27 252 | 85 520 |
| *Non-controlling interests* | | 47 426 | 54 231 | 101 657 |
| **Comprehensive earnings per share in euros** | | **0,3** | **0,0** | **0,5** |
| **Diluted comprehensive earnings per share (euros)** | | **0,3** | **0,0** | **0,5** |

| ***Consolidated statement of financial position (EPRA model)*** <br> *in thousands of euros* | 06/30/2012 Cost model | Fair value restatements | 06/30/2012 Fair value model |
|---|---|---|---|
| Goodwill | 134 980 | -4 650 | 130 330 |
| Intangible assets | 31 421 | | 31 421 |
| Property, plant and equipment and work in progress | 31 792 | | 31 792 |
| Investment property | 11 092 139 | -11 092 139 | |
| Investment property under construction | 772 712 | -772 712 | |
| Investment property at fair value | | 15 677 541 | 15 677 541 |
| Investment property at cost model | | 312 544 | 312 544 |
| Equity method securities | 19 142 | 6 228 | 25 370 |
| Other non-current assets | 20 527 | | 20 527 |
| Non-current derivatives | 105 872 | | 105 872 |
| Deferred tax assets | 113 921 | -18 233 | 95 688 |
| ***NON-CURRENT ASSETS*** | ***12 322 506*** | ***4 108 579*** | ***16 431 085*** |
| Fair value of property held for sale | 108 053 | 7 175 | 115 228 |
| Inventory | 409 | | 409 |
| Trade accounts and notes receivable | 134 252 | | 134 252 |
| Other receivables | 395 296 | -56 066 | 339 230 |
| *Tax receivables* | 46 746 | | *46 746* |
| *Other debtors* | 348 551 | -56 066 | *292 485* |
| Current derivatives | | | |
| Cash and cash equivalents | 240 681 | | 240 681 |
| ***CURRENT ASSETS*** | ***878 691*** | ***-48 891*** | ***829 800*** |
| **TOTAL ASSETS** | **13 201 197** | **4 059 688** | **17 260 885** |
| Capital | 279 259 | | 279 259 |
| Additional paid-in capital | 1 773 876 | | 1 773 876 |
| Legal reserves | 26 551 | | 26 551 |
| Consolidated reserves | -40 115 | 3 056 578 | 3 016 463 |
| *Treasury shares* | -101 042 | | *-101 042* |
| *Hedging reserves* | -374 234 | | *-374 234* |
| *Fair value of investment property* | | *3 075 816* | *3 075 816* |
| *Other consolidated reserves* | 435 161 | *-19 238* | *415 923* |
| Consolidated earnings | 68 565 | 35 968 | 104 533 |
| Shareholders' equity, group share | 2 108 136 | 3 092 546 | 5 200 682 |
| Non-controlling interests | 1 397 953 | 717 858 | 2 115 811 |
| ***SHAREHOLDERS' EQUITY*** | ***3 506 089*** | ***3 810 404*** | ***7 316 493*** |
| Non-current financial liabilities | 6 782 153 | | 6 782 153 |
| Long-term provisions | 13 180 | | 13 180 |
| Pension commitments | 15 618 | | 15 618 |
| Non-current derivatives | 458 459 | | 458 459 |
| Security deposits and guarantees | 147 763 | | 147 763 |
| Deferred tax liabilities | 423 313 | 249 284 | 672 597 |
| ***NON-CURRENT LIABILITIES*** | ***7 840 486*** | ***249 284*** | ***8 089 770*** |
| Current financial liabilities | 1 188 315 | | 1 188 315 |
| Bank facilities | 50 308 | | 50 308 |
| Trade payables | 190 155 | | 190 155 |
| Payables to fixed asset suppliers | 31 722 | | 31 722 |
| Other liabilities | 295 793 | | 295 793 |
| Current derivatives | 5 711 | | 5 711 |
| Social and tax liabilities | 92 618 | | 92 618 |
| Short-term provisions | 0 | | 0 |
| ***CURRENT LIABILITIES*** | ***1 854 622*** | ***0*** | ***1 854 622*** |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | **13 201 197** | **4 059 688** | **17 260 885** |

## 11.2. Transactions with related parties

### 11.2.1. Transactions with the BNP Paribas group

As at June 30, 2012 the BNP Paribas group holds a 22.5% equity stake in Klépierre SA.

As at June 30, 2012, the BNP Paribas share of bank finance amounts to 2,290 million euros, of which 1,565 million euros had been used. This figure does not include two backup lines of commercial paper (not drawn) totaling 600 million euros granted by BNP Paribas. This amount compares with authorized total financing of 8,461 million euros, of which 7,735 million euros have been used.

### 11.2.2. Transactions with the Simon Property Group

At June 30, 2012 the Simon Property Group holds a 28.89% equity stake in Klépierre SA.

At this date, there are no reciprocal transactions between the two companies.

### 11.2.3. Relationships between Klépierre group consolidated companies

A full list of Klépierre group companies is given in section 4 “Scope of consolidation” taking into account the changes in the scope of consolidation during the first semester of 2012 and as they are described in segment 4 of the notes to the financial statements.

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

The end-of-period balance sheet positions and transactions conducted during the period between fully consolidated companies are fully eliminated. The following tables show the positions and reciprocal transactions conducted by proportionally consolidated companies (jointly controlled by the Group) and those consolidated using the equity method (over which the Group has significant influence) that have not been eliminated.

***Balance sheet positions with related parties at period-end***

| | 06/30/2012 | | 12/31/2011 | |
|---|---|---|---|---|
| *in thousands of euros* | Proportionally consolidated companies | Companies consolidated using the equity method | Proportionally consolidated companies | Companies consolidated using the equity method |
| Non-current assets | 1 493 | 0 | 1 033 | 0 |
| ***NON-CURRENT ASSETS*** | ***1 493*** | ***0*** | ***1 033*** | ***0*** |
| Trade accounts and notes receivable | 897 | 142 | 463 | 78 |
| Other receivables | 2 660 | 52 | 2 872 | 45 |
| ***CURRENT ASSETS*** | ***3 557*** | ***194*** | ***3 335*** | ***123*** |
| **TOTAL ASSETS** | **5 050** | **194** | **4 368** | **123** |
| Non-current financial liabilities | 0 | 0 | 0 | 0 |
| ***NON-CURRENT LIABILITIES*** | ***0*** | ***0*** | ***0*** | ***0*** |
| Trade payables | 66 | 0 | 31 | 0 |
| Other liabilities | 811 | 1 559 | 812 | 2 325 |
| ***CURRENT LIABILITIES*** | ***876*** | ***1 559*** | ***843*** | ***2 325*** |
| **TOTAL LIABILITIES** | **876** | **1 559** | **843** | **2 325** |

### *"Income" items related to transactions with related parties*

| *in thousands of euros* | 06/30/2012 Proportionally consolidated companies | 06/30/2012 Companies consolidated using the equity method | 06/30/2011 Proportionally consolidated companies | 06/30/2011 Companies consolidated using the equity method |
|---|---|---|---|---|
| Management, administrative and related income | 920 | 156 | 2 401 | 183 |
| **Operating income** | **920** | **156** | **2 401** | **183** |
| Net cost of debt | 21 | 0 | 2 055 | 0 |
| **Profit before tax** | **941** | **156** | **4 456** | **183** |
| **Net income of the consolidated entity** | **941** | **156** | **4 456** | **183** |

The majority of these transactions relates to management and administration fees and income from company business financing operations.

### *"Off-balance sheet" items related to transactions with related parties*

| ***Commitments given*** *in thousands of euros* | 06/30/2012 | 12/31/2011 |
|---|---|---|
| **Commitments related to the Group's consolidated scope** | **-** | **-** |
| Purchase commitments | - | - |
| **Commitments related to Group financing** | **186 300** | **187 100** |
| Financial guarantees given | 186 300 | 187 100 |
| **Commitments related to the Group's operating activities** | **11 114** | **11 975** |
| Commitments on works contracts (Property development/Sale before completion) | - | - |
| Commitments under conditions precedent | - | - |
| Work completion commitments | - | - |
| Rental guarantees and deposits | 36 | 36 |
| Other commitments given | 11 078 | 11 939 |
| **Total** | **197 414** | **199 075** |

| ***Commitments received*** *in thousands of euros* | 06/30/2012 | 12/31/2011 |
|---|---|---|
| **Commitments related to Group financing** | **700 000** | **765 000** |
| Financing agreements obtained and not used | 700 000 | 765 000 |
| **Commitments related to the Group's operating activities** | **260 030** | **260 030** |
| Deposits received guaranteeing the real-estate management activity (under the "Hoguet" law) | 260 030 | 260 030 |
| Deposits received from tenants | - | - |
| **Total** | **960 030** | **1 025 030** |

## 11.2.4. Post-employment benefit plans

The main post-employment benefits are severance pay and defined benefit or defined contribution pension plans.

Post-employment benefit plans are administered by insurance companies and other independent management companies external to the Klépierre group.

## 11.3. Contingent liabilities

A litigation regarding the indexation clause opposes Klémurs and Buffalo Grill. The latter is up to date with its rental payments after an interim order granting the request of Klémurs, but the substantive proceedings are still pending at the Regional Court of Paris (Tribunal de Grande Instance).

This situation apart, in the last fiscal year, neither Klépierre nor its subsidiaries have been the subject of any governmental, judicial or arbitration action (including any action of which the issuer has knowledge, which is currently suspended or is threatened) which has recently had a significant impact on the financial position or profitability of the issuer and/or the Group.

## 11.4. Post-balance sheet date events

On July 11, 2012 the Group signed a sale agreement for the Sereinis office building located in Issy-les-Moulineaux (92).

During the first half of July, Klépierre issued 188.5 million euros of new notes maturing 2017 (100 million euros) and 2021 (88.5 million euros) through the private placement bond market.

During July 2012, Klépierre canceled 150 million euros of fixed-rate paying swaps.

## 11.5. Identity of the consolidating companies

At June 30, 2012, Klépierre was consolidated under the equity method by Simon Property Group and BNP Paribas holding respectively a 28.89% and a 22.5% stake in the equity of Klépierre (including treasury shares).

# KLEPIERRE

Limited Liability Company *(Société Anonyme)*

21, avenue Kléber
75016 PARIS

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

Period from 1 January 2012 to 30 June 2012

**Mazars**
61, rue Henri Regnault
92400 Courbevoie

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

# KLEPIERRE

Limited Liability Company *(Société Anonyme)*

21, Avenue Kléber
75016 PARIS

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

Period from 1 January 2012 to 30 June 2012

*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 condensed half-year consolidated financial statements of Klépierre covering the period January 1, 2012 to June 30, 2012;
- the verification of the information contained in the interim management report.

These condensed half-year consolidated financial statements are the responsibility of the Management Board. 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 condensed half-year consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 - standard of the IFRSs as adopted by the European Union applicable to interim financial information.

## 2. Specific verification

We have also verified the information given in the interim management report commenting the condensed 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 condensed half-year consolidated financial statements.

Signed in Courbevoie and Neuilly-sur-Seine, July 24, 2012

The statutory auditors

*French original signed by*

| Mazars | | Deloitte & Associés | |
|---|---|---|---|
| Gilles Magnan | Julien Marin-Pache | José Luis Garcia | Joël Assayah |

# STATEMENT OF THE PERSON RESPONSIBLE FOR THE INTERIM FINANCIAL REPORT

Paris – August 9, 2012

I certify that, to the best of my knowledge, these condensed consolidated 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 the Executive Board

# 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: OGM of June 28, 2006.
End of term: fiscal year 2015.

**MAZARS**
61, rue Henri Régnault
92400 Courbevoie
784824153 R.C.S. NANTERRE
Guillaume Potel/Julien Marin-Pache
1st appointment: OGM of November 4, 1968.
End of term: fiscal year 2015.

## ALTERNATE STATUTORY AUDITORS

**Société BEAS**
7-9, villa Houssay
92200 Neuilly-sur-Seine
315172445 R.C.S. NANTERRE
1st appointment: OGM of June 28, 2006.
End of term: fiscal year 2015.

**Patrick DE CAMBOURG**
61, rue Henri Régnault
92400 Courbevoie
1st appointment: OGM of April 8, 2004.
End of term: fiscal year 2015.

# PERSON RESPONSIBLE FOR FINANCIAL DISCLOSURES

**Jean-Michel GAULT**
Member of the Executive Board, Deputy CEO
Tel: +33 1 40 67 55 05