KLEMURS

2012 INTERIM FINANCIAL REPORT

CONTENTS

SUMMARY OF THE MANAGEMENT REPORT

A. BUSINESS FOR THE FIRST HALF OF 2012

In the course of the first six months of 2012, Klémurs collected rents totaling 21.9 million euros, versus 21.1 million euros over the same period last year (+3.7%).

On a constant portfolio basis, the rise in rents was 2.1% (+0.4 M€), primarily reflecting the following items:

- The average impact of index-linked rent adjustments (+4.1%) on minimum guaranteed rents. 65% of the leases in value terms were pegged to the ICC[1] for the 2nd quarter of 2011, 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, change in rents reflects the contribution of the acquisitions made in October 2011 (4 Delbard garden centers and a restaurant building lease) and the impact of the sale of a cafeteria in Saint-Malo completed in 2011.

At the June 30, 2012 reporting date, the financial occupancy rate was 99.1%, compared with 99.4% one year earlier. The late payment rate remains low (0.4%).

B. CONSOLIDATED EARNINGS FOR THE PERIOD

in millions of euros	June 30, 2012	June 30, 2011	Change	Change (%)
Rents	**21,9**	**21,1**	**0,8**	**3,7%**
Other rental income	0,0	0,1	0,0	
Non-recovered rental expenses	-0,1	0,0	-0,1	
Building and land expenses	-1,5	-1,3	-0,2	
Net lease income	**20,3**	**19,8**	**0,4**	**2,2%**
Other operating income	0,0	0,0	0,0	
Amortization allowance	-7,0	-6,9	-0,1	
Depreciation write-off	0,4	2,0	-1,6	
Other general expenses	0,0	0,0	0,0	
Operating result	**13,8**	**15,0**	**-1,3**	
Net cost of debt	-10,5	-8,8	-1,7	19,4%
Profit on the sale of assets	0,0	-0,1	0,1	
Effect of discounting	0,0	0,0	0,0	
Pre-tax earnings	**3,2**	**6,1**	**-2,9**	
Corporate income tax	0,0	0,0	0,0	
Net income	**3,2**	**6,1**	**-2,9**	

Building and land expenses comprise fees for 1.0 million euros, land rental charges for 0.1 million euros, works for 0.1 million euros and taxes for 0.1 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.

[1] Cost of Construction Index

C. CHANGE IN CASH FLOW PER SHARE

In millions of euros	June 30, 2012	June 30, 2011	Change
Operating result	**13,8**	**15,0**	
+ Depreciation and amortization allowance	6,5	4,8	
Cash flow from current operations	**20,3**	**19,9**	**2,0%**
- Net cost of debt	-9,1	-8,8	3,5%
Current cash flow before taxes	**11,1**	**11,0**	
- Corporate income tax	0,0	0,0	
Net current cash flow	**11,1**	**11,0**	**0,9%**
Per share (in €)			
Number of shares	*8 232 062*	*8 238 629*	
Net current cash flow per share	**1,35**	**1,34**	**1,0%**

Change in net current cash flow growth is impacted by a 10 bps rise in net cost of debt.

On a per share basis, net current cash-flow grew by 1.0% over twelve months.

D. OUTLOOK FOR 2012

Klémurs expects its rents to rise slightly over the year thanks to positive index-linked rental adjustments and to the impact of acquisitions completed in late 2011. Klémurs does not currently plan to make significant investments in the 2nd half of 2012.

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

1. Methodology

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

The assignments entrusted to the appraisers are carried out in accordance with the SIIC Code of Business Ethics, as well as with the specifications contained in the valuation guidelines for real estate appraisers (*Charte de l'Expertise en Evaluation immobilière*), the recommendations issued by the COB/CNC working group chaired by Mr. Barthès de Ruyther, and the RICS and IVSC standards. For the 1st half-year of 2012, these appraisals were carried out by the following appraisers:

Appraisers	Portfolios	Number of assets	Valuation (M€, duties included)	%		June report	December report
RCGE	- Buffalo Grill	157	407	61%	64%	summarized	detailed and summarized
	- Other	5	20	3%		summarized	detailed and summarized
BNP Paribas Real Estate	- Défi Mode	102	130	20%	36%	summarized	detailed and summarized
	- Cap Nord	14	38	6%		summarized	detailed and summarized
	- King Jouet	21	23	3%		summarized	detailed and summarized
	- Akene	3	20	3%		summarized	detailed and summarized
	- Sephora	2	10	2%		summarized	detailed and summarized
	- Da Costa	6	5	1%		summarized	detailed and summarized
	- Delbard	5	12	2%		summarized	detailed and summarized
TOTAL		**315**	**666**	**100%**	**100%**		

2. Valuation of real estate holdings

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

In millions of euros	June 30, 2012	December, 31 2011	Change	Change (%)
Constant portfolio	615,9	619,2	-3,2	-0,5%
Variable portfolio	11,5	10,4	1,1	-
Total holdings	**627,4**	**629,5**	**-2,1**	**-0,3%**

The constant portfolio includes all assets held and appraised on December 31, 2011 and not disposed of since. The variable portfolio includes the acquisitions completed in October 2011 (Delbard garden center and restaurant property under leasehold) whose acquisition price was used to determine the value of holdings. For the June 30, 2012 reporting date, these assets were firstly valuated by appraisers.

The average yield rate used by appraisers to determine the value of assets owned by Klémurs is 7.0% excluding transfer duties (6.6% duties included), unchanged compared with December 31, 2011.

3. Determining NAV

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

In millions of euros	June 30, 2012	December 31, 2011	Change (%)	June 30, 2011
Consolidated shareholders' equity [1]	130,1	135,8	-4,2%	139,2
Unrealized gains on holdings (duties included)	127,6	124,0		106,8
- Fair value of financial instruments	28,8	30,1		20,8
Reconstitution NAV	**286,5**	**289,8**	**-1,2%**	**266,8**
Duties and fees on the sale of assets	-38,3	-38,9	-1,6%	-37,1
EPRA NAV	**248,2**	**251,0**	**-**	**229,7**
Effective taxes on unrealized capital gains	0,0	0,0		0,0
Fair value of financial instruments	-28,8	-30,1	-	-20,8
EPRA NNNAV	**219,4**	**220,9**	**-**	**208,9**
Number of shares end of period, excluding treasury shares	*8 231 221*	*8 230 911*	**-**	*8 237 298*
Reconstitution NAV	**34,8**	**35,2**	**-1,2%**	**32,4**
EPRA NAV	**30,2**	**30,5**	**-1,1%**	**27,9**
EPRA NNNAV (liquidative NAV)	**26,7**	**26,8**	**-0,7%**	**25,4**

Consolidated shareholders' equity did not change significantly over the period, reflecting the positive impact of earnings for the period (3.2 M€) and the change in fair value of financial instruments (+1.3 M€). It also reflects the impact of dividends paid out in respect of 2011 (-9.9 M€), which occurred in April 2012.

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

Liquidative NAV (EPRA NNNAV)[22] came to 26.7 euros per share, a decrease of 0.7% compared with December 31, 2011 (-0.1 €).

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

F. FINANCING POLICY

1. Financing resources

Net debt amounted to 376.5 million euros on June 30, 2012, versus 370.3 million euros on December 31, 2011. This 6.2 million euro increase is primarily attributable to the 9.9 million euros distribution that was paid up to shareholders in April 2012, partly compensated by free cash flow.

On June 30, 2012, the financing resources of Klémurs were broken down as follows:

- Medium-term loans contracted with Klépierre: a subordinated loan (50 M€, due in July 2014) and a senior loan (250 M€ due in December 2013).
- The property finance leases purchased when the assets of Buffalo Grill, Cap Nord, Défi Mode and King Jouet were acquired represent a total outstanding of 21 million euros on June 30, 2012. The average residual duration of these finance leases is around 6 years.
- Short-term financing of 51 million euros, primarily via the Klépierre Group's cash pooling.

The average duration of Klémurs' debt is 1.9 year, which allows the Company to maintain a moderate cost of debt with a low risk of refinancing, to the extent that as of June 30, 2012 Klépierre ensures more than 90% of Klémurs' debt.

2. Interest rate hedging

- In January 2012 Klémurs cancelled 100 million euros of swaps maturing in 2014 and 2015.

As of June 30, 2012, 68% of the debt of Klémurs is hedged against changes in interest rates. The hedging portfolio contains only plain vanilla swaps, for a notional amount of 250 million euros in total. The average fixed rate is 4.07%, for an average residual duration of 1.9 year.

As of June 30, 2012, a 50 basis point rise in rates would lead to an increase in the average cost of debt of around 16 basis points, which amounts to an increase in the cost of debt of 0.6 million euros. It would also lead to an increase of 3.3 million euros in the fair market value of the financial instruments and hence the NAV.

3. Financial ratios

At the June 30, 2012 reporting date, the LTV ratio and the group share value of holdings are in line with stated objectives and with the covenant related to the senior loan contracted with Klépierre (250 M€):

Principal covenants	Maximum amount of related finance (M€)	Incidence of non-compliance	Contractual limit	Value at 06/30/2012
Loan-To-Value (Net debt / Value of holdings)	250	Default	*Senior ratio* (1) *≤ 60%*	***49,0%***
Value of holdings, group share			≥ 400 M€	**665,7**

(1) excluding subordinated debts

4. Cost of debt

The average cost of Klémurs' debt for the 1st half-year of 2012, calculated as the ratio of interest expense to the average outstanding financing debt, rose slightly compared with the level recorded for the fiscal year 2011: it stands at 4.9%.

This rise can be mainly attributed to the rise in margins when the syndicated loan was refinanced in December 2011, which was partly offset by the decline in short term rates and by the cancellation of swaps for a notional amount of 100 million euros.

G. EVENTS SUBSEQUENT TO THE ACCOUNTING CUT-OFF DATE

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

SUMMARY OF THE CONSOLIDATED STATEMENTS

COMPREHENSIVE INCOME STATEMENT (EPRA MODEL)

in thousands of euros	Notes	06/30/2012	06/30/2011
Lease income	*5.1*	**21 954**	**21 191**
Land expenses (real estate)		-125	-3
Non-recovered rental expenses		-122	
Building expenses (owner)		-1 413	-1 342
Net rents		***20 294***	***19 846***
Management, administrative and related income			
Other operating revenue	*5.1*	4	48
Payroll expenses			
Other general expenses		-38	-38
Depreciation and impairment allowance on investment property	*5.2*	-6 510	-4 827
Provisions			
Gains on the disposal of investment property and equity investments			*1 007*
Net book value of investment property and equity investments sold			*-1 064*
Income from the disposal of investment property and equity investments	*5.3*	***0***	***-57***
Operating income		**13 750**	**14 972**
Financial income		*1*	*1*
Financial expenses		*-10 524*	*-8 817*
Net cost of debt	*5.4*	***-10 523***	***-8 816***
Change in the fair value of financial instruments			
Effect of discounting			-20
Profit before tax		**3 227**	**6 136**
Corporate income tax	*5.5*		
Net income of consolidated entity		**3 227**	**6 136**
Of which			
Group share		3 227	6 136
Non-controlling interests			
Undiluted average number of shares		**8 232 062**	**8 238 629**
Undiluted comprehensive earnings per share (euro)		**0,4**	**0,7**
Diluted average number of shares		**8 232 062**	**8 238 629**
Diluted comprehensive earnings per share (euro)		**0,4**	**0,7**

in thousands of euros	Notes	06/30/2012	06/30/2011
Net income of consolidated entity		**3 227**	**6 136**
Other comprehensive income items recognized directly as equity		**1 280**	**7 421**
Income from sales of treasury shares	*See statement of changes in consolidated equity*	*-20*	*58*
Effective portion of profits and losses on cash flow hedging instruments (IAS 39)		*1 300*	*7 363*
Translation profits and losses			
Tax on other comprehensive income items			
Share of other comprehensive income items of equity method investees		**-**	**-**
Total comprehensive income		**4 507**	**13 557**
Of which			
Group share		4 507	13 557
Non-controlling interests			
Undiluted comprehensive earnings per share (euro)		**0,5**	**1,6**
Diluted comprehensive earnings per share (euro)		**0,5**	**1,6**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (EPRA MODEL)

in thousands of euros	Notes	06/30/2012	12/31/2011
Investment property	*4.1*	538 074	544 387
Investment property under construction	*4.1*	44	
Other non-current assets	*4.2*	84	84
Non-current derivatives			
Deferred tax assets	*4.9*		
NON-CURRENT ASSETS		***538 202***	***544 471***
Investment property held for sale			
Trade accounts and notes receivable	*4.3*	1 635	2 429
Other receivables	*4.4*	1 025	1 162
Tax receivables		*687*	*546*
Other debtors		*338*	*616*
Cash and cash equivalents	*4.5*	521	217
CURRENT ASSETS		***3 181***	***3 808***
TOTAL ASSETS		**541 383**	**548 279**
Capital	*4.6*	82 500	82 500
Additional paid-in capital		40 670	45 207
Legal reserves		1 216	918
Consolidated reserves		2 500	-4 956
- Treasury shares	*4.6*	*-303*	*-334*
- Hedging reserves	*4.8*	*-28 757*	*-30 057*
- Reserves on other equity instruments	*4.6*	*-3 457*	*-3 457*
- Other consolidated reserves		*34 932*	*28 831*
- Balance carried forward		*85*	*61*
Consolidated earnings		3 227	12 091
Shareholders' equity, group share		130 113	135 760
Non-controlling interests		7	7
SHAREHOLDERS' EQUITY		***130 120***	***135 767***
Non-current financial liabilities	*4.7*	317 536	319 574
Long-term provisions			
Non-current derivatives	*4.8*	24 187	31 978
Security deposits and guarantees		7 548	7 209
Deferred tax liabilities	*4.9*		
NON-CURRENT LIABILITIES		***349 271***	***358 761***
Current financial liabilities	*4.7*	59 435	50 888
Bank facilities			68
Trade payables		1 816	1 528
Payables to fixed asset suppliers			
Other liabilities	*4.10*	506	351
Social and tax liabilities	*4.10*	235	916
Short-term provisions			
CURRENT LIABILITIES		***61 992***	***53 751***
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**541 383**	**548 279**

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	3 227	6 136
Elimination of expenditure and income with no cash effect or not related to operating activities		
- Depreciation, amortization and provisions	6 510	4 830
- Capital gains and losses on asset disposals net of taxes and deferred taxes		57
- Reclassification of financial interests and other items	10 554	8 835
Gross cash flow from consolidated companies	**20 291**	**19 858**
Paid taxes		20
Change in operating working capital requirement	593	-45
CASH FLOWS FROM OPERATING ACTIVITIES	**20 884**	**19 833**
Cash flows from investing activities		
Income from sales of investment properties		
Income from disposals of other fixed assets		
Income from disposals of subsidiaries (net of cash disposed)		
Acquisitions of investment properties	-13	-818
Acquisition costs of investment properties	-93	-102
Acquisitions of other fixed assets	-44	
Payments in respect of construction work in progress		
Acquisitions of other fixed assets		
Acquisitions of subsidiaries through deduction of acquired cash		
Issuing/repayment of loans and advance payments granted and other investments		5
NET CASH FLOWS FROM INVESTING ACTIVITIES	**-150**	**-915**
Cash flows from financing activities		
Dividends paid to the parent company's shareholders	-5 363	-13 364
Dividends paid to non-controlling interests		
Repayment of share premium	-4 537	
Acquisitions/disposal of treasury shares	31	-33
New loans, borrowings and hedging instruments	5 907	8 410
Repayment of loans, borrowings and hedging instruments	-3 927	-4 769
Interest paid	-12 473	-8 921
NET CASH FLOWS FROM FINANCING ACTIVITIES	**-20 362**	**-18 677**
Effect of foreign exchange rate changes on cash and cash equivalents		
CHANGE IN CASH AND CASH EQUIVALENTS	**372**	**241**
Cash at year-start	***149***	***435***
Cash at year-end	***521***	***676***

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	**82 500**	**46 125**	**-256**	**-20 761**	**31 602**	**139 210**	**6**	**139 216**
Share capital transactions								
Share-based payments								
Treasury share transactions			-78			-78		-78
Dividends								
Net income for the period					***5 955***	***5 955***	***1***	***5 956***
Gains and losses recognized directly in equity								
Income from sales of treasury shares					-31	-31		-31
Income from cash flow hedging				-9 296		-9 296		-9 296
Translation profits and losses								
Tax on other comprehensive income items								
Other comprehensive income items				***-9 296***	***-31***	***-9 327***		***-9 327***
Changes in the scope of consolidation								
Other equity instruments - subordinated loan advanced by Klépierre								
Other movements								
Equity at 12/31/2011	**82 500**	**46 125**	**-334**	**-30 057**	**37 526**	**135 760**	**7**	**135 767**
Share capital transactions		-4 239				**-4 239**		**-4 239**
Share-based payments								**0**
Treasury share transactions			31		-5 946	**-5 915**		**-5 915**
Dividends								
Net income for the period					***3 227***	***3 227***		***3 227***
Gains and losses recognized directly in equity								**0**
Income from sales of treasury shares					-20	**-20**		**-20**
Income from cash flow hedging				1 300		**1 300**		**1 300**
Translation profits and losses								
Tax on other comprehensive income items								
Other comprehensive income items				***1 300***	***-20***	***1 280***		***1 280***
Changes in the scope of consolidation								
Other equity instruments - subordinated loan advanced by Klépierre								
Other movements							0	**0**
EQUITY AT 06/30/2012	**82 500**	**41 886**	**-303**	**-28 757**	**34 787**	**130 113**	**7**	**130 120**

1. Significant events of the first half of 2012

❑ Financing

During the month of January, Klémurs canceled 100 million euros of fixed-rate payer swaps.

❑ Klépierre SA shareholder changes

At June 30, 2012, Klémurs is fully consolidated by Klépierre. Klépierre holds an 84.11% equity stake in Klémurs (including treasury shares).

Until March 14, 2012, Klépierre was owned at 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 owns 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

Corporate reporting

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

On Monday, July 16, 2012, the Management finalized the Klémurs consolidated financial statements for the period from January 1st to June 30, 2012 and authorized their publication.

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

Principles of financial statement preparation

In accordance with Regulation (EC) no. 1126/2008 of November 3, 2008 on the application of international accounting standards, the Klémurs group consolidated financial statements as of 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 web at: http://ec.europa.eu/internal_market/accounting/ias/index_en .htm

The consolidated half-year financial statements as of June 30, 2012 are presented in the form of complete accounts including all the information required by the IFRS framework.

The accounting principles applied for the consolidated financial statements as of June 30, 2012 are identical to those used in the consolidated financial statements as of December 31, 2011 except for the adoption of the following new standards and interpretations which are 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 - Financial asset transfers;
- Amendment to IFRIC 14: Prepayments of a Minimum Funding Requirement;
- Amendment to IAS 32: Classification of Rights Issues;
- Improvements to the IFRS 2010: Annual improvement to the IFRS standards - May 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 as of June 30, 2012.

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

Klémurs has not opted for early adoption of the new standards, amendments and interpretations adopted by the European Union where application in 2012 was optional.

The texts published by the IASB, not yet adopted by the European Union, are as follows:

- Amendment to IAS 1: Financial statements presentation – presentation of items from the other elements of the comprehensive income statement;
- Amendment to IAS 32 : Offsetting Financial Assets and Financial Liabilities;
- Amendment to IFRS 7 : Disclosures - Offsetting Financial Assets and Financial Liabilities;
- Amendment to IAS 12: Deferred taxes – Recovering underlying assets;

- IAS 19: Employee benefits;
- IAS 28: Equity interests in associates and joint ventures;
- Amendment to IFRS 1: Serious hyperinflation and elimination of the dates for firm implementation for the first Adopters;
- IFRS 9: Financial instruments;
- IFRS 10: Consolidated financial statements;
- IFRS 11: Joint arrangements;
- IFRS 12: Disclosures on equity interests in other entities;
- IFRS 13: Fair value measurement.

The process by which Klémurs determines the potential impacts on the Group's consolidated financial statements is in progress.

❑ Consolidated financial statements – Basis of preparation

The consolidated financial statements include the financial statements of Klémurs SCA and of its subsidiaries as of June 30, 2012. The subsidiaries' financial statements are prepared for the same accounting period as that of the parent company using consistent accounting methods.

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

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

The consolidated financial statements are presented in euros, with all amounts rounded to the nearest thousand unless otherwise indicated.

❑ Use of material judgments and estimates

In preparing of these consolidated financial statements in accordance with IFRS, the Group management was required to use estimates and make a number of realistic and reasonable assumptions. Some facts and circumstances may lead to changes in these estimates and assumptions, which would affect the value of the Group's assets, liabilities, equity and earnings.

▪ Use of estimates

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

– Investment property

The Group appoints third-party appraisers to conduct half-yearly appraisals of its real estate assets in accordance with the methods described in paragraph 2.5. The appraisers make assumptions concerning future flows and rates that have a direct impact on the value of the buildings;

– Financial instruments

The Group measures the fair value of the financial instruments it uses in accordance with the standard models applied by the market and described in note 2.13.

2.1. Scope and method of consolidation

❑ Scope of consolidation

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

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

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

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

❑ Method of consolidation

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

- Wholly-owned: full consolidation. Control is presumed to exist when Klémurs directly or indirectly holds more than half of the entity's voting rights. Control is also presumed to exist where the parent company has the power to direct the financial and operational policies of the company and appoint, dismiss or convene the majority of the members of the Board of Directors or equivalent management body;
- Joint control: proportional consolidation. Joint control exists where operational, strategic and financial decisions require unanimous agreement between the controlling parties. The agreement is contractual, subject to bylaws and shareholder agreements;
- Notable influence: consolidation using the equity method. Significant influence is defined as the power to contribute to a company's financial and operating policy decisions, rather than to exercise sole or joint control over those policies. Significant influence is presumed where the Group directly or indirectly holds 20% or more of an entity's voting rights. Holdings in associated companies are initially recognized in the balance sheet at cost, plus or minus the share of the net cash position generated after the acquisition, minus impairment;
- No influence: unconsolidated company.

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

❑ Intercompany transactions

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

2.2. Accounting for business combinations

The rules for accounting for business combinations were modified by adopting the revised IFRS 3. The main changes were as follows:

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

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

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

Any surplus of the consideration transferred over the share attributable to owners of the parent in the net fair value of the business's identifiable assets and liabilities is recognized as goodwill. The costs directly attributable to the acquisition are recognized as expenses.

It should be noted that the standard stipulates a 12-month period from the acquisition date in order to do a final accounting of the acquisition: any corrections to the assessments made must be linked to the facts and circumstances existing at the acquisition date. Hence, a price supplement is to be booked in the income statement of the year following the 12-month period, unless its counterparty is an equity instrument.

For each business combination, the acquirer must assess any equity interest that does not give control held in the acquired company, either at its fair value at the acquisition date or at the assessed share in the fair value of the acquired company's assets and liabilities.

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

Regarding the treatment of deferred tax assets, a gain must be booked in the income statement on the deferred tax assets that may not have been recognized at their acquisition date or during the assessment period.

The method of accounting for the changes in consolidation scope in a prospective manner was modified by adopting IFRS 27 as amended. It specifies that:

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

Those transactions which do not affect control (additional acquisition or disposal) will result only in a new application of the capital stock between the Group's share and the share outside of the Group without impacting the income statement and/or modifying the goodwill."

2.3. 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.

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

After initial recognition, investment property is measured:

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

Klémurs has opted to apply the IAS 40 cost model.

❑ Cost model

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

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

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

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

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

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

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

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

The component method

The application of the component method is based essentially on the recommendations of the Federation des societes immobilieres et foncieres (French Federation of Property Companies) for components and useful life:

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

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

- structures;
- facades, cladding and roofing;
- general and technical installations (GTI);
- fittings.

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

- Type 1: for retail units and Buffalo Grill restaurants;
- Type 2: for the “Retail Park” assets.

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

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

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

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

2.4. Investment property held for sale

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

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

The accounting impact is as follows:

- cost of sale is imputed to net book value or net fair value, whichever is the lower;
- the current assets are presented separately;
- depreciation ceases.

2.5. Impairment of assets

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

Such indications may include:

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

For testing purposes, assets are grouped into cash-generating units (CGUs). CGUs are standardized groups of assets whose continued use generates cash inflows that are largely separate from those generated by other asset groups.

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

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

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

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

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

The Klémurs group treats each property as a CGU.

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

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

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

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

In preparing its financial statements for the period ended June 30, 2012, Klémurs engaged two independent appraisal companies to value its real estate holdings. This mission was assigned to The Retail Consulting Group Expertise for the Feu Vert assets and the Buffalo Grill business assets, as well as for the Chalon Sud 2 retail park, and BNP Paribas Real Estate Valuation for the following portfolios: Defi Mode, Sephora, King Jouet, Cap Nord, Akene, Da Costa and Delbard.

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

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

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

Gross lease income comprises the Minimum guaranteed rent* (MGR), the variable part of the rent and the market rental price for vacant properties. The total net lease income is determined by deducting the gross lease income from the following charges: management fees, non-rebillable charges on vacant premises and losses on late payments.

The expert sets the rate of return according to various parameters which include: the retail sales area, competition, type of ownership, lease income and extension potential, comparability with recent transactions in the market, any discrepancy between the lease income received by Klémurs and the market rate, and the permanence of the revenue received by the lessor.

Those assets assessed for the first time and those whose most recent assessed value is less than 110% of the net book value (excluding deferred taxes) undergo a double evaluation. One is an evaluation by returns as explained above and the other is an evaluation using the discounted future cash flows method. This second method calculates the value of a property asset as the sum of discounted financial flows based on a discount rate defined by the appraiser.

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

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

Property under construction or undergoing refurbishment for future use as investment property has been covered by IAS 40 since January 1, 2009.

2.6. Lease contracts

❑ Lease contracts

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

IAS 17 distinguishes two types of lease:

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

❑ Recognition of stepped rents and rent-free periods

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

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

The reference period adopted is the first firm lease term.

❑ Entry fees

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

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

Early termination indemnities

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

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

Eviction compensation

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

Replacement of a lessee

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

Renovation of a property requiring the removal of resident lessees

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

Building leases: IAS 40 and IAS 17

Land and building leases are classified as operating or finance leases, and are treated in the same way as leases for other types of assets.

Because of the improvements made to the international standards for financial reporting in 2009, the IAS 17 standard carried an amendment pertaining to the classification of land items for leases. Until 2009 rented plots of land were classified as leases (unless transfer of the ownership to the lessor when the term of the lease expired was stipulated).

Starting January 1, 2010, when a lease contains both land and building elements, an entity considers separately the classification of each element as a lease or a finance lease based on criteria provided by IAS 17 (an important factor to bear in mind is that a plot of land has, in principle, an undetermined economic lifespan).

Klémurs determined that for the land elements of its construction contracts, the contractual criterion for a simple lease was fulfilled, which as a result, removed any impact on the Group’s accounts.

Initial payments made in this respect therefore constitute prelease payments, and are amortized over the term of the lease in accordance with the pattern of benefits provided. Analysis is on a lease-by-lease basis.

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

2.7. Trade and other receivables

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

2.8. Borrowing costs

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

In the case of a borrowing which is not directly attached to an asset, Klémurs uses a capitalization rate applied to the spending relating to the asset; this capitalization rate itself being the average weighted rate of the non-specific borrowings.

2.9. Provisions and contingent liabilities

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

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

2.10. Current and deferred taxes

❑ Tax status of Sociétés d'invéstissement immobilier cotées (SIIC)

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

▪ General features of the SIIC tax status

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

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

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

▪ Discounting of exit tax liability

The exit tax liability is discounted on the basis of its payment schedule. This liability is payable over a four-year period, commencing at the point when the entity concerned adopts SIIC* status.

Following initial recognition in the balance sheet, the liability is discounted and an interest expense is recognized in the income statement on each balance sheet date. In this way, the liability is reduced to its net present value on that date. The discount rate is calculated on the basis of the interest rate curve, taking into account the deferment period and the Klémurs refinancing margin.

▪ Corporate income tax on companies not eligible for SIIC status

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

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

French common law and deferred tax

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

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

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

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

Deferred tax assets and liabilities are measured using the liability method and the tax rate expected to apply when the asset is realized or the liability settled on the basis of the tax rates and tax regulations adopted, or to be adopted before the balance sheet date. The measurement of deferred tax assets and liabilities must reflect the tax consequences arising as a result of the way in which the company expects to recover or settle the carrying amounts of its assets and liabilities at the balance sheet date.

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

Deferred tax is calculated at the local rate applicable at the closing date, this rate is currently 34.43%.

2.11. Treasury shares

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

2.12. Distinction between liabilities and equity

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

2.13. Financial assets and liabilities

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

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

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

Measurement and recognition of financial assets

Loans and receivables

This category includes loans to subsidiaries and related companies, other loans and receivables. These instruments are booked at the amortized cost calculated with the help of the effective interest rate (EIR: the rate that precisely discounts estimated future cash flows to the net carrying amount of the financial instrument).

Available for sale financial assets

Available-for-sale financial assets include equity interests.

Equity interests are the holdings maintained by the Group in nonconsolidated companies.

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

- **Cash and cash equivalents**

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

Measurement and recognition of financial liabilities

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

- **Recognition of liabilities at amortized cost**

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

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

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

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

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

- **Measurement and recognition of derivatives**

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

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

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

The Klémurs portfolio meets all IAS 39 hedge definition and effectiveness criteria.

The adoption of hedge accounting has the following consequences:

- Fair Value Hedges of existing assets and liabilities: the hedged portion of the asset/liability is accounted for at fair value in the balance sheet. The gains or losses resulting from changes in fair value are recognized immediately in profit or loss. At the same time, there is an opposite corresponding adjustment in the fair value of the hedging instrument, in line with its effectiveness;
- for cash flow hedges: the portion of the gain or loss on the fair value of the hedging instrument that is determined to be an effective hedge is recognized directly in equity and recycled to the income statement when the hedged cash transaction affects profit or loss. The change in value of the ineffective portion is accounted for in the income statement. The gain or loss from the change in value of the ineffective portion of the hedging instrument is recognized immediately in the income statement.

- **Booking date : negotiation or settlement**

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

However, this principle cannot be applied with indifference to all financial instruments: for example, commercial paper is often renewed a few days before its due date. If these instruments were recognized at their trade date, this would artificially inflate the amount concerned between the renewal trade date of a paper and its effective start date.

Klémurs applies the following rules:

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

- **Determination of fair value**

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

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

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

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

- **Tax treatment of changes in fair value**

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

2.14. Net earnings per share

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

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

3. Scope of consolidation

Companies	Country	Methods 06/30/2012 *	% interest 06/30/2012	% interest 12/31/2011	% interest Variation	% of control 06/30/2012	% of control 12/31/2011	% of control Variation
KLEMURS	France	FC	100,00%	100,00%	-	100,00%	100,00%	-
KLECAPNOR	France	FC	100,00%	100,00%	-	100,00%	100,00%	-
SCI Immo Dauland	France	FC	99,87%	99,87%	-	99,87%	99,87%	-

* FC : Full consolidation

Equity interests in subsidiaries

The Group scope of consolidation did not change during the first half of 2012, the Group consolidation included three fully-consolidated companies.

4. Notes to the financial statements: Consolidated statement of financial position

4.1. Investment property and investment property under construction

in thousands of euros	12/31/2011	Acquisitions, new businesses and contributions	Reduction by disposals, retirement of assets	Allowance for the period	Changes in scope consolidation	Other movements, reclassification	06/30/2012
Non-amortizable assets	274 649	52				91	274 792
Amortizable assets	332 452	54					332 506
Total gross value	**607 101**	**106**	**-**	**-**	**-**	**91**	**607 298**
Amortization of amortizable assets	-59 166			-6 957			-66 123
Total depreciation	**-59 166**	**-**	**-**	**-6 957**	**-**	**-**	**-66 123**
Impairment	-3 548			447			-3 101
INVESTMENT PROPERTY - NET VALUE	**544 387**	**106**	**-**	**-6 510**	**-**	**91**	**538 074**

The increase in holdings reflects the expenses associated with exercising options from property leases for 106 thousand euros.

The value of investment properties under construction is 44 thousand euros at June 30, 2012.

The item “Impairment” of the investment properties mainly consists of real estate provisions on the assets Defi Mode (2.1 million euros), Buffalo Grill (0.4 million euros) and Klecapnor (0.6 million euros).

4.2. Other non-current assets

Other non-current assets mainly refer to 54 thousand euros in loans to finance lease tenants (prepayments).

4.3. Trade accounts and notes receivable

Trade accounts include the effect of attributing benefits granted to the tenants.

All of these receivables mature in less than one year except for the step rents and rent-free periods spread out over the firm period of the lease.

in thousands of euros	06/30/2012	12/31/2011
Trade receivables	1 204	2 337
Bad debts	555	79
Stepped rents and rent-free periods from operating lease	27	78
Gross value	***1 786***	***2 494***
Provisions for bad debts	-151	-65
NET VALUE	**1 635**	**2 429**

4.4. Other receivables

in thousands of euros	06/30/2012	Less than one year	More than one year	12/31/2011
Tax receivables	***687***	***687***	***-***	***546***
- VAT	687	687		546
Other receivables	***338***	***338***	***-***	***616***
- Down payments to suppliers	-	-		-
- Prepaid expenses	61	61		128
- Rental expenses and land tax to be rebilled to tenants	277	277		397
- Other	-	-		91
TOTAL	**1 025**	**1 025**	**-**	**1 162**

4.5. Cash and cash equivalents

in thousands of euros	06/30/2012	12/31/2011
Cash equivalents	***521***	***217***
- Money market investments	521	217
Cash	***-***	***-***
Gross cash and cash equivalents	***521***	***217***
- Bank facilities	-	68
NET CASH AND CASH EQUIVALENTS	**521**	**149**

4.6. Shareholders' equity

Share capital:

At June 30, 2012, capital was represented by 8,250,000 shares each of 10 euros par value. The share capital is fully paid up.

	06/30/2012	12/31/2011
Authorized		
Ordinary shares at 10 euros each	8 250 000	8 250 000
TOTAL	**8 250 000**	**8 250 000**

Treasury shares:

Acting on the authorizations granted by the general meeting of shareholders, Klémurs purchased its own shares during the period. The number of treasury shares totaled 18,779 on June 30, 2012 (compared with 19,089 on December 31, 2011) at a total acquisition cost of 303 thousand euros.

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

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

4.7. Non-current and current financial liabilities

Change in indebtedness

The total amount of non-current financial liabilities (over one year) and current liabilities (under one year) totaled 377 million euros at June 30, 2012.

Net debt amounted to 376.5 million euros versus 370.3 million euros on December 31, 2011. It is calculated on the difference between financial liabilities plus short-term banking facilities minus net cash.

This 6.2 million euro increase primarily reflects a distribution of 9.9 million euros paid to shareholders, compensated by free cash-flow.

in thousands of euros	06/30/2012	12/31/2011
NON-CURRENT		
Loans and borrowings from credit institutions – more than 1 year	**17 536**	**19 574**
Other loans and borrowings	**300 000**	**300 000**
- Loans from the Group and associates	50 000	50 000
- Advance payments to the Group and associates	250 000	250 000
TOTAL NON-CURRENT FINANCIAL LIABILITIES	**317 536**	**319 574**
CURRENT		
Loans and borrowings from credit institutions – less than 1 year	**3 817**	**4 998**
Accrued interest	**5 271**	**742**
- On loans from credit institutions	-	-
- On loans from the Group and associates	5 271	742
Other loans and borrowings	**50 347**	**45 148**
- Loans from the Group and associates	-	-
- Advance payments to the Group and associates	50 347	45 148
TOTAL CURRENT FINANCIAL LIABILITIES	**59 435**	**50 888**

Principal sources of financing

Non-current financial liabilities (over one year):

- at June 30, 2012, the amount outstanding in relation to the property finance leases purchased as part of the Buffalo Grill, Cap Nord, Defi Mode and King Jouet acquisitions was 21.3 million euros. The average residual term of this finance is around six years; being 17.5 million euros of outstandings over one year ;
- a 50 million euro subordinated loan contracted with Klépierre due in July 2014;
- a 250 million euro senior loan contracted with Klépierre due in December 2013.

Current financial liabilities (under one year):

- 3.8 million euros of outstandings under one year on finance leases;
- finally, Klémurs has access to short-term finance of 51 million euros, the majority of which is borrowed from the Klépierre group cash centralization fund.

Breakdown of borrowings by maturity date

- Breakdown of current and non-current financial liabilities :

in thousands of euros	Total	Less than 1 year	From 1 to 5 years	More than 5 years
NON-CURRENT				
Loans and borrowings from credit institutions – more than 1 year	**17 536**	**-**	**17 536**	**-**
Other loans and borrowings	**300 000**	**-**	**300 000**	**-**
- Loans from the Group and associates	50 000	-	50 000	-
- Advance payments to the Group and associates	250 000	-	250 000	-
TOTAL NON-CURRENT FINANCIAL LIABILITIES	**317 536**	**-**	**317 536**	**-**
CURRENT				
Loans and borrowings from credit institutions – less than 1 year	**3 817**	**3 817**	**-**	**-**
Accrued interest	**5 271**	**5 271**	**-**	**-**
- On loans from credit institutions	-	-	-	-
- On loans from the Group and associates	5 271	5 271	-	-
Other loans and borrowings	**50 347**	**50 347**	**-**	**-**
- Loans from the Group and associates	-	-	-	-
- Advance payments to the Group and associates	50 347	50 347	-	-
TOTAL CURRENT FINANCIAL LIABILITIES	**59 435**	**59 435**	**-**	**-**

– Maturity schedule of financing at June 30, 2012 (amounts drawn in millions of euros):

Repayment year	2012	2013	2014	2015	2016	2017	2018	2019-2024	Total
Subordinated bilateral loan (Klépierre)	-	-	50	-	-	-	-	-	**50**
Senior bilateral loan (Klépierre)	-	250	-	-	-	-	-	-	**250**
Property finance leases	2	4	4	3	3	3	2	1	**21**
Overdrafts or Klépierre short term funding	51	-	-	-	-	-	-	-	**51**
TOTAL	**53**	**254**	**54**	**3**	**3**	**3**	**2**	**1**	**373**

in millions of euros

In the absence of a contractual maturity date, the finance received by Klémurs from the Klépierre group cash centralization scheme (€51 M) is shown with a maturity date of 2012. However, Klépierre intends to renew and adjust these lines to meet the finance needs of Klémurs.

– The contractual flows including principal and interest by maturity date are as follows (in millions of euros based on interest rate structure on June 30, 2012):

Repayment year	2012	2014	2015	2016	2017	2018	2018	2019-2024	Total
Subordinated bilateral loan (Klépierre)	1	51	1	-	-	-	-	-	**54**
Senior bilateral loan (Klépierre)	7	256	-	-	-	-	-	-	**263**
Property finance leases	3	4	4	4	3	3	2	1	**23**
Overdrafts or Klépierre short term funding	52	-	-	-	-	-	-	-	**52**
TOTAL	**63**	**311**	**5**	**4**	**3**	**3**	**2**	**1**	**392**

in millions of euros

On December 31, 2011, the payment schedule for the contractual flows was as follows (based on interest rates on December 31, 2011):

Repayment year	2012	2013	2014	2015	2016	2017	2018	2019-2024	Total
Subordinated bilateral loan (Klépierre)	2	2	51	-	-	-	-	-	**54**
Senior bilateral loan (Klépierre)	7	257	-	-	-	-	-	-	**265**
Property finance leases	6	4	4	4	3	3	2	1	**27**
Overdrafts or Klépierre ST funding	47	-	-	-	-	-	-	-	**47**
TOTAL	**61**	**263**	**55**	**4**	**3**	**3**	**2**	**1**	**392**

in millions of euros

4.8. Interest rate hedging instruments

Rate hedging portfolio

As part of its risk management policy (see corresponding section), Klémurs has contracted interest rate swap agreements allowing it to switch from variable rate to fixed rate debt and vice-versa. Under this arrangement, the Klémurs hedge rate (the proportion of gross financial debt arranged or hedged at fixed rate) was 68% on June 30, 2012.

- **At June 30, 2012, the Group had the following swap contracts in place:**

Fixed rate payer	Notional amount in millions of euros	Maturity
Klémurs	50	31-Dec-14
Klémurs [1]	100	02-Jan-15
Klémurs	100	01-Apr-15

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

Breakdown by maturity date

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

Hedging relationship	2012	2013	2014	2015	2016	2017	2018	Total
Cash flow hedge								
. of which spot start swaps	-	-	50	200	-	-	-	**250**
. of which forward start swaps	-	-	-	-	-	-	-	-
Total	**-**	**-**	**50**	**200**	**-**	**-**	**-**	**250**

in millions of euros

- **The associated contractual cash flows (interest) break down as follows (positive cash flows = payer flows, based on interest rates at June 30, 2012):**

Hedging relationship	2 012	2 013	2 014	2 015	2 016	2017	2 018	Total
Cash flow hedge								
. of which spot start swaps	4,3	8,5	8,5	0,8	-	-	-	**22,1**
. of which forward start swaps	-	-	-	-	-	-	-	-
Total	**4,3**	**8,5**	**8,5**	**0,8**	**-**	**-**	**-**	**22,1**

in millions of euros

On December 31, 2011, the breakdown of derivatives by maturity date and the payment schedule for the corresponding interest flows were as follows (based on interest rates on December 31, 2011):

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

in millions of euros

Hedging relationship	2 012	2 013	2 014	2 015	2 016	2017	2 018	Total
Cash flow hedge								
. of which spot start swaps	9,5	9,5	8,3	0,7	-	-	-	**27,9**
. of which forward start swaps	-	-	-	-	-	-	-	
Total	**9,5**	**9,5**	**8,3**	**0,7**	**-**	**-**	**-**	**27,9**

in millions of euros

Fair value

Derivatives	Fair value net of accrued interest at 06/30/2012	Change in fair value during the 2012 fiscal year	Counterparty
Cash flow hedge	-22 500	7 557	Shareholders' equity

in thousands of euros

4.9. Deferred taxes

Since 2010 all of the Klémurs group companies come from the SIIC* sector. No deferred tax is on the books at present.

4.10. Social and tax liabilities and other liabilities

in thousands of euros	06/30/2012	12/31/2011
Social and tax liabilities	***235***	***916***
Social security and other bodies	38	69
Tax payables	197	847
- Corporate income tax		
- VAT	197	847
Other taxes and duties		
Other liabilities	***506***	***351***
Creditor customers	179	213
Prepaid income		
Entry fees	1	46
Other liabilities	326	92

Other liabilities consist of the dividend paid to the single active associate, Klépierre Conseil, for 286 thousand euros. Payment is made at the beginning of July.

N.B.: The Group has no personnel.

5. Notes to the financial statements: Comprehensive income statement

5.1. Operating income

Group revenues consist of lease income.

Other operating revenue refers to miscellaneous management income.

5.2. Operating expenses

Operating expenses are mainly composed of net write-backs from allowances on depreciation, amortization and provisions on investment property, which went from a 4.8 million euro balance as of June 30, 2011, to 6.5 million euros on June 30, 2012.

5.3. Income from sales of investment property and equity investments

No result of transfer realized over the period.

5.4. Net cost of debt

The cost of debt totaled 10.5 million euros at June 30, 2012, compared to 8.8 million euros on June 30, 2011.

The change compared to the 2011 fiscal year is due to the increase of margins related to the refinancing of December 2011.

in thousands of euros	06/30/2012	06/30/2011
Financial income	***1***	***1***
Income from sale of securities	1	1
Financial expenses	***-10 524***	***-8 817***
Interest on advances	-4 112	-555
Interest on loans from credit institutions	-1 115	-3 061
Net interest on swaps	-3 884	-5 172
Amortization of equalization payments	-1 401	
Other fi nancial income and expense	-12	-29
NET COST OF DEBT	**-10 523**	**-8 816**

5.5. Tax

At June 30, 2012, all Klémurs group companies came under the SIIC* tax sector.

RECONCILIATION BETWEEN THEORETICAL TAX AND ACTUAL TAX AT JUNE 30, 2012

in thousands of euros	SIIC Sector	Non-SIIC Sector	Total
Pre-tax earnings and earnings from equity-method companies	**3 227**		**3 227**
THEORETICAL TAX EXPENSE AT 34.43%	**-1 111**	**-**	**-1 111**
Exonerated earnings of the SIIC sector	**1 111**		**1 111**
Taxable sectors			
Impact of permanent differences inc. share of income/loss	-	-	-
Consolidation restatements and non-capitalized temporary differences	-	-	-
Impact of non-capitalized deficits	-	-	-
Rate differences	-	-	-
ACTUAL TAX EXPENSE	-	-	-

6. Exposure to risks and hedging strategy

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

6.1. Interest rate risk

A) Interest rate risk – exposure to variable rates

- **Recurrence of variable rate financing requirement**

  On a structural basis, variable-rate debts represent a significant proportion of the Group's borrowings (around 99% of indebtedness as of June 30, 2012 before hedging). They comprise lease financing, which is mainly subscribed at variable rates, loans and group advances.

- **Identified risk**

  An increase in the interest rate against which variable-rate debts are indexed (1 and 3-month Euribor) could result in an increase in the future interest rate expense.

- **Measurement of risk exposure**

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

	Exposure to variable rates	
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	**367,8**	**3,7**
- Marketable securities	-0,5	0,0
Net position before hedging	**367,2**	**3,7**

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	**367,8**	**3,7**
- Net hedge	-250,0	-2,5
Gross position after hedging	**117,8**	**1,2**
- Marketable securities	-0,5	0,0
Net position after hedging	**117,2**	**1,2**

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

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 (notional amount: 250 million euros)	**-22,5**	**6,6**
Fair value of cash flow hedge swaps at 12/31/2011 (notional amount: 350 million euros)	-30,1	10,2

Financial debt after hedging breaks down as follows:

in thousands of euros	Fixed-rate borrowings			Variable-rate borrowings			Total gross financial debts		Average cost of debt, base June 2012
	Amount	Rate	Fixed part	Amount	Rate	Variable part	Amount	Rate	
At 12/31/2009	359	4,73%	96%	14	1,34%	4%	373	4,60%	4,62%
At 12/31/2010	357	4,74%	97%	10	1,67%	3%	367	4,66%	4,68%
At 12/31/2011	356	5,74%	96%	15	1,76%	4%	371	5,58%	5,58%
At 06/30/2012	255	5,76%	68%	118	2,80%	32%	373	4,83%	4,83%

The average cost of debt, "base June 2012" item is calculated on the basis of the debt and hedging structure in place at June 30, 2012 and the short-term interest rate current at that date.

- ### Hedging strategy

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

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

B) Interest rate risk – exposure to fixed rates

- ### Risk identified in relation to Klémurs fixed-rate debt

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

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

- ### Measurement of risk exposure and hedging strategy

  Klémurs' fixed-rate debt is currently limited to a small number of property finance leases, which on June 30, 2012 represented outstanding capital of approximately 5 million euros.

  Klémurs does not plan for a considerable increase in its fixed rate financing over the short-term since the main sources of additional fixed rate debt are potentially, in general, further bilateral bank loans, calls on the bond market or an issue of convertible bonds or other equity-linked products. Given these circumstances, Klémurs currently has no plans to hedge against the Fair Value Hedge rate risk.

C) Marketable securities

At June 30, 2012, Klémurs held marketable securities of 521 thousand euros consisting solely of money market open-ended mutual funds.

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

D) Fair value of financial assets and liabilities

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

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

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

At June 30, 2012, a 1% rise in rates would have resulted in a rise of 6.6 million euros in the value of the Group's interest rate swaps.

E) Measures and resources for managing interest rate exposure

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

6.2. Liquidity risk

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

At June 30, 2012, debt was therefore spread across a range of sources (property finance leases, Klépierre loans, etc.) and 13 counterparties. The average debt term is 1.9 years.

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

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

Klépierre's loan comes with a financial covenant. The maximum Loan to Value ratio of 60% (excluding subordinated debts) is compatible with Klémurs' financial strategy.

Main covenants	Maximum amount of related finance *(millions of euros)*	Impact of non-compliance	Contractual limit	Level at 06/30/2012
« Loan to value »	250	Default	*Senior ratio ≤ 60% (1)*	*49,0%*
Value of holdings, group share			≥ €400 M	665,7

[1] *Excluding subordinated debts*

7. Finance and guarantee commitments

7.1. Reciprocal commitments

There were no reciprocal commitments at June 30, 2012.

7.2. Guarantees given and received

Guarantees given

There were no guarantees given at June 30, 2012.

Guarantees received

The Group have various security deposits from its tenants adding up to 2.6 million euros.

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

7.3. Retention commitments

All buildings and property finance leases acquired by Klémurs come under the tax status described in article 210-E of the French General Tax Code. They are covered by a five-year retention commitment commencing on their date of acquisition.

The equity investment in Immo Dauland is also subject to the tax regime set out in article 210-E of the French General Tax Code, and must be retained for at least five years as from its acquisition by Klémurs.

Klecapnor is under a five-year obligation to retain full ownership of its buildings under the terms of article 238 bis JA of the French General Tax Code.

7.4. Commitments under operating leases – Lessors

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

Lease terms range from 9 years (with two renewal options) for Buffalo Grill restaurants, to 12 years with an initial binding period of 6 years for the Sephora and Defi Mode contracts and the King Jouet leases acquired in 2008. Other leases run for 9, 10 or 12 years (most with three-year renewal periods).

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

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

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

At June 30, 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	41 967
One to five years	89 153
More than five years	1 860
TOTAL	**132 980**

8. Additional information

8.1. Disclosures about the fair value model

Klémurs has opted to apply IAS 40 according to the cost model and must, as a result, provide the fair value of the investment properties in the Notes to the consolidated financial statements.

❑ Comprehensive income statement and consolidated statement of financial position: Presentation in Fair Value

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	21 954	21 191
Land expenses (real estate)	-121	
Non-recovered rental expenses	-122	
Building expenses (owner)	-1 385	-1 311
Net rents	***20 326***	***19 880***
Management, administrative and related income		
Other operating revenue	4	48
Change in the fair value of investment property	-2 807	12 526
Payroll expenses		
Other general expenses	-38	-38
Depreciation and impairment allowance on investment property		
Provisions		
Gains on the disposal of investment property and equity investments		1 007
Net book value of investment property and equity investments sold		-1 050
Income from the disposal of investment property and equity investments	***0***	***-43***
OPERATING INCOME	**17 485**	**32 373**
Financial income	1	1
Financial expenses	-10 524	-8 817
Net cost of debt	***-10 523***	***-8 816***
Change in the fair value of financial instruments		-
Effect of discounting	0	-20
PROFIT BEFORE TAX	**6 962**	**23 537**
Corporate income tax		
NET INCOME OF CONSOLIDATED ENTITY	**6 962**	**23 537**
of which		
Group share	*6 962*	*23 537*
Non-controlling interests		
Undiluted average number of shares	**8 232 062**	**8 238 629**
Undiluted comprehensive earnings per share (euros)	**0,8**	**2,9**
Diluted average number of shares	**8 232 062**	**8 238 629**
Diluted comprehensive earnings per share (euros)	**0,8**	**2,9**

KLEMURS

in thousands of euros	Notes	06/30/2012	06/30/2011
Net income of consolidated entity		**6 962**	**23 537**
Other comprehensive income items recognized directly as equity		**1 280**	**7 421**
Income from sales of treasury shares	*See statement of changes in consolidated equity*	*-20*	*58*
Effective portion of profits and losses on cash flow hedging instruments (IAS 39)		*1 300*	*7 363*
Translation profits and losses			
Tax on other comprehensive income items			
Share of other comprehensive income items of equity method investees		**-**	**-**
Total comprehensive income		**8 242**	**30 958**
of which			
Group share		8 242	30 958
Non-controlling interests			
Comprehensive earnings per share in euros		**1,0**	**3,8**
Diluted comprehensive earnings per share (euros)		**1,0**	**3,8**

KLEMURS

Consolidated statement of financial position (EPRA Model) *in thousands of euros*	06/30/2012 Fair value model	12/31/2011 Fair value model
Investment property		
Fair value of investment property	626 812	629 378
Investment property under construction		
Other non-current assets	84	84
Non-current derivatives		
Deferred tax assets		
NON-CURRENT ASSETS	***626 896***	***629 462***
Fair value of property held for sale		
Trade accounts and notes receivable	1 635	2 429
Other receivables	963	1 069
Tax receivables	*687*	*546*
Other debtors	*276*	*523*
Cash and cash equivalents	521	217
CURRENT ASSETS	***3 119***	***3 715***
TOTAL ASSETS	**630 015**	**633 177**
Capital	82 500	82 500
Additional paid-in capital	40 670	45 207
Legal reserves	1 216	918
Consolidated reserves	87 397	46 659
- Treasury shares	*-303*	*-334*
- Hedging reserves	*-28 757*	*-30 057*
- Fair value of investment property	*84 897*	*51 615*
- Reserves on other equity instruments	*-3 457*	*-3 457*
- Other consolidated reserves	*34 932*	*28 831*
- Balance carried forward	*85*	*61*
Consolidated earnings	6 962	45 374
Shareholders' equity, group share	218 745	220 658
Non-controlling interests	7	7
SHAREHOLDERS' EQUITY	***218 752***	***220 665***
Non-current financial liabilities	317 536	319 574
Long-term provisions		
Non-current derivatives	24 187	31 978
Security deposits and guarantees	7 548	7 209
Deferred tax liabilities		
NON-CURRENT LIABILITIES	***349 271***	***358 761***
Current financial liabilities	59 435	50 888
Bank facilities	0	68
Trade payables	1 816	1 528
Payables to fixed asset suppliers		
Other liabilities	506	351
Social and tax liabilities	235	916
Short-term provisions		
CURRENT LIABILITIES	***61 992***	***53 751***
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**630 015**	**633 177**

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

Comprehensive income statement (EPRA Model) *in thousands of euros*	06/30/2012 Cost model	Fair value restatements	06/30/2012 Fair value model
Lease income	21 954		21 954
Land expenses (real estate)	-125	4	-121
Non-recovered rental expenses	-122		-122
Building expenses (owner)	-1 413	28	-1 385
Net rents	***20 294***	***32***	***20 326***
Management, administrative and related income			
Other operating revenue	4		4
Change in the fair value of investment property		-2 807	-2 807
Payroll expenses			
Other general expenses	-38		-38
Depreciation and impairment allowance on investment property	-6 510	6 510	
Provisions			
Gains on the disposal of investment property and equity investments			
Net book value of investment property and equity investments sold			
Income from the disposal of investment property and equity investments	***0***	***0***	***0***
OPERATING INCOME	**13 750**	**3 735**	**17 485**
Financial income	1		1
Financial expenses	-10 524		-10 524
Net cost of debt	***-10 523***		***-10 523***
Change in the fair value of financial instruments			
Effect of discounting			
PROFIT BEFORE TAX	**3 227**	**3 735**	**6 962**
Corporate income tax			
NET INCOME OF CONSOLIDATED ENTITY	**3 227**	**3 735**	**6 962**
of which			
Group share	*3 227*	*3 735*	*6 962*
Non-controlling interests			
Undiluted average number of shares	**8 232 062**	**8 232 062**	**8 232 062**
Undiluted comprehensive earnings per share (euros)	**0,4**	**0,5**	**0,8**
Diluted average number of shares	**8 232 062**	**8 232 062**	**8 232 062**
Diluted comprehensive earnings per share (euros)	**0,4**	**0,5**	**0,8**

in thousands of euros	Notes	06/30/2012 Cost model	Fair value restatements	06/30/2012 Fair value model
Net income of consolidated entity		**3 227**	**3 735**	**6 962**
Other comprehensive income items recognized directly as equity		**1 280**		**1 280**
Income from sales of treasury shares	*See statement of changes in consolidated equity*	*-20*		*-20*
Effective portion of profits and losses on cash flow hedging instruments (IAS 39)		*1 300*		*1 300*
Translation profits and losses				
Tax on other comprehensive income items		-		-
Share of other comprehensive income items of equity method investees				
Total comprehensive income		**4 507**	**3 735**	**8 242**
of which				
Group share		4 507		8 242
Non-controlling interests				
Comprehensive earnings per share in euros		**0,5**	**0,0**	**1,0**
Diluted comprehensive earnings per share (euros)		**0,5**	**0,0**	**1,0**

Consolidated statement of financial position (EPRA Model) *in thousands of euros*	06/30/2012 Cost model	Fair value restatements	06/30/2012 Fair value model
Investment property	538 074	-538 074	-
Fair value of investment property		626 812	626 812
Investment property under construction	44	-44	-
Other non-current assets	84	-	84
Non-current derivatives			
Deferred tax assets			
NON-CURRENT ASSETS	***538 202***	***88 694***	***626 896***
Fair value of property held for sale			
Trade accounts and notes receivable	1 635		1 635
Other receivables	1 025	-62	963
Tax receivables	*687*		*687*
Other debtors	*338*	*-62*	*276*
Cash and cash equivalents	521		521
CURRENT ASSETS	***3 181***	***-62***	***3 119***
TOTAL ASSETS	**541 383**	**88 632**	**630 015**
Capital	82 500		82 500
Additional paid-in capital	40 670		40 670
Legal reserves	1 216		1 216
Consolidated reserves	2 500	84 897	87 397
- Treasury shares	*-303*		*-303*
- Hedging reserves	*-28 757*		*-28 757*
- Fair value of investment property		*84 897*	*84 897*
- Reserves on other equity instruments	*-3 457*		*-3 457*
- Other consolidated reserves	*34 932*		*34 932*
- Balance carried forward	*85*		*85*
Consolidated earnings	3 227	3 735	6 962
Shareholders' equity, group share	130 113	88 632	218 745
Non-controlling interests	7		7
SHAREHOLDERS' EQUITY	***130 120***	***88 632***	***218 752***
Non-current financial liabilities	317 536		317 536
Long-term provisions			-
Non-current derivatives	24 187		24 187
Security deposits and guarantees	7 548		7 548
Deferred tax liabilities			-
NON-CURRENT LIABILITIES	***349 271***	***-***	***349 271***
Current financial liabilities	59 435		59 435
Bank facilities			
Trade payables	1 816		1 816
Payables to fixed asset suppliers			
Other liabilities	506		506
Social and tax liabilities	235		235
Short-term provisions			
CURRENT LIABILITIES	***61 992***	***-***	***61 992***
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**541 383**	**88 632**	**630 015**

8.2. Transactions with related parties

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

The principal transactions conducted with related parties are those:

- between the consolidated companies of the Klémurs group (a list of the Group's consolidated companies is given in note 3 "Scope of consolidation");
- with Klépierre SA, 84.11% shareholder in Klémurs (including treasury shares), and Klépierre group companies;
- with BNP Paribas group, 22.5% shareholder in Klépierre (including treasury shares).

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

Balance sheet positions with related parties at period end

in thousands of euros	06/30/2012	12/31/2011
ASSETS		
Cash and cash equivalents	**521**	**217**
- Cash equivalents	521	217
- Cash	-	-
TOTAL ASSETS	521	217
LIABILITIES		
Loans and borrowings from credit institutions – more than one year		
Other non-current loans and borrowings	**300 000**	**300 000**
- Loans from the Group and associates	50 000	50 000
- Advance payments to the Group and associates	250 000	250 000
Interest rate swaps	**24 187**	**31 978**
Loans and borrowings from credit institutions – less than one year	**-**	**-**
Accrued interest	**5 271**	**742**
- On loans from credit institutions	-	-
- On loans from the Group and associates	5 271	742
Other current loans and borrowings	**50 347**	**45 148**
- Loans from the Group and associates	-	-
- Advance payments to the Group and associates	50 347	45 148
Bank facilities	**-**	**68**
Trade payables	**841**	**446**
TOTAL LIABILITIES	380 646	378 382

Off-balance sheet items related to transactions with related parties

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

Income items related to transactions with related parties

in thousands of euros		06/30/2012		06/30/2011
		-		-
Building expenses (owner)	**-**	**719**	**-**	**774**
Net cost of debt	**-**	**8 773**	**-**	**8 015**
		-		-
- Interest on loans from credit institutions	-	778	-	2 289
- Net interest expense on swaps	-	3 884	-	5 172
- Interest on advance payments to associates	-	4 111	-	554
TOTAL	**-**	**9 492**	**-**	**8 789**

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

8.4. Post-balance sheet date events

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

8.5. Identity of the consolidating company

At June 30, 2012, Klémurs is fully consolidated by Klépierre. Klépierre holds an 84.11% equity stake in Klémurs (including treasury shares).

Note that at June 30, 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).

Klémurs

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

21, avenue Kléber
75 016 Paris

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

Period from 1 January 2012 to 30 June 2012

Mazars
61, rue Henri Regnault
92400 Courbevoie

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

Klémurs

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

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

Period from 1 January 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 half-year consolidated financial statements of Klémurs covering the period January 1 2012 to June 30 2012,
- the verification of the information contained in the interim management report.

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

1. Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A limited review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our limited review, nothing has come to our attention that causes us to believe that the accompanying half-year consolidated financial statements do not give a true and fair view of the assets and liabilities and of the financial position of the Group as at June 30, 2012 and of the results of its operations for the period then ended in accordance with IFRSs as adopted by the European Union.

2. Specific verification

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

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

The Statutory Auditors

French original signed by

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

Laurent MOREL

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

PERSONS RESPONSIBLE FOR AUDITS

STATUTORY AUDITORS

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

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

ALTERNATE STATUTORY AUDITORS

Société BEAS
7-9, villa Houssay
92200 Neuilly-sur-Seine
315172445 R.C.S. NANTERRE
1st appointment: GM of July 12, 2006.
End of term: fiscal year 2009.

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

PERSON RESPONSIBLE FOR FINANCIAL DISCLOSURES

Jean-Michel GAULT
Deputy CEO of Klepierre, itself Chairman of Klepierre Conseil, itself General Manager of Klemurs.
Tel.: +33 40 67 55 05