

INTERIM CONDENSED
CONSOLIDATED FINANCIAL
STATEMENTS

FOR THE SIX MONTHS ENDED
JUNE 30, 2020



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The review procedures on the condensed interim consolidated financial statements have been completed. The Statutory Auditors’ review report is in the process of being issued.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

<i>In millions of euros</i>	Notes	06/30/2020	06/30/2019
Gross rental income	6.1	581.0	626.9
Land expenses (real estate)	6.2 / 8	(3.6)	(3.9)
Service charge income	6.3	120.7	142.8
Service charge expenses	6.3	(161.2)	(186.6)
Building expenses (owner)	6.4	(25.4)	(15.7)
Net rental income		511.5	563.5
Management, administrative and related income		34.9	41.4
Other operating income	6.5	7.2	4.7
Survey and research costs		(0.2)	(0.3)
Payroll expenses	11.1	(43.2)	(59.8)
Other general expenses		(20.6)	(23.1)
Depreciation, amortization and impairment of intangible assets and property, plant and equipment	6.6 / 8	(9.4)	(10.1)
Provisions		(6.2)	(0.6)
Change in value of investment properties	6.7 / 8	(638.6)	(222.5)
Proceeds from disposals of investment properties and equity investments	6.8	81.4	245.5
Carrying amount of investment properties and equity investments sold	6.8	(78.4)	(236.8)
Income from the disposal of investment properties and equity investments		3.0	8.7
Goodwill impairment	5.1	(1.9)	(5.6)
Operating income (loss)		(163.4)	296.2
Net dividends and provisions on non-consolidated investments		(0.0)	(0.0)
Financial income		40.4	36.1
Financial expenses		(89.1)	(99.9)
Interest expense on leases liabilities	8	(4.2)	(4.2)
Cost of net debt	6.9	(52.9)	(68.0)
Change in the fair value of financial instruments		(15.8)	(15.8)
Share in earnings (losses) of equity-accounted companies	5.5	(12.4)	5.2
Profit (loss) before tax		(244.4)	217.6
Income tax benefit (expense)	7	34.4	(7.4)
Consolidated net income (loss)		(210.0)	210.2
Of which			
- Attributable to owners of the parent		(163.6)	168.8
- Attributable to non-controlling interests		(46.5)	41.4
Average number of shares - undiluted		286,430,401	295,908,706
Undiluted earnings (loss) per share (in €) - Attributable to owners of the parent		(0.57)	0.57
Average number of shares - diluted		286,430,401	295,908,706
Diluted earnings (loss) per share (in €) - Attributable to owners of the parent		(0.57)	0.57

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>In millions of euros</i>	06/30/2020	06/30/2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income from consolidated companies	(210.0)	210.2
Elimination of expenditure and income with no cash effect or not related to operating activities		
– Depreciation, amortization and provisions	15.6	10.7
– Change in value of investment properties	638.6	222.5
– Goodwill impairment	1.9	5.6
– Capital gains and losses on asset disposals	(3.0)	(8.7)
– Current and deferred income taxes	(34.4)	7.4
– Share in earnings / losses of equity-accounted companies	12.4	(5.2)
– Reclassification of interest and other items	74.8	100.0
Gross cash flow from consolidated companies	495.8	542.7
Income tax (received) paid	(1.4)	13.3
Change in operating working capital ^(a)	(222.6)	(13.4)
Net cash flow from operating activities	271.8	542.6
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investment properties	50.1	221.6
Proceeds from disposals of subsidiaries (net of cash disposed)	(0.0)	23.6
Acquisitions of investment properties	0.0	0.0
Payments in respect of construction work in progress	(81.9)	(94.5)
Acquisitions of other fixed assets	(3.1)	(1.8)
Acquisitions of subsidiaries (net of cash acquired)	(0.4)	(2.5)
Movements in loans and advance payments granted and other investments	(5.1)	10.0
Net cash flow from (used in) investing activities	(40.4)	156.5
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid to owners of the parent	(314.3)	(311.6)
Dividends paid to non-controlling interests	(17.6)	(53.8)
Change in capital of subsidiaries with non-controlling interests		(3.1)
Acquisitions/disposals of treasury shares	(100.0)	(134.5)
New loans, borrowings and hedging instruments	2,191.9	1,386.5
Repayment of loans, borrowings and hedging instruments	(1,694.4)	(1,432.1)
Net repayment of lease liabilities	(7.3)	(7.3)
Interest paid	(62.8)	(88.5)
Interest paid on lease liabilities	(4.2)	(4.2)
Other cash flows related to financing activities		
Net cash flow used in financing activities	(8.7)	(648.6)
Effect of foreign exchange rate changes on cash and cash equivalents	(1.5)	(3.9)
CHANGE IN CASH AND CASH EQUIVALENTS	221.2	46.6
Cash and cash equivalents at beginning of period	457.9	79.9
Cash and cash equivalents at end of period	679.1	126.5

(a) As of June 30, 2020, change in operating working capital for a negative amount of €222.6 million is mainly due to the increase of trade receivables (see note 1.1 and note 5.7).

STATEMENTS OF CHANGES IN CONSOLIDATED EQUITY

	Share capital	Capital reserves	Treasury shares	Hedging reserves	Consolidated reserves and retained earnings	Equity attributable to owners of the parent	Equity attributable to non-controlling interests	Total equity
<i>In millions of euros</i>								
Equity at 12/31/2018	440.1	5,694.0	(568.6)	(26.1)	4,818.0	10,357.5	2,535.7	12,893.3
Share capital transactions	(13.7)	(336.4)	350.1			0.0		0.0
Share-based payments								
Treasury share transactions			(134.4)			(134.4)		(134.4)
Dividends		(125.4)			(494.0)	(619.4)	(52.4)	(671.8)
Net income for the period					168.8	168.8	41.4	210.2
Gains and losses recognized directly in equity								
Proceeds from sales of treasury shares					1.8	1.8		1.8
Gains and losses from cash flow hedging				6.3		6.3	(1.6)	4.7
Translation gains and losses					(15.4)	(15.4)	(5.5)	(20.9)
Actuarial gains and losses					2.4	2.4		2.4
Tax on other items of comprehensive income				(2.1)		(2.1)	(0.1)	(2.2)
Other items of comprehensive income				4.2	(11.2)	(7.0)	(7.2)	(14.2)
Changes in the scope of consolidation					0.2	0.2	0.0	0.2
Other movements								
Equity at 06/30/2019	426.4	5,232.2	(352.9)	(21.8)	4,481.8	9,765.7	2,517.6	12,283.3
Share capital transactions	(2.7)	(63.9)	66.6			(0.0)		(0.0)
Share-based payments								
Treasury share transactions			(141.6)			(141.6)		(141.6)
Dividends		(0.0)			0.0	(0.0)	(36.7)	(36.7)
Net income for the period					156.1	156.1	5.6	161.7
Gains and losses recognized directly in equity								
Proceeds from sales of treasury shares					2.2	2.2		2.2
Gains and losses from cash flow hedges				13.5		13.5	2.4	15.9
Translation gains and losses					(19.2)	(19.2)	(2.4)	(21.6)
Actuarial gains and losses					0.0	0.0		0.0
Tax on other items of comprehensive income				(2.3)		(2.3)	(0.4)	(2.8)
Other items of comprehensive income				11.2	(17.0)	(5.8)	(0.4)	(6.2)
Changes in the scope of consolidation					0.1	0.1	(2.5)	(2.4)
Other movements					(0.1)	0.0		0.0
Equity at 12/31/2019	423.7	5,168.3	(427.9)	(10.6)	4,620.9	9,774.4	2,483.6	12,258.0
Share capital transactions ^(a)	(3.8)	(79.5)	83.3					
Share-based payments								
Treasury share transactions			(96.8)		(3.2)	(100.0)		(100.0)
Dividends		(307.2)			(320.8)	(628.1)	(54.1)	(682.2)
Net income (loss) for the period					(163.6)	(163.6)	(46.5)	(210.0)
Gains and losses recognized directly in equity								
Proceeds from sales of treasury shares					(2.4)	(2.4)		(2.4)
Gains and losses from cash flow hedges				(1.2)	0.4	(0.9)	(3.5)	(4.4)
Translation gains and losses ^(b)					(82.0)	(82.0)	(30.2)	(112.2)
Actuarial gains and losses					(0.1)	(0.1)		(0.1)
Tax on other items of comprehensive income								
Other items of comprehensive income				0.2	(1.0)	(0.2)	0.6	0.9
Changes in the scope of consolidation					0.1	0.1	(0.4)	(0.3)
Other movements					0.0	0.0	0.0	0.0
Equity at 06/30/2020	419.9	4,781.5	(441.4)	(11.6)	4,049.3	8,797.8	2,349.6	11,147.4

(a) Movements in share capital transactions for a negative €3.8 million, negative €79.5 million and positive €83.3 million are due to the cancellation of treasury shares as described in note 5.11.1.

(b) The negative €82.0 million impact in translation gains and losses mainly concerns Norway (negative €72.0 million), Turkey (negative €27.9 million) and Sweden (positive €16.7 million).

NOTE 1 **Significant events of the period**

1.1. Update on Covid-19

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

Support measures

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

- To switch from quarterly to monthly due date for second quarter rents in countries where monthly invoicing was not already standard practice (France, Italy and Scandinavia);
- To defer the payment of April's rents to the second half of the year¹; and
- To grant a three-month rent holiday to small businesses in France² in line with the recommendation of several professional property owner associations.

Cost reduction plan

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

- Reduction in operating expenditure to be translated into lower service charges for our retailers; and
- Savings on payroll and general and administrative expenses. As part of this measure, both members of the Klépierre Executive Board elected to cut their fixed compensation by 30% until the end of 2020. All country managing directors and senior members of the Group's Corporate Management Team also elected to cut their pay by 20% in April and May.

Reopening

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

Assets under construction

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

Gross rental income

Gross rental income from operating leases is recognized over the lease-term on straight-line basis in accordance with IFRS 16 *Leases*. Therefore, gross rents corresponding to the lockdown period and which are due have been

¹ Stores concerned by closure orders enforced by local authorities.

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

recognized in the consolidated condensed financial statements as of June 30, 2020.

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

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

Trade receivables

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

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

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

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

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

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

Investments properties fair value measurement

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

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

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

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

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

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

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

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

1.2. Debt and financing

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

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

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

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

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

1.3. Investments

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

1.4. Main disposals

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

- On January 17, 2020, Klépierre completed the disposal of the Gran Turia mall in Spain;
- On June 30, 2020 Klépierre completed the disposal of group of car parks in Metz (France).

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

1.5. Dividend

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

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

1.6. Share buyback program

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

1.7. Cancellation of shares

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

NOTE 2 Significant accounting principles

2.1. Corporate reporting

Klépierre is a French joint-stock corporation (société anonyme) subject to French company legislation, and more specifically the provisions of the French Commercial Code (*Code de commerce*). The Company's registered office is located at 26 boulevard des Capucines in Paris.

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

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

2.2. Application of IFRS

In accordance with Commission Regulation (EC) No. 1126/2008 of November 3, 2008 on the application of international accounting standards, the Klépierre Group's interim condensed consolidated financial statements for the six months ended June 30, 2020 have been prepared in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB), as adopted by the European Union and mandatorily applicable on that date.

The IFRS framework as adopted by the European Union includes the IFRS, the International Accounting Standards (IAS) and their interpretations (SIC, IFRIC and IFRS IC).

This framework is available on the following website:

<http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:02008R1126-20190101>

The interim condensed consolidated financial statements for the six months ended June 30, 2020, have been prepared in accordance with IAS 34 Interim Financial Reporting. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should be read alongside the published consolidated financial statements (or the universal registration document) for 2019.

The interim condensed consolidated financial statements include the financial statements of Klépierre SA and its subsidiaries. The financial statements of subsidiaries are prepared for the same accounting period as that of the parent company using consistent accounting methods.

The interim condensed consolidated financial statements are presented in millions of euros (€m), with all amounts rounded to the nearest hundred thousand, unless otherwise indicated. Slight differences in figures may exist between the different statements due to rounding.

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

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

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

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

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

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

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

2.3. Use of material judgments and estimates

In preparing these interim condensed consolidated financial statements in accordance with IFRS, Group management used certain estimates and certain realistic, reasonable assumptions. Changes in facts and circumstances may lead to changes in these estimates and assumptions, which would affect the value of the Group's assets, liabilities, equity and earnings.

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

Measurement of goodwill of management companies

The Group tests goodwill for impairment at least once a year. This requires estimating the value in use of the cash-generating units to which the goodwill is allocated. In order to determine value in use, Klépierre prepares expected future cash flows for each cash-generating unit and applies a pre-tax discount rate to calculate the present value of these cash flows (see note 5.1). As regards of Covid-19 trigger events, the Group tested the goodwill of management companies for impairment based on internal valuations performed as of June 30, 2020 using the same valuation methodology as the external appraisers.

Investment property

The Group appoints independent appraisers to perform half-yearly valuations of its real estate assets in accordance with the methods described in note 5.4. The appraisers make assumptions concerning future cash flows and rates that have a direct impact on the value of the properties. The impact of Covid-19 on fair value measurement is described in the note 1.1.

Financial instruments

The Group assesses the fair value of the financial instruments it uses in accordance with standard market models and IFRS 13, as described in note 5.12.1.

2.4. Translation of foreign currencies

The interim condensed consolidated financial statements are presented in euros (€), which is the presentation currency of the consolidated group, as well as the presentation and functional currency used by Klépierre SA. Each Group entity selects its own functional currency, and all items in its financial statements are measured using this functional currency.

The Group's foreign subsidiaries conduct some transactions in currencies other than their functional currency. These transactions are initially recorded in the functional currency at the exchange rate prevailing on the transaction date.

At the reporting date, monetary assets and liabilities stated in foreign currencies are translated into the functional currency at the exchange rate prevailing on that day. Non-monetary items stated in foreign currencies and measured at historical cost are translated using the exchange rates prevailing on the dates of the initial transactions. Non-monetary items stated in foreign currencies and measured at their fair value are translated using the exchange rates applicable on the dates when the fair values were calculated.

For the preparation of the Group's interim condensed consolidated financial statements, the assets and liabilities of the subsidiaries are translated into euros at the exchange rate as of the reporting date. Their income statements are translated at the average exchange rate for the year. Any resulting translation differences are allocated directly to equity under a separate line item.

In the event of the disposal of an operation in foreign currency, the total accrued deferred exchange gain or loss recognized as a distinct component of equity for that foreign operation is recognized in the income statement.

2.5. Distinction between liabilities and equity

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

2.6. Earnings per share

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

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

NOTE 3 Segment information

Accounting policies

Segment information

In accordance with IFRS 8, operating segments are identified on the basis of the internal reporting used by management when evaluating performance and allocating resources.

3.1. Segment earnings

For management purposes, the Group is structured into business segments corresponding to geographic regions. There are a total of seven operating segments, structured as follows:

- France-Belgium (including Other retail properties);
- Scandinavia (Steen & Strøm: Norway, Sweden and Denmark);
- Italy;
- Iberia (Spain & Portugal);
- Netherlands;
- Germany;
- Central Europe & Other (Poland, Czech Republic, Slovakia, Greece and Turkey).

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

The Group's financing policy (including its impact on financial income and expenses), corporate activities and income tax matters are handled at Group level, and the resulting impacts are not allocated to the operating segments. For the purposes of the presentation of segment earnings, goodwill impairment is treated as a corporate activity.

The "Scandinavia" segment includes all the legal entities of the Steen & Strøm Group. The fair value of the non-controlling interest in the Scandinavian segment amounted to €866.8 million as of June 30, 2020, versus €959.1 million as of December 31, 2019. As of June 30, 2020, the fair-value contribution of the Scandinavian portfolio represented an amount of €3,577.9 million in non-current assets, €84.3 million in current assets, €1,491.6 million in non-current liabilities and €350.0 million in current liabilities.

In millions of euros	France-Belgium ^(a)		Scandinavia		Italy		Iberia		Netherlands	
	06/30/2020	06/30/2019	06/30/2020	06/30/2019	06/30/2020	06/30/2019	06/30/2020	06/30/2019	06/30/2020	06/30/2019
Gross rents	213.6	222.5	83.0	93.1	95.5	100.3	63.9	68.4	36.9	41.2
Other rental income	17.4	14.3	0.6	0.5	2.8	2.4	1.8	1.4	0.0	0.0
Gross rental income	231.0	236.8	83.6	93.6	98.3	102.6	65.7	69.8	36.9	41.2
Rental and building expenses	(24.2)	(21.0)	(7.6)	(8.7)	(10.5)	(9.3)	(5.0)	(5.9)	(8.0)	(7.8)
NET RENTAL INCOME	206.8	215.8	76.1	84.9	87.8	93.4	60.7	64.0	29.0	33.4
Management and other income	17.0	21.6	5.6	4.3	6.1	8.7	5.0	5.2	1.2	2.2
Payroll and other general expenses	(18.0)	(28.5)	(6.9)	(9.2)	(10.5)	(11.2)	(5.9)	(6.6)	(4.8)	(5.5)
EBITDA	205.8	208.9	74.8	80.0	83.4	90.9	59.7	62.6	25.3	30.1
Depreciation, amortization and impairment	(6.2)	(6.3)	(1.4)	(1.6)	(0.8)	(0.8)	(5.6)	(0.7)	(0.2)	(0.1)
Change in value of investment properties	(291.9)	(151.3)	(122.5)	(18.3)	(68.5)	(36.7)	(29.3)	21.9	(32.1)	(11.1)
Net proceeds on disposal of investment properties and equity investments	2.7	(0.1)		0.0		(0.1)	0.4	4.9		4.0
Share in earnings of equity accounted companies	(10.1)	(6.2)	(1.2)	2.2	0.2	8.2	(1.9)	0.3		
SEGMENT INCOME	(99.7)	44.9	(50.2)	62.3	14.4	61.4	23.3	88.9	(7.0)	22.8
Goodwill impairment										
Cost of net debt										
Change in the fair value of financial instruments										
PROFIT BEFORE TAX										
Income tax										
NET INCOME										

(a) Shopping centers and other retail properties

In millions of euros	Germany		CE & Other		Not allocated		Klepierre Group	
	06/30/2020	06/30/2019	06/30/2020	06/30/2019	06/30/2020	06/30/2019	06/30/2020	06/30/2019
Gross rents	24.5	26.4	40.3	55.3			557.6	607.2
Other rental income		0.0	0.7	1.1			23.4	19.7
Gross rental income	24.5	26.4	41.0	56.4			581.0	626.9
Rental and building expenses	(8.9)	(6.7)	(5.4)	(4.2)			(69.5)	(63.4)
NET RENTAL INCOME	15.6	19.7	35.6	52.2			511.5	563.5
Management and other income	5.4	2.1	1.9	2.1			42.2	46.1
Payroll and other general expenses	(4.0)	(4.1)	(4.2)	(5.7)	(9.6)	(12.4)	(63.9)	(83.2)
EBITDA	16.9	17.7	33.3	48.7	(9.6)	(12.4)	489.8	526.4
Depreciation, amortization and impairment	(0.1)	(0.2)	(1.3)	(0.9)			(15.7)	(10.7)
Change in value of investment properties	(33.1)	(18.5)	(61.2)	(8.4)			(638.6)	(222.5)
Net proceeds on disposal of investment properties and equity investments			(0.0)	(0.0)			3.0	8.7
Share in earnings of equity accounted companies			0.5	0.6			(12.4)	5.2
SEGMENT INCOME	(16.3)	(1.0)	(28.7)	40.0	(9.6)	(12.4)	(173.9)	307.0
Goodwill impairment							(1.9)	(5.6)
Cost of net debt							(52.9)	(68.0)
Change in the fair value of financial instruments							(15.8)	(15.8)
PROFIT BEFORE TAX							(244.4)	217.6
Income tax							34.4	(7.4)
NET INCOME							(210.0)	210.2

3.2. Investment properties by operating segment

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

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

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

(b) Including other retail properties

3.3. New investments over the period by operating segment

<i>In millions of euros</i>	Investment properties at fair value	Investment properties at cost	Investments at 06/30/2020 ^(a)
Shopping centers	84.8	5.2	90.0
France-Belgium ^(b)	32.8	0.2	33.0
Scandinavia	20.4		20.4
Italy	4.7	5.0	9.7
Iberia	3.5		3.5
Netherlands	20.0		20.0
Germany	0.7		0.7
Central Europe & Other	2.7		2.7
TOTAL	84.8	5.2	90.0

(a) Investments include acquisitions, capitalized expenses and changes in scope

(b) Including other retail properties

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

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

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

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

NOTE 4 **Scope of consolidation**

Accounting policies

Scope of consolidation

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

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

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

Consolidation method

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

- Control: full consolidation. Control is presumed to exist when Klépierre directly or indirectly holds more than half of the company's voting rights. Control is also presumed to exist where the parent company has the power to direct the financial and operating policies of the company and appoint, dismiss or convene the majority of the members of the Board of Directors or equivalent management body;
- Joint control and significant influence: equity-method accounting. Joint control exists where operating, strategic and financial decisions require unanimous agreement between the partners. The agreement is contractual, i.e., subject to bylaws and shareholder agreements. Influence is defined as the power to contribute to a company's financial and operating policy decisions, rather than to exercise control over those policies. Significant influence is presumed where the Group directly or indirectly holds 20% or more of an entity's voting rights. Investments in associates are initially recognized in the statement of financial position at acquisition cost, and are subsequently adjusted for the share of the net cash generated after the acquisition and the changes in fair value;
- No influence: the Company is not consolidated.

Changes in equity of companies accounted for using the equity method are reported on the asset side of the statement of financial position under "Investments in equity-accounted companies" and under the corresponding item in shareholder's equity. Goodwill in respect of companies accounted for using the equity method is also reported under "Investments in equity-accounted companies".

Intercompany transactions

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

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

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

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

- On January 1, 2020, Klépierre acquired 5% of the shares of Unter Goldschmied Köln GmbH;
- KFI Hungary KFT and Corio Torrelodones Office Suite SL were liquidated.

NOTE 5 **Notes to the statement of financial position**

5.1. **Goodwill**

Accounting policies

Accounting for business combinations

The accounting rules for business combinations comply with IFRS 3 (revised).

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

All business combinations are recognized using the acquisition method. The consideration transferred is measured as the fair value of assets contributed, equity issued and liabilities incurred at the transfer date. The identifiable assets and liabilities of the acquiree are measured at their fair value at the acquisition date. Any liabilities are only recognized if they are a present obligation at the date of the business combination and if their fair value can be reliably measured. For each business combination, the acquirer must measure all non-controlling interests held in the acquired company, either at their fair value at the acquisition date or at the corresponding share in the fair value of the assets and liabilities of the acquired company.

Any surplus of the consideration transferred and the value of non-controlling interests over the net fair value of the business' identifiable assets acquired and liabilities assumed, is recognized as goodwill. Costs directly linked to the acquisition are recognized as expenses.

IFRS 3 (revised) stipulates a maximum period of 12 months from the acquisition date for the accounting of the acquisition to be finalized: adjustments to values applied must be related to facts and circumstances existing at the acquisition date. Therefore, beyond this 12-month period, any earn-out adjustment must be recognized in income for the fiscal year unless the additional consideration is an equity instrument.

As regards the treatment of deferred tax assets, the Group recognizes an adjustment to income for deferred tax assets unrecognized at the acquisition date or during the measurement period.

Where a business is acquired in stages, the previous investment is remeasured at fair value at the date control is transferred. Any difference between fair value and carrying amount of this investment is recognized in income.

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

Transactions that do not affect control (additional acquisition or disposal) are accounted for as equity transactions for which the equity is allocated proportionally between the owners of the parent and the non-controlling interest without an impact on profit or loss and/or a goodwill adjustment.

Goodwill measurement and impairment

Goodwill is carried at cost less any accumulated impairment losses. In compliance with IAS 36, the Group performs impairment testing if there is any indication of impairment, and at least once a year. For the purposes of this test, assets are grouped into cash-generating units (CGUs). CGUs are standardized groups of assets whose continued use generates cash inflows that are largely separate from those generated by other asset groups.

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

Goodwill corresponding to optimized value of deferred taxes

This goodwill results from the recognition of deferred taxes at the date of the business combination. It represents the difference between the deferred tax liabilities recognized in the statement of financial position in accordance with IAS 12, and the tax expected to be paid in the event of a sale by means of a share deal. Accordingly, impairment tests performed on this type of goodwill at each reporting date consist in comparing the carrying amount with the amounts expected to arise from optimizing deferred taxes.

Goodwill of management companies

Goodwill may relate to management companies. Impairment tests are performed annually or when triggering events arise and are based on internal or external valuations. These valuations are based on the discounted cash flow (DCF) method in every country where the Klépierre Group conducts management activities. This method consists of three stages.

In the first stage, cash flows that may be generated in the future by each company's portfolio of business (i.e., before consideration of explicit or implicit financing costs) are estimated on the basis of the specific business plans developed in each country where the Group conducts management activities for itself and for third parties.

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

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

Impairment tests consist in comparing the carrying amount of the entities with their net asset value.

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

Goodwill of management companies

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

<i>In millions of euros</i>	12/31/2019	Change in scope	Disposals, retirement of assets	Impairment	Currency movements	06/30/2020
France	117.7					117.7
Italy	53.7					53.7
Spain	32.0					32.0
Portugal	7.4					7.4
Netherlands	14.0					14.0
Germany	13.7					13.7
Scandinavia	9.5				(0.9)	8.6
Goodwill relating to management activities	248.0				(0.9)	247.1

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

- The discount rate applied Germany was 8.4% and for Norway, 9.4%;
- The discount rate applied to other countries was 7.4%;
- Free cash flows over the duration of the business plan are based on business volume and operating margin assumptions that take into account economic and market assumptions at the date on which the plan was

prepared. In particular, due to the effects of the lockdowns, development fees were suspended and disposal fees were considered to be nil for fiscal year 2020;

- A growth rate for the 2020-2024 period based on the assumptions of the internal business plan and approved by the company's senior management;
- A terminal value determined using a growth rate of 1% applied from 2024.

Goodwill corresponding to the optimized value of deferred taxes

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

<i>In millions of euros</i>	12/31/2019	Change in scope	Disposals, retirement of assets	Impairment	Currency movements	06/30/2020
Former Corio assets	277.7			(0.8)		276.9
IGC	32.7					32.7
Oslo City	35.4				(3.4)	32.0
Nueva Condo Murcia	5.1			(1.1)		3.9
Other	4.0					4.0
Goodwill arising on deferred tax liabilities	354.9			(1.9)	(3.4)	349.6

Further to the increase in fair value of Nueva Condomina, the related tax optimization decreased and the goodwill was impaired accordingly.

5.2. Intangible assets

Accounting policies

Intangible assets

An intangible asset is a non-monetary asset without physical substance. It must be simultaneously identifiable (and therefore separable from the acquired entity or arising from legal or contractual rights), controlled by the company as a result of past events and provide an expectation of future financial benefits.

IAS 38 states that an intangible asset is amortized only where it has an identified useful life. Intangible assets with an indefinite useful life are not amortized, but are tested annually for impairment (IAS 36) or whenever there is evidence of a loss of value.

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

Impairment of intangible assets

After initial recognition, other intangible assets are recognized at cost, less any related amortization or impairment losses.

Useful lives are examined annually and an impairment test is conducted if there is any indication of impairment. Intangible assets with an indefinite useful life are not amortized. The "indefinite" nature of the useful life is reviewed at least annually. These assets are tested for impairment annually, or if there is any indication of impairment, by comparing their carrying amount with the recoverable amount. In the event of impairment, an impairment loss is recognized in income. The Klépierre Group's intangible assets are not subject to independent valuation

“Software” includes software in service as well as ongoing IT projects.

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

5.3. Property, plant and equipment

Accounting policies

Property, plant and equipment

In accordance with IAS 16, property plant and equipment are valued at their historical cost, less accumulated depreciation and any decreases in value. Depreciation is calculated based on the useful life of each operating asset class.

Property, plant and equipment include operating assets such as fixtures and other office equipment owned by the Group, related to headquarters buildings and offices.

Property, plant and equipment also include the remaining lease payments on head office leases, vehicle leases and other equipment leases, that are initially recognized in the form of a right-of-use asset in accordance with IFRS 16. They are subsequently depreciated on straight-line basis over the lease term.

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

(a) The movements in property, plant and equipment relating to lease contracts are described in note 8 “IFRS 16 ‘Leases’”.

5.4. Investment properties

Accounting policies

Investment properties (IAS 40, IFRS 13 and IFRS 16)

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the Group, is classified as investment property. Investment property also includes property that is being constructed or developed for future use as investment property. For all investment properties, current use equates to the best possible use.

Land held under operating leases is classified and accounted for by the Group as right-of-use asset under IFRS 16. After initial recognition, it is measured using the fair value model in accordance with IAS 40 "Investment Property".

Investment property is measured initially at cost, including related transaction costs and, where applicable, eviction and borrowing costs (see below).

After initial recognition, investment property is carried at fair value. Investment property under construction is measured at fair value if the fair value is considered to be reliably determinable. Investment properties under construction for which the fair value cannot be determined reliably, but for which the Group expects that the fair value of the property will be reliably determinable when construction is completed, are measured at cost less impairment until the fair value becomes reliably determinable or construction is completed, whichever is earlier.

In order to evaluate whether the fair value of an investment property under construction can be determined reliably, management considers the following factors, among others:

- Stage of completion;
- Level of reliability of cash inflows after completion;
- Development risk specific to the property.

Additions to investment properties consist of capital expenditure, eviction costs, capitalized interest, letting fees and other internal costs related to development. Certain internal staff and associated costs directly attributable to the management of major projects during the construction phase are also capitalized.

The difference between the fair value of an investment property at the reporting date and its carrying amount prior to re-measurement is included in the income statement as a valuation surplus or deficit. The profit on disposal is determined as the difference between the sales proceeds and the carrying amount of the asset based on the latest appraisal value.

When the Group begins to redevelop an existing investment property for continued future use as an investment property, the property continues to be held as an investment property.

In addition, investment properties recorded at cost are tested for impairment at June 30 and December 31, whenever there is evidence of a loss of value. Where such evidence exists, the recoverable amount of the asset is compared with its carrying amount, and an impairment loss is recognized.

In determining the carrying amount of investment properties under the fair value model, assets or liabilities that are recognized as separate assets or liabilities are not double counted.

Borrowing costs

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

When a loan is not directly attributable to an asset, Klépierre uses the capitalization rate applied to the expenses related to the asset in order to measure the attributable cost; if several non-specific borrowing lines exist, the capitalization rate is the weighted average rate of those loans observed during the fiscal year.

Fair value of investment property

The fair value of Klépierre's investment properties is determined by professionally qualified independent appraisers who have relevant expertise and recent industry experience in the locations and segments of the investment properties being valued. They perform their valuation of the Group's assets as of June 30 and December 31 of each year.

Investment properties are presented at fair value excluding transfer costs. These transfer costs are measured on a basis of an asset disposal. The fair values of investment properties are determined in compliance with the measurement rules described in IFRS 13. In addition, given the complexity of real estate asset valuations and the nature of certain non-public data (such as projected rent increases, capitalization and discount rates), the fair values of investment properties have been classified as level 3 on the IFRS 13 fair value hierarchy. Accordingly, there are no transfers of properties between the fair value categories.

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

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

Shopping centers are valued by:

- Jones Lang LaSalle (JLL) values all Greek and Turkish assets and most of the Italian portfolio;
- CBRE values all assets in Spain, Portugal, the Czech Republic, Slovakia and the Netherlands, and several assets in France and Italy;
- BNP Paribas Real Estate values all German assets;
- Cushman & Wakefield values a portion of the French portfolio, all Danish, Swedish, and Norwegian assets, as well as Polish assets.

Other retail assets are valued by BNP Paribas Real Estate.

All valuations are conducted in accordance with the principles of the *Charte de l'Expertise en Evaluation Immobilière*, the recommendations of the French financial markets authority (Autorité des marchés financiers – AMF) dated February 8, 2010 and Royal Institution of Chartered Surveyors standards. The fees paid to appraisers, agreed prior to their valuation of the properties concerned, are determined on a lump sum basis to reflect the number and complexity of the assets appraised. The fee is entirely unrelated to the appraised value of the assets concerned.

The valuations performed by the independent appraiser are reviewed internally by senior management in charge of investments and relevant people within each operating division. This process includes discussions of the assumptions used by the independent appraiser, as well as a review of the resulting valuations. Discussions of the valuation process and results are held between senior management in charge of investments and the independent appraiser on a half-yearly basis.

All Klépierre Group assets are systematically appraised using two methods: the yield method (or capitalization methodology) and the discounted cash flows method. However, Klépierre only retains the latter.

According to the yield method, to determine the fair value of a shopping center, appraisers apply a yield rate to total net rent for occupied premises, and to the net market rent for vacant properties, discounted for the anticipated period of vacancy.

The yield rate is set by the appraiser based on a range of inputs, the most important of which are: retail sales area, layout, competition, type and percentage of ownership, gross rental income and extension potential and comparability with recent transactions in the market.

As regards the discounted cash flows approach, appraisers estimate the different cash flows over a ten-year period. To determine future cash flows, appraisers are provided with all relevant information (detailed rent rolls, footfall, retailer sales, occupancy cost ratios, etc.), which they use to make their own assessment.

They factor in their own leasing assumptions (ERV, vacancy, incentives, etc.) as well as future capital expenditures and non-recoverable operating expenses. Lastly, they apply a discount rate that varies from one

property to another since it is a combination of the risk-free rate and the risk premium attached to each property due to its location, quality, size, and technical specificities.

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

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

5.4.1. Investment properties at fair value

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

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

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

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

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

The discount rate and exit rate are weighted by shopping center portfolio valuation (including transfer taxes).

- (a) Average annual rent (minimum guaranteed rent plus sales-based rent) per asset per square meter;
- (b) Rate used to calculate the present value of future cash flows;
- (c) Rate used to capitalize the exit rent to determine the exit value of an asset;
- (d) Compound annual growth rate of net rental income determined by the appraiser at 10 years;
- (e) Turkey: the average annual rent per asset per square meter amounts to €156, the average discount rate stands at 15.4%, the average exit rate is 8.7%, the compound annual growth rate of net rental income is 10.1% and EPRA NIY stands at 8.6%.

As of June 30, 2020, the average EPRA Net Initial Yield (NIY) of the portfolio stood at 5.1% (including transfer taxes). A 10-basis-point increase in yields would result in a €350 million loss in the portfolio valuation (attributable to owners of the parent).

5.4.2. Investment properties at cost

<i>In millions of euros</i>	
INVESTMENT PROPERTIES AT COST – NET VALUE AS OF 12/31/2019	133.8
Investments	4.9
Capitalized interest	0.3
Disposals and removals from the scope of consolidation	-
Other movements, reclassifications	(10.7)
Currency movements	-
Fair value adjustments	-
Impairment losses and reversals	(0.2)
INVESTMENT PROPERTIES AT COST – NET VALUE AS OF 06/30/2020	128.1

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

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

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

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

5.4.3. Investment properties held for sale

Accounting policies

Investment properties held for sale

Investment properties that the Group has contractually committed to sell or entered into an agreement to sell are presented according to IFRS 5.

The accounting impacts are as follows:

- Reclassification as held for sale at fair value less costs to sell;
- Presentation on a separate line as current assets.

<i>In millions of euros</i>	
INVESTMENT PROPERTIES HELD FOR SALE - NET VALUE AS OF 12/31/2019	105.0
Disposals and removals from the scope of consolidation	(45.0)
Other movements, reclassifications	17.1
Currency movements	-
Fair value adjustments	-
INVESTMENT PROPERTIES HELD FOR SALE – NET VALUE AS OF 06/30/2020	77.1

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

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

5.4.4. Investment property portfolio reconciliation

The following table reconciles the carrying amount of investment properties to the value of the property portfolio disclosed in the management report:

In millions of euros	06/30/2020				
	Investment properties held by fully consolidated companies	Investments in equity accounted companies ^(a)	Transfer taxes	Lease liability ^(b)	Total portfolio value (including transfer taxes)
Investment properties	20,192.6	1,335.3	1,054.3		22,582.3
Right-of-use asset relating to ground leases	377.2			(351.6)	25.6
Incl. upfront payments on ground lease	25.6				25.6
Investment properties at fair value	20,569.9	1,335.3	1,054.3	(351.6)	22,607.9
Investment properties at cost	128.1				128.1
Investment properties held for sale	77.1				77.1
Operating lease incentives	26.9				26.9
TOTAL	20,802.0	1,335.3	1,054.3	(351.6)	22,840.0

- (a) Investments in equity-accounted assets are included based on the fair value of the shares held and taking into account receivables and facilities granted by the Group.
(b) The lease liability as defined by IFRS 16 is deducted from the investment property value in the portfolio valuation.

5.5. Investments in equity-accounted companies

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

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

The main items of the statements of financial position and income statements of joint ventures⁽¹⁾ are presented below (the values shown below include consolidation adjustments):

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

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

- (1) Cécobil SCS, Du Bassin Nord SCI, Le Havre Vauban SNC, Le Havre Lafayette SNC, Girardin SCI, Girardin 2 SCI, Société Immobilière de la Pommeraiie SC, Parc de Coquelles SNC, Kleprim's SCI, Celsius Le Murier SNC, Celsius Haven SNC, Clivia SpA, Galleria Commerciale Il Destriero SpA, CCDF SpA, Galleria Commerciale Porta di Roma SpA, Galleria Commerciale 9 Srl, Italian Shopping Centre Investment Srl, Holding Klege Srl, Hovlandparken AS, Metro Senter ANS, Økern Sentrum ANS, Økern Eiendom ANS, Metro Shopping AS, Hovlandparken DA, Økern Sentrum AS, Nordal ANS, and Klege Portugal SA.

Klépierre's share in the external net debt (current and non-current external financial liabilities adjusted for cash and cash equivalents) of its joint ventures reversed its position from a net debt position of €1.4 million as of December 31, 2019 to a net cash position of €5.4 million as of June 30, 2020.

The main components of the statement of financial position and income statements of associates⁽²⁾ are presented below (the values shown below include consolidation adjustments):

In millions of euros	06/30/2020		12/31/2019	
	100%	Attributable to owners of the parent	100%	Attributable to owners of the parent
Non-current assets	1,107.2	195.9	1,145.6	211.6
Current assets	14.1	1.8	8.4	1.6
Cash and cash equivalents	12.1	3.4	7.3	3.1
Non-current external financial liabilities	(6.6)	(0.8)	(0.5)	(0.2)
Non-current financial liabilities (Group and associates)	(56.7)	(6.7)	(60.4)	(5.9)
Non-current liabilities	(10.7)	(1.6)	(10.9)	(1.6)
Current external financial liabilities	(0.1)	(0.0)	(0.1)	(0.0)
Current liabilities	(23.0)	(4.1)	(18.5)	(3.0)
NET ASSETS	1,036.4	187.8	1,071.0	205.6

In millions of euros	06/30/2020		06/30/2019	
	100%	Attributable to owners of the parent	100%	Attributable to owners of the parent
Revenues from ordinary activities	26.2	4.8	12.5	5.4
Operating expenses	(5.2)	(1.2)	(3.5)	(1.6)
Change in value of investment properties	(15.3)	(3.4)	(7.5)	(3.4)
Financial income (expense)	0.7	0.4	1.4	0.6
Profit before tax	6.4	0.6	2.9	1.0
Tax			0.0	0.0
NET INCOME	6.4	0.6	2.9	1.0

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

5.6. Other non-current assets

Accounting policies for financial assets (current and non-current)

Financial assets

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

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

Assets at amortized cost

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

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

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

Assets at fair value through profit or loss

This category includes:

- Financial assets that are not held either to collect contractual cash flows or to sell the assets and whose contractual conditions do not solely give rise to payments of principal and interest on the principal amount outstanding;
- Assets designated at fair value whose performance and management are based on fair value and non-consolidated investments.

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

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

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

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

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

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

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

Movements in other non-current assets during 2020 are as follows:

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

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

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

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

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

5.7. Trade and other receivables

Accounting policies

Trade and other receivables

Trade receivables are recognized and measured at face value minus allowances for non-recoverable amounts, in accordance with IFRS 9, as described in note 5.6.

Other receivables under this heading include the effect of recognizing lease incentives granted to tenants over time (step-up rents and rent-free periods). All receivables have a maturity of less than one year, except step-up rents and rent-free periods, which are spread over the fixed term of the lease.

Impairment is based on the standard's simplified approach. Expected credit losses are calculated based on lifetime losses, using the Group's historical credit loss experience.

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

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

5.8. Other receivables

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

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

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

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

5.9. Cash and cash equivalents

Accounting policies

Cash and cash equivalents

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

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

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

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

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

5.10. Fair value of financial assets

Accounting policies

Fair value hierarchy of financial assets and liabilities

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

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

Valuation techniques are based on:

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

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

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

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

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

5.11. Equity

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

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

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

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

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

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

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

5.11.2. Treasury shares

Accounting policies

Treasury shares

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

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

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

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

5.11.3. Other consolidated reserves

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

5.11.4. Non-controlling interests

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

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

5.12. Current and non-current financial liabilities

Accounting policies

Financial liabilities

Financial liabilities include borrowings, other forms of financing, bank overdrafts, derivatives and operating payables.

IFRS 9 “*Financial Instruments*” describes how financial assets and liabilities must be measured and recognized.

Measurement and recognition of financial liabilities

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

Recognition of liabilities at amortized cost

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

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

Changes in the fair value of (the effective portion of) swaps used as fair value hedges are offset by the remeasurement of the hedged risk component of the debt.

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

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

Measurement and recognition of derivatives

As the parent company, Klépierre takes responsibility for almost all Group funding and provides centralized management of interest and exchange rate risks. This financing policy involves Klépierre implementing the facilities and associated hedging instruments required by the Group.

Klépierre hedges its liabilities using derivatives and has consequently adopted hedge accounting in accordance with IFRS 9:

- Hedges to cover statement of financial position items whose fair value fluctuates in response to interest rate, credit or exchange rate risks (fair value hedges);
- Hedges to cover the exposure to future cash flow risk (cash flow hedges), which consists of setting the amount of future cash flows arising on a floating-rate liabilities or assets.

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

The adoption of hedge accounting has the following consequences:

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

Financial instruments qualified in the trading category are measured at fair value with fair value movements recognized in profit or loss for the period.

Recognition date: trade or settlement

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

However, this principle cannot be applied to all financial instruments in the same way.

For example, commercial paper is often renewed a few days before its due date. If these instruments were recognized at their trade date, this would artificially inflate the amount concerned between the renewal trade date of a paper and its effective start date.

Klépierre applies the following rules:

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

Method used to calculate fair value of financial instruments

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

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

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

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

Tax treatment of changes in fair value of financial instruments

In Klépierre's case:

- The non-SIIC portion of the deferred tax on financial instruments recognized at fair value is calculated pro rata of net financial income;
- The financial instruments of foreign subsidiaries recognized at fair value give rise to deferred tax calculated on the basis of the rates applicable in the country concerned.

5.12.1. Change in debt

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

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

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

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

Net debt totaled €9,128.9 million as of June 30, 2020, versus €8,830.2 million as of December 31, 2019. Net debt is the difference between financial liabilities (excluding both fair value hedge adjustments and the mark-to-market of Corio's debt recognized at the acquisition date) plus bank overdrafts minus available cash and marketable securities.

<i>In millions of euros</i>	06/30/2020	12/31/2019
Non-current and current financial liabilities	9,933.9	9,434.4
Bank overdrafts	15.5	26.5
Revaluation due to fair value hedge	(27.6)	(7.1)
Fair value adjustment of debt ^(a)	(13.0)	(21.4)
Cash and cash equivalents ^(b)	(779.9)	(602.2)
Net debt	9,128.9	8,830.2

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

(b) Includes cash managed for principals for €85.4 million as of June 30, 2020 and for €117.7 million as of December 31, 2019.

The €299 million increase is attributable to:

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

- Cash inflows from disposals for €77 million, corresponding to assets sold in France.

5.12.2. Main sources of financing

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

In millions of euros	Group financing						Amount used as at 06/30/2020
	Borrower	Issue currency	Reference rate	Maturity date	Repayment profile	Maximum amount	
Bonds						5,949	5,949
	Klépierre SA	EUR	4.750%	3/14/2021	At maturity	564	564
	Klépierre SA	EUR	1.100%	5/25/2022	At maturity	100	100
	Klépierre SA	EUR	1.000%	4/17/2023	At maturity	750	750
	Klépierre SA	EUR	1.750%	11/06/2024	At maturity	630	630
	Klépierre SA	EUR	2.125%	10/22/2025	At maturity	255	255
	Klépierre SA	EUR	1.875%	2/19/2026	At maturity	500	500
	Klépierre SA	EUR	1.375%	2/16/2027	At maturity	600	600
	Klépierre SA	EUR	4.230%	5/21/2027	At maturity	50	50
	Klépierre SA	EUR	2.000%	5/12/2029	At maturity	600	600
	Klépierre SA	EUR	0.625%	7/1/2030	At maturity	600	600
	Klépierre SA	EUR	1.250%	9/29/2031	At maturity	600	600
	Klépierre SA	EUR	1.625%	12/13/2032	At maturity	700	700
						634	634
	Klépierre (formerly Corio)	EUR	5.448%	8/10/2020	At maturity	250	250
	Klépierre (formerly Corio)	EUR	3.250%	02/26/2021	At maturity	299	299
	Klépierre (formerly Corio)	EUR	3.516%	12/13/2022	At maturity	85	85
						441	441
	Steen & Strøm	NOK	NIBOR	8/9/2021	At maturity	64	64
	Steen & Strøm	NOK	2.620%	6/8/2022	At maturity	41	41
	Steen & Strøm	NOK	NIBOR	9/14/2022	At maturity	78	78
	Steen & Strøm	NOK	NIBOR	3/23/2023	At maturity	73	73
	Steen & Strøm	NOK	NIBOR	4/5/2023	At maturity	27	27
	Steen & Strøm	NOK	2.400%	11/7/2023	At maturity	46	46
	Steen & Strøm	NOK	2.550%	10/24/2024	At maturity	14	14
	Steen & Strøm	NOK	NIBOR	10/24/2024	At maturity	23	23
	Steen & Strøm	NOK	2.980%	5/23/2029	At maturity	9	9
	Steen & Strøm	SEK	STIBOR	2/22/2021	At maturity	17	17
	Steen & Strøm	SEK	1.093%	12/8/2022	At maturity	48	48
						3,959	625
Bank loans							
	Klépierre SA	EUR	Euribor	6/4/2021	At maturity	460	
	Klépierre SA	EUR	Euribor	7/7/2022	At maturity	850	
	Klépierre SA	EUR	Euribor	(b)	At maturity	2,100	261
	Klépierre Nederland	EUR	Euribor	1/14/2021	At maturity	350	350
	Steen & Strøm	NOK	NIBOR	2020	At maturity	92	
	Steen & Strøm	NOK	NIBOR	2021	At maturity	108	14
						703	703
Mortgage loans							
	Massalia Shopping Mall	EUR	Euribor	6/23/2026	At maturity	99	99
	Steen & Strøm	SEK	STIBOR	(b)		234	234
	Steen & Strøm	DKK	CIBOR	(b)		298	298
	Steen & Strøm	DKK	Fixed	(b)		72	72
						18	18
Property finance leases							
Short-term facilities and bank overdrafts						400	
Commercial paper						1,624	1,324
	Klépierre SA	EUR	-	-	At maturity	1,500	1,201
	Steen & Strøm	NOK			At maturity	57	57
	Steen & Strøm	SEK			At maturity	67	67
GROUP TOTAL ^(a)						12,104	9,694

(a) Totals are calculated excluding backup lines of funding since the maximum amount of the "Commercial paper" line includes the backup line.

(b) These lines combine several facilities with different maturities.

As a general rule, the Group finances its assets with equity or debt contracted by Klépierre SA. In some cases, especially in partnerships and in Scandinavian countries, the Group may use mortgage loans to fund its activities. The total amount of mortgages granted to secure these financings (€703 million) amounted to €930 million as of June 30, 2020.

5.12.3. Covenants

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

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

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

(a) Covenants are based on the 2015 revolving credit facility.

(b) Excluding the impact of liability management operations (non-recurring items).

(c) Excluding Steen & Strøm.

(d) Group share, including transfer taxes.

A portion of Steen & Strøm's debt is subject to a covenant that requires shareholders' equity to be equal to at least 20% of net asset value at all times. On June 30, 2020, this ratio was 52.7%.

5.12.4. Breakdown of borrowings by maturity date

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

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

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

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

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

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

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

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

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

5.12.5. Classification of financial liabilities

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

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

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

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

5.13. Hedging instruments

5.13.1. Interest rate hedging portfolio

As part of its risk management policy (see note 9 “Risk exposure and hedging strategy”), Klépierre has entered into interest-rate swap or cap agreements allowing it to convert debt from floating rate to fixed rate and vice-versa. As a result of these instruments, the proportion of total debt arranged or hedged at a fixed rate was 107% as of June 30, 2020 (notional amounts). Excluding caps, whose strike prices are 50 basis points above current market rates (€ 900 million in “out of the money caps”), the proportion of total debts arranged or hedged at a fixed rate was 97%.

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

- Four receiver swaps maturing in 2030 (notional amount of €600 million) are qualified as fair value hedges;
- Two payer swaps maturing in 2026 (notional amount of €99.4 million) are qualified as cash flow hedges.

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

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

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

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

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

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

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

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

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

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

Fair value of the interest rate derivatives portfolio:

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

5.13.2. Currency hedging portfolio

At the end of 2019, Klépierre entered into a NOK/SEK cross currency swap (NOK 200 million or SEK 211 million). The economic effect of this swap is to convert a NOK bond into a SEK liability, and its carrying amount will evolve

in line with the NOK/SEK exchange rate. This transaction is qualified as net investment hedge. As of June 30, 2020, the fair value of this instrument is equal to €1.9 million.

Fair value of the exchange rate derivatives portfolio

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

5.14. Value of financial liabilities

Accounting policies

Fair value hierarchy of financial liabilities

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

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

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

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

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

5.15. Non-current provisions

Accounting policies

Provisions and contingent liabilities

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

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

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

5.16. Payroll, tax liabilities and other liabilities

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

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

As of June 30, 2020, other liabilities include €313.7 million of dividend payables to owner of the parent, which effective payment was on July 9, 2020.

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

NOTE 6 **Notes to the statement of comprehensive income**

6.1. **Gross rental income**

Accounting policies

IFRS 16 “Leases”

Klépierre has applied IFRS 16 “Leases” since January 1, 2019. In accordance with IFRS 16, the Group, as landlord, distinguishes between two types of leases:

- Finance leases, which transfer substantially all the risks and rewards inherent in the ownership of an asset to the lessee. Title to the asset may or may not be transferred at the end of the lease term;
- All other leases are classified as operating leases.

Recognition of step-up rents and rent-free periods

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

Step-up rents and rent-free periods are recognized as additions to, or deductions from, gross rental income for the fiscal year.

The reference period adopted is the first non-cancelable lease term.

Entry fees

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

Entry fees are part of the net amount exchanged between the lessor and the lessee under a lease. For this purpose, the accounting periods during which this net amount is recognized should not be affected by the form of the agreement or the rent payment schedule. Entry fees are taken to income over the first non-cancelable lease term.

Early termination penalties

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

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

IFRS 15 “Revenue from Contracts with Customers”

Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. Gross rental income is excluded from the scope of IFRS 15.

Consequently, only service charges and management, administrative and related income are accounted for in accordance with IFRS 15.

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

Detail of gross rental income is presented below:

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

6.2. Land expenses (real estate)

Accounting policies

Ground leases: IFRS 16

Since the application of IFRS 16 “Lease” as from January 1, 2019, ground leases are recognized as a right-of-use asset and lease liability in the statement of financial position for the present value of the lease payments (fixed portion only) and are subsequently measured at fair value in accordance with IAS 40 (see note 8). The lease expenses are reclassified to “Interest expenses” and “Change in value of investment properties”.

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

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

6.3. Service charges

Service charge income corresponds to service charges invoiced to tenants, and is presented separately. Service charge income is recorded as income in the period in which it is earned.

Service charge expenses cover the cost of services such as general maintenance and repairs, security, heating, cooling, lighting and cleaning of common areas. Service charge expenses are presented for their gross amounts.

6.4. Owners’ building expenses

These expenses comprise owners’ rental expenses, expenses related to construction work and legal costs, costs associated with bad debts, and intermediaries and other fees.

6.5. Other operating income

Other operating income notably includes building work rebilled to tenants.

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

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

6.7. Change in value of investment properties

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

<i>In millions of euros</i>	06/30/2020	06/30/2019
Change in value of investment properties at fair value ^(a)	(638.4)	(221.4)
Change in value of investment properties at cost	(0.2)	(1.1)
TOTAL	(638.6)	(222.5)

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

6.8. Net proceeds from disposals of investment properties and equity investments

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

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

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

6.9. Cost of net debt

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

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

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

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

(b) The breakdown of interest expense on leases liabilities by type of contract is disclosed in note 8

NOTE 7 Taxes

Accounting policies

Income tax and deferred tax

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

Income taxes are offset by losses where such offsetting is legally permissible and where they originate within the same tax consolidation group and are subject to the same tax authority. The same principle is also applicable for deferred taxes.

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

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

Deferred tax assets and liabilities are measured using the balance sheet liability method and the tax rate expected to apply when the asset is realized or the liability settled on the basis of the tax rates and tax laws that have been enacted or substantively enacted by the reporting date. The measurement of deferred tax assets and liabilities must reflect the tax consequences arising as a result of the way in which the company expects to recover or settle the carrying amounts of its assets and liabilities at the reporting date.

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

Deferred tax is calculated at the local rate prevailing at the reporting date. The rates applied are: France 28.92%, Spain 25%, Italy 27.9%, Belgium 25%, Greece 24%, Portugal 22.5% plus a surtax where applicable, Poland 19%, Czech Republic 19%, Slovakia 21%, Sweden 20.6%, Norway 22%, Luxembourg 24.94%, Netherlands 21.7%, Denmark 22%, Turkey 22% and Germany 34.03%, 15.83% or 18.20%.

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

General features of SIIC tax status - France

All SIICs are entitled to an income tax exemption provided that their stock is listed on a regulated French market, that they have share capital of at least €15 million and that their corporate purpose is either the purchase or construction of properties for rent or the direct or indirect investment in entities with that corporate purpose. The option to adopt SIIC status is irrevocable. French subsidiaries subject to corporate income tax and at least 95%- owned by the Group may also claim SIIC status.

In return for the tax exemption, SIICs have to pay out 95% of rental income and 60% of the capital gains made on property disposals. In addition they must pay out 100% of any dividends received from SIIC or SIIC equivalent subsidiaries. With effect from fiscal year 2019, the distribution rate for the capital gains generated by property disposals increased from 60% to 70%.

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

Income tax on companies not eligible for SIIC equivalent

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

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

Tax regime of Spanish SOCIMI entities

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

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

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

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

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

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

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

For the six months ended June 30, 2020, deferred tax income amounted to €42.4 million, versus deferred tax income of €11.7 million for the six months to June 30, 2019, with the change stemming mainly from deferred taxes on investment properties correlated to fair value movements and the recognition of tax loss carryforwards.

A breakdown of tax expense between French (SIIC sector and common law) and non-French companies is shown in the tax proof below:

<i>In millions of euros</i>	France		Other companies	Total
	SIIC sector	Common law		
Pre-tax earnings and earnings from equity-accounted companies	(112.5)	(0.1)	(120.0)	(232.6)
Theoretical tax expense at 28.92%	32.5	0.0	34.7	67.3
Tax-exempt earnings under the SIIC and SOCIMI tax regimes	(29.1)		6.0	(23.1)
Taxable sectors				
Impact of permanent timing differences	1.3	0.4	(8.2)	(6.5)
Untaxed consolidation adjustments	(2.4)	(0.5)	6.4	3.5
Impact of non-capitalized losses	(3.2)	(0.2)	(8.0)	(11.5)
Assignment of non-capitalized losses	0.0	0.0	3.5	3.5
Change of tax regime				
Discounting of deferred tax following restructuring				
Change in tax rates and other taxes	(2.9)	0.2	12.7	10.0
Differences in tax rates between France and other countries		0.0	(8.8)	(8.8)
EFFECTIVE TAX EXPENSE	(3.8)	(0.1)	38.2	34.4

Breakdown of deferred taxes:

<i>In millions of euros</i>	12/31/2019	Change in scope	Change in net income	Cash flow hedging reserves	Asset, liability reclassifications	Other changes	06/30/2020
Investment properties	(1,616.3)		42.0		(0.0)	21.4	(1,552.9)
Derivatives	1.5		(0.0)	1.5		(0.0)	2.9
Tax loss carryforwards	26.1		(1.1)			(0.6)	24.4
Other items	(2.8)	(0.0)	1.4		0.1	(0.3)	(1.5)
Total for entities in a net liability position	(1,591.5)	(0.0)	42.3	1.5	0.1	20.4	(1,527.2)
Investment properties	(0.1)		1.1		0.0	(0.0)	1.0
Derivatives	0.7			(0.6)			0.1
Tax loss carryforwards	15.5		(1.2)			(0.0)	14.3
Other items	5.7		0.2		(0.1)	(0.1)	5.6
Total for entities in a net asset position	21.7		0.1	(0.6)	(0.1)	(0.1)	21.1
NET POSITIONS	(1,569.7)	(0.0)	42.4	0.8		20.3	(1,506.1)

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

- €2.3 million in deferred tax expense, of which €2.0 million resulting from the utilization of tax loss carryforwards, partially offset by the recognition of additional tax loss carryforwards for the period, and a €0.3 million attributable to changes in tax rates in the Netherlands;
- €43.1 million in deferred tax income resulting from the change in temporary differences arising from variations in the fair market value and tax value of investment properties.

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

NOTE 8 IFRS 16 “Leases”

Accounting policies

Leases

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

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

- Recognition of lease assets (right-of-use assets) and lease liabilities on the statement of financial position, initially measured at the present value of unavoidable lease payments;
- Depreciation of right-of-use assets and interest on lease liabilities over the lease term; and
- Separation of the total amount of cash paid into a principal portion and interest.

The main leases in the scope of IFRS 16 for the Group are ground leases, head office leases and vehicle leases. They are initially recognized as right-of-use assets and corresponding lease liabilities:

- Right-of-use assets relating to head office leases and vehicle leases are measured by applying a cost model and are depreciated on a straight-line basis over the lease term. They are recognized in property, plant and equipment;
- Right-of-use assets relating to ground leases that meet the definition of investment property are measured in accordance with IAS 40 using the fair value model. They are subsequently measured at an amount equal to the remaining balance of the lease liability. Right-of-use assets relating to ground leases are recognized in investment properties at fair value.

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

	12/31/2019	Increase (new leases)	Decrease (lease terminations)	Reevaluation and other movements	Allowances and debt reimbursement	Currency movements	Reclassifications	06/30/2020
<i>In millions of euros</i>								
Gross right-of-use asset relating to property, plant and equipment	34.4	0.1	(0.2)			(0.3)		34.0
Amortization of right-of-use asset relating to property, plant and equipment	(8.5)				(4.0)	0.1		(12.4)
Total net right-of-use asset relating to property, plant and equipment	25.9	0.1	(0.2)		(4.0)	(0.2)		21.6
Right-of-use asset relating to ground leases at fair value	387.5	0.5				(0.6)		387.4
Change in fair value of right-of-use asset relating to ground leases	(6.8)				(3.4)	0.1		(10.1)
Total right-of-use asset relating to ground leases	380.7	0.5			(3.4)	(0.4)		377.3
TOTAL ASSETS	406.6	0.6	(0.2)		(7.4)	(0.6)		398.9
Leases liabilities - non-current	368.1	0.6	(0.2)			(0.4)	(7.1)	361.0
Leases liabilities - current	14.6	0.0			(7.3)	(0.2)	7.1	14.2
TOTAL LIABILITIES	382.7	0.6	(0.2)		(7.3)	(0.6)		375.2

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

<i>In millions of euros</i>	Total	Less than one year	One to five years	More than five years
Leases liabilities - non-current	361.0		39.0	322.0
Leases liabilities - current	14.2	14.2		
TOTAL LEASES LIABILITIES	375.2	14.2	39.0	322.0

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

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

Variable rents on ground leases not restated in accordance with IFRS 16 amount to €3.6 million as of June 30, 2020 (see note 6.2).

Short-term leases, low-value assets and variable rents on property, plant and equipment, do not fall within the scope of IFRS 16. The rental expense recorded in first-half 2020 in relation to these leases is not material.

NOTE 9 Risk exposure and hedging strategy

Klépierre identifies and regularly measures its exposure to the various sources of risk (interest rates, liquidity, foreign exchange, counterparties, equity market shares, etc.) and sets applicable management policies as required. The Group carefully manages the inherent financial risks in its business activity and the financial instruments it uses.

9.1. Interest-rate risk

9.1.1. Interest-rate risk – exposure to floating-rate debt

Recurrence of floating-rate financing requirement

Floating-rate debt represented 30% of the Group's borrowings as of June 30, 2020 (before hedging), and comprises bank loans (secured and unsecured), commercial paper and the use of authorized overdrafts.

Identified risk

An increase in the interest rate against which floating-rate borrowings are indexed (Euribor, Nibor, Stibor and Cibor) could result in an increase in future interest rate expenses.

Measurement of risk exposure

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

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

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

Breakdown of floating rate financial borrowings after derivatives:

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

Breakdown of borrowings after interest rate hedging:

<i>In millions of euros</i>	Fixed-rate borrowings or borrowings converted to fixed-rate			Floating-rate borrowings			Total gross borrowings		Average all-in cost of debt at closing date ^(a)
	Amount	Rate	Fixed portion	Amount	Rate	Floating portion	Amount	Rate	
12/31/2018	8,589	1.58%	96%	333	1.09%	4%	8,921	1.56%	1.60%
12/31/2019	8,473	1.34%	92%	732	1.09%	8%	9,205	1.32%	1.42%
06/30/2020	10,335	1.15%	107%	(641)	0.49%	(7%)	9,694	1.20%	1.26%

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

The average all-in cost of debt calculated as of June 30, 2020 does not constitute a forecast over the coming period.

Hedging strategy

Klépierre has set a target of hedging approximately 70% of its exposure, calculated as the ratio of fixed-rate debt (after hedging) to gross borrowings expressed as a percentage. As of June 30, 2020, Klépierre was ahead of its objective, with 107% of its exposure hedged. This hedging ratio comprises 70% fixed-rate debt or payer swaps and 36% of caps. Restated for euro caps whose strike prices are 50 basis points above current market rates (€900 million of notional), the hedging rate came out at 97%.

In order to achieve its hedging target rate, Klépierre uses swaps converting fixed-rate debt to floating rates, and vice versa.

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

Given the nature of its business as a long-term property owner and its growth strategy, Klépierre is structurally a borrower. Since the Group is not seeking to reduce the proportion of short-term debt in its total debt, it is highly likely that its short-term floating-rate loans will be renewed in the medium term. Accordingly, why Klépierre's hedging strategy covers both the long-term and short-term portions of its borrowings.

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

9.1.2. Interest-rate risk – exposure to fixed-rate debt

Description of fixed-rate borrowings

The majority of Klépierre's fixed-rate borrowing currently consists of bonds (denominated in euros, Norwegian kroner and Swedish kronor) and mortgage loans in Denmark.

Identified risk

Klépierre's fixed-rate debt exposes the Group to changes in risk-free interest rates, as the fair value of fixed-rate debt increases as rates fall, and vice versa.

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

Measurement of risk exposure and hedging strategy

As of June 30, 2020, the Group's fixed-rate debt stood at €6,813 million before hedging.

The fair value hedge strategy is calibrated to meet the overall hedging target. It is also based on the use of interest-rate swaps swapping fixed-rate payments for floating-rate payments. The credit margin component is not hedged.

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

9.1.3. Marketable securities

As of June 30, 2020, cash equivalents held by Klépierre only comprise amounts invested in French term deposits €6 million and Italian treasury bills for €0.1 million.

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

9.1.4. Fair value of financial assets and liabilities

The Group recognizes borrowings in the statement of financial position at amortized cost.

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

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

- Fixed-rate bank debt: fair value is calculated solely on the basis of rate fluctuations;
- Bonds: use of prices quoted on an active market where these are available.

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

(a) Change in the fair value of the debt as a result of a parallel shift in the rate curve

Derivatives are recognized in the statement of financial position at their fair value. As of June 30, 2020, a 100-basis-point increase in interest would have resulted in a €18.7 million decrease in the value of the Group's euro-denominated interest rate derivatives.

9.2. Liquidity risk

Klépierre is attentive to the long-term refinancing needs of its business and the need to diversify maturity dates and sources of financing in such a way as to facilitate renewals.

The average maturity of debt as of June 30, 2020 was 6.0 years, with borrowings spread between different markets (the bonds and commercial paper represent 86% of debt, with the remainder raised on the banking market). Within the banking market, Klépierre uses a range of different loan types (syndicated loans, mortgage loans, etc.) and counterparties.

Outstanding commercial paper, which represents the bulk of short-term financing, never exceeds the backup credit lines. This means that the Group can refinance immediately if it has difficulty renewing its borrowings on the commercial paper market.

As of June 30, 2020, Klépierre had undrawn credit lines totaling €2,410 million (including bank overdrafts) and €679 million in cash at bank. These resources are sufficient to absorb the main refinancing scheduled for the next two years.

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

Some of Klépierre's sources of funding (bilateral loans, bonds, etc.) contain covenants. Failure to comply with these covenants may trigger early repayment. These covenants are based on the standard ratios applying to real estate companies, and the limits imposed leave Klépierre with sufficient flexibility. Failure to comply with these covenants may result in mandatory repayment.

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

The main covenants are described in note 5.12.3

9.3. Currency risk

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

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

In Poland and the Czech Republic, rents are billed to lessees in euros and converted into the local currency at the billing date. Lessees may choose to pay their rents in local currency or in euros. The currency risk on minimum guaranteed rents is therefore limited to any variance between the rent as billed and the rent actually collected if the currency should fall in value against the euro between the billing date and the date of payment in local currency by the lessee.

At the same time, Klépierre ensures that rent payments do not represent an excessively high proportion of tenants' revenue in order to avoid degrading their financial position in the event of a sharp increase in the value of the euro, which could increase the risk of defaulting on their payments to Klépierre.

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

In Central Europe as well as in Turkey, financing is denominated in euros at Group level. Considering the limited exposure of the Group's portfolio to these countries and the expensive cost of forex hedging, especially for long durations, the Group has decided not to hedge this position.

In Scandinavia, however, leases are denominated in local currency. Funding is therefore also raised in local currency. The Klépierre Group's main source of exposure to Scandinavian currency risk is therefore limited essentially to equity funds invested in the company (Steen & Strøm) and financed in euros.

9.4. Counterparty risk in connection with financing activities

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

9.4.1. Counterparty risk on marketable securities

The counterparty risk on investments is limited by the type of products used:

- Monetary UCITS managed by recognized institutions, and therefore carrying a range of signatures;
- Government debt (loans or borrowings) of countries in which Klépierre operates;
- Occasionally, certificates of deposit issued by leading banks.

9.4.2. Counterparty risk on hedging instruments

Klépierre conducts derivative instrument transactions only with financial institutions recognized as financially sound.

9.5. Equity risk

As of June 30, 2020, Klépierre held no listed shares other than its own shares (14,714,116 shares as of June 30, 2020), which are recognized in equity at their acquisition cost.

NOTE 10 Finance and guarantee commitments

10.1. Commitments given

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

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

10.1.1. Commitments related to the Group's consolidated scope

Purchase commitments

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

10.1.2. Commitments related to the Group's operating activities

Commitments under conditions precedent

The commitments under conditions precedent relate to purchase agreements on land or assets and contingent consideration on acquisitions. As of June 30, 2020, this item comprises:

- A potential earn-out related to a development project in Belgium; and
- Commitments related to an acquisition of an asset in Italy (Bologna).

Work completion commitments

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

Rental guarantees and deposits

"Rental guarantees and deposits" mainly comprise deposits for the business premises of the Group's subsidiaries abroad.

Other commitments given

Other commitments given mainly include payment guarantees given to tax authorities.

Other commitments given related to leases

The construction of the Saint-Lazare shopping center was authorized as part of the temporary occupation license of the public estate. The license agreement was signed in July 2008 between SOAVAL (Klépierre Group) and SNCF (National French Rail Network) for a 40-year period.

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

10.2. Mutual commitments

Commitments related to development projects amounted to €27.2 million as of June 30, 2020 versus €40.6 million as of December 31, 2019. These commitments concern development work engaged (but not paid) by the Group with contractors where financial completion warranties have been received, in connection with Hoog Catharijne in the Netherlands (€26.1 million) and the extension of Créteil Soleil in France (€1.1 million).

10.3. Commitments received

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

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

10.3.1. Commitments related to the Group's financing activities

Financing agreements obtained and not used

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

10.3.2. Commitments related to the Group's operating activities

Sale commitments

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

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

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

Financial guarantees received from tenants and suppliers

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

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

10.4. Shareholders' agreements

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

10.5. Commitments under operating leases – Lessors

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

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

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

NOTE 11 Employee compensation and benefits

11.1. Payroll expenses

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

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

11.2. Headcount

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

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

11.3. Employee benefits

Accounting policies

Employee benefits

Employee benefits are recognized as required by IAS 19, which applies to all payments made for services rendered, except for share-based payment, which is covered by IFRS 2.

All short or long-term employee benefits, whether paid in cash or in kind, must be classified into one of the following four main categories:

- Short-term benefits, such as salaries, annual vacation, mandatory and discretionary profit-sharing plans and employer top-up contributions;
- Post-employment benefits, which relate primarily to supplementary pension payments in France, and private pension plans elsewhere;
- Other long-term benefits, which include paid vacation, long-service payments, and certain deferred payment schemes paid in monetary units;
- Severance pay.

Measurement and recognition methods for employee benefits vary depending on the category.

Short-term benefits

The Company recognizes an expense when it uses services provided by its employees and pays agreed benefits in return.

Post-employment benefits

In accordance with generally-accepted accounting principles, the Group makes a distinction between defined contribution plans and defined benefit plans.

Defined contribution plans do not generate a liability for the Group, and no provision is therefore set aside. Contributions paid during the period are recognized as an expense.

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

The classification of a benefit into one of these categories depends on its economic substance, which is used to determine whether the Group is required to provide the promised benefit to the employee under the terms of an agreement or an implicit obligation.

Post-employment benefits classified as defined benefit plans are subject to actuarial valuations based on demographic and financial assumptions.

The amount of the commitment to be provisioned is calculated using the actuarial assumptions adopted by the company and by applying the projected unit credit method. The value of any hedging assets (plan assets and reimbursement rights) is deducted from the resulting figure. In accordance with IAS 19 (revised), actuarial gains and losses are recognized in equity.

Long-term benefits

These are benefits other than post-employment benefits and severance pay, which are not payable in full within twelve months of the end of the financial year in which the employees concerned provided the services in question.

The actuarial measurement method applied is similar to that used for defined benefit plans, and the actuarial gains and losses are recognized directly in equity. Furthermore, any gain or loss resulting from changes in the plan, but deemed to apply to past services, is recognized immediately.

Severance pay

Employees receive severance pay if the Group terminates their employment contract before they reach the statutory retirement age or if they accept voluntary redundancy. Severance pay falling due more than twelve months after the reporting date is discounted.

Share-based payments

In accordance with IFRS 2, all share-based payments must be recognized as expenses when use is made of the goods or services provided in return for these payments.

For the Klépierre Group, this standard applies primarily to the purchase of shares to meet the commitments arising from its employee stock option and performance share plans.

Performance share plans and stock subscription options granted to employees are measured at fair value at the grant date. This fair value is not subsequently remeasured for equity-settled share-based payment transactions.

This value is applied to the number of performance shares or options that vest at the end of the vesting period and is booked as an expense, with a corresponding increase in equity over the vesting period.

This employee expense reflecting the performance shares or options granted (corresponding to the fair value of services rendered by employees) is measured by an independent expert. The model adopted complies with the basic assumptions of the Black-Scholes model, adapted to the specific characteristics of the options concerned.

11.3.1. Defined contribution plans

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

11.3.2. Defined benefit plans

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

<i>In millions of euros</i>	12/31/2019	Increases during the period	Reversals (utilized provisions)	Reversals (surplus provisions)	Other movements	Changes in the scope of consolidation	06/30/2020
Provisions for employee benefit obligations							
– Defined benefit plans	8.9	0.3		(0.0)			9.2
– Other long term benefits	2.3	0.0					2.3
TOTAL	11.2	0.3		(0.0)			11.6

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

11.4. Performance shares

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

	Plan no. 4	
	France	Other
Plan authorized in 2015		
Date of General Meeting of Shareholders	04/14/2015	04/14/2015
Date of Executive Board meeting	05/04/2015	05/04/2015
End of vesting period	05/04/2018	05/04/2019
End of lock-up period	05/04/2021	-
Shares originally allotted	235,059	54,900
Discount on performance shares in 2020	221,059	37,900
Additional shares allotted		
Shares canceled at June 30, 2020	14,000	17,000
Outstanding shares at June 30, 2020		

	Plan no. 5	
	France	Other
Plan authorized in 2016		
Date of General Meeting of Shareholders	04/19/2016	04/19/2016
Date of Executive Board meeting	05/02/2016	05/02/2016
End of vesting period	05/02/2019	05/02/2020
End of lock-up period	05/02/2021	-
Shares originally allotted	240,500	84,000
Discount on performance shares in 2020	180,196	53,948
Shares canceled at June 30, 2020	21,666	18,852
Shares fully vested in 2020	38,638	11,200
Outstanding shares at June 30, 2020		

	Plan no. 6	
	France	Other
Plan authorized in 2017		
Date of General Meeting of Shareholders	04/18/2017	04/18/2017
Date of Executive Board meeting	04/18/2017	04/18/2017
End of vesting period	04/18/2020	04/18/2021
End of lock-up period	04/18/2022	-
Shares originally allotted	216,300	94,600
Discount on performance shares in 2020	168,462	65,337
Shares canceled at June 30, 2020	22,666	19,500
Shares fully vested in 2020	25,172	9,763
Outstanding shares at June 30, 2020		

	Plan no. 7	
Plan authorized in 2018	France	Other
Date of General Meeting of Shareholders	04/24/2018	04/24/2018
Date of Executive Board meeting	04/24/2018	04/24/2018
End of vesting period	04/24/2021	04/24/2022
End of lock-up period	04/24/2023	-
Shares originally allotted	223,800	88,800
Additional shares allotted		
Shares canceled at June 30, 2020	20,266	9,000
Outstanding shares at June 30, 2020	203,534	79,800

	Plan no. 8	
Plan authorized in 2019	France	Other
Date of General Meeting of Shareholders	05/06/2019	05/06/2019
Date of Executive Board meeting	05/06/2019	05/06/2019
End of vesting period	05/06/2022	05/06/2023
End of lock-up period	05/06/2024	-
Shares originally allotted	222,000	95,800
Additional shares allotted	4,000	
Shares canceled at June 30, 2020	15,500	2,500
Outstanding shares at June 30, 2020	210,500	93,300

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

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

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

NOTE 12 Additional Information

12.1. Transactions with related parties

12.1.1. Transactions with Simon Property Group

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

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

12.1.2. Transactions with APG Group

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

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

12.1.3. Relationships between Klépierre Group companies

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

The following tables show the positions and transactions of equity-accounted companies (over which the Group has significant influence or joint control), which are not eliminated in consolidation. A full list of Klépierre Group companies accounted for using the equity method is provided in note 12.6 "List of consolidated entities".

Asset and liability positions with related parties at period-end

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

Income statement items related to transactions with related parties

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

Most of these items relate to management and administration fees and income on financings provided mainly to equity-accounted investees.

12.2. Post-employment benefits

The main post-employment benefits are length-of-service awards and defined benefit or defined contribution pension plans.

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

12.3. Contingent liabilities

During the period, neither Klépierre nor its subsidiaries were subject to any governmental, judicial or arbitration proceedings (including any proceedings of which Klépierre has knowledge, which are currently suspended or are threatened) which have recently had a material impact on the financial position or profitability of the issuer and/or the Group.

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

12.4. Subsequent events

Nil

12.5. Identity of consolidating companies

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

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

12.6. List of consolidated entities

List of consolidated companies	Country	% interest			% control		
		06/30/2020	12/31/2019	Change	06/30/2020	12/31/2019	Change
Fully consolidated companies							
Holding company - Head of the Group							
Klépierre SA	France	100.00%	100.00%		100.00%	100.00%	
Shopping centers - France							
KLE 1 SAS	France	100.00%	100.00%		100.00%	100.00%	
SCOO SC	France	53.64%	53.64%		53.64%	53.64%	
Klécar France SNC	France	83.00%	83.00%		83.00%	83.00%	
KC3 SNC	France	83.00%	83.00%		100.00%	100.00%	
KC4 SNC	France	83.00%	83.00%		100.00%	100.00%	
KC5 SNC	France	83.00%	83.00%		100.00%	100.00%	
KC9 SNC	France	83.00%	83.00%		100.00%	100.00%	
KC10 SNC	France	83.00%	83.00%		100.00%	100.00%	
KC12 SNC	France	83.00%	83.00%		100.00%	100.00%	
KC20 SNC	France	83.00%	83.00%		100.00%	100.00%	
LP7 SAS	France	100.00%	100.00%		100.00%	100.00%	
Solorec SC	France	80.00%	80.00%		80.00%	80.00%	
Centre Boursee SNC	France	100.00%	100.00%		100.00%	100.00%	
Bègles Arcins SCS	France	52.00%	52.00%		52.00%	52.00%	
Bègles Papin SNC	France	100.00%	100.00%		100.00%	100.00%	
Sécovalde SCI	France	55.00%	55.00%		55.00%	55.00%	
Cécoville SAS	France	100.00%	100.00%		100.00%	100.00%	
Soaval SCS	France	100.00%	100.00%		100.00%	100.00%	
Klémurs SASU	France	100.00%	100.00%		100.00%	100.00%	
Nancy Bonsecours SCI	France	100.00%	100.00%		100.00%	100.00%	
Sodevac SNC	France	100.00%	100.00%		100.00%	100.00%	
Odysseum Place de France SNC	France	100.00%	100.00%		100.00%	100.00%	
Klécar Participations Italie SAS	France	83.00%	83.00%		83.00%	83.00%	
Pasteur SNC	France	100.00%	100.00%		100.00%	100.00%	
Holding Gondomar 1 SAS	France	100.00%	100.00%		100.00%	100.00%	
Holding Gondomar 3 SAS	France	100.00%	100.00%		100.00%	100.00%	
Combault SNC	France	100.00%	100.00%		100.00%	100.00%	
Beau Sevran Invest SCI	France	83.00%	83.00%		100.00%	100.00%	
Valdebac SCI	France	55.00%	55.00%		55.00%	55.00%	
Progest SAS	France	100.00%	100.00%		100.00%	100.00%	
Belvedere Invest SARL	France	55.00%	55.00%		55.00%	55.00%	
Haies Haute Pommeraiie SCI	France	53.00%	53.00%		53.00%	53.00%	
Plateau des Haies SNC	France	100.00%	100.00%		100.00%	100.00%	
Forving SARL	France	95.33%	95.33%		95.33%	95.33%	
Saint Maximin Construction SCI	France	55.00%	55.00%		55.00%	55.00%	
Pommeraiie Parc SCI	France	60.00%	60.00%		60.00%	60.00%	
Champs des Haies SCI	France	60.00%	60.00%		60.00%	60.00%	
La Rive SCI	France	85.00%	85.00%		85.00%	85.00%	
Rebecca SCI	France	70.00%	70.00%		70.00%	70.00%	
Le Maïs SCI	France	80.00%	80.00%		80.00%	80.00%	
Le Grand Pré SCI	France	60.00%	60.00%		60.00%	60.00%	
LC SCI	France	88.00%	88.00%		100.00%	100.00%	
Kle Projet 1 SAS	France	100.00%	100.00%		100.00%	100.00%	
Klépierre Créteil SCI	France	100.00%	100.00%		100.00%	100.00%	
Albert 31 SCI	France	83.00%	83.00%		100.00%	100.00%	
Galleries Drancéennes SNC	France	100.00%	100.00%		100.00%	100.00%	
Portes de Claye SCI	France	55.00%	55.00%		55.00%	55.00%	
Klecab SCI	France	100.00%	100.00%		100.00%	100.00%	
Kleber Odysseum SCI	France	100.00%	100.00%		100.00%	100.00%	
Klé Arcades SCI	France	53.69%	53.69%		100.00%	100.00%	
Le Havre Colbert SNC	France	100.00%	100.00%		100.00%	100.00%	
Klépierre Massalia SAS	France	100.00%	100.00%		100.00%	100.00%	
Massalia Shopping Mall SCI	France	60.00%	60.00%		100.00%	100.00%	
Massalia Invest SCI	France	60.00%	60.00%		60.00%	60.00%	
Kle Start SAS	France	100.00%	100.00%		100.00%	100.00%	
Kle Dir SAS	France	100.00%	100.00%		100.00%	100.00%	
Klepierre et Cie SNC	France	100.00%	100.00%		100.00%	100.00%	
Sanoux SCI	France	75.00%	75.00%		75.00%	75.00%	
Centre Deux SNC	France	100.00%	100.00%		100.00%	100.00%	
Mob SC	France	100.00%	100.00%		100.00%	100.00%	
Klépierre Alpes SAS	France	100.00%	100.00%		100.00%	100.00%	
Galerie du Livre SAS	France	100.00%	100.00%		100.00%	100.00%	
Les Portes de Chevreuse SNC	France	100.00%	100.00%		100.00%	100.00%	
Caetoille SNC	France	100.00%	100.00%		100.00%	100.00%	
Klépierre Echirolles SNC	France	100.00%	100.00%		100.00%	100.00%	
Sagep SAS	France	100.00%	100.00%		100.00%	100.00%	
Maya SNC	France	100.00%	100.00%		100.00%	100.00%	
Ayam SNC	France	100.00%	100.00%		100.00%	100.00%	
Dense SNC	France	100.00%	100.00%		100.00%	100.00%	
Klépierre Grand Littoral SASU	France	100.00%	100.00%		100.00%	100.00%	

List of consolidated companies	Country	% interest			% control		
		06/30/2020	12/31/2019	Change	06/30/2020	12/31/2019	Change
Fully consolidated companies							
Service providers - France							
Klépierre Management SNC	France	100.00%	100.00%		100.00%	100.00%	
Klépierre Conseil SAS	France	100.00%	100.00%		100.00%	100.00%	
Klépierre Brand Ventures SNC	France	100.00%	100.00%		100.00%	100.00%	
Klépierre Gift Cards SAS	France	100.00%	100.00%		100.00%	100.00%	
Klépierre Finance SAS	France	100.00%	100.00%		100.00%	100.00%	
Financière Corio SAS	France	100.00%	100.00%		100.00%	100.00%	
Klépierre Procurement International SNC	France	100.00%	100.00%		100.00%	100.00%	
Shopping centers - International							
Klépierre Management Deutschland GmbH	Germany	100.00%	100.00%		100.00%	100.00%	
Klépierre Duisburg GmbH	Germany	94.99%	94.99%		94.99%	94.99%	
Klépierre Duisburg Leasing GmbH	Germany	100.00%	100.00%		100.00%	100.00%	
Klépierre Duisburg Leasing II GmbH	Germany	100.00%	100.00%		100.00%	100.00%	
Klépierre Dresden Leasing GmbH	Germany	100.00%	100.00%		100.00%	100.00%	
Klépierre Duisburg II GmbH	Germany	94.99%	94.99%		94.99%	94.99%	
Klépierre Dresden GmnH	Germany	94.99%	94.99%		94.99%	94.99%	
Klépierre Köln Holding GmbH	Germany	100.00%	100.00%		100.00%	100.00%	
Unter Goldschmied Köln GmbH	Germany	100.00%	94.99%	5.01%	100.00%	94.99%	5.01%
Klépierre Hildesheim Holding GmbH	Germany	100.00%	100.00%		100.00%	100.00%	
Projekt A GmbH & CoKG	Germany	94.90%	94.90%		94.90%	94.90%	
Projekt A Vermietung GmbH	Germany	100.00%	100.00%		100.00%	100.00%	
Klépierre Berlin GmbH	Germany	94.99%	94.99%		94.99%	94.99%	
Klépierre Berlin Leasing GmbH	Germany	100.00%	100.00%		100.00%	100.00%	
Coimbra SA	Belgium	100.00%	100.00%		100.00%	100.00%	
Les Cinémas de l'Esplanade SA	Belgium	100.00%	100.00%		100.00%	100.00%	
Foncière de Louvain-La-Neuve SA	Belgium	100.00%	100.00%		100.00%	100.00%	
Bryggen, Vejle A/S	Denmark	56.10%	56.10%		100.00%	100.00%	
Bruun's Galleri ApS	Denmark	56.10%	56.10%		100.00%	100.00%	
Field's Copenhagen I/S	Denmark	56.10%	56.10%		100.00%	100.00%	
Viva, Odense A/S	Denmark	56.10%	56.10%		100.00%	100.00%	
Steen & Strøm CenterUdvikling VI A/S	Denmark	56.10%	56.10%		100.00%	100.00%	
Klecar Foncier Iberica SL	Spain	100.00%	100.00%		100.00%	100.00%	
Klecar Foncier España SL	Spain	100.00%	100.00%		100.00%	100.00%	
Klépierre Vallecas SA	Spain	100.00%	100.00%		100.00%	100.00%	
Klépierre Molina SL	Spain	100.00%	100.00%		100.00%	100.00%	
Klépierre Plenilunio Socimi SA	Spain	100.00%	100.00%		100.00%	100.00%	
Principe Pio Gestion SA	Spain	100.00%	100.00%		100.00%	100.00%	
Corio Real Estate España SL	Spain	100.00%	100.00%		100.00%	100.00%	
SC Nueva Condo Murcia SLU	Spain	100.00%	100.00%		100.00%	100.00%	
Klépierre Nea Efkarpa AE	Greece	100.00%	100.00%		100.00%	100.00%	
Klépierre Foncier Makedonia AE	Greece	100.00%	100.00%		100.00%	100.00%	
Klépierre Peribola Patras AE	Greece	100.00%	100.00%		100.00%	100.00%	
Immobiliare Gallerie Commerciali S.p.A	Italy	100.00%	100.00%		100.00%	100.00%	
Klecar Italia S.p.A	Italy	83.00%	83.00%		100.00%	100.00%	
Galleria Commerciale Di Collegno S.r.l	Italy	100.00%	100.00%		100.00%	100.00%	
Galleria Commerciale Serravalle S.p.A	Italy	100.00%	100.00%		100.00%	100.00%	
Galleria Commerciale Assago S.r.l	Italy	100.00%	100.00%		100.00%	100.00%	
Galleria Commerciale Klépierre S.r.l	Italy	100.00%	100.00%		100.00%	100.00%	
Galleria Commerciale Cavallino S.r.l	Italy	100.00%	100.00%		100.00%	100.00%	
Galleria Commerciale Solbiate S.r.l	Italy	100.00%	100.00%		100.00%	100.00%	
K2	Italy	95.06%	95.06%		95.06%	95.06%	
Klépierre Matera S.r.l	Italy	100.00%	100.00%		100.00%	100.00%	
Klépierre Caserta S.r.l	Italy	83.00%	83.00%		100.00%	100.00%	
Shopville Le Gru S.r.l	Italy	100.00%	100.00%		100.00%	100.00%	
Grandemilia S.r.l	Italy	100.00%	100.00%		100.00%	100.00%	
Shopville Gran Reno S.r.l	Italy	100.00%	100.00%		100.00%	100.00%	
Il Maestrone S.p.A.	Italy	100.00%	100.00%		100.00%	100.00%	
Comes - Commercio e Sviluppo S.r.l	Italy	100.00%	100.00%		100.00%	100.00%	
Globotue S.r.l	Italy	100.00%	100.00%		100.00%	100.00%	
Globotre S.r.l	Italy	100.00%	100.00%		100.00%	100.00%	
Generalcostruzioni S.r.l	Italy	100.00%	100.00%		100.00%	100.00%	
B.L.O S.r.l	Italy	100.00%	100.00%		100.00%	100.00%	
Gruliasco S.r.l	Italy	100.00%	100.00%		100.00%	100.00%	
Corio Italia S.r.l	Italy	100.00%	100.00%		100.00%	100.00%	
Acquario S.r.l	Italy	95.06%	95.06%		95.06%	95.06%	
Reluxco International SA	Luxembourg	100.00%	100.00%		100.00%	100.00%	
Storm Holding Norway AS	Norway	56.10%	56.10%		100.00%	100.00%	
Steen & Strøm AS	Norway	56.10%	56.10%		100.00%	100.00%	
Slagenveien 2 AS	Norway	56.10%	56.10%		100.00%	100.00%	

List of consolidated companies	Country	% interest			% control	
		06/30/2020	12/31/2019	Change	06/30/2020	12/31/2019
Fully consolidated companies						
Shopping centers - International						
Amanda Storsenter AS	Norway	56.10%	56.10%		100.00%	100.00%
Farmandstredet Eiendom AS	Norway	56.10%	56.10%		100.00%	100.00%
Nerstranda AS	Norway	56.10%	56.10%		100.00%	100.00%
Hamar Storsenter AS	Norway	56.10%	56.10%		100.00%	100.00%
Stavanger Storsenter AS	Norway	56.10%	56.10%		100.00%	100.00%
Vinterbro Senter DA	Norway	56.10%	56.10%		100.00%	100.00%
Steen & Strøm Mediapartner Norge AS	Norway	56.10%	56.10%		100.00%	100.00%
Oslo City Kjøpesenter AS	Norway	56.10%	56.10%		100.00%	100.00%
Oslo City Parkering AS	Norway	56.10%	56.10%		100.00%	100.00%
Gulskogen Senter AS	Norway	56.10%	56.10%		100.00%	100.00%
Capucine BV	Netherlands	100.00%	100.00%		100.00%	100.00%
Klépierre Nordica BV	Netherlands	100.00%	100.00%		100.00%	100.00%
Corio Beleggingen I BV	Netherlands	100.00%	100.00%		100.00%	100.00%
Corio Nederland Kantoren BV	Netherlands	100.00%	100.00%		100.00%	100.00%
Klépierre Management Nederland BV	Netherlands	100.00%	100.00%		100.00%	100.00%
Hoog Catharijne BV	Netherlands	100.00%	100.00%		100.00%	100.00%
Klépierre Nederland BV	Netherlands	100.00%	100.00%		100.00%	100.00%
Bresta I BV	Netherlands	100.00%	100.00%		100.00%	100.00%
CCA German Retail I BV	Netherlands	100.00%	100.00%		100.00%	100.00%
CCA German Retail II BV	Netherlands	100.00%	100.00%		100.00%	100.00%
KLP Polska Sp. z o.o. Sadyba SKA w likwidacji	Poland	100.00%	100.00%		100.00%	100.00%
KLP Polska Sp. z o.o. Poznań SKA	Poland	100.00%	100.00%		100.00%	100.00%
KLP Polska Sp. z o.o. Ruda Śląska sp.k.	Poland	100.00%	100.00%		100.00%	100.00%
Sadyba Best Mall Sp. z o.o. sp.k.	Poland	100.00%	100.00%		100.00%	100.00%
Klépierre Pologne Sp. z o.o.	Poland	100.00%	100.00%		100.00%	100.00%
KLP Polska Sp. z o.o. Rybnik SKA	Poland	100.00%	100.00%		100.00%	100.00%
Sosnowiec Property KLP Polska Sp. z o.o. sp.k.	Poland	100.00%	100.00%		100.00%	100.00%
KLP Polska Sp. z o.o. Lublin sp.k.	Poland	100.00%	100.00%		100.00%	100.00%
KLP Polska Sp. z o.o. Kraków sp.k.	Poland	100.00%	100.00%		100.00%	100.00%
Sadyba Best Mall Sp. z o.o.	Poland	100.00%	100.00%		100.00%	100.00%
KLP Poznań Sp. z o.o.	Poland	100.00%	100.00%		100.00%	100.00%
Ruda Śląska Property KLP Polska Sp. z o.o. sp.k.	Poland	100.00%	100.00%		100.00%	100.00%
KLP Investment Poland Sp. z o.o.	Poland	100.00%	100.00%		100.00%	100.00%
Rybnik Property KLP Polska Sp. z o.o. sp.k.	Poland	100.00%	100.00%		100.00%	100.00%
KLP Lublin Sp. z o.o.	Poland	100.00%	100.00%		100.00%	100.00%
KLP Polska Sp. z o.o.	Poland	100.00%	100.00%		100.00%	100.00%
Klelou Imobiliária Spa SA	Portugal	100.00%	100.00%		100.00%	100.00%
Galeria Parque Nascente SA	Portugal	100.00%	100.00%		100.00%	100.00%
Gondobrico SA	Portugal	100.00%	100.00%		100.00%	100.00%
Klenord Imobiliária SA	Portugal	100.00%	100.00%		100.00%	100.00%
Kletel Imobiliária SA	Portugal	100.00%	100.00%		100.00%	100.00%
Kleminho Imobiliária SA	Portugal	100.00%	100.00%		100.00%	100.00%
Corio Espaço Guimarães SA	Portugal	100.00%	100.00%		100.00%	100.00%
Klépierre Cz S.R.O.	Czech Republic	100.00%	100.00%		100.00%	100.00%
Klépierre Plzen AS	Czech Republic	100.00%	100.00%		100.00%	100.00%
Nový Smíchov First Floor S.R.O.	Czech Republic	100.00%	100.00%		100.00%	100.00%
Arcol Group S.R.O.	Slovakia	100.00%	100.00%		100.00%	100.00%
Nordica Holdco AB	Sweden	56.10%	56.10%		56.10%	56.10%
Steen & Strøm Holding AB	Sweden	56.10%	56.10%		100.00%	100.00%
FAB CentrumInvest	Sweden	56.10%	56.10%		100.00%	100.00%
FAB Emporia	Sweden	56.10%	56.10%		100.00%	100.00%
FAB Borlänge Köpcentrum	Sweden	56.10%	56.10%		100.00%	100.00%
FAB Marieberg Galleria	Sweden	56.10%	56.10%		100.00%	100.00%
FAB Allum	Sweden	56.10%	56.10%		100.00%	100.00%
FAB P Brodalen	Sweden	56.10%	56.10%		100.00%	100.00%
Partille Lexby AB	Sweden	56.10%	56.10%		100.00%	100.00%
FAB P Åkanten	Sweden	56.10%	56.10%		100.00%	100.00%
FAB P Porthälla	Sweden	56.10%	56.10%		100.00%	100.00%
FAB Lackeraren Borlänge	Sweden	56.10%	56.10%		100.00%	100.00%
FAB Centrum Västerort	Sweden	56.10%	56.10%		100.00%	100.00%
Klépierre Gayrimenkul Yönetimi ve Yatırım Ticaret AS	Turkey	100.00%	100.00%		100.00%	100.00%
Miratur Turizm Insaat ve Ticaret AS	Turkey	100.00%	100.00%		100.00%	100.00%
Tan Gayrimenkul Yatırım Insaat Turizm Pazarlama ve Ticaret AS	Turkey	51.00%	51.00%		51.00%	51.00%

List of consolidated companies		% interest			% control		
Fully consolidated companies	Country	06/30/2020	12/31/2019	Change	06/30/2020	12/31/2019	Change
Service providers - International							
Klépierre Mall Management II GmbH	Germany	100.00%	100.00%		100.00%	100.00%	
Klépierre Mall Management I GmbH	Germany	100.00%	100.00%		100.00%	100.00%	
Projekt Arnekenstrasse Verwaltung GmbH	Germany	100.00%	100.00%		100.00%	100.00%	
Klépierre Management Belgique SA	Belgium	100.00%	100.00%		100.00%	100.00%	
Klépierre Finance Belgique SA	Belgium	100.00%	100.00%		100.00%	100.00%	
Steen & Strøm CenterService A/S	Denmark	56.10%	56.10%		100.00%	100.00%	
Steen & Strøm Danmark A/S	Denmark	56.10%	56.10%		100.00%	100.00%	
Klépierre Management Espana SL	Spain	100.00%	100.00%		100.00%	100.00%	
Klépierre Management Hellas AE	Greece	100.00%	100.00%		100.00%	100.00%	
Klépierre Management Italia S.r.l	Italy	100.00%	100.00%		100.00%	100.00%	
Klépierre Finance Italia S.r.l	Italy	100.00%	100.00%		100.00%	100.00%	
Steen & Strøm Senterservice AS	Norway	56.10%	56.10%		100.00%	100.00%	
Klépierre Vastgoed Ontwikkeling B.V.	Netherlands	100.00%	100.00%		100.00%	100.00%	
Klépierre Management Polska Sp. z o.o.	Poland	100.00%	100.00%		100.00%	100.00%	
Klépierre Management Portugal SA	Portugal	100.00%	100.00%		100.00%	100.00%	
Klépierre Management Ceska Republika S.R.O.	Czech Republic	100.00%	100.00%		100.00%	100.00%	
Klépierre Energy CZ S.R.O.	Czech Republic	100.00%	100.00%		100.00%	100.00%	
Klépierre Management Slovensko S.R.O.	Slovakia	100.00%	100.00%		100.00%	100.00%	
Steen & Strøm Sverige AB	Sweden	56.10%	56.10%		100.00%	100.00%	

List of consolidated companies		% interest			% control		
Equity-accounted companies: joint control	Country	06/30/2020	12/31/2019	Change	06/30/2020	12/31/2019	Change
Cécobil SCS	France	50.00%	50.00%		50.00%	50.00%	
Du Bassin Nord SCI	France	50.00%	50.00%		50.00%	50.00%	
Le Havre Vauban SNC	France	50.00%	50.00%		50.00%	50.00%	
Le Havre Lafayette SNC	France	50.00%	50.00%		50.00%	50.00%	
Girardin SCI	France	33.40%	33.40%		33.40%	33.40%	
Girardin 2 SCI (1)	France	33.40%	0,00%		33.40%	0,00%	
Société Immobilière de la Pommeraiè SC	France	50.00%	50.00%		50.00%	50.00%	
Parc de Coquelles SNC	France	50.00%	50.00%		50.00%	50.00%	
Kleprim's SCI	France	50.00%	50.00%		50.00%	50.00%	
Celsius Le Murier SNC	France	40.00%	40.00%		40.00%	40.00%	
Celsius Haven SNC	France	40.00%	40.00%		40.00%	40.00%	
Clivia S.p.A	Italy	50.00%	50.00%		50.00%	50.00%	
Galleria Commerciale Il Destriero S.p.A	Italy	50.00%	50.00%		50.00%	50.00%	
CCDF S.p.A	Italy	49.00%	49.00%		49.00%	49.00%	
Galleria Commerciale Porta di Roma S.p.A	Italy	50.00%	50.00%		50.00%	50.00%	
Galleria Commerciale 9 S.r.l	Italy	50.00%	50.00%		50.00%	50.00%	
Italian Shopping Centre Investment S.r.l	Italy	50.00%	50.00%		50.00%	50.00%	
Holding Klege S.r.l	Luxembourg	50.00%	50.00%		50.00%	50.00%	
Hovlandparken AS	Norway	28.05%	28.05%		50.00%	50.00%	
Metro Senter ANS	Norway	28.05%	28.05%		50.00%	50.00%	
Økern Sentrum ANS	Norway	28.05%	28.05%		50.00%	50.00%	
Økern Eiendom ANS	Norway	28.05%	28.05%		50.00%	50.00%	
Metro Shopping AS	Norway	28.05%	28.05%		50.00%	50.00%	
Hovlandparken DA	Norway	28.05%	28.05%		50.00%	50.00%	
Økern Sentrum AS	Norway	28.05%	28.05%		50.00%	50.00%	
Nordal ANS	Norway	28.05%	28.05%		50.00%	50.00%	
Klege Portugal SA	Portugal	50.00%	50.00%		50.00%	50.00%	

(1) Shell company

List of consolidated companies		% interest			% control		
Equity-accounted companies: significant influence	Country	06/30/2020	12/31/2019	Change	06/30/2020	12/31/2019	Change
La Rocade SCI	France	38.00%	38.00%		38.00%	38.00%	
La Rocade Ouest SCI	France	36.73%	36.73%		36.73%	36.73%	
Du Plateau SCI	France	19.65%	19.65%		30.00%	30.00%	
Achères 2000 SCI	France	30.00%	30.00%		30.00%	30.00%	
Le Champs de Mais SC	France	40.00%	40.00%		40.00%	40.00%	
Société du bois des fenêtres SARL	France	20.00%	20.00%		20.00%	20.00%	
Step In SAS	France	24.46%	24.46%		24.46%	24.46%	
Secar SC	France	10.00%	0,00%		10.00%	0,00%	
Akmerkez Gayrimenkul Yatirim Ortakligi AS	Turkey	46.92%	46.92%		46.92%	46.92%	

List of deconsolidated companies at 06/30/2020		% interest		% control		
Country	06/30/2020	12/31/2019	06/30/2020	12/31/2019	Comments	
KFI Hungary KFT	Czech Republic	0.00%	100.00%	0.00%	100.00%	Liquidated
Corio Torreledones Office Suite SL	France	0.00%	100.00%	0.00%	100.00%	Liquidated