SUPPLEMENTAL INFORMATION TO THE EARNINGS RELEASE

FIRST-HALF 2019

KLEPIERRE

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CONSOLIDATED FINANCIAL STATEMENTS

1.1 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

In millions of euros	06/30/2019	06/30/2018
Gross rental income	626.9	627.1
Land expenses (real estate)[a]	(3.9)	(8.4)
Service charge income	142.8	142.2
Service charge expenses[a]	(186.6)	(187.3)
Building expenses (owner)[a]	(15.7)	(19.1)
Net rental income	**563.5**	**554.4**
Management, administrative and related income	41.4	41.8
Other operating income	4.7	4.0
Survey and research costs	(0.3)	(0.5)
Payroll expenses	(59.8)	(59.8)
Other general expenses[a]	(23.1)	(35.7)
Depreciation, amortization and impairment of intangible assets and property, plant and equipment[a]	(10.1)	(6.7)
Provisions	(0.6)	(1.4)
Change in value of investment properties[a]	(222.5)	386.0
Proceeds from disposals of investment properties and equity investments	245.5	298.9
Carrying amount of investment properties and equity investments sold	(236.8)	(299.1)
Income from the disposal of investment properties and equity investments	**8.7**	**(0.2)**
Goodwill impairment	(5.6)	-
Operating income	**296.2**	**881.9**
Net dividends and provisions on non-consolidated investments	(0.0)	(0.0)
Financial income	36.1	35.5
Financial expenses	(99.9)	(112.5)
Interest expense on leases liabilities[a]	(4.2)	-
Cost of net debt	**(68.0)**	**(77.0)**
Change in the fair value of financial instruments	(15.8)	(5.4)
Share in earnings of equity-accounted companies	5.2	36.0
Profit before tax	**217.6**	**835.5**
Income tax	(7.4)	(75.9)
Consolidated net income	**210.2**	**759.6**
Of which		
> Attributable to owners of the parent	168.8	618.8
> Attributable to non-controlling interests	41.4	140.8
Average number of shares - undiluted	**295,908,706**	**301,032,676**
Undiluted earnings per share *(in euros)* **- Attributable to owners of the parent**	**0.57**	**2.06**
Average number of shares - diluted	**295,908,706**	**301,032,676**
Diluted earnings per share *(in euros)* **- Attributable to owners of the parent**	**0.57**	**2.06**

In millions of euros	06/30/2019	06/30/2018
Consolidated net income	**210.2**	**759.6**
Other items of comprehensive income recognized directly in equity	**(14.2)**	**(121.1)**
> Effective portion of gains and losses on cash flow hedging instruments	4.7	17.8
> Translation gains and losses	(20.9)	(135.0)
> Tax on other items of comprehensive income	(2.2)	(5.4)
Items that will be reclassified subsequently to profit or loss	**(18.4)**	**(122.6)**
> Gains and losses on sales on treasury shares	1.8	1.5
> Actuarial gains and losses	2.4	0.0
Items that will not be reclassified subsequently to profit or loss	**4.2**	**1.5**
Share of other items of comprehensive income attributable to equity-accounted companies	-	-
Total comprehensive income	**196.1**	**638.5**
Of which		
> Attributable to owners of the parent	161.9	507.3
> Attributable to non-controlling interests	34.2	131.2
Undiluted comprehensive earnings per share *(in euros)* **- Attributable to owners of the parent**	**0.55**	**1.69**
Diluted comprehensive earnings per share *(in euros)* **- Attributable to owners of the parent**	**0.55**	**1.69**

(a) From 2019, these lines are presented after IFRS 16 application. According to modified retrospective method, the consolidated statement of comprehensive income for 2018 was not restated.

1.2 CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

In millions of euros	06/30/2019	12/31/2018
Goodwill	607.3	611.8
Intangible assets	29.7	33.7
Property, plant and equipment	40.3	9.9
Investment properties at fair value	21,524.9	21,692.2
Investment properties at cost	212.5	170.2
Investments in equity-accounted companies	1,031.4	1,050.2
Other non-current assets	298.2	299.0
Long-term derivative instruments	17.1	30.4
Deferred tax assets	37.4	20.7
Non-current assets	**23,798.8**	**23,918.0**
Fair value of properties held for sale	239.2	72.7
Trade and other receivables	149.4	127.1
Other receivables	321.0	328.1
> Tax receivables	82.7	120.8
> Other	238.3	207.3
Short-term derivative instruments	26.9	19.2
Cash and cash equivalents	195.0	304.5
Current assets	**931.5**	**851.7**
TOTAL ASSETS	**24,730.2**	**24,769.7**
Share capital	426.4	440.1
Additional paid-in capital	5,188.2	5,650.0
Legal reserves	44.0	44.0
Consolidated reserves	3,938.3	3,384.6
> Treasury shares	(352.9)	(568.6)
> Hedging reserves	(21.8)	(26.1)
> Other consolidated reserves	4,313.0	3,979.2
Consolidated earnings	168.8	838.8
Equity attributable to owners of the parent	9,765.7	10,357.5
Equity attributable to non-controlling interests	2,517.6	2,535.7
Total equity	**12,283.3**	**12,893.3**
Non-current financial liabilities	6,643.0	7,036.3
Non-current leases liabilities	377.9	-
Long-term provisions	14.9	28.5
Pension obligations	10.8	13.5
Long-term derivative instruments	21.3	17.1
Deposits	147.7	147.1
Deferred tax liabilities	1,613.5	1,608.8
Non-current liabilities	**8,829.1**	**8,851.3**
Current financial liabilities	2,452.2	2,069.6
Current leases liabilities	14.7	-
Bank overdrafts	68.5	224.7
Trade payables	123.1	145.7
Due to suppliers of property	55.3	21.9
Other liabilities	675.8	369.7
Short-term derivative instruments	15.3	12.1
Payroll and tax liabilities	213.0	181.5
Current liabilities	**3,617.9**	**3,025.2**
TOTAL EQUITY AND LIABILITIES	**24,730.2**	**24,769.7**

1.3 SEGMENT EARNINGS

In millions of euros	France-Belgium[(a)]		Scandinavia		Italy		Iberia		Netherlands	
	06/30/2019	06/30/2018	06/30/2019	06/30/2018	06/30/2019	06/30/2018	06/30/2019	06/30/2018	06/30/2019	06/30/2018
Gross rents	**222.5**	**221.2**	**93.1**	**94.1**	**100.3**	**104.4**	**68.4**	**66.0**	**41.2**	**35.4**
Other rental income	14.3	15.1	0.5	0.7	2.4	2.0	1.4	1.1	0.0	0.0
Gross rental income	**236.8**	**236.3**	**93.6**	**94.8**	**102.6**	**106.4**	**69.8**	**67.2**	**41.2**	**35.4**
Rental & building expenses	(21.0)	(22.9)	(8.7)	(9.6)	(9.3)	(10.2)	(5.9)	(6.7)	(7.8)	(11.3)
Net rental income	**215.8**	**213.4**	**84.9**	**85.2**	**93.4**	**96.1**	**64.0**	**60.4**	**33.4**	**24.1**
Management and other income	21.6	24.2	4.3	4.0	8.7	6.4	5.2	3.2	2.2	3.3
Payroll and other general expenses	(28.5)	(33.1)	(9.2)	(9.6)	(11.2)	(11.0)	(6.6)	(6.8)	(5.5)	(6.4)
EBITDA	**208.9**	**204.5**	**80.0**	**79.7**	**90.9**	**91.5**	**62.6**	**56.8**	**30.1**	**21.0**
Depreciation, amortization and impairment	(6.3)	(6.0)	(1.6)	(1.1)	(0.8)	(0.2)	(0.7)	(0.1)	(0.1)	(0.2)
Change in value of investment properties	(151.3)	113.0	(18.3)	43.6	(36.7)	86.3	21.9	36.4	(11.1)	14.5
Net proceeds on disposal of investment properties and equity investments	(0.1)	0.6	0.0	1.9	(0.1)	-	4.9	(2.6)	4.0	(0.0)
Share in earnings of equity accounted companies	(6.2)	7.0	2.2	(1.6)	8.2	9.2	0.3	(0.7)	-	-
SEGMENT EARNINGS	**44.9**	**319.1**	**62.3**	**122.4**	**61.4**	**186.6**	**88.9**	**89.9**	**22.8**	**35.2**
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		Klépierre Group	
	06/30/2019	06/30/2018	06/30/2019	06/30/2018	06/30/2019	06/30/2018	06/30/2019	06/30/2018
Gross rents	**26.4**	**26.2**	**55.3**	**60.3**	**-**	**-**	**607.2**	**607.6**
Other rental income	0.0	-	1.1	0.7	-	-	19.7	19.6
Gross rental income	**26.4**	**26.2**	**56.4**	**60.9**	**-**	**-**	**626.9**	**627.1**
Rental & building expenses	(6.7)	(7.0)	(4.2)	(4.9)	-	-	(63.4)	(72.7)
Net rental income	**19.7**	**19.2**	**52.2**	**56.0**	**-**	**-**	**563.5**	**554.4**
Management and other income	2.1	2.7	2.1	2.0	-	-	46.1	45.8
Payroll and other general expenses	(4.1)	(5.0)	(5.7)	(6.0)	(12.4)	(18.1)	(83.2)	(96.0)
EBITDA	**17.7**	**17.0**	**48.7**	**52.0**	**(12.4)**	**(18.1)**	**526.4**	**504.2**
Depreciation, amortization and impairment	(0.2)	(0.2)	(0.9)	(0.3)	-	-	(10.7)	(8.1)
Change in value of investment properties	(18.5)	(2.9)	(8.4)	95.1	-	-	(222.5)	386.0
Net proceeds on disposal of investment properties and equity investments	-	(0.1)	(0.0)	0.0	-	-	8.7	(0.2)
Share in earnings of equity accounted companies	-	-	0.6	22.1	-	-	5.2	36.0
SEGMENT EARNINGS	**(1.0)**	**13.8**	**40.0**	**169.0**	**(12.4)**	**(18.1)**	**307.0**	**917.9**
Goodwill impairment							(5.6)	-
Cost of net debt							(68.0)	(77.0)
Change in the fair value of financial instruments							(15.8)	(5.4)
PROFIT BEFORE TAX							**217.6**	**835.5**
Income tax							(7.4)	(75.9)
NET INCOME							**210.2**	**759.6**

1.4 CONSOLIDATED STATEMENTS OF CASH FLOWS

In millions of euros	06/30/2019	06/30/2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income from consolidated companies	210.2	759.6
Elimination of expenditure and income with no cash effect or not related to operating activities		
> Depreciation, amortization and provisions	10.7	8.1
> Change in value of investment properties	222.5	(386.0)
> Goodwill impairment	5.6	-
> Capital gains and losses on asset disposals	(8.7)	0.2
> Current and deferred income taxes	7.4	75.9
> Share in earnings of equity-accounted companies	(5.2)	(36.0)
> Reclassification of interest and other items	100.0	102.1
Gross cash flow from consolidated companies	**542.7**	**523.9**
Income tax paid	13.3	3.0
Change in operating working capital	(13.4)	1.6
Net cash flows from operating activities	**542.6**	**528.5**
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investment properties	221.6	163.0
Proceeds from sales of other fixed assets	0.0	0.0
Proceeds from disposals of subsidiaries (net of cash disposed)	23.6	134.9
Acquisitions of investment properties	0.0	-
Acquisition costs of investment properties	-	-
Payments in respect of construction work in progress	(94.5)	(157.5)
Acquisitions of other fixed assets	(1.8)	(1.5)
Acquisitions of subsidiaries (net of cash acquired)	(2.5)	(36.6)
Movements in loans and advance payments granted and other investments	10.0	48.1
Net cash flows from (used in) investing activities	**156.5**	**150.4**
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid to owners of the parent	(311.6)	(589.4)
Dividends paid to non-controlling interests	(53.8)	(60.2)
Capital increase of the parent company	-	-
Change in capital of subsidiaries with non-controlling interests	(3.1)	(44.1)
Repayment of share premium		-
Acquisitions/disposals of treasury shares	(134.5)	(63.2)
New loans, borrowings and hedging instruments	1,386.5	1,445.5
Repayment of loans, borrowings and hedging instruments	(1,432.1)	(1,717.2)
Net Payment of lease liabilities[(a)]	(7.3)	-
Interest paid	(88.5)	(93.8)
Interest paid on lease liability[(a)]	(4.2)	-
Other cash flows related to financing activities	-	-
Net cash flows used in financing activities	**(648.6)**	**(1,122.4)**
Effect of foreign exchange rate changes on cash and cash equivalents	**(3.9)**	**2.5**
CHANGE IN CASH AND CASH EQUIVALENTS	**46.6**	**(441.1)**
Cash and cash equivalents at beginning of period	**79.9**	**434.5**
Cash and cash equivalents at end of period	**126.5**	**(6.6)**

(a) *From 2019, these lines are presented after the first-time application of IFRS 16. In accordance with the modified retrospective approach, the consolidated statement of cash flows for 2018 was not restated.*

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BUSINESS OVERVIEW

2.1 ECONOMIC ENVIRONMENT

European economic growth slowed down during the first half of 2019, with eurozone Gross Domestic Product (GDP) expected to increase by just 1.2% for full-year 2019 (compared to 1.8% in full-year 2018). Weak external demand and low business confidence weighed on private investment, while trade tensions penalized exports over the period. Private consumption and public spending held up well however, supporting the labor market, with unemployment declining further to 7.9% and wages rising in most countries. Inflation is projected to be moderate at 1.2% in 2019 as a whole, reflecting modest domestic demand.

However, the tapering off of the real economy was offset by an unexpected fall in interest rates to an all-time low; at the beginning of the year, the macroeconomic consensus had been for a gradual tightening of financing conditions.

▸ 2019 AND 2020 MACROECONOMIC FORECASTS BY GEOGRAPHY

	Real GDP growth rate			Unemployment rate			Inflation rate		
Geography	**2018**	**2019E**	**2020E**	**2018**	**2019E**	**2020E**	**2018**	**2019E**	**2020E**
EUROZONE	**1.8%**	**1.2%**	**1.4%**	**8.2%**	**7.9%**	**7.7%**	**1.8%**	**1.2%**	**1.5%**
France	**1.6%**	**1.3%**	**1.3%**	**9.1%**	**8.7%**	**8.5%**	**2.1%**	**1.1%**	**1.3%**
Belgium	**1.4%**	**1.2%**	**1.3%**	**6.0%**	**5.7%**	**5.6%**	**2.3%**	**1.6%**	**1.5%**
Italy	**0.7%**	**0.0%**	**0.6%**	**10.6%**	**11.7%**	**12.3%**	**1.2%**	**0.6%**	**1.0%**
Scandinavia									
Norway	1.4%	1.8%	2.1%	3.8%	3.6%	3.5%	2.8%	2.5%	2.1%
Sweden	2.4%	1.6%	1.6%	6.3%	6.2%	6.2%	2.0%	1.7%	2.0%
Denmark	1.4%	2.1%	1.7%	5.0%	4.9%	4.8%	0.8%	1.2%	1.7%
Iberia									
Spain	2.6%	2.2%	1.9%	15.3%	13.8%	12.7%	1.7%	1.0%	1.6%
Portugal	2.1%	1.8%	1.9%	7.0%	6.3%	5.9%	1.2%	0.7%	1.3%
CE & Other									
Czech Republic	2.9%	2.6%	2.5%	2.2%	2.1%	2.1%	2.1%	2.6%	2.2%
Poland	5.1%	4.2%	3.5%	3.9%	3.5%	3.3%	1.8%	1.9%	3.0%
Hungary	5.0%	3.9%	3.0%	3.7%	3.4%	3.1%	2.9%	3.0%	3.8%
Turkey	2.6%	−2.6%	1.6%	11.0%	13.3%	14.0%	16.3%	17.3%	12.6%
Netherlands	**2.6%**	**1.6%**	**1.5%**	**3.8%**	**3.6%**	**3.9%**	**1.6%**	**2.2%**	**1.4%**
Germany	**1.5%**	**0.7%**	**1.2%**	**3.4%**	**3.1%**	**2.8%**	**1.9%**	**1.5%**	**1.7%**

Source: OECD Economic Outlook, May 2019. Data correspond to the percentage change over the previous year.

2.2 RETAILER SALES

On a like-for-like basis,[1] total retailer sales at Klépierre malls rose by 1.6% over the first six months of 2019, accelerating slightly compared to full-year 2018 (growth of 0.9%). The overall trend improved during the second quarter of the year, with retailer sales up 2.8% (*versus* 0.3% in the first quarter), supported partly by a favorable calendar effect, notably relating to the timing of Easter.

On a geographical basis, the most dynamic regions were Iberia (up 6.0%) and Central Europe & Other (up 5.3%). Growth in Spain came out at 5.8% on the back of supportive consumer spending trends and the leading positioning of Klépierre malls, further boosted by recent re-tenanting initiatives. The performance of Central Europe & Other was mostly driven by strong growth in the Czech Republic and Hungary (up 8.9% and 5.0%, respectively). Following the dissipation of the "yellow vest" protests, retailer sales growth recovered to expand by 0.7% in France under the impetus of greater purchasing power and dynamic re-tenanting activity. Retailer sales in Italy also improved, with growth of 0.9% over the first six months of the year, thanks to a very solid second quarter (up 2.9%) and notwithstanding a challenging economic environment.

YEAR-ON-YEAR CHANGE IN RETAILER SALES FOR THE SIX MONTHS ENDED JUNE 30, 2019
(by country)

Country	Like-for-like change[(a)]	Share in total reported retailer sales
France	+0.7%	31%
Belgium	−1.0%	2%
France-Belgium	**+0.6%**	**33%**
Italy	**+0.9%**	**25%**
Norway	−3.0%	7%
Sweden	−1.9%	7%
Denmark	−1.6%	4%
Scandinavia	**−2.3%**	**18%**
Spain	+5.8%	8%
Portugal	+6.6%	2%
Iberia	**+6.0%**	**11%**
Czech Republic	+8.9%	2%
Poland	+2.5%	3%
Hungary	+5.0%	2%
Turkey	+5.9%	2%
CE & Other	**+5.3%**	**10%**
Netherlands[(b)]	**n.m.**	**n.m.**
Germany	**+2.3%**	**3%**
TOTAL	**+1.6%**	**100%**

(a) Like-for-like change is on a constant-center basis and excludes the impact of asset sales and acquisitions.
(b) Only recently-opened stores at Hoog Catharijne (Utrecht) and a few retailers at Alexandrium (Rotterdam) report their sales to Klépierre.

From a segment standpoint, Food & Beverage (up 5.1%) continued to grow at a sustained pace over the first six months, supported by the rollout of Klépierre's Destination Food® concept across the portfolio, with McDonald's, Burger King, Exki and Vapiano among the banners posting significant increases. Health & Beauty was up 4.7% thanks to proactive leasing initiatives in favor of expanding cosmetic brands such as Sephora, Rituals, Normal, Kiehl's and Yves Rocher. The Culture, Gifts & Leisure segment (up 0.3%) was mainly driven by Sports (up 7.7%), with the success of JD Sports, Courir, Snipes and Decathlon offsetting the downsizing in the Toys segment. In what remains a highly-competitive market, Fashion sales edged up by 0.5% thanks to the Group's efforts to constantly upgrade the mix by implementing up-to-the-minute national and international retail concepts while scaling back exposure to fashion brands.

YEAR-ON-YEAR CHANGE IN RETAILER SALES FOR THE SIX MONTHS ENDED JUNE 30, 2019
(by segment)

Segment	Year-on-Year change	Share in total reported retailer
Fashion	+0.5%	39%
Culture, Gifts & Leisure	+0.3%	17%
Health & Beauty	+4.7%	14%
Food & Beverage	+5.1%	12%
Household Equipment	+1.8%	10%
Others	−0.3%	8%
TOTAL	**+1.6%**	**100%**

(1) Like-for-like change is on a same-center basis and excludes the impact of asset sales, acquisitions and foreign exchange.

2.3 GROSS RENTAL INCOME

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

In millions of euros	06/30/2019	06/30/2018	Reported change
France-Belgium	224.5	223.5	+0.5%
Italy	102.6	106.4	−3.5%
Scandinavia	93.6	94.8	−1.2%
Iberia	69.8	67.2	+4.0%
CE & Other	56.4	60.9	−7.4%
Netherlands	41.2	35.4	+16.3%
Germany	26.4	26.2	+0.7%
TOTAL SHOPPING CENTERS	**614.6**	**614.4**	**0.0%**
Other retail properties	12.3	12.7	−3.8%
TOTAL	**626.9**	**627.1**	**0.0%**

On a total share basis, shopping center gross rental income came in at €614.6 million for the six months ended June 30, 2019, broadly on a par with the same year-ago period on a reported basis. Gross rental income surged in the Netherlands thanks to a major contribution from the newly-opened sections of Hoog Catharijne (Utrecht, see sections 3.6 and 5.3.2), and Iberia benefited from recent re-tenanting efforts amid a buoyant macroeconomic environment. Gross rental income in Italy declined by 3.5% as a result of the disposals carried out in late 2018, while Scandinavia was held back by an adverse forex impact.

Factoring in gross rental income from Other retail properties, which decreased by 3.8% due to the reduction in scope of this segment, total gross rental income amounted to €626.9 million on a total share basis for the first half of 2019, broadly stable compared to the same period last year.

2.4 NET RENTAL INCOME

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

In millions of euros	06/30/2019	06/30/2018	Reported change	Like-for-like change	Index-linked change
France-Belgium	204.3	201.2	+1.6%	+2.7%	+2.1%
Italy	93.4	96.1	−2.9%	+3.4%	+0.8%
Scandinavia	84.9	85.2	−0.3%	+2.4%	+2.1%
Iberia	64.0	60.4	+5.8%	+7.1%	+1.4%
CE & Other	52.2	56.0	−6.7%	+1.9%	+1.0%
Netherlands	33.4	24.1	+38.9%	+4.2%	+1.2%
Germany	19.7	19.2	+2.6%	+0.2%	+1.4%
TOTAL SHOPPING CENTERS	**552.0**	**542.2**	**+1.8%**	**+3.1%**	**+1.6%**
Other retail properties	11.5	12.2	−5.6%		
TOTAL	**563.5**	**554.4**	**+1.6%**		

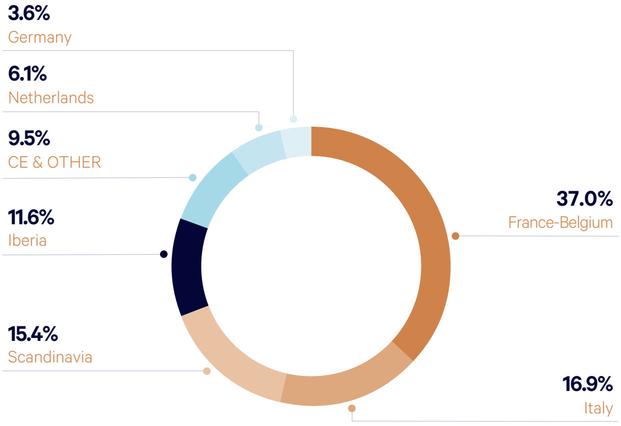
Net rental income (NRI) generated by shopping centers totaled €552.0 million for the six-month period ended June 30, 2019, up 1.8% on a reported-portfolio, total share basis compared with the same period in 2018. Restated for the impact of the first-time application of IFRS 16, net rental income growth came out at 0.5%.[1]

(1) *Effective January 1, 2019, the first-time application of IFRS 16 has modified the Group's accounting for lease payments. At the level of net rental income, the major impact of IFRS 16 for Klépierre relates to ground leases, whose costs have been almost entirely transferred from "Land expenses" to "Change in value of investment properties" and "Interest expense on lease liabilities".*

The 1.8% reported increase in net rental income reflected the combined effect of the following factors:

- A €15.8 million like-for-like increase (up 3.1%)[1] driven by indexation (positive 1.6% impact), solid reversion, higher income from specialty leasing and optimized service charges;
- A €6.9 million positive impact related to the first-time application of IFRS 16;[1]
- A €6.4 million positive scope impact reflecting the contribution of additional spaces acquired last year at Milanofiori (Assago, Italy), Shopville Le Gru (Turin, Italy) and Nový Smíchov (Prague, Czech Republic), as well as the openings at Hoog Catharijne (Utrecht, Netherlands) and Prado (Marseille, France);
- A €14.5 million negative impact from disposals closed in 2018 and the first half of 2019; and
- A negative €3.9 million foreign exchange impact attributable to the depreciation of the Turkish lira, the Swedish krona and the Norwegian krone, as well as other non-recurring items.

BREAKDOWN OF SHOPPING CENTER NRI BY REGION FOR THE SIX MONTHS ENDED JUNE 30, 2019
(on a total share basis)



FOREIGN EXCHANGE IMPACT ON LIKE-FOR-LIKE NRI YEAR-ON-YEAR GROWTH FOR THE SIX MONTHS ENDED JUNE 30, 2019

	Like-for-like NRI change		Forex impact on like-for-like NRI change
	At constant forex	At current forex	
Norway	+3.2%	+1.8%	−146 bps
Sweden	+1.2%	−2.4%	−353 bps
Denmark	+2.5%	+2.3%	−24 bps
Scandinavia	**+2.4%**	**+0.6%**	**−177 bps**
Czech Republic	+4.0%	+4.1%	+10 bps
Poland	+1.3%	+1.3%	0 bps
Hungary	+6.2%	+6.7%	+46 bps
Turkey[a]	−4.0%	−25.1%	−2,105 bps
CE & Other	**+1.9%**	**−2.8%**	**−474 bps**
TOTAL	**+3.1%**	**+2.3%**	**−77 BPS**

(a) As per the Turkish Presidential Decree and following the sharp depreciation of the Turkish lira, the rents were translated from euros or US dollars into Turkish lira in the fourth quarter of 2018.

2.5 CONTRIBUTION OF EQUITY-ACCOUNTED COMPANIES

The contribution of equity-accounted companies[2] to net current cash flow amounted to €27.7 million in the first half of 2019. The Group's equity-accounted investments are listed below:

- **France**: Les Passages (Boulogne), Espace Coty (Le Havre), Mayol (Toulon), Le Millénaire (Paris);
- **Italy**: Porta di Roma (Rome), Il Leone (Lonato), Il Corti Venete (Verona), Il Destriero (Milan), Città Fiera (Udine);
- **Norway**: Økernsenteret (Oslo), Metro Senter (Oslo), Nordbyen (Larvik);
- **Portugal**: Aqua Portimão (Portimão); and
- **Turkey**: Akmerkez (Istanbul).

The following tables present the contributions of each of these countries to gross and net rental income, EBITDA, net current cash flow, and net income. The decrease in net income from equity-accounted companies stems from the decline in the valuation of jointly-owned shopping malls, especially in Turkey and France.

(1) Like-for-like data exclude the contribution of new spaces (acquisitions, greenfield projects and extensions), spaces being restructured, disposals completed since January 2017, and foreign exchange impacts.

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

▶ **CONTRIBUTION OF EQUITY-ACCOUNTED COMPANIES**

GROSS RENTAL INCOME — TOTAL SHARE		
In millions of euros	**06/30/2019**	**06/30/2018**
France	11.4	10.9
Italy	20.3	19.8
Norway[a]	3.9	3.8
Portugal	1.8	1.6
Turkey	4.4	5.7
TOTAL	**41.9**	**41.9**

NET RENTAL INCOME — TOTAL SHARE		
In millions of euros	**06/30/2019**	**06/30/2018**
France	8.1	8.1
Italy	17.5	17.2
Norway[a]	3.4	3.2
Portugal	1.7	1.4
Turkey	3.3	3.9
TOTAL	**33.9**	**33.8**

EBITDA — TOTAL SHARE		
In millions of euros	**06/30/2019**	**06/30/2018**
France	7.9	8.0
Italy	17.4	17.1
Norway[a]	3.4	3.2
Portugal	1.7	1.4
Turkey	3.1	3.6
TOTAL	**33.5**	**33.4**

NET CURRENT CASH FLOW — TOTAL SHARE		
In millions of euros	**06/30/2019**	**06/30/2018**
France	6.7	6.7
Italy	13.5	13.0
Norway[a]	3.4	3.2
Portugal	0.5	0.3
Turkey	3.7	3.9
TOTAL	**27.7**	**27.1**

NET INCOME — TOTAL SHARE[b]		
In millions of euros	**06/30/2019**	**06/30/2018**
France	(6.2)	7.0
Italy	8.2	9.2
Norway[a]	2.2	(1.6)
Portugal	0.3	(0.7)
Turkey	0.6	22.1
TOTAL	**5.2**	**36.0**

(a) To determine the Group's share for Norway, data must be multiplied by 56.1%.
(b) Net income includes non-cash and non-recurring items, including changes in the value of investment properties.

2.6 SHOPPING CENTER BUSINESS SUMMARY: LEASING HIGHLIGHTS

▶ **KEY PERFORMANCE INDICATORS**

Geography	**Renewed and re-let leases** *(in €m)*	**Reversion** *(in %)*	**Reversion** *(in €m)*	**OCR[a]**	**EPRA Vacancy Rate**	**Bad debt rate[b]**
France-Belgium	20.2	+7.8%	1.5	12.9%	3.3%	2.0%
Italy	17.7	+8.4%	1.4	11.3%	1.5%	2.5%
Scandinavia	13.2	+8.1%	1.0	11.8%	4.1%	0.4%
Iberia	7.5	+24.5%	1.5	13.4%	2.1%	0.3%
CE & Other	7.2	+16.1%	1.0	13.3%	4.6%	3.8%
Netherlands	0.3	+29.3%	0.1	-	2.4%	1.4%
Germany	3.9	-8.6%	(0.4)	11.4%	4.0%	3.4%
TOTAL	**70.0**	**+9.4%**	**6.0**	**12.4%**	**3.0%**	**1.8%**

All assets (including equity-accounted companies) are presented on a 100% share basis.
(a) Occupancy cost ratio. Occupancy cost ratio is not calculated for the Netherlands as only a few Dutch retailers report their sales to Klépierre.
(b) On a rolling 12-month basis.

In a subdued business environment, Klépierre continued to post robust leasing performances. This is the direct result of the Group's Retail First® strategy to anticipate the transformation of retail. Retail First® consists in rapidly adapting the retail offering of Klépierre malls by (a) deploying existing retailers under their most up-to-date format ("right-sizing"), (b) replacing struggling segments with more profitable ones, and (c) attracting new, on-trend concepts to Klépierre shopping malls as well as supporting their international expansion. The strategy is anchored in Klépierre's strong pan-European platform and the extensive relations that the Group has been cementing with the best-performing retailers on the continent.

Retailers' appetite for Klépierre malls was vigorous. Over the first half of 2019, the Group signed 821 leases in total, including 689 renewals and re-lettings, generating €6.0 million in additional minimum guaranteed rents (MGR; excluding extensions and greenfield projects), and representing a positive 9.4% rental reversion. Retailers' demand for newly-developed retail surfaces is particularly vigorous, as evidenced by the successful leasing of the Créteil Soleil (Paris region, France) and Gran Reno (Bologna, Italy) extensions. The firm level of leasing activity contributed to a slight decline in the EPRA Vacancy rate from 3.2% as of December 31, 2018, to 3.0% as of June 30, 2019.

The deal flow has also been strong with **key accounts** such as Inditex (8 deals), H&M (6 deals), Calzedonia (10 deals), Parfois (8 deals), Vodafone (10 deals) and Yves Rocher (5 deals). Monki, the new brand in the H&M galaxy, has chosen Créteil Soleil (Paris region, France) to kick off its deployment in French shopping centers and is also scheduled to open a new store at Hoog Catharijne.

Across its portfolio, Klépierre continued to close small fashion outlets and toy stores, two segments expected to remain lackluster in the current retail environment. Over the first half of 2019, more than 15,000 sq.m. of fashion stores (of which 11,000 sq.m. of store space and 4,000 sq.m. of mid-size units) and 3,000 sq.m. of mid-size toy units were replaced by stores in more **dynamic segments** such as sports, leisure and health & beauty. A variety of banners such as JD Sports, Courir, Snipes, Foot Locker, Adidas, Decathlon, Décimas and XXL continued to expand, opening 25 new stores in Klépierre's malls over the first half of 2019. The Group also introduced new Lego stores at Créteil Soleil (Paris region, France), Blagnac (Toulouse, France) and Milanofiori (Milan, Italy) and a movie theater at El Ferial (Madrid region, Spain), while a new fitness center will round out the mix at Parque Nascente (Porto region, Portugal).

Attracted by the strength of its malls, a host of **newcomers** chose Klépierre to enter the shopping center market. Dyson, the British household appliance brand decided to open four new stores in Klépierre's Italian malls (Porta di Roma, Shopville Le Gru, Campania and Nave de Vero) while Hoog Catharijne, the Netherlands' leading mall, welcomed the first Samsung store in Klépierre's portfolio. In addition, the Group signed leases with other newcomers such as Daniel Wellington (2 leases), Vans, online sunglasses specialist Hawkers (5 leases) and Renault. In March 2019, the leading sports brand Under Armour opened its first store in Central Europe at Nový Smíchov (Prague, Czech Republic) and the personal care products chain Normal is slated to open its first French stores in Klépierre's malls in the second half of 2019. The Group has continued to leverage specialty leasing—especially pop-up stores—as an effective way of introducing brands to shopping malls. Using this approach over this half year, Klépierre welcomed: Chanel at La Gavia (Madrid, Spain); Netflix, Garnier and Magnum at Hoog Catharijne (Utrecht, Netherlands); Husqvarna at Marieberg Galleria (Örbro, Sweden); and Nestlé at Val d'Europe (Paris region, France).

Using proactive re-tenanting initiatives, Klépierre continued the process of transforming entire malls over the first six months of 2019:

> **Alexandrium**, the leading shopping destination in Rotterdam, which is soon to be refurbished, has benefited from a makeover of its retail offering prior to the start of work. In the first half of 2019 alone, Klépierre signed 5 new leases. The Albert Heijn supermarket was downsized, providing the opportunity to deliver an enlarged H&M store (3,300 sq.m.) and introduce H&M Home in the mall, while the Sting store was upsized. Lastly, newcomer Clinique, a subsidiary of Estée Lauder, chose Alexandrium to open its first store in a mall, inaugurating its first boutique in the Benelux region in April 2019;

> **Milanofiori**, a leading mall in southern Milan (Italy) that was comprehensively renovated in 2018, saw Inditex finalize the unveiling of its new offering with the opening of Stradivarius, the enlargement of Bershka and Pull&Bear and the refurbishment of the Zara Home and Oysho shopfronts. Yves Rocher launched its new boutique in April while Dmail, the Italian household equipment specialist, opened its new store in May. The Food & Beverage offer has also been enhanced and enlarged with the arrival of Rossopomodoro, a pizza and pasta restaurant chain;

> **La Gavia**, one of the top shopping destinations in Madrid attracting 13 million visitors each year, is soon to be refurbished. Ahead of the refurbishment works, 30 leases were signed in the first half of 2019. Bershka opened its enlarged store last May and new tenants such as Futbol Factory and online retailer Hawker also joined the mall. Its attractiveness will be further enhanced with the extension of JD Sports and Adidas, as well as the relocation and extension of Pull&Bear.

3

BUSINESS ACTIVITY BY REGION

3.1 FRANCE-BELGIUM (36.3% OF NET RENTAL INCOME)

▶ **NRI & EPRA VACANCY RATE IN FRANCE-BELGIUM**

	Reported porfolio NRI			Like-for-like portfolio NRI			EPRA Vacancy rate	
In millions of euros	**06/30/2019**	**06/30/2018**	**Change**	**06/30/2019**	**06/30/2018**	**Change**	**06/30/2019**	**06/30/2018**
France	195.6	192.5	+1.6%	188.3	183.1	+2.8%	3.4%	3.5%
Belgium	8.8	8.7	+0.5%	8.7	8.7	−0.4%	1.2%	0.2%
FRANCE-BELGIUM	**204.3**	**201.2**	**+1.6%**	**197.0**	**191.9**	**+2.7%**	**3.3%**	**3.3%**

GDP growth in France is projected to slow to 1.3% in 2019 from 1.6% in 2018. Global economic conditions may hamper exports but tax cuts and emergency social measures should boost disposable income and support domestic demand. The unemployment rate is expected to fall to 8.7% by end-2019 (*versus* 9.1% at end-2018), while inflation is set to decline to 1.1% in line with the stabilization of the oil price.

Like-for-like **retailer sales** growth at Klépierre malls came out at 0.7%, outpacing the national shopping center retail index by 90 bps.[1] Since the beginning of the year, the "yellow vest" protests have gradually died down, with sales rising by 0.2% in the first quarter and by 1.2% in the second, despite the unfavorable calendar effects in June. This recovery was partly fueled by government measures to support purchasing power and proactive re-tenanting activity in Klépierre malls. As a result, the performance of numerous malls was powered by the recent openings of leading anchors such as Decathlon at Nice TNL (5,000 sq.m.) and Bègles Rives d'Arcins (Bordeaux region), and Action at Le Millénaire (Paris region, 1,000 sq.m.) and Grand Littoral (Marseille, 1,800 sq.m.). Val d'Europe continued to post strong figures, supported by the recent renovation and extension work. Lastly, Saint-Lazare (Paris) registered strong retailer sales growth following the renewal campaign and the arrival of distinctive new brands such as Nespresso, together with the opening of the Sephora flagship.

Over the period, the most dynamic sectors were Health & Beauty (up 3.7%), Culture, Gifts & Leisure (up 2.2%, boosted especially by the ongoing development of the Sports segment) and Food & Beverage (up 3.8%).

Net rental income in France-Belgium grew by 2.7% on a like-for-like basis, outperforming indexation by 60 bps, due mainly to the impact of positive rental reversion and additional revenues from specialty leasing. On a reported-portfolio basis (up 1.6%), the performance includes the impact of the disposal of the Saint-Maximin shopping mall (Creil, France) in March 2019.

Leasing activity was vigorous in the first half of 2019, with 199 leases signed in France and Belgium. However, rental reversion declined compared to the first half of 2018 (positive 7.8% in first-half 2019 *versus* 13.8% one year earlier) due to the completion of several large-scale re-tenanting campaigns, mainly at Saint-Lazare (Paris), while new such campaigns having only just got under way.

Over the first half of the year, several retailers opened (or have scheduled to open) their first stores in a Klépierre mall. Vans will join Rives d'Arcins (Bordeaux region) and Danish retailer Normal, which is expanding in France, will soon unveil two new stores in Klépierre's French malls. Lastly, the retail mix at Val d'Europe will be enriched by Daniel Wellington, the innovative food concept; Pazzi (robot-made pizzas), and the ground-breaking new Renault showroom which is paving the way for a new retail category in Klépierre malls. Several French malls overhauled their retail mix, including Écully (Lyon; six leases) with Sephora, Maisons du Monde and Nature & Découvertes. A decade after its opening, Odysseum (Montpellier) signed ten new leases, bringing on-trend retailers such as Calvin Klein Jeans and Sunglass Hut into the mix and generating strong positive reversion.

The swift leasing up of the Créteil Soleil extension (see section 5.3.3) showcased retailers' keen appetite for Klépierre's malls.

(1) *The CNCC index was up 0.4% for the first five months of 2019.*

3.2 ITALY (16.6% OF NET RENTAL INCOME)

► **NRI & EPRA VACANCY RATE IN ITALY**

	Reported porfolio NRI			Like-for-like portfolio NRI			EPRA Vacancy rate	
In millions of euros	06/30/2019	06/30/2018	Change	06/30/2019	06/30/2018	Change	06/30/2019	06/30/2018
ITALY	**93.4**	**96.1**	**−2.9%**	**91.7**	**88.7**	**+3.4%**	**1.5%**	**1.4%**

Italian GDP is projected to stagnate in 2019 due mainly to a decline in private consumption coupled with weak external demand and a lackluster export performance amid global trade tensions. Political instability and cautious investment strategies from domestic corporates are also forecast to have a negative impact on GDP. Inflation is expected to moderate markedly to 0.6% in 2019 (*versus* 1.2% in 2018) amid easing energy price pressures and modest wage growth. Unemployment is set to remain stable at 11.7%.

Despite this lackluster economic environment, **retailer sales** turned positive (up 0.9%) in the first half of 2019, mainly supported by a strong second quarter (up 2.9%). Sales at Milanofiori (Assago) improved significantly on the back of recent re-tenanting initiatives (downsizing hypermarket space, opening a Zara flagship, rolling out Destination Food®) and the refurbishment of the center as a whole. Malls such as Porta di Roma (Rome), Campania (Naples), Le Vele & Milenium (Cagliari) and Nave de Vero (Venice) continued to post solid increases in retailer sales. Lastly, in northern Italy, the performance of shopping centers impacted by fresh competition in previous years leveled out.

By segment, Health & Beauty (up 2.8%) and Food & Beverage (up 2.4%) remained the country's top performers, while the fashion segment was stable year on year.

Overall, like-for-like **net rental income** growth remained strong at 3.4%, 260 bps above indexation. This outperformance was achieved thanks to solid positive rental reversion and an improvement in the gross-to-net rental income ratio. On a reported basis, net rental income decreased by 2.9%, reflecting the disposal of three malls last September in Milan and Brescia.

With 167 leases signed in the first half of 2019 (148 renewal and re-leasing agreements with an average positive rental reversion of 8.4%), **leasing activity** remained extremely buoyant, reflecting the high quality of Klépierre's portfolio in Italy. Dyson, the fast-expanding British technology company, which had previously only operated one store in Italy (Milan), chose Klépierre to expand in the country, signing a total of four leases (Campania, Le Gru, Porta di Roma and Nave de Vero). In Porta di Roma, Flying Tiger opened a 340-sq.m. store and in April, Snipes unveiled its first store (420 sq.m.) in Klépierre's Italian portfolio, while Bellavia, Napoli's historical pastry shop, rounded out the Food & Beverage offering. Lastly, the remodeling of Assago Milanofiori continued following the right-sizing of all Inditex satellite stores (Bershka, Pull&Bear, Zara Home and Oysho) in line with their latest format and concept during the first quarter. Dmail, a fast-expanding Italian retailer offering a wide variety of products from household goods to leisure equipment, moved into the mall in May, and Rossopomodoro, the pizza and pasta restaurant chain added flavor to the new food court. The Group also signed renewal and re-leasing agreements at Campania (Naples, 8 leases), Le Gru (Turin, 10 leases) and Porta di Roma (Rome, 18 leases), with high positive rental reversion. As is the case in France, retailers showed a lively appetite for new retail surfaces, as illustrated by the successful leasing of the Gran Reno extension (see section 5.3.4).

3.3 SCANDINAVIA (15.1% OF NET RENTAL INCOME)

► **NRI & EPRA VACANCY RATE IN SCANDINAVIA**

	Reported porfolio NRI			Like-for-like portfolio NRI			EPRA Vacancy rate	
In millions of euros	06/30/2019	06/30/2018	Change	06/30/2019	06/30/2018	Change	06/30/2019	06/30/2018
Norway	32.1	32.3	−0.8%	31.9	30.9	+3.2%	2.7%	3.0%
Sweden	26.3	27.2	−3.4%	26.3	26.0	+1.2%	5.4%	4.5%
Denmark	26.6	25.6	+3.7%	25.4	24.8	+2.5%	5.1%	4.8%
SCANDINAVIA	**84.9**	**85.2**	**−0.3%**	**83.6**	**81.7**	**+2.4%**	**4.1%**	**3.9%**

The Scandinavian economies (Norway, Sweden and Denmark) are expected to prove resilient in 2019. In Norway, GDP growth should come out at 1.8% on the back of solid household consumption and dynamic oil-related activities. The unemployment rate continues to fall (3.6% expected in 2019), although inflation is forecast to remain above 2% during the year. While Sweden's **GDP** growth is expected to ease off in 2019 to 1.6% from 2.4% in 2018—notably as a result of sluggish domestic demand and global uncertainties weighing on business investment and exports—the Danish economy should remain strong, supported by robust private consumption and rising exports. GDP growth is estimated at 2.1% in 2019 while unemployment and inflation are projected to stand at 4.9% and 1.2% respectively.

Retailer sales in Scandinavia declined by 2.3% over the first six months, penalized by temporary vacancy and localized competitive pressure. In Denmark, the reshuffled retail mix at Field's (Copenhagen) positively impacted footfall (up 4.6% over the year). In Sweden, Emporia (Malmö) benefited from improved sales driven by a greater influx of Danish visitors on the back of the depreciation of the Swedish krona. In Norway, while Fashion acted as a drag on sales, the Health & Beauty and Food & Beverage segments showed steady increases. Further to proactive re-tenanting and restructuring initiatives, the Arkaden Torgterrassen (Stavenger), Metro Senter (Lørenskog) and Vinterbro Senter (Ås) shopping centers posted good performances.

Despite the sluggish business environment, like-for-like **net rental income** growth came out at 2.4% in the first half of 2019 (growth of 3.2%, 1.2% and 2.5% for Norway, Sweden and Denmark, respectively) driven by the 2.1% indexation rate and healthy positive rental reversion (8.1%) together with additional income from specialty leasing (mostly in Denmark).

On the **leasing front**, 141 leases were signed at an average positive 8.1% reversion. Thanks to a clear cross-fertilization strategy, several retailers expanded in our Scandinavian portfolio, with Zizzi signing eight deals, and Illums Bolighus, the Scandinavian design-retailer, opening stores at Field's (Copenhagen, Denmark) and at Arkaden Torgterrassen (Stavanger, Norway). The Group's Scandinavian platform strengthened its capacity to attract differentiating international brands and demonstrated its ability to offer additional services while improving facilities (new parking operators in Field's, Bruun's and Oslo City):

> In **Norway**, 80 deals were signed with an average positive reversion of 10%, mainly driven by intense re-leasing and renewal activity at Oslo City, with highlights including the opening of Rituals Oslo flagship, as well as the right-sizing of the only directly-operated M.A.C. store in Norway. XXL opened a brand new store in Gulskogen (Drammen);

> In **Sweden**, 46 deals were signed in the first half of 2019, supported by strong business levels at Emporia (Malmö), including the right-sizing of Rituals. In addition, Chanel Beauty, Yves Rocher and Hugo Boss Orange signed at Emporia, confirming the mall's unique positioning in the Swedish retail landscape;

> In **Denmark**, 15 deals were signed. At Field's (Copenhagen), the transformation of the best retail destination in Copenhagen is in progress, with the opening of the first kindergarten in a Danish mall. Two new restaurants have upgraded the existing food court, and Finnish womenswear brand Lindex returned to Denmark, opening a new 800-sq.m. store. At Bruun's Galleri (Aarhus), Nespresso signed a lease to relocate its city center store to our mall.

3.4 IBERIA (11.3% OF NET RENTAL INCOME)

► NRI & EPRA VACANCY RATE IN IBERIA

	Reported porfolio NRI			Like-for-like portfolio NRI			EPRA Vacancy rate	
In millions of euros	06/30/2019	06/30/2018	Change	06/30/2019	06/30/2018	Change	06/30/2019	06/30/2018
Spain	53.2	49.7	+7.0%	52.6	49.5	+6.4%	1.7%	3.0%
Portugal	10.8	10.7	+0.4%	8.2	7.3	+11.7%	4.0%	5.4%
IBERIA	**64.0**	**60.4**	**+5.8%**	**60.8**	**56.8**	**+7.1%**	**2.1%**	**3.6%**

Economic growth in Spain is expected to remain robust in 2019, with GDP growth of 2.2% in 2019, driven by domestic demand and accommodating financial policies. Labor market conditions should continue to improve, with unemployment predicted to fall to 13.8% in 2019 (*versus* 15.3% in 2018). The Portuguese economy continues to expand significantly with GDP growth expected to reach 1.8% in 2019 thanks to solid private consumption sustained by wage increases and a favorable fiscal policy. The unemployment rate is set to decrease to 6.3% in 2019.

Once again, **retailer sales** grew at a sustained pace over the first six months (up 6.0% on a like-for-like basis). The trend was positive in both countries with Spain up 5.8% and Portugal up 6.6%. Klépierre continued to benefit from the leadership of its malls as well as proactive re-tenanting initiatives. Nueva Condomina (Murcia) posted a remarkable performance (retailer sales up 14.0%) after enhancing its retail mix and especially, relocating Bershka. At Plenilunio (Madrid), retailer sales were up 7.1%, mainly benefiting from the July 2018 refurbishment and the opening of Courir in April.

All retail segments performed well, including Health & Beauty (up 9.4%), Food & Beverage (up 5.6%), Fashion (up 5.0%) and Household Equipment (up 1.9%).

Net rental income saw like-for-like growth of 7.1% in Iberia (with Spain up 6.4% and Portugal up 11.7%) during the first half of 2019, 570 bps above Iberian indexation (positive 1.4%). This strong performance reflects high positive rental reversion combined with a significant improvement in occupancy (vacancy rate down 150 bps to 2.1%). Growth in specialty leasing and additional improvements in the gross-to-net ratio further boosted net rental income growth. On a reported-portfolio basis, Portuguese net rental income increased by only 0.4% due mainly to the disposals of Minho Center (Braga), Loures (Loures), Telheiras (Lisbon) and Gaia Jardim (Vila Nova de Gaia) in April 2019.

Accordingly, **leasing activity** was very dynamic in the region, with 96 leases signed in the first half of 2019 for an average positive reversion in excess of 20%. The Spanish malls maintain a vigorous commercial trend. At La Gavia, 30 leases were signed, including the right-sizing of Pull&Bear, JD Sports, Adidas and Décimas, the multi-brand sports retailer. Among the leading malls in the Madrid area, La Gavia has also welcomed new concepts such as the restaurant banner Ginos, ice cream specialist Wanderlust and optical expert +Visión. At Nueva Condomina (Murcia), a total of 8 leases were signed. Bershka opened its enlarged store (1,000 sq.m.) in May, further strengthening the mall's exceptional fashion offering whilst bringing on-board new tenants such as Fútbol Factory (300 sq.m.) and online sunglasses retailer Hawkers, which also joined Plenilunio (Madrid). The dominant destination of the eastern part of Madrid now hosts one of the city's favorite bakeries, Manolo Bakes. At Príncipe Pío (Madrid), Pimkie signed an extension to develop its full offering, while jewelry specialist Lovisa set up in Maremagnum. Lastly, at El Ferial, a 7-screen 1,500-sq.m. movie theater opened in June, rounding out the mall's comprehensive commercial offering.

In Portugal, 26 leases were signed, of which 14 in Parque Nascente (Porto region), which is set to see the popular Flying Tiger brand reinforce the tenant mix together with a number of new services and local restaurants and cafés. In Aqua Portimão (Portimão), 8 leases were signed including tenants such as Bijou Brigitte, among other well-known local brands. A deal was also signed with Hawkers for three malls: Parque Nascente, Aqua Portimão and Espaço Guimarães.

3.5 CENTRAL EUROPE AND OTHER (9.3% OF NET RENTAL INCOME)

▸ NRI & EPRA VACANCY RATE IN CE & OTHER

	Reported portfolio NRI			Like-for-like portfolio NRI			EPRA Vacancy rate	
In millions of euros	06/30/2019	06/30/2018	Change	06/30/2019	06/30/2018	Change	06/30/2019	06/30/2018
Czech Republic	16.2	16.1	+0.9%	15.2	14.6	+4.0%	0.4%	1.4%
Poland	16.3	15.8	+3.3%	16.0	15.8	+1.3%	0.9%	2.1%
Hungary	10.0	11.6	−13.8%	9.2	8.6	+6.2%	1.8%	1.9%
Turkey	8.3	11.0	−24.3%	8.4	8.7	−4.0%	11.0%	8.3%
Others	1.3	1.5	−9.8%	1.3	1.4	−3.2%	4.9%	10.4%
CE & OTHER	**52.2**	**56.0**	**−6.7%**	**50.1**	**49.1**	**+1.9%**	**4.6%**	**4.4%**

After several quarters of resilient GDP growth, the **Central European economies** (Poland, Czech Republic, and Hungary) have also started to suffer from the international context and are forecast to slow down in 2019. Poland is still the region's most dynamic country, with GDP projected to grow by 4.2% this year, supported by an accommodating fiscal policy and rising social transfers that are driving private consumption. In the Czech Republic, household consumption will increase and support GDP growth, which is expected to come in at 2.6% this year. On the back of growing wages, inflation is projected to be at 2.6% whereas unemployment will fall further to 2.1%—one of the lowest levels in Europe.

After the financial crisis in the summer of 2018, Turkish GDP growth was still affected by political and financial upheaval as well as declining domestic consumption. In spite of the modest recovery expected in the second half of 2019, GDP is still forecast to contract by 2.6% year on year, with unemployment and inflation at 13.3% and 17.3%, respectively.

Retailer sales in the CE & Other region were up 5.3% over the first six months of 2019. The Czech Republic (up 8.9%) was the main contributor to this growth, powered by good performances from both Nový Smíchov (Prague), boosted by tenants such as Zara, Sephora, Bershka and Lindex, and the newly-restructured Plzeň Plaza (Plzeň).

Like-for-like **net rental income** in the CE & Other region climbed by 1.9%, outperforming the region's indexation by 90 bps. Hungary (up 6.2%) and the Czech Republic (up 4.0%) posted strong figures, while Turkey (down 4.0%)—still suffering from the temporary rental discounts granted to tenants suffering from the adverse macroeconomic environment—weighed on the overall performance. Overall, the region mainly benefited from high positive rental reversion and rising occupancy rates. On a reported basis, net rental income fell by 6.7%, principally reflecting the recent disposals in Hungary (see section 5.4 "Disposals") and the negative foreign change impact in Turkey.

During the first half of 2019, **leasing activity** was very dynamic in Central Europe. In Nový Smíchov (Prague) all transfers and releasing linked to the TESCO operation have been completed, less than six months after the opening of four new anchors (Zara, Sephora, Bershka and Lindex). This major transformation attracted new retailers to the mall and enabled the renewal of leases with large international brands such as Camaïeu, Napapijri, Kiehl's and Costa Coffee. In Poland, business levels were also very dynamic, with 24 deals signed over the first six months of the year. Successful Polish fitness operator City Fit will now anchor Lublin Plaza (Lublin) and Sadyba Best Mall (Warsaw) with two new venues of more than 1,500 sq.m. In addition, trendy shoes and bags chain CCC was introduced in Lublin Plaza (Lublin) in February under its latest format over more than 1,270 sq.m. At Poznan Plaza, Portuguese fashion retailer Parfois and Euro RTV AGD, Poland's leading consumer electronics specialist, have significantly enriched the retail mix. Lastly, in Turkey, two major leases were signed with Decathlon (1,800 sq.m.) and Mango (1,200 sq.m.) at Akmerkez (Istanbul), while Starbucks came on board at Tarsu (Tarsus).

3.6 NETHERLANDS (5.9% OF NET RENTAL INCOME)

▸ NRI & EPRA VACANCY RATE IN THE NETHERLANDS

	Reported porfolio NRI			Like-for-like portfolio NRI			EPRA Vacancy rate	
In millions of euros	06/30/2019	06/30/2018	Change	06/30/2019	06/30/2018	Change	06/30/2019	06/30/2018
NETHERLANDS	33.4	24.1	+38.9%	17.9	17.1	+4.2%	2.4%	5.5%

Economic growth in the Netherlands is projected to ease off, with GDP growing by just 1.6% in 2019 compared to 2.6% last year. The lackluster European environment combined with international trade tensions and deteriorating domestic conditions have weakened the Dutch economy. However, unemployment is set to remain low at 3.6%, while inflation is projected to rise sharply to 2.2% reflecting the higher VAT rate and labor costs.

Net rental income grew 4.2% on a like-for-like basis, significantly outperforming the 1.2% indexation rate. Like-for-like growth was driven by the positive 29.3% reversion rate, higher occupancy and parking revenues, and a decline in bad debts. On a reported-portfolio basis, net rental income surged by 38.9%, mainly attributable to store openings at Hoog Catharijne.

Leasing activity remained vigorous in the Dutch portfolio. The successful opening of the South Mile last November at Hoog Catharijne (Utrecht) definitively sealed its positioning as the leading mall in the Netherlands. Popular new tenants such as Primark, Hudson's Bay, Pandora, Lucardi (jewelry brand), Livera (underwear specialist) and Bread & Co. joined the mall, while Samsung also chose Hoog Catharijne for its first "experience store." At Alexandrium (Rotterdam), ahead of its refurbishment, the retail mix of Rotterdam's leading shopping destination was significantly enhanced with five new leases signed. The downsizing of the Albert Heijn supermarket paved the way for new The Sting and Holland&Barrett stores to open in 2020. Besides, an enlarged H&M store (3,300 sq.m.) along with an H&M Home will be introduced to the mall. Lastly, Clinique, a subsidiary of Estée Lauder, also chose Alexandrium to inaugurate its first boutique in the Benelux region in April 2019.

3.7 GERMANY (3.5% OF NET RENTAL INCOME)

▸ NRI & EPRA VACANCY RATE IN GERMANY

	Reported porfolio NRI			Like-for-like portfolio NRI			EPRA Vacancy rate	
In millions of euros	06/30/2019	06/30/2018	Change	06/30/2019	06/30/2018	Change	06/30/2019	06/30/2018
GERMANY	19.7	19.2	+2.6%	21.3	21.3	+0.2%	4.0%	4.6%

Economic growth in **Germany** is expected to slow significantly in 2019, with GDP projected to edge up by just 0.7% compared to 1.5% in 2018. The economy is suffering from downbeat business levels among Germany's highly export-oriented corporates, especially in the automotive and chemicals sectors, under pressure from international trade tensions. Domestic political uncertainties are also weighing on business confidence and private investment. Despite this rather unsupportive environment, the labor market continues to improve, with unemployment set to fall to 3.1% in 2019, which is among the lowest rates in Western Europe. Inflation is expected to remain well below 2%.

Retailer sales increased by 2.3% during the period, showing an improvement on the back of the Group's leasing efforts. In the wake of the renewal campaign launched at Forum Duisburg in 2018, 20 retailers have opened or fully refurbished their stores, including New Yorker, Snipes, Jack & Jones and Vero Moda, while H&M has re-opened an enlarged flagship on a 3,000-sq.m. site. Boulevard Berlin was boosted by the recent openings of two new anchors: Maisons du Monde (first store in Berlin opened last December) and more recently, Vapiano in June 2019. Lastly, Arneken continued to reap the benefits of the successful opening of TK Maxx last September.

Like-for-like **net rental income** remained flat over the first six months of 2019, with positive indexation (up 1.4%) and a reduction in the EPRA Vacancy rate (down 60 bps to 4.0%) being offset by negative rental reversion. On a reported basis, net rental income increased by 2.6%, outpacing the like-for-like growth performance as a result of the settlement of service charges over previous years.

Overall, 40 **leases** representing 19,000 sq.m. were signed in the first half of 2019 in Germany. At Arneken, fast-growing German discount retailer Tedi is slated to open a new 800-sq.m. store in the second half of 2019. At Forum Duisburg meanwhile, the renewal campaign is now on the verge of completion following the signing of a host of leases, including KULT, the successful fashion multi-label retailer.

3.8 OTHER RETAIL PROPERTIES (2.0% OF NET RENTAL INCOME)

▸ NRI & EPRA VACANCY RATE OF OTHER RETAIL PROPERTIES

	Reported porfolio NRI			Like-for-Like Portfolio NRI			EPRA Vacancy rate	
In millions of euros	06/30/2019	06/30/2018	Change	06/30/2019	06/30/2018	Change	06/30/2019	06/30/2018
OTHER RETAIL PROPERTIES	11.5	12.2	–5.6%	11.4	11.8	–2.9%	9.3%	5.0%

This segment includes standalone retail units located in France and mostly in the vicinity of large regional retail destinations. On a reported-portfolio basis, the decrease in net rental income is attributable to the disposals completed over the past 18 months (see section 5 "Investments, developments and disposals").

4

NET CURRENT CASH FLOW

▸ NET CURRENT CASH FLOW & EPRA EARNINGS

In millions of euros	06/30/2019	06/30/2018	Change
Total share			
Gross rental income	626.9	627.1	0.0%
Rental and building expenses	(63.4)	(72.7)	−12.8%
Net rental income	**563.5**	**554.4**	**+1.6%**
Management and other income	46.1	45.8	+0.6%
General and administrative expenses	(83.2)	(96.0)	−13.4%
EBITDA	**526.4**	**504.2**	**+4.4%**
Adjustments to calculate operating cash flow:			
> Depreciation charge for right-of-use assets[a]	(4.3)	-	
> Employee benefits, stock option expense and non-current operating expenses	3.8	10.7	
> IFRIC 21 impact	6.8	7.0	
Operating cash flow	**532.7**	**522.0**	**+2.1%**
Cost of net debt	(68.0)	(77.0)	−11.8%
Adjustments to calculate net current cash flow before taxes:			
> Amortization of Corio debt mark-to-market	(9.6)	(9.9)	
> Financial instrument close-out costs	10.5	14.9	
Net current cash flow before taxes	**465.7**	**450.0**	**+3.5%**
Share in equity-accounted companies	27.8	26.9	
Current tax expenses	(18.4)	(15.9)	
Net current cash flow	**475.0**	**460.9**	**+3.0%**
Group share			
NET CURRENT CASH FLOW	**409.8**	**395.6**	**+3.6%**
Adjustments to calculate EPRA Earnings add back:			
> Employee benefits, stock option expense and non-recurring operating expenses	(3.7)	(5.5)	
> Depreciation, amortization and provisions for contingencies and losses	(5.8)	(7.4)	
EPRA EARNINGS	**400.3**	**382.7**	**+4.6%**
Average number of shares[b]	295,908,706	301,032,676	−1.7%
Per share *(in euros)*			
NET CURRENT CASH FLOW	**1.38**	**1.31**	**+5.4%**
EPRA EARNINGS	**1.35**	**1.27**	**+6.4%**

(a) Right-of-use assets related to head office, IT and vehicle leases as per IFRS 16.
(b) Excluding treasury shares.

Over the first half of 2019, net current cash flow per share increased by 5.4% year on year to €1.38 (increase of 4.7% restated for the impact of the first-time application of IFRS 16).[1] This strong performance reflects the combined impact of the following factors:

> **Net rental income** increased by 1.6% on a total share basis (up 0.4% restated for the impact of the first-time application of IFRS 16),[1] supported by 3.1% like-for-like growth at Klépierre shopping centers (see section 2.4 "Net rental income");

> **Operating cash flow** advanced by 2.1% on a total share basis, growing at a faster pace than net rental income, primarily thanks to €3 million[2] in cost savings, especially other general expenses, with payroll costs remaining broadly flat. This translated into a further reduction in the EPRA Cost Ratio (from 15.4% to 13.9% excluding direct vacancy costs; see section 8.4);

> **Cost of net debt** decreased by €9.1 million to €68.0 million on a total share basis. Restated for non-cash and non-recurring items (amortization of Corio debt mark-to-market and financial instrument close-out costs), the cost of net debt came out at €66.9 million, representing a €5.1-million year-on-year reduction. Overall, the average cost of debt declined by 10 bps to 1.5% (see section 7.3 "Cost of debt");

> **Current tax expense** increased by €2.5 million on a total share basis to €18.4 million, mostly impacted by a change in legislation in Italy regarding the deduction of notional interest for income tax purposes; and

> **The average number of shares** outstanding fell from 301 million to 296 million as a result of the ongoing share buyback program.

See section 8.1 for the reconciliation of net current cash flow to EPRA Earnings and net income.

(1) Effective January 1, 2019, the first-time application of IFRS 16 has modified the Group's accounting for lease payments. At the level of net rental income, the major impact of IFRS 16 for Klépierre relates to ground leases, whose costs have been almost entirely transferred from "Land expenses" to "Change in value of investment properties" and "Interest expense on lease liabilities". In the first half, this impact added €6.9 million to NRI on a total share basis and increased the cost of net debt by €4.1 million. At the net current cash flow level, it translated into a €2.8 million positive impact (€2.6 million on a Group share basis), or ca. 1 cent per share.

(2) Restated for non-cash and for non-recurring items (employee benefits, stock option expense and severance packages).

5

INVESTMENTS, DEVELOPMENTS AND DISPOSALS

5.1 INVESTMENT MARKET

Despite improved retailer sales since the beginning of 2019, retail property investment volumes decreased over the period, falling 19% on a trailing 12-month basis, with the anticipation of an economic slowdown and uncertainties around the prospects of retail combining to subdue investor sentiment.

Unlike in 2018 where the share of peripheral European geographies increased in the total investment volume, the market contraction in early 2019 was accompanied by renewed investor focus on core European markets. The traditional geographies accounted for two-thirds of total investment volumes over the first six months of 2019, in line with the historical average (Germany: 30%; United Kingdom: 21%, mostly high street; France: 11%, mostly supermarkets).

On the pricing front, yields on secondary assets expanded slightly across most European geographies, while the pricing of prime assets remained stable, although volumes remained low.

The number of transactions above the €100-million mark was more limited than in 2018 and private equity firms played a more active role in the market, taking advantage of a more benign competitive environment and more value-add opportunities at attractive prices.

5.2 CAPITAL EXPENDITURE

Total capital expenditure in the first half of 2019 amounted to €127.7 million, breaking down as follows:

> €79.0 million allocated to the **development pipeline**, mostly relating to the extensions of Créteil Soleil, Gran Reno and Hoog Catharijne (see section 5.3 “Development pipeline” below);

> €41.5 million allocated to the **standing portfolio** (excluding investment on extensions), including leasing capex, technical maintenance capex, and refurbishment (see section 8.6 “EPRA capital expenditure”); and

> €7.3 million allocated to **other investments**, including capitalized interest and leasing fees.

5.3 DEVELOPMENT PIPELINE

5.3.1 Development pipeline overview

Through its pipeline strategy, Klépierre is seeking to transform its assets while strengthening their leadership in their respective catchment areas. To do so, the Group is aiming both to modernize its shopping destinations and accelerate the transformation of their retail mix. Based on these objectives, the development pipeline strategy is to ensure tomorrow’s growth by taking reasonable risks. Considering the limited demand from retailers to expand on greenfield projects, the Group has focused its development strategy on extensions. Accordingly, Klépierre has a diversified risk profile and invests an average of roughly €70 million per project, securing the leasing of at least 40% of the leasable surface before starting the work.

As of June 30, 2019, the Group’s development pipeline represented €2.5 billion worth of potential investments, including €0.4 billion worth of committed project[1] with an average expected yield of 6.4%; €0.9 billion worth of controlled projects;[2] and €1.2 billion of identified projects.[3] On a Group-share basis, the total pipeline represented €2.3 billion, of which €0.4 billion committed, €0.8 billion controlled, and €1.2 billion identified.

The Group focused its development investments on its main geographies (France-Belgium, Scandinavia, Italy, Netherlands and Spain).

(1) Projects that are under construction or for which the Klépierre Executive Board has taken the decision to start work.

(2) Projects under advanced review, for which Klépierre has control over the land (acquisition made or under offer, contingent on obtaining the necessary clearance and permits).

(3) Projects in the process of being defined and negotiated.

▶ **DEVELOPMENT PIPELINE AS OF JUNE 30, 2019**
(on a total share basis)

Development projects	Country	Location	Type	Floor area *(in sq.m.)*	Expected opening date	Klépierre equity interest	Estimated cost[a] *(in millions of euros)*	Cost to date *(in millions of euros)*	Targeted yield on cost[b]
Hoog Catharijne Phase 3	Netherlands	Utrecht	Ext.-refurb.	23,844	2019-2020	100.0%	90	42	6.4%
Créteil Soleil	France	Paris region	Ext.-refurb.	11,400	2019-2020	80.0%	136	91	6.0%
Rives d'Arcins[c]	France	Bordeaux region	Extension	12,925	2019-2020	52.0%	21	15	6.9%
Gran Reno	Italy	Bologna	Ext.-refurb.	24,876	H1 2021	100.0%	147	22	6.7%
Other projects				3,785			8	3	5.0%
Total committed projects				**76,830**			**401**	**173**	**6.4%**
Campania	Italy	Naples	Redevelopment	14,200	H1 2021	100.0%	35	16	
Le Gru	Italy	Turin	Ext.-refurb.	14,610	2021-2022	100.0%	141	3	
Grand Place	France	Grenoble	Extension	16,200	H1 2021	100.0%	55	2	
Maremagnum	Spain	Barcelona	Ext.-refurb.	9,240	H2 2021	100.0%	51	0	
Odysseum[c]	France	Montpellier	Ext.-redev.	15,300	H2 2021	100.0%	47	8	
Porta di Roma[d]	Italy	Rome	Extension	4,880	H1 2022	50.0%	9	0	
Il Leone di Lonato[d]	Italy	Lombardy	Extension	9,300	H1 2022	50.0%	23	0	
Val d'Europe	France	Paris region	Extension	9,000	H1 2022	55.0%	59	0	
Blagnac	France	Toulouse region	Ext.-refurb.	5,600	H1 2022	53.6%	12	0	
Le Vele & Millenium	Italy	Sardinia	Ext.-refurb.	7,500	H2 2022	100.0%	50	0	
Allum	Sweden	Gothenburg region	Redevelopment	12,500	H2 2022	56.1%	61	5	
L'Esplanade	Belgium	Brussels region	Extension	19,475	H2 2022	100.0%	131	18	
Økernsenteret[d]	Norway	Oslo	Redevelopment	49,615	H2 2023	28.0%	76	24	
Viva	Denmark	Odense	New development	28,200	H1 2024	56.1%	117	23	
Other projects				15,600			67	0	
Total controlled projects				**231,220**			**934**	**99**	
Total identified projects				**249,840**			**1,173**	**4**	
TOTAL				**557,890**			**2,508**	**276**	

(a) Estimated cost as of June 30, 2019, including any fitting-out costs and excluding any step-up rents, internal development fees and finance costs.
(b) Targeted yield on cost as of June 30, 2019, based on targeted NRI with full occupancy and excluding any lease incentives, divided by the estimated cost price as defined above.
(c) Including restructured surfaces: Bègles Rives d'Arcins for 6,950 sq.m. and Odysseum for 9,200 sq.m.
(d) Equity-accounted companies. Estimated costs and costs to date are reported proportionately for Klépierre's share of equity. Floor areas correspond to the total surface area of the projects.

5.3.2 Redevelopment of Hoog Catharijne

Hoog Catharijne, located in Utrecht, is the most visited mall in the Netherlands, with footfall of 27.5 million in 2018. To enhance its leadership, Klépierre has been pursuing a very ambitious redevelopment project aimed at adding new retail and dining space and revamping the existing shopping center with state-of-the-art design to ensure the most enjoyable customer experience. Work on the large-scale redevelopment of this world-class mall has been carried out in several phases all slated for completion by 2021. The sections already opened, representing a total of 54,000 sq.m., are 95% let, and the mall's overall leasing rate stands at 85%.

In March 2019, Hudson's Bay opened a 17,000-sq.m. department store in a section of the shopping center not owned by Klépierre but connected to the mall, followed by Primark in May 2019. With 11,300 sq.m., the Primark store is the second largest in the country after Amsterdam City Center. In April, Samsung also opened an iconic "experience store." Work is now focused on the redevelopment of the lateral wings of the mall, which are used daily by train commuters as urban links to downtown Utrecht. Spread over 23,800 sq.m., the retail offering along these wings will be adding new services for commuters as well as a flagship Mediamarkt store.

5.3.3 Extension and refurbishment of Créteil Soleil

The extension of Créteil Soleil is expected to be completed by the end of 2019. Covering 11,400 sq.m., the extension is located at the main entrance of the shopping center, which welcomes 35% of the 21-million footfall. Spread over three floors, it will create a scenic connection between the subway station and the heart of the center. The program consists in creating 18 new retail premises, 15 restaurants, and 6 additional screens to the existing 12-screen movie theater, expanding the capacity to 3,650 seats. The shopping experience will be considerably enhanced, leveraging the synergy between the restaurants and the movie theater. Leasing is progressing well, with 90% of the space already let (signed or in advanced negotiations), notably including Lego, Nike and the first Monki store in a shopping center in France. This extension will be topped off by the full refurbishment of the entire mall, for which work started in the final quarter of 2018. As part of the refurbishment, Klépierre will be rolling out the Destination Food® concept, combining the existing food offering with the one added by the extension and bringing the total number of restaurants to 35, all set in a welcoming and stimulating new environment. Newcomers include Beer & Beef Sports Bar, Woko, Factory & Co, IT Trattoria, El Mercado, La Cantine Libanaise, 100 Montaditos and Five Guys.

5.3.4 Extension and refurbishment of Gran Reno

The Gran Reno shopping center is located near Bologna, in the main retail and leisure destination in the region with a total retail offering of 160,000 sq.m. comprising Gran Reno, Ikea, Leroy Merlin, Decathlon plus the Unipol Arena, the largest sports and culture complex in Italy. The 16,500-sq.m. extension, rounded out with the refurbishment of the existing center, will create a 54,400-sq.m. regional shopping center with an unrivalled competitive offering in Italy's wealthiest catchment area. Together with the Destination Food® concept, 70 new brands will be added to the center's offering, as well as indoor and outdoor event areas in a brand-new welcoming and stimulating environment.

Work started in April 2019 and pre-leasing activity is progressing well, with 50% of the space signed or under advanced negotiations, including with Zara, Bershka, Pull&Bear and Stradivarius. Opening is scheduled for the first half of 2021.

In addition, the acquisition of the first floor of the hypermarket will be finalized in the second half of 2019. This 8,500-sq.m. space will be redeveloped in order to bring on board new anchors, further reinforcing the center's regional appeal. The hypermarket will be renovated and repositioned over a single floor with a sales area of 7,500 sq.m.

5.3.5 Extension of Rives d'Arcins

The extension of Rives d'Arcins (Bègles, France), one of the largest shopping centers in the Bordeaux urban community, attracting more than 5 million visitors each year over more than 52,000 sq.m, is being delivered in phases. A new 6,000-sq.m. Decathlon store was opened in April 2019, to be followed by Go Sport and Maisons du Monde in the second half of 2019. In 2020, Zara will open a 3,300-sq.m., full-range store, and Stradivarius and Pull&Bear will also be joining the center.

5.4 DISPOSALS

DISPOSALS COMPLETED SINCE JANUARY 1, 2019

Assets (City, Country)	Area (in sq.m.)	Sale price[(a)] (in millions of euros)	Date
Novodvorská Plaza (Prague, Czech Republic)	26,926		01/10/2019
Creil (Saint Maximin, France)	4,066		03/08/2019
Minho Center (Braga, Portugal)	9,602		04/30/2019
Loures (Loures, Portugal)	17,370		04/30/2019
Telheiras (Lisbon, Portugal)	15,297		04/30/2019
Gaia Jardim (Vila Nova de Gaia, Portugal)	5,212		04/30/2019
Almere Centrum (Almere, Netherlands)	22,700		06/19/2019
Shopping centers	**101,173**	**252.6**	
Other properties	**4,200**	**4.1**	
TOTAL DISPOSALS	**105,373**	**256.7**	

(a) *Excluding transfer taxes, total share.*
(b) *Housing building rights.*

Since January 1, 2019, the Group has completed disposals totaling €256.7 million (total share, excluding transfer taxes) as part of its ongoing portfolio streamlining. This amount includes the sale of:

- **Seven malls**: four in Portugal (Minho Center, Loures, Telheiras and Gaia Jardim), one in the Czech Republic (Novodvorská Plaza in Prague), one in France (Saint-Maximin in Creil) and one in the Netherlands (Almere Centrum, Almere);[1] and
- **Other properties** relating to buildings in France.

Beyond these disposals, the Group has signed promissory agreements for a total amount of €244.3 million. This includes the disposal of four shopping centers in Hungary (Corvin, Duna Plaza, Miskolc Plaza and Gyor Plaza) for a total consideration of €217.5 million (excluding transfer taxes). After the closing of this transaction, the Group will no longer own or operate any shopping centers in Hungary.

Closed disposals together with promissory agreements totaled €501 million (excluding transfer taxes), including 11 malls for €485 million (including transfer taxes). These malls were sold at a 5.5% premium to their more recent appraised value, 5.3% above their 2017 valuation, 13.2% above their 2016 valuation and 18.2% above their 2015 valuation, illustrating the Group's ability to crystalize high value creation through disposals.

5.5 FINANCIAL INVESTMENTS

During the first half of 2019 and as part of the €400-million share buyback program announced on February 6, 2019, the Group repurchased 5,091,144 of its own shares at an average price of €31.00 and an aggregate amount of €158 million.

(1) A small portion of Almere has been kept within Klépierre's portfolio.

6

PORTFOLIO VALUATION

6.1 PROPERTY PORTFOLIO VALUATION

6.1.1 Property portfolio valuation methodology

6.1.1.1 Scope of the portfolio appraised by external appraisers

As of June 30, 2019, 98% of the value of Klépierre's property portfolio, or €23,568 million (including transfer taxes, on a total share basis),(1) was estimated by external appraisers in accordance with the methodology described below. The remainder of the portfolio was valued as follows:

- Projects under development, which are carried at cost;(2) and
- Other non-appraised assets consisting mainly of assets held for sale and valued at the agreed transaction price, land valued at cost, and development projects internally valued at fair value.

BREAKDOWN OF THE PROPERTY PORTFOLIO BY TYPE OF VALUATION
(on a total share basis)

Type of asset	Value *(in millions of euros)*
Externally-appraised assets	**23,568**
Acquisitions	0
Investment property at cost	212
Other internally-appraissed assets (land, assets held for sale, etc.)	261
TOTAL PORTFOLIO	**24,042**

6.1.1.2 Methodology used by external appraisers

On December 31 and June 30 of each year, Klépierre updates the fair market value of its properties using valuations provided by independent appraisers. Engagement terms are issued for three-year periods, covering six campaigns, after which Klépierre is committed to rotating appraisers in accordance with the recommendations of the French financial markets authority (*Autorité des marchés financiers* – AMF).

Further to a tender process launched in 2017, Klépierre selected new appraisers to serve from the June 2018 campaign onwards. The selected appraisers are: BNP Paribas Real Estate, CBRE, Colliers, Cushman & Wakefield and Jones Lang LaSalle. The fees payable to these firms are set at the time of signing the three-year term and depend on the number of property units appraised.

BREAKDOWN BY APPRAISER OF THE APPRAISED PROPERTY PORTFOLIOAS OF JUNE 30, 2019

Appraiser	Countries covered	Share of total portfolio *(in %)*
Cushman & Wakefield	> France, Norway, Sweden, Denmark, Belgium, Poland and Hungary	43%
CBRE	> France, Spain, Italy, Netherlands, Czech Republic and Portugal	36%
Jones Lang LaSalle	> Italy, Turkey and Greece	16%
BNP Paribas Real Estate	> Germany and France (other retail properties)	5%
Colliers	> Italy (1 asset)	0%
TOTAL		**100%**

All appraisers appointed by Klépierre comply with the professional standards applicable in France (*Charte de l'Expertise en Évaluation Immobilière*), the recommendations of the AMF dated February 8, 2010, and RICS (Royal Institution of Chartered Surveyors) standards.

To calculate the value of each asset, appraisers use the discounted cash flow (DCF) method over a 10-year period. Klépierre provides them with all relevant information pertaining to rents in place (detailed rent rolls, footfall, retailer sales, occupancy cost ratios, etc.), which they use to make their assessment of projected rental revenue in addition to their own leasing assumptions (estimated rental values, vacancy, incentives, etc.). They also make their own estimates of future capital expenditure and non-recoverable operating expenses. The terminal value is calculated based on the net rental income for the tenth year (indexed one year), capitalized by an exit yield. Lastly, appraisers apply a discount rate to the future cash flows, combining the country risk-free rate, the liquidity premium related to the local investment market and an asset-specific risk premium reflecting the location, quality, size and technical specificities of the asset considered.

The Group's Statutory Auditors have performed audit procedures on the property values as part of the audit of the consolidated financial statements. A detailed report on the property valuation campaign is examined by the Audit Committee.

(1) *Investments in equity-accounted assets are included based on the fair value of the equity owned by the Group in the companies holding the assets, taking into account receivables and facilities granted by the Group.*

(2) *Other projects (Gran Reno, Viva, Økern and Louvain) are carried at cost.*

► **ASSUMPTIONS USED BY APPRAISERS FOR DETERMINING THE SHOPPING CENTER PORTFOLIO VALUATION AS OF JUNE 30, 2019**[a]

Geography	Annual rent[b] *(in €/sq.m.)*	Discount rate[c]	Exit rate[d]	NRI CAGR[e]
France-Belgium	367	5.7%	4.8%	2.8%
Italy	386	7.0%	5.6%	1.7%
Scandinavia	334	6.8%	4.8%	2.2%
Iberia	339	7.3%	5.7%	2.2%
CE & Other	217	9.2%	7.1%	3.7%
Netherlands	239	6.6%	6.0%	3.1%
Germany	225	5.1%	4.4%	1.1%
TOTAL	**315**	**6.5%**	**5.2%**	**2.4%**

(a) Discount rate and exit rate weighted by shopping center appraised value (including transfer taxes, Group share).
(b) Average annual rent (minimum guaranteed rent plus sales based rent) per asset per sq.m.
(c) Rate used to calculate the net present value of future cash flows to be generated by the asset.
(d) Rate used to capitalize the net rental income at the end of the DCF period and calculate the terminal value of the asset.
(e) Compound annual growth rate (CAGR) of net rental income as estimated by the appraiser over a 10-year period.

The value obtained by a DCF method is then benchmarked using metrics such as EPRA Net Initial Yield (NIY) for comparable property, value per sq.m., and recent market transactions.

6.1.2 Valuation

6.1.2.1 Property portfolio valuation

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

		% of total	Change over 6 months			Change over 12 months		
In millions of euros	06/30/2019	portfolio	12/31/2018	Reported	LfL[a]	06/30/2018	Reported	LfL[a]
France	9,098	37.8%	9,231	−1.4%	−1.6%	9,255	−1.7%	−2.4%
Belgium	447	1.9%	454	−1.6%	−1.8%	452	−1.1%	−1.5%
France-Belgium	**9,545**	**39.7%**	**9,684**	**−1.4%**	**−1.6%**	**9,707**	**−1.7%**	**−2.3%**
Italy	**4,045**	**16.8%**	**4,052**	**−0.2%**	**−1.0%**	**4,112**	**−1.6%**	**−0.4%**
Norway	1,491	6.2%	1,424	+4.8%	+1.3%	1,510	−1.2%	−0.3%
Sweden	1,200	5.0%	1,252	−4.1%	−1.5%	1,232	−2.6%	−1.8%
Denmark	1,181	4.9%	1,196	−1.3%	−1.7%	1,179	+0.2%	−1.2%
Scandinavia	**3,873**	**16.1%**	**3,872**	**0.0%**	**−0.5%**	**3,921**	**−1.2%**	**−1.0%**
Spain	1,938	8.1%	1,918	+1.0%	+0.9%	1,878	+3.2%	+2.9%
Portugal	304	1.3%	394	−22.9%	+1.5%	394	−22.8%	+3.9%
Iberia	**2,242**	**9.3%**	**2,313**	**−3.1%**	**+1.0%**	**2,271**	**−1.3%**	**+3.0%**
Czech Republic	682	2.8%	696	−2.0%	+3.3%	680	+0.3%	+4.8%
Poland	375	1.6%	388	−3.5%	−4.7%	399	−6.2%	−9.0%
Hungary	215	0.9%	201	+6.9%	+6.4%	254	−15.3%	+11.6%
Turkey	315	1.3%	363	−13.3%	−4.7%	410	−23.2%	−5.7%
Others	22	0.1%	23	−5.8%	−6.3%	25	−11.7%	−12.2%
CE & Other	**1,609**	**6.7%**	**1,672**	**−3.8%**	**0.0%**	**1,768**	**−9.0%**	**−0.3%**
Netherlands	**1,433**	**6.0%**	**1,514**	**−5.3%**	**−1.2%**	**1,471**	**−2.6%**	**−1.1%**
Germany	**959**	**4.0%**	**976**	**−1.7%**	**−1.9%**	**978**	**−1.9%**	**−2.9%**
Total shopping centers	**23,706**	**98.6%**	**24,083**	**−1.6%**	**−0.9%**	**24,229**	**−2.2%**	**−1.1%**
Total other retail properties	**336**	**1.4%**	**357**	**−5.8%**	**−5.0%**	**365**	**−8.0%**	**−6.6%**
TOTAL PORTFOLIO	**24,042**	**100.0%**	**24,440**	**−1.6%**	**−1.0%**	**24,594**	**−2.2%**	**−1.2%**

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

▶ **VALUATION OF THE PROPERTY PORTFOLIO**

(on a Group share basis, including transfer taxes)

In millions of euros	06/30/2019	% of total portfolio	Change over 6 months			Change over 12 months		
			12/31/2018	Reported	LfL[a]	06/30/2018	Reported	LfL[a]
France	7,258	35.6%	7,385	−1.7%	−1.8%	7,418	−2.1%	−2.7%
Belgium	447	2.2%	454	−1.6%	−1.8%	452	−1.1%	−1.5%
France-Belgium	**7,705**	**37.8%**	**7,839**	**−1.7%**	**−1.8%**	**7,869**	**−2.1%**	**−2.7%**
Italy	**4,015**	**19.7%**	**4,021**	**−0.2%**	**−1.0%**	**4,072**	**−1.4%**	**−0.3%**
Norway	837	4.1%	799	+4.8%	+1.3%	847	−1.2%	−0.3%
Sweden	673	3.3%	702	−4.1%	−1.5%	691	−2.6%	−1.8%
Denmark	663	3.2%	671	−1.3%	−1.7%	661	+0.2%	−1.2%
Scandinavia	**2,173**	**10.6%**	**2,172**	**0.0%**	**−0.5%**	**2,200**	**−1.2%**	**−1.0%**
Spain	1,938	9.5%	1,918	+1.0%	+0.9%	1,878	+3.2%	+2.9%
Portugal	304	1.5%	394	−22.9%	+1.5%	394	−22.8%	+3.9%
Iberia	**2,242**	**11.0%**	**2,313**	**−3.1%**	**+1.0%**	**2,271**	**−1.3%**	**+3.0%**
Czech Republic	682	3.3%	696	−2.0%	+3.3%	680	+0.3%	+4.8%
Poland	375	1.8%	388	−3.5%	−4.7%	399	−6.2%	−9.0%
Hungary	215	1.1%	201	+6.9%	+6.4%	254	−15.3%	+11.6%
Turkey	295	1.4%	341	−13.5%	−4.8%	386	−23.6%	−6.2%
Others	22	0.1%	23	−5.8%	−6.3%	25	−11.7%	−12.2%
CE & Other	**1,589**	**7.8%**	**1,650**	**−3.7%**	**0.0%**	**1,745**	**−8.9%**	**−0.3%**
Netherlands	**1,433**	**7.0%**	**1,514**	**−5.3%**	**−1.2%**	**1,471**	**−2.6%**	**−1.1%**
Germany	**911**	**4.5%**	**927**	**−1.7%**	**−1.9%**	**929**	**−1.9%**	**−2.9%**
Total shopping centers	**20,068**	**98.4%**	**20,436**	**−1.8%**	**−1.0%**	**20,557**	**−2.4%**	**−1.1%**
Total other retail properties	**336**	**1.6%**	**357**	**−5.8%**	**−5.0%**	**365**	**−8.0%**	**−6.6%**
TOTAL PORTFOLIO	**20,404**	**100.0%**	**20,793**	**−1.9%**	**−1.1%**	**20,922**	**−2.5%**	**−1.2%**

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

Including transfer taxes, the value of the property portfolio as of June 30, 2019 was €24,042 million on a total share basis (€20,404 million on a Group share basis). On a total share basis (including transfer taxes), shopping centers accounted for 98.6% of the portfolio and other retail properties for 1.4%.[1]

▶ **VALUATION RECONCILIATION WITH THE STATEMENT OF FINANCIAL POSITION FIGURE**

(on a total share basis)

In millions of euros	
Investment property at fair value	**21,525**
Right of use relating to ground leases[a]	(361)
Investment property at cost[b]	212
Fair value of property held for sale	239
Leasehold & lease incentives	16
Transfer taxes	1,086
Partners' share in assets consolidated under the equity method (incl. receivables)	1,325
TOTAL PORTFOLIO	**24,042**

(a) The right of use as defined by IFRS 16 is not included in the portfolio valuation by external appraisers, except for the upfront payments on ground leases.
(b) Including IPUC (investment property under construction).

6.1.2.2 Shopping center portfolio valuation

Including transfer taxes, the value of the shopping center portfolio stood at €23,706 million on a total share basis as of June 30, 2019, down by 1.6% or €377 million on a reported basis compared to the same period last year. This increase reflects the combined impact of the following factors:

> A €223-million like-for-like valuation decrease (down 0.9%);

> A €128-million increase related to acquisitions and development;

> A €256-million negative impact from disposals; and

> A €27-million negative impact related to foreign exchange.

(1) This segment refers to standalone retail units located in France and mostly in the vicinity of retail destinations.

▶ 12-MONTH SHOPPING CENTER PORTFOLIO VALUATION RECONCILIATION

(on a total share basis, including transfer taxes)

In millions of euros	
Shopping center portfolio at 06/30/2018	**24,229**
Disposals	(230)
Acquisitions/developments	230
Like for like change	(53)
Forex	(93)
Shopping center portfolio at 12/31/2018	**24,083**
Disposals	(256)
Acquisitions/developments	128
Like for like change	(223)
Forex	(27)
SHOPPING CENTER PORTFOLIO AT 06/30/2019	**23,706**

The slight 0.9% decrease in the like-for-like property valuation over the past six months was mostly driven by a higher risk premium used by external appraisers in their DCF model. Combined with a slightly lower risk free-rate and, accordingly, lower indexation, the higher risk premium translated into a broadly stable discount rate and a higher exit rate, ultimately leading to a negative 1.2% market effect on the valuation of the portfolio.

On the back of healthy rental transactions and despite slightly lower indexation assumptions, NRI growth as predicted by the appraisers in their valuation model was broadly unchanged compared to the December 2018 appraisal campaign, translating into a slightly positive cash flow effect on the valuation of the portfolio (positive 0.2% impact).

From a geographical perspective, Iberia was still the most dynamic region (up 1.0% over 6 months and up 3.0% over 12 months), boosted by a strong cash flow effect.

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

Geography	LFL change	Market effect	Cash flow effect
France-Belgium	−1.6%	−1.6%	0.0%
Italy	−1.0%	−0.8%	−0.1%
Scandinavia	−0.5%	−1.5%	+1.0%
Iberia	+1.0%	−0.4%	+1.4%
CE & Other	0.0%	−0.9%	+0.8%
Netherlands	−1.2%	−0.7%	−0.5%
Germany	−1.9%	+0.2%	−2.1%
TOTAL SHOPPING CENTERS	**−0.9%**	**−1.2%**	**+0.2%**

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

Overall, as of June 30, 2019, the average EPRA NIY rate[(1)] for the portfolio[(2)] stood at 4.9%, remaining flat *versus* six months ago. This compares with a blended risk-free rate of 0.7%,[(3)] which materializes the Klépierre portfolio's widest risk premium in a decade.

(1) EPRA Net Initial Yield is calculated as the annualized rental income based on passing cash rents, less non-recoverable property operating expenses, divided by the market value of the property (including transfer taxes).

(2) Group share for the shopping center portfolio appraised (i.e., excluding retail parks and movie theaters).

(3) Blended risk-free rate for the Klépierre countries based on 10-year Government bonds weighted by the share of each country in the Klépierre portfolio as of June 30, 2019.

► CHANGE IN EPRA NET INITIAL YIELD OF THE SHOPPING CENTER PORTFOLIO[(a)]

(on a group share basis, including transfer taxes)

Country	06/30/2019	12/31/2018	06/30/2018
France	4.3%	4.2%	4.2%
Belgium	4.0%	4.0%	3.9%
France-Belgium	**4.3%**	**4.2%**	**4.1%**
Italy	**5.5%**	**5.5%**	**5.5%**
Norway	4.8%	4.9%	4.8%
Sweden	4.2%	4.2%	4.3%
Denmark	4.5%	4.5%	4.4%
Scandinavia	**4.5%**	**4.5%**	**4.5%**
Spain	5.3%	5.1%	5.0%
Portugal	6.5%	6.7%	6.2%
Iberia	**5.5%**	**5.4%**	**5.2%**
Poland	7.9%	7.7%	7.6%
Hungary	8.6%	8.4%	8.9%
Czech Republic	4.5%	4.9%	4.6%
Turkey	7.6%	8.4%	7.0%
Others	12.6%	9.9%	11.3%
CE & Other	**6.3%**	**6.8%**	**6.6%**
Netherlands	**5.2%**	**5.1%**	**5.0%**
Germany	**4.5%**	**4.6%**	**4.6%**
TOTAL SHOPPING CENTERS	**4.9%**	**4.9%**	**4.8%**

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

► SHOPPING CENTER PORTFOLIO VALUATION: SENSITIVITY TO CHANGES IN THE DISCOUNT RATE AND EXIT RATE

(on a total share basis, including transfer taxes)

The tables below present the change in the valuation of the shopping center portfolio using different discount rate and exit rate assumptions than those used by the appraisers.

	Discount rate variance					
Geography	**−100 bps**	**−50 bps**	**−25 bps**	**+25 bps**	**+50 bps**	**+100 bps**
France-Belgium	+7.9%	+3.8%	+1.9%	−1.9%	−3.7%	−7.2%
Italy	+7.8%	+3.3%	+1.9%	−1.8%	−3.6%	−7.1%
Scandinavia	+7.8%	+3.8%	+1.9%	−1.8%	−3.6%	−7.1%
Iberia	+7.6%	+3.7%	+1.8%	−1.8%	−3.6%	−7.0%
CE & Other	+7.1%	+3.5%	+1.7%	−1.6%	−3.3%	−6.4%
Netherlands	+10.0%	+4.4%	+1.8%	−3.3%	−5.7%	−10.3%
Germany	+8.6%	+4.2%	+2.1%	−2.0%	−4.0%	−7.7%
TOTAL SHOPPING CENTERS	**+7.9%**	**+3.8%**	**+1.9%**	**−1.9%**	**−3.8%**	**−7.3%**

	Exit rate variance					
Geography	**−100 bps**	**−50 bps**	**−25 bps**	**+25 bps**	**+50 bps**	**+100 bps**
France-Belgium	+18.8%	+8.1%	+3.8%	−3.4%	−6.5%	−11.6%
Italy	+13.5%	+6.1%	+2.9%	−2.6%	−5.0%	−9.3%
Scandinavia	+21.0%	+9.2%	+4.3%	−3.9%	−7.4%	−13.5%
Iberia	+13.5%	+6.0%	+2.9%	−2.6%	−5.0%	−9.2%
CE & Other	+10.8%	+4.9%	+2.3%	−2.1%	−4.1%	−7.5%
Netherlands	+14.8%	+6.2%	+2.5%	−3.7%	−6.5%	−11.2%
Germany	+21.1%	+9.2%	+4.3%	−3.8%	−7.3%	−13.3%
TOTAL SHOPPING CENTERS	**+17.0%**	**+7.4%**	**+3.5%**	**−3.2%**	**−6.1%**	**−11.0%**

6.1.2.3 Other retail properties

Including transfer taxes, the value of the other retail property portfolio stood at €336 million, down 5.8% over 6 months, due to the disposal of seven retail boxes, and down 5.0% on a like-for-like portfolio basis. The EPRA NIY of the portfolio came out at 6.8%, up 10 bps compared with December 31, 2018.

6.2 MANAGEMENT SERVICE ACTIVITIES

Klépierre's real estate management service activities include asset management, development and investment advisory services provided to property companies, most of which are owned by the Group.

These activities are valued once a year by Accuracy (as of end of December), an independent external consultant, using a DCF method based on a sum-of-the-parts approach for each country in which Klépierre operates. The DCF is based on a business plan of future cash flows (fees charged to property companies, net of payroll costs and other general and administrative expenses) including a terminal value calculated with a normative expected cash flow. Future cash flows are discounted at 7.6% based on the weighted average cost of capital of comparable listed companies managing third-party real estate investments.

The fair market value of the Klépierre Group management service activities as of June 30, 2019 is the same as that as of December 31, 2018 since no major change occurred in the valuation assumptions. It stood at €373.5 million on a total share basis (€364.5 million, Group share) compared to €361.2 million (€353.7 million, Group share) as of June 30, 2018.

7

FINANCIAL POLICY

Based on a moderate use of financial leverage, Klépierre's financial policy aims at ensuring balance-sheet stability, continuous access to financial resources and the most competitive cost of capital. Financial conditions have shifted markedly towards lower financing costs with significant decreases in interest rates in the eurozone and tighter credit spreads over the first six months of the year. In that favorable context, Klépierre continued to enhance its debt profile by issuing long-term debt at a very competitive cost while also focusing on optimizing its liquidity and hedging positions.

7.1 FINANCIAL RESOURCES

7.1.1 Change in net debt

As of June 30, 2019, consolidated net debt totaled €8,818 million, *versus* €8,875 million as of December 31, 2018, representing a €57-million decrease that was mainly attributable to:

> Cash inflows from operations and other items (foreign exchange, changes in working capital), amounting to €444 million;

> Cash outflows in respect of corporate actions for €523 million (including the interim dividend in March for €312 million, distributions to non-controlling interests for €54 million and the buyback of Klépierre shares for an aggregate amount of €158 million);

> Cash outflows in respect of capital expenditure for €121 million (see section 8.6 "EPRA Capital Expenditure") including €79 million in development pipeline projects and €42 million in standing assets; and

> Cash inflows from disposals for €257 million, corresponding to the proceeds from assets sold mainly in France and Portugal.

7.1.2 Loan-to-Value ratio

Despite the reduction in net debt, the Loan-to-Value (LTV) ratio increased to 36.7% as of June 30, 2019, a 40-bp increase compared to year-end 2018 mainly attributable to a decrease in capital values. Nevertheless, the metric remains comfortably anchored within Klépierre's long-term LTV target of between 35% and 40%.

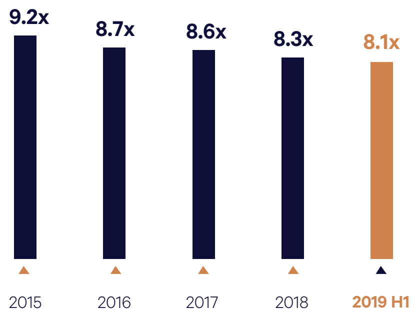
▸ LOAN-TO-VALUE CALCULATION AS OF JUNE 30, 2019
(as per covenant definitions, on a total share basis)

In millions of euros	**06/30/2019**	**12/31/2018**
Current financial liabilities	2,452.2	2,069.6
Bank facilities	68.5	224.7
Non-current financial liabilities	6,643.0	7,036.3
Revaluation due to fair value hedge	(13.1)	(18.2)
Fair value adjustment of debt[a]	(31.0)	(40.6)
Gross financial liabilities excluding fair value hedge	**9,119.6**	**9,271.8**
Cash and cash equivalents[b]	(301.6)	(396.7)
Net debt	**8,818.0**	**8,875.1**
Property portfolio value (incl. transfer taxes)	24,041.9	24,439.6
LOAN-TO-VALUE RATIO	**36.7%**	**36.3%**

(a) Corresponds to the outstanding amount of the market value adjustment for Corio's debt recognized at the acquisition date.
(b) Including cash managed for principals.

Thanks to the combined effect of deleveraging along with stronger operating performances, the net debt to EBITDA ratio continued on its downward trend to 8.1x as of end of June 2019, compared to 8.3x as of December 31, 2018.

▸ **NET DEBT TO EBITDA**



7.1.3 Available resources

During the first half of the year, Klépierre's liquidity position increased by €1 billion to €3.2 billion as of July 1, 2019, as a result of the following initiatives:

> A new €200 million bilateral revolving credit facility was signed with a five-year maturity;

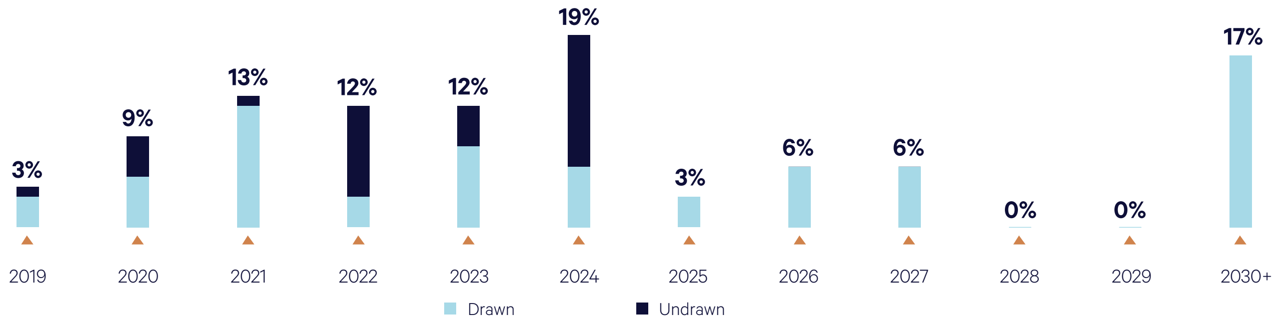
> Eight bilateral facilities originally maturing in 2023 were extended to 2024 for an aggregate amount of €1,100 million; and

> €600 million worth of new 11-year notes were sold at the end of June (settlement on July 1, 2019) bearing a 0.625% coupon. This new bond aims at pre-financing the shortest bonds maturing in 2019 and 2020.

In Scandinavia, Steen & Strøm, Scandinavia's leading shopping center real estate company in which Klépierre has a controlling stake, raised €169 million in NOK and SEK in the capital markets (bonds and commercial paper), set aside to refinance €194 million in financing in the same currencies and falling due during the first half of the year.

Taking into account these transactions, the Group's average debt maturity stood at 5.7 years, unchanged from year-end 2018. The average remaining maturity of undrawn committed credit facilities remained high, at 4.7 years, compared to 4.6 years at year-end 2018.

▸ **DEBT MATURITY SCHEDULE AS OF JUNE 30, 2019**
(% of authorized debt)

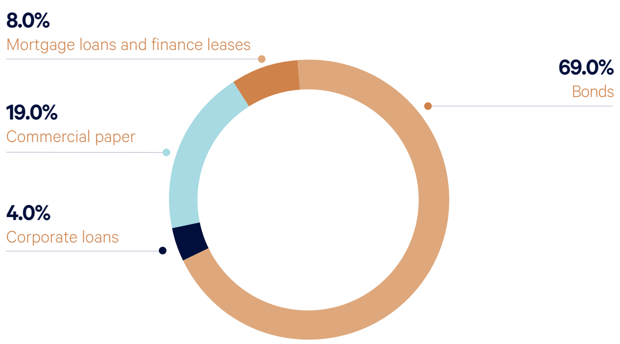


7.1.4 Debt structure

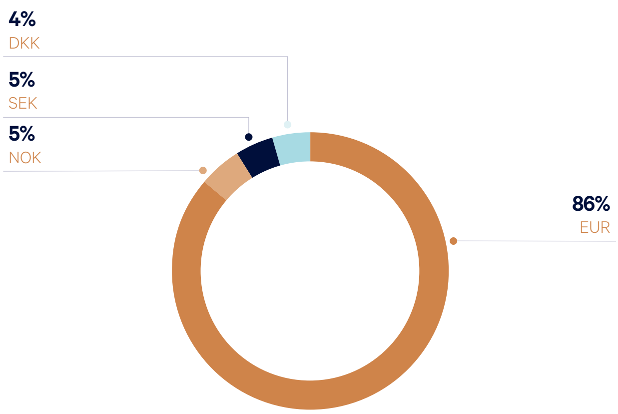
As of June 30, 2019, the share of financing sourced from capital markets in total debt stood at 87%, enabling Klépierre to benefit from excellent financing conditions. Bank facilities accounted for 13%, of which 9% concerned asset-backed debt raised mainly in Scandinavia (7.1%), France (1.4%) and Italy (0.1%).

Klépierre's debt exposure to foreign currencies is adjusted to mirror that of its assets—except for the Czech Republic, Poland and Turkey. Considering the limited exposure of the Group's portfolio to these countries[1] and the cost of currency hedging, especially over long durations, the Group has decided not to hedge this position.

▸ FINANCING BREAKDOWN BY TYPE OF RESOURCE AS OF JUNE 30, 2019
(utilizations, total share)



▸ FINANCING BREAKDOWN BY CURRENCY AS OF JUNE 30, 2019
(utilizations, total share)



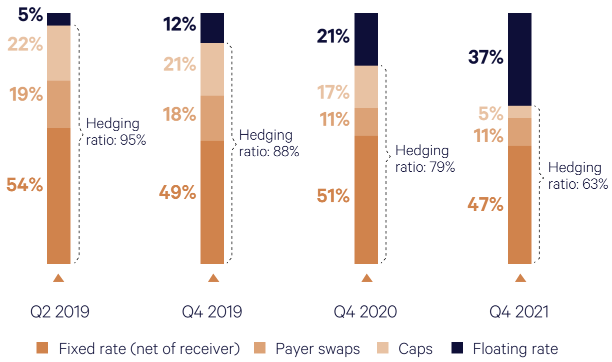
7.2 INTEREST-RATE HEDGING

Over 2019, Klépierre strengthened its hedging profile through the following initiatives:

- In early January 2019, Klépierre continued to implement a new hedging program to increase the share of fixed-rate debt over the 2021-2025 period and consequently secure its cost of debt at an attractive level. Accordingly, Klépierre bought €500 million in payer swaptions in addition to €200 million already bought in December 2018 and €250 million worth of caps to renew the same amount of instruments maturing in 2019, with an average maturity of three years;
- From January to May 2019, Klépierre switched €400 million of its short-term fixed-rate exposure to optional hedging instruments. These transactions will limit the cost of carry of the hedging portfolio in the next two years;
- In June 2019, Steen & Strøm subscribed €72 million worth of hedging instruments denominated in NOK to maintain its hedging ratio at 76% as of June 30, 2019 (one percentage point lower than at year-end 2018); and
- At end-June 2019, Klépierre entered into a €600 million interest rate swap (starting July 1) in the context of preparing a new bond issuance (€600 million).

As of June, 30 2019, the proportion of fixed-rate debt (including hedging instruments) was set at 95%, while its average maturity remained around five years (4.6). Accordingly, the Group's cost of debt for the coming years is expected to remain stable, with low sensitivity to interest rate fluctuations.

▸ DEBT BY TYPE OF HEDGING INSTRUMENTS



Based on the interest rate yield curve as of June 30, 2019, the Group's annual cash-cost-at-risk stood at €1 million on a total share basis. In other words, the annual loss resulting from short-term interest rate movements would be less than €1 million 99% of the time. This calculation does not factor in any assumptions regarding changes in the credit spread.

(1) *On a Total-Share basis, including transfer taxes, Czech Republic represented 2.8% of the total Klépierre portfolio, Poland 1.6% and Turkey 1.3%.*

7.3 COST OF DEBT

During the first half, the Group's average cost of debt continued to fall to 1.5% *versus* 1.6% in 2018, benefiting from the low short-term interest rates and from the attractive refinancing operations carried out in recent years.

In view of the low cost of debt and robust operating performances, the interest coverage ratio (ICR, EBITDA divided by net interest expense) stood at 7.9x.

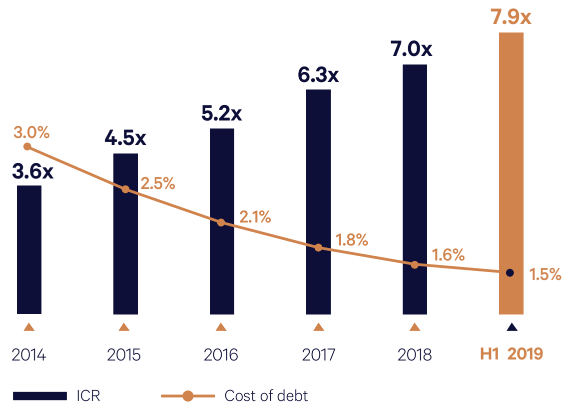
▶ **BREAKDOWN OF COST OF DEBT**

In millions of euros	06/30/2019	06/30/2018
Cost of net debt (as per IFRS consolidated income statement)	**68.0**	**77.0**
Non-recurring items	1.6	(1.6)
Non-cash impact	(1.1)	(6.1)
Interest on associate advances	5.8	6.9
Liquidity cost	(2.9)	(3.3)
Interest expense on lease liabilities[a]	(4.2)	-
Cost of debt (used for cost of debt calculations)	**67.2**	**72.9**
Average gross debt	**8,929.3**	**9,121.4**
COST OF DEBT *(in %)*	**1.5%**	**1.6%**

(a) As per IFRS 16.

Fixed-rate bonds to mature until end 2022 represent a total amount of €1.8 billion (out of which €0.7 billion are swapped) at an average coupon of 4.2% (2.7% restated for the swaps). Based on current market conditions, these future refinancings should lead to a further contraction in the cost of debt.

▶ **INTEREST COVERAGE RATIO AND COST OF DEBT**



7.4 COVENANTS AND RATINGS

Standard & Poor's currently assigns a long-term A– rating (A2 short-term rating) with a stable outlook to Klépierre and Steen & Strøm, while Moody's continues to assign a rating of A3 (stable outlook) to the outstanding notes initially issued by Corio NV.

▶ **COVENANTS**

Financing	Ratios/covenants	Limit[a]	06/30/2019	12/31/2018
Syndicated loans and bilateral loans	Net debt/Portfolio value ("Loan to Value")	≤60%	36.7%	36.3%
	EBITDA/Net interest expenses[b]	≥2.0x	7.9x	7.0x
	Secured debt/Portfolio value[c]	≤20%	0.7%	0.7%
	Portfolio value[d]	≥€10bn	€20.4bn	€20.8bn
Bond issues	Secured debt/Revalued Net Asset Value[c]	≤50%	0.8%	0.8%

(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.

8

EPRA PERFORMANCE INDICATORS

The following performance indicators have been prepared in accordance with the best practice recommendations of EPRA (European Public Real Estate Association) as set out in the guide available on its website (**www.epra.com**).

8.1 EPRA EARNINGS

EPRA Earnings is a measure of the underlying operating performance of an investment property company excluding fair value gains, investment property disposals, and limited other items considered as non-core activities for an investment property company.

▶ **EPRA EARNINGS**

Group share *(in millions of euros)*	**06/30/2019**	**06/30/2018**
Net income as per IFRS consolidated statement of comprehensive income	**168.8**	**618.8**
Adjustments to calculate EPRA Earnings, exclude:		
(i) Changes in value of investment properties, development properties held for investment and other interests	(222.5)	386.0
(ii) Profit or losses on disposal of investment properties, development properties held for investment and other interests	8.7	(0.2)
(iii) Profit or losses on sales of trading properties including impairment charges in respect of trading properties	-	-
(iv) Tax on profits or losses on disposals	-	-
(v) Negative goodwill/goodwill impairment[(a)]	(5.6)	-
(vi) Changes in fair value of financial instruments and associated close-out costs	(16.7)	(10.4)
(vii) Acquisition costs on share deals and non-controlling joint venture interests	0.0	(5.3)
(viii) Deferred tax in respect of EPRA adjustements[(b)]	4.2	(67.0)
(ix) Adjustments (i) to (viii) above in respect of joint ventures (unless already included under proportional consolidation)	(22.6)	9.1
(x) Non-controlling interests in respect of the above	23.1	(76.2)
EPRA EARNINGS	**400.3**	**382.7**
Company-specific adjustments:		
> Employee benefits, stock option expense and non-current operating expenses	3.7	5.5
> Depreciation, amortization and provisions for contingencies and losses	5.8	7.4
Net current cash flow	**409.8**	**395.6**
Average number of shares[(c)]	*295,908,706*	*301,032,676*
Per share *(in euros)*		
EPRA EARNINGS[(d)]	**1.35**	**1.27**
Net current cash flow	**1.38**	**1.31**

(a) Goodwill impairment mostly relates to a reduction in the valuation of management services companies following the disposals of assets in Hungary.
(b) In 2019, this item includes €11.7 million in deferred tax, −€0.7 million in non-current taxes (mostly related to disposals) and −€6.8 million related to the application of IFRIC 21 (i.e., property tax annualization).
(c) Excluding treasury shares.
(d) IFRS 16 impact on EPRA Earnings is strictly similar to that on net current cash flow (see footnote 6, section 4).

8.2 EPRA NET ASSET VALUES

EPRA Net Asset Value (NAV) is a measure of the fair value of net assets assuming a normal investment property company business model, *i.e.*, it is assumed that investment property is owned and operated over the long term. EPRA Triple Net Asset Value (NNNAV) is similar to EPRA NAV, but includes debt and financial instruments at fair value as well as the optimization of deferred tax liabilities.

8.2.1 Methodology

EPRA NAV and EPRA NNNAV are calculated by restating consolidated equity for several items.

8.2.2 Goodwill

Goodwill arising on deferred taxes is excluded from the NAV calculation, as the corresponding deferred tax liability is also eliminated as explained below. Goodwill arising on other assets relating to Klépierre's management services business is also excluded, because these assets are taken at fair market value in the calculation of NAV.

8.2.3 Unrealized capital gains on management companies

The management services companies are appraised annually. The difference between the market values and the carrying amounts recognized in the consolidated financial statements is included in the calculation of NAV and NNNAV.

8.2.4 Fair value of financial instruments

The net mark-to-market adjustment to the value of financial instruments used for hedging purposes—where Klépierre has the intention of holding the position until the end of the contractual duration—is excluded from the calculation of NAV but added back for the calculation of NNNAV. NNNAV also incorporates the fair value of debt and interest rate hedging instruments that are not recognized under consolidated net assets in accordance with IAS 32 and IFRS 9, which essentially involves marking fixed-rate debt to market.

8.2.5 Deferred taxes on asset values

Deferred taxes are deducted from the fair value of assets in the IFRS consolidated financial statements. These taxes are recognized as the difference between the net carrying amounts and the tax values, as determined by capital gains tax rates in force in each country where Klépierre does not benefit from tax exemption rules.

For EPRA NAV, which measures the fair value of net assets on an ongoing, long-term basis, deferred taxes must be restated as they become payable only when the assets are sold.

For EPRA NNNAV, taxes on unrealized capital gains are calculated property by property, on the basis of applicable local tax regulations, using the most likely transaction scenario between direct sales of property ("asset deals") and disposals *via* the sale of shares of a company owning the property ("share deals").

8.2.6 Transfer taxes

Originally valued by the external appraisers based on the assumption that all properties will be sold through asset deals, transfer taxes on the sale of assets are restated by Klépierre to reflect the most likely transaction scenario between share deals and asset deals, as is done to determine the effective tax on unrealized capital gains pursuant to applicable local tax regulations (see section 8.2.5 above).

8.2.7 Calculation of EPRA Net Asset Values

▶ **EPRA NET ASSET VALUES**

Group share *(in millions of euros)*	**06/30/2019**	**12/31/2018**	**06/30/2018**	**6-month change**	**12-month change**
Consolidated shareholders' equity[(a)]	**9,766**	**10,358**	**10,242**	**−5.7%**	**−4.6%**
Amounts owed to shareholders	308	0	0	-	-
Unrealized capital gains on management service activities[(b)]	336	346	336	−2.6%	+0.2%
Goodwill restatement[(a)]	(608)	(611)	(657)	−0.5%	−7.5%
Fair value of hedging instruments	12	8	2	-	-
Deferred taxes on asset values as per SOFP[(a)]	1,516	1,525	1,507	−0.6%	+0.6%
Transfer taxes restatement[(c)]	384	413	419	−6.9%	−8.4%
EPRA NAV	**11,714**	**12,038**	**11,848**	**−2.7%**	**−1.1%**
Optimized deferred taxes on unrealized capital gains	(373)	(400)	(386)	−6.5%	−3.4%
Fair value of hedging instruments	(12)	(8)	(2)	-	-
Fair value of fixed-rate debt	(299)	(39)	(116)	-	-
EPRA NNNAV	**11,030**	**11,591**	**11,345**	**−4.8%**	**−2.8%**
Number of shares, end of period	*293,216,592*	*297,430,644*	*300,243,165*		
Per share *(in euros)*[(d)]					
EPRA NAV	**40.00**	**40.50**	**39.50**	**−1.3%**	**+1.2%**
EPRA NNNAV	**37.60**	**39.00**	**37.80**	**−3.5%**	**−0.4%**

(a) As per the IFRS consolidated statements of financial position on a Group share basis, including equity-accounted items.
(b) The external valuation of Klépierre's management service activities stood at €365 million (see section 6.2), while their carrying amount in the consolidated financial statements was €29 million, giving rise to an unrealized capital gain on these activities in an amount of €336 million.
(c) External appraisers valued transfer taxes payable on the whole portfolio at €951 million, considering that all properties would be sold through asset deals. Klépierre's assessment of such transfer taxes totals €567 million, as the Group considered it would be likely to secure share deals instead of asset deals in several instances. The €384 million restatement is the difference between these two valuations.
(d) Per-share figures rounded to the nearest 10 cents.

▶ **EPRA NAV 6-MONTH RECONCILIATION PER SHARE**[(a)]

In euros per share	
EPRA NAV at 12/31/2018	**40.50**
Cash flow	+1.38
Like-for-like asset revaluation	−0.76
Dividend	−1.05
Forex and others	−0.07
EPRA NAV at 06/30/2019	**40.00**

(a) NAV per shares figures are rounded to the nearest 10 cents.

EPRA NAV per share amounted to €40.00 at the end of June 2019, *versus* €40.50 six months ago.[(1)] This reduction is the result of net current cash flow generation (€1.38 per share), more than offset by the decrease in the value of the like-for-like portfolio (€0.76 per share) and the dividend payment (€1.05 per share). Foreign exchange and other items had a negative impact of €0.07 per share.

(1) NAV per share figures are rounded to the nearest 10 cents.

8.3 EPRA NET INITIAL YIELDS

EPRA Net Initial Yield (NIY) is calculated as annualized rental income based on passing cash rents, less non-recoverable property operating expenses, divided by the gross market value of the property. EPRA "Topped-up" NIY is calculated by making an adjustment to EPRA NIY in respect of the expiration of rent-free periods (or other unexpired lease incentives such as discounted rent-free periods and step-up rents). See section 6.1.2.1 "Shopping center portfolio valuation" for the geographical breakdown of EPRA NIY.

► **EPRA NET INITIAL YIELDS**

In millions of euros	**Shopping centers**	**Other retail properties**	**Total**
Investment property - Wholly owned	18,798	336	19,134
Investment property - Share of joint ventures/funds	1,270	0	1,270
Total portfolio	**20,068**	**336**	**20,404**
Less: Developments, land and other	(1,152)	(1)	(1,152)
Completed property portfolio valuation (B)	**18,916**	**336**	**19,252**
Annualized cash passing rental income	1,043	24	1,067
Property outgoings	(117)	(1)	(119)
Annualized net rents (A)	**926**	**23**	**949**
Notional rent expiration of rent free periods or other lease incentives	31	0	32
Topped-up net annualized rent (C)	**957**	**23**	**980**
EPRA NET INITIAL YIELD (A/B)	**4.9%**	**6.8%**	**4.9%**
EPRA "TOPPED-UP" NIY (C/B)	**5.1%**	**6.9%**	**5.1%**

8.4 EPRA VACANCY RATE

EPRA Vacancy rate is calculated by dividing the market rents of vacant spaces by the market rents of the total space of the whole property portfolio (including vacant spaces), excluding properties that are under development and strategic vacancies.

► **EPRA VACANCY RATE(a)**

In thousands of euros	**Estimated rental value of vacant space (A)**	**Total estimated rental value (B)**	**EPRA Vacancy rate (A/B)**
France-Belgium	14,566	444,422	3.3%
Italy	4,311	287,439	1.5%
Scandinavia	7,600	185,035	4.1%
Iberia	3,017	141,736	2.1%
CE & Other	5,660	123,562	4.6%
Netherlands	1,558	64,778	2.4%
Germany	1,557	38,835	4.0%
TOTAL	**38,269**	**1,285,808**	**3.0%**

(a) *Scope: all shopping centers, including those accounted for under the equity method, included based on a 100% share. The estimated rental values of leased and vacant spaces as of June 30, 2019, are based on internal assumptions. Shopping centers (or portions thereof) under restructuring that are excluded from the scope are as follows: Bourse and Prado (Marseille), Échirolles (Grenoble), Odysseum (Montpellier), the Val d'Europe extension (Paris region), Nailloux Village (Toulouse), Økern (Oslo), Allum (Partille) and Hoog Catharijne (Utrecht). Strategic vacancies are also excluded.*

8.5 EPRA COST RATIO

The purpose of the EPRA Cost Ratio is to reflect the relevant overhead and operating costs of the business. It is calculated by expressing the sum of property expenses (net of service charge recoveries and third-party asset management fees) and administrative expenses as a percentage of gross rental income.

▸ EPRA COST RATIO

In millions of euros	06/30/2019	06/30/2018
Administrative and operating expenses[a]	(108.9)	(116.6)
Net service charge costs[a]	(37.0)	(38.1)
Net management fees[a]	41.4	41.8
Other net operating income intended to cover overhead expenses[a]	4.7	4.0
Share of joint ventures expenses[b]	(7.6)	(7.0)
Exclude (if part of the above):		
Service charge costs recovered through rents but not separately invoiced	4.8	4.0
EPRA Costs (including vacancy costs) (A)	**(102.6)**	**(111.9)**
Direct vacancy costs	(10.9)	(10.9)
EPRA Costs (excluding vacancy costs) (B)	**(91.7)**	**(100.9)**
Gross rental income less ground rents[a]	622.9	618.7
Less: service fee/cost component of gross rental income	(4.8)	(4.0)
Add: share of joint ventures (gross rental Income less ground rents)[b]	40.9	40.3
Gross rental income (C)	**659.0**	**655.0**
EPRA COST RATIO (INCLUDING DIRECT VACANCY COSTS) (A/C)	**15.6%**	**17.1%**
EPRA COST RATIO (EXCLUDING DIRECT VACANCY COSTS) (B/C)	**13.9%**	**15.4%**

(a) As per the IFRS consolidated statements of comprehensive income.
(b) For more information, see section 2.5 "Contribution of equity-accounted investments".

8.6 EPRA CAPITAL EXPENDITURE

Investments made over the course of the first half of 2019 are presented in detail in section 5 "Investments, developments and disposals". This section presents Klépierre's capital expenditure based on EPRA financial reporting guidelines.

▸ EPRA CAPITAL EXPENDITURE[a]

In millions of euros	06/30/2019	06/30/2018
Acquisitions	-	3.6
Development	79.0	114.5
Like-for-like portfolio	41.5	50.2
Others	7.3	8.3
TOTAL	**127.7**	**176.6**

(a) Inclusive of expenses charged to tenants.

8.6.1 Developments

Development capital expenditure includes investments related to new constructions and extensions of existing assets. Over the first six months of 2019, these investments amounted to €79.0 million, mainly relating to the Créteil Soleil extension (Paris region, France), Gran Reno (Bologna, Italy) and the Hoog Catharijne redevelopment (Utrecht, Netherlands).

8.6.2 Like-for-like portfolio

Capital expenditure on the like-for-like portfolio includes investments made to maintain or enhance standing assets without creating additional leasing space. In the first half of 2019, these investments amounted to €41.5 million (of which €8.9 million recharged to tenants), breaking down as follows:

- **€10.4 million in refurbishment**, consisting in renovation work, mainly in common areas. Most of this expenditure was invoiced to tenants;
- **€23.1 million in leasing capital expenditure**, mainly in connection with stores and other leasable units, including restructuring costs for re-leasing and initial leasing, fit-out contributions and eviction costs; and
- **€8.0 million in technical maintenance** capital expenditure aimed at replacing obsolete or dysfunctional equipment relating to assets. A large portion of these investments were rebilled to tenants.

8.6.3 Other capital expenditure

Other capital expenditure amounted to €7.3 million and consisted in development fees, leasing fees and capitalized interest (€2.7 million).

9
OUTLOOK

In 2019, Klépierre expects to generate net current cash flow per share of at least €2.76 (*i.e.*, an increase of at least 4.2% *versus* 2018), compared to the Group's initial guidance for full-year 2019 of €2.72–€2.75.

Despite the slightly dilutive net impact of disposals and share buybacks, this upward revision reflects the following:

> Klépierre's confidence in maintaining a good level of like-for-like net rental income;[1]

> Additional operating cost savings; and

> Lower financial costs thanks to the combination of improved financing conditions following the recent fall in interest rates and further liability management initiatives.

(1) The first-time application of IFRS 16 had no impact on 2019 cash flow guidance.

Design and production: côtécorp.
Tel. : +33 (0)1 55 32 29 74

Klépierre
26 boulevard des Capucines
CS 20062
75009 Paris – France
+33 (0)1 40 67 57 40

www.klepierre.com

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