SUPPLEMENTAL INFORMATION TO THE EARNINGS RELEASE FULL-YEAR 2019

KLEPIERRE

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CONSOLIDATED FINANCIAL STATEMENTS

1.1 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

In millions of euros	12/31/2019	12/31/2018
Gross rental income	1,242.3	1,252.2
Land expenses (real estate)[(a)]	(8.2)	(16.3)
Service charge income	280.3	279.0
Service charge expenses	(352.7)	(355.4)
Building expenses (owner)	(31.0)	(40.5)
Net rental income	**1,130.6**	**1,119.0**
Management, administrative and related income	83.3	86.0
Other operating income	8.9	8.9
Survey and research costs	(1.6)	(0.9)
Payroll expenses	(118.7)	(121.9)
Other general expenses[(a)]	(49.3)	(65.4)
Depreciation, amortization and impairment of intangible assets and property, plant and equipment[(a)]	(20.4)	(13.0)
Provisions	2.1	(2.5)
Change in value of investment properties[(a)]	(526.3)	313.7
Proceeds from disposals of investment properties and equity investments	496.4	526.8
Carrying amount of investment properties and equity investments sold	(472.5)	(537.5)
Income from the disposal of investment properties and equity investments	**24.0**	**(10.7)**
Goodwill impairment	(8.0)	(43.4)
Operating income	**524.5**	**1,269.8**
Net dividends and provisions on non-consolidated investments	0.0	0.0
Financial income	85.9	65.1
Financial expenses	(199.7)	(216.7)
Interest expense on leases liabilities[(a)]	(8.4)	
Cost of net debt	**(122.2)**	**(151.6)**
Change in the fair value of financial instruments	(25.7)	(11.1)
Share in earnings of equity-accounted companies	19.5	31.0
Profit before tax	**396.1**	**1,138.2**
Income tax	(24.2)	(109.2)
Consolidated net income	**371.9**	**1,029.0**
Of which		
> *Attributable to owners of the parent*	*324.9*	*838.8*
> *Attributable to non-controlling interests*	*47.0*	*190.1*
Average number of shares – undiluted	**293,941,863**	**299,913,706**
UNDILUTED EARNINGS PER SHARE *(in €)* **– ATTRIBUTABLE TO OWNERS OF THE PARENT**	**1.11**	**2.80**
Average number of shares – diluted	**293,941,863**	**299,913,706**
DILUTED EARNINGS PER SHARE *(in €)* **– ATTRIBUTABLE TO OWNERS OF THE PARENT**	**1.11**	**2.80**

In millions of euros	12/31/2019	12/31/2018
Consolidated net income	**371.9**	**1,029.0**
Other items of comprehensive income recognized directly in equity	**(20.5)**	**(145.9)**
> Effective portion of gains and losses on cash flow hedging instruments	20.6	35.1
> Translation gains and losses	(42.5)	(175.4)
> Tax on other items of comprehensive income	(4.9)	(8.9)
Items that will be reclassified subsequently to profit or loss	**(26.8)**	**(149.2)**
> Gains and losses on sales on treasury shares	3.9	2.3
> Actuarial gains and losses	2.4	1.0
Items that will not be reclassified subsequently to profit or loss	**6.3**	**3.3**
Share of other items of comprehensive income attributable to equity-accounted companies		
Total comprehensive income	**351.5**	**883.1**
Of which		
> Attributable to owners of the parent	312.1	707.9
> Attributable to non-controlling interests	39.4	175.2
Undiluted comprehensive earnings per share *(in €)* **– Attributable to owners of the parent**	**1.06**	**2.36**
Diluted comprehensive earnings per share *(in €)* **– Attributable to owners of the parent**	**1.06**	**2.36**

(a) From 2019, these lines are presented after IFRS 16 application. In accordance with the 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	12/31/2019	12/31/2018
Goodwill	602.9	611.8
Intangible assets	28.5	33.7
Property, plant and equipment	36.1	9.9
Investment properties at fair value	21,306.8	21,692.2
Investment properties at cost	133.8	170.2
Investments in equity-accounted companies	1,096.7	1,050.2
Other non-current assets	294.9	299.0
Long-term derivative instruments	11.5	30.4
Deferred tax assets	21.7	20.7
Non-current assets	**23,532.9**	**23,918.0**
Fair value of properties held for sale	105.0	72.7
Trade and other receivables	106.3	127.1
Other receivables	355.6	328.1
> Tax receivables	96.0	120.8
> Other	259.6	207.3
Short-term derivative instruments	53.7	19.2
Cash and cash equivalents	484.5	304.5
Current assets	**1,105.1**	**851.7**
TOTAL ASSETS	**24,638.0**	**24,769.7**
Share capital	423.7	440.1
Additional paid-in capital	5,124.3	5,650.0
Legal reserves	44.0	44.0
Consolidated reserves	3,857.5	3,384.6
> Treasury shares	(427.9)	(568.6)
> Hedging reserves	(10.6)	(26.1)
> Other consolidated reserves	4,296.0	3,979.2
Consolidated earnings	325.0	838.8
Equity attributable to owners of the parent	9,774.4	10,357.5
Equity attributable to non-controlling interests	2,483.6	2,535.7
Total equity	**12,258.0**	**12,893.3**
Non-current financial liabilities	7,092.0	7,036.3
Non-current leases liabilities	368.1	
Long-term provisions	12.2	28.5
Pension obligations	11.2	13.5
Long-term derivative instruments	15.4	17.1
Deposits	146.4	147.1
Deferred tax liabilities	1,591.5	1,608.8
Non-current liabilities	**9,236.8**	**8,851.3**
Current financial liabilities	2,342.4	2,069.6
Current lease liabilities	14.6	
Bank overdrafts	26.5	224.7
Trade payables	124.2	145.7
Due to suppliers of property	86.2	21.9
Other liabilities	358.6	369.7
Short-term derivative instruments	17.7	12.1
Payroll and tax liabilities	173.0	181.5
Current liabilities	**3,143.2**	**3,025.2**
TOTAL EQUITY AND LIABILITIES	**24,638.0**	**24,769.7**

1.3 SEGMENT EARNINGS

	France-Belgium[(a)]		Scandinavia		Italy		Iberia		Netherlands	
In millions of euros	12/31/2019	12/31/2018	12/31/2019	12/31/2018	12/31/2019	12/31/2018	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Gross rents	**442.7**	**439.7**	**185.3**	**187.1**	**200.3**	**206.0**	**134.5**	**132.4**	**81.4**	**75.0**
Other rental income	26.9	31.8	0.8	1.0	5.4	4.3	3.2	2.5	0.0	0.0
Gross rental income	**469.7**	**471.5**	**186.1**	**188.1**	**205.7**	**210.3**	**137.7**	**134.9**	**81.4**	**75.1**
Rental and building expenses	(36.8)	(43.0)	(18.0)	(19.7)	(12.4)	(13.8)	(11.2)	(13.6)	(12.5)	(18.3)
Net rental income	**432.8**	**428.5**	**168.1**	**168.4**	**193.3**	**196.5**	**126.5**	**121.3**	**68.9**	**56.7**
Management and other income	47.0	47.8	8.5	8.8	18.3	15.7	5.3	7.4	4.5	5.7
Payroll and other general expenses	(59.3)	(66.5)	(17.9)	(20.2)	(22.3)	(24.0)	(12.6)	(13.7)	(11.0)	(12.3)
EBITDA	**420.5**	**409.8**	**158.7**	**157.0**	**189.3**	**188.2**	**119.2**	**114.9**	**62.4**	**50.1**
Depreciation, amortization and impairment	(8.0)	(11.5)	(4.0)	(2.3)	(1.8)	(0.5)	(0.5)	(0.1)	1.1	(0.2)
Change in value of investment properties	(365.8)	28.5	(57.9)	24.8	(31.4)	104.1	21.5	72.1	(35.6)	11.7
Net proceeds on disposal of investment properties and equity investments	(1.1)	(1.0)	2.3	2.5	(0.3)	(7.9)	5.2	(2.7)	1.5	(1.3)
Share in earnings of equity accounted companies	(9.4)	6.6	6.1	(0.5)	19.8	18.2	1.0	(0.5)	-	-
SEGMENT INCOME	**36.2**	**432.4**	**105.2**	**181.5**	**175.7**	**302.1**	**146.5**	**183.7**	**29.3**	**60.3**
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.

	Germany		CE & Other		Not allocated		Klépierre Group	
In millions of euros	12/31/2019	12/31/2018	12/31/2019	12/31/2018	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Gross rents	**51.9**	**51.8**	**105.5**	**118.8**			**1,201.7**	**1,210.8**
Other rental income	(0.0)	0.0	4.3	1.8			40.5	41.4
Gross rental income	**51.9**	**51.8**	**109.8**	**120.6**	**-**	**-**	**1,242.3**	**1,252.2**
Rental and building expenses	(12.0)	(12.3)	(8.8)	(12.5)			(111.7)	(133.2)
Net rental income	**40.0**	**39.5**	**100.9**	**108.1**	**-**	**-**	**1,130.6**	**1,119.0**
Management and other income	4.8	5.1	3.8	4.4			92.2	94.9
Payroll and other general expenses	(8.7)	(8.1)	(10.4)	(11.8)	(27.4)	(31.6)	(169.6)	(188.2)
EBITDA	**36.1**	**36.5**	**94.3**	**100.7**	**(27.4)**	**(31.6)**	**1,053.2**	**1,025.7**
Depreciation, amortization and impairment	(0.4)	(0.3)	(1.5)	(0.5)	(3.2)		(18.3)	(15.5)
Change in value of investment properties	(39.7)	(13.5)	(17.3)	86.0			(526.3)	313.7
Net proceeds on disposal of investment properties and equity investments	-	(0.0)	16.4	(0.3)			24.0	(10.7)
Share in earnings of equity accounted companies	-	-	1.9	7.2			19.5	31.0
SEGMENT INCOME	**(4.1)**	**22.7**	**93.8**	**193.2**	**(30.6)**	**(31.6)**	**552.0**	**1,344.2**
Goodwill impairment							(8.0)	(43.4)
Cost of net debt							(122.2)	(151.6)
Change in the fair value of financial instruments							(25.7)	(11.1)
PROFIT BEFORE TAX							**396.1**	**1,138.2**
Income tax							(24.2)	(109.2)
NET INCOME							**371.9**	**1,029.0**

1.4 CONSOLIDATED STATEMENTS OF CASH FLOWS

In millions of euros	12/31/2019	12/31/2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income from consolidated companies	371.9	1,029.0
Elimination of expenditure and income with no cash effect or not related to operating activities		
> Depreciation, amortization and provisions	18.3	15.5
> Change in value of investment properties	526.3	(313.7)
> Goodwill impairment	8.0	43.4
> Capital gains and losses on asset disposals	(24.0)	10.7
> Current and deferred income taxes	24.2	109.2
> Share in earnings of equity-accounted companies	(19.5)	(31.0)
> Reclassification of interest and other items	172.6	199.6
Gross cash flow from consolidated companies	**1,077.9**	**1,062.7**
Income tax paid	(11.0)	(22.7)
Change in operating working capital	(24.6)	(19.8)
Net cash flows from operating activities	**1,042.4**	**1,020.2**
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investment properties	288.2	336.8
Proceeds from sales of other fixed assets		
Proceeds from disposals of subsidiaries (net of cash disposed)	203.8	192.5
Acquisitions of investment properties	(0.0)	(55.4)
Payments in respect of construction work in progress	(260.8)	(327.0)
Acquisitions of other fixed assets	(6.6)	(5.9)
Acquisitions of subsidiaries (net of cash acquired)	(89.9)	(53.0)
Movements in loans and advance payments granted and other investments	116.3	51.2
Net cash flows from investing activities	**251.2**	**139.3**
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid to owners of the parent	(619.5)	(589.4)
Dividends paid to non-controlling interests	(111.6)	(100.4)
Change in capital of subsidiaries with non-controlling interests	(5.4)	(55.2)
Acquisitions/disposals of treasury shares	(276.1)	(149.4)
New loans, borrowings and hedging instruments	2,308.9	1,805.0
Repayment of loans, borrowings and hedging instruments	(2,013.3)	(2,239.3)
Net payment of lease liabilities[a]	(15.0)	
Interest paid	(175.3)	(177.5)
Interest paid on lease liability[a]	(8.4)	
Other cash flows related to financing activities		
Net cash flows used in financing activities	**(915.5)**	**(1,506.2)**
Effect of foreign exchange rate changes on cash and cash equivalents	**0.0**	**(8.0)**
CHANGE IN CASH AND CASH EQUIVALENTS	**378.1**	**(354.6)**
Cash and cash equivalents at beginning of period	**79.9**	**434.5**
Cash and cash equivalents at end of period	**458.0**	**79.9**

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

2

BUSINESS OVERVIEW

2.1 ECONOMIC ENVIRONMENT

Eurozone Gross Domestic Product (GDP) increased by 1.2% in 2019, slowing down compared to 2018 (up 1.9%). Globally, the decline in external demand, persistent global trade tensions and Brexit uncertainties weighed on the economy. Despite the slight improvement in wages which translated into extra purchasing power in view of the lower pace of inflation (1.2% in 2019 as a whole), uncertainties encouraged household saving and hindered private consumption. However, the labor market remained robust with the unemployment rate declining to 7.6% in 2019 from 8.2% one year earlier.

Finally, in contrast with the macroeconomic consensus of the beginning of the year, interest rates fell to an all-time low in 2019, improving global 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	**1.9%**	**1.2%**	**1.1%**	**8.2%**	**7.6%**	**7.5%**	**1.8%**	**1.2%**	**1.1%**
France	**1.7%**	**1.3%**	**1.2%**	**9.1%**	**8.5%**	**8.2%**	**2.1%**	**1.3%**	**1.2%**
Belgium	**1.5%**	**1.3%**	**1.1%**	**6.0%**	**5.5%**	**5.5%**	**2.3%**	**1.3%**	**1.1%**
Italy	**0.7%**	**0.2%**	**0.4%**	**10.6%**	**10.0%**	**10.0%**	**1.2%**	**0.6%**	**0.6%**
Scandinavia									
Norway	1.3%	1.1%	2.4%	3.8%	3.4%	3.2%	2.7%	2.3%	2.0%
Sweden	2.4%	1.4%	1.2%	6.3%	6.8%	7.0%	2.0%	1.8%	1.8%
Denmark	2.4%	1.8%	1.4%	5.1%	5.0%	5.0%	0.8%	0.7%	0.9%
Iberia									
Spain	2.4%	2.0%	1.6%	15.3%	14.2%	14.1%	1.7%	0.8%	1.1%
Portugal	2.4%	1.9%	1.8%	7.0%	6.5%	6.4%	1.2%	0.3%	0.5%
CE & Other									
Czech Republic	2.9%	2.6%	2.1%	2.2%	2.0%	2.1%	2.1%	2.8%	2.5%
Poland	5.1%	4.3%	3.8%	3.9%	3.4%	3.1%	1.8%	2.3%	2.9%
Turkey	2.8%	0.3%	3.0%	11.0%	13.5%	13.2%	16.3%	15.8%	13.2%
Netherlands	**2.5%**	**1.7%**	**1.8%**	**3.8%**	**3.4%**	**3.5%**	**1.6%**	**2.7%**	**1.8%**
Germany	**1.5%**	**0.6%**	**0.4%**	**3.4%**	**3.1%**	**3.2%**	**1.9%**	**1.3%**	**1.2%**

Source: OECD Economic Outlook, November 2019.

2.2 RETAILER SALES

On a like-for-like basis,[1] total retailer sales at Klépierre malls rose by 1.8% in 2019, twice the pace recorded in 2018 (growth of 0.9%). After a good performance during the first six months (up 1.6%), retailer sales continued to improve slightly in the second half (up 1.9%), benefiting in particular from efficient asset management and leasing initiatives.

On a geographical basis, Iberia (up 5.9%) and Central Europe & Other (up 6.8%) remained the most dynamic regions this year thanks to supportive economic conditions, the leading positioning of Klépierre malls and proactive re-tenanting initiatives. The positive trend observed in the second half was mainly driven by a recovery in Italy (up 1.7% over the full year; up 2.1% in the second half) and Scandinavia (flat in the second half) as a result of successful asset transformations and the Group's efforts to enhance the tenant mix. Lastly, French retailer sales increased by 0.3%, hampered by social unrest and transport strikes in December.

YEAR-ON-YEAR CHANGE IN RETAILER SALES FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2019 *(by country)*

Country	Like-for-like change[a]	Share in total reported retailer sales
France	+0.3%	35%
Belgium	−0.3%	2%
France-Belgium	**+0.3%**	**37%**
Italy	**+1.7%**	**25%**
Norway	−1.0%	7%
Sweden	−1.4%	6%
Denmark	−0.8%	4%
Scandinavia	**−1.1%**	**17%**
Spain	+5.4%	8%
Portugal	+7.4%	2%
Iberia	**+5.9%**	**10%**
Czech Republic	+6.3%	2%
Poland	+3.7%	3%
Turkey	+8.9%	2%
CE & Other	**+6.8%**	**8%**
Netherlands[b]	**n.m.**	**n.m.**
Germany	**+2.5%**	**3%**
TOTAL	**+1.8%**	**100%**

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

All segments contributed positively to retailer sales growth. Food & Beverage (up 4.6%) and Health & Beauty (up 4.5%) continued to post strong growth rates, supported by the rollout of Klépierre's Destination Food® concept across the portfolio and dynamic leasing initiatives to promote innovative food concepts and distinctive cosmetics retailers such as Sephora, Rituals, Normal, Kiehl's and Yves Rocher. Within the Culture, Gifts & Leisure segment (up 0.6%), Sports continued its remarkable run of performances (up 5.1%), with significant growth for brands like JD Sports, Courir, Snipes and Decathlon. Household Equipment also registered a robust performance (up 2.7%), with brands such as H&M Home, Zara Home, Maisons du Monde and Illums Bolighus expanding their footprint through Klépierre's platform. This year, Fashion posted a positive 0.6% sales growth performance (versus a decline of 1.0% in 2018) illustrating Klépierre's ceaseless efforts to scale back exposure to non-performing fashion brands, attract omnichannel retailers and upgrade the mix.

YEAR-ON-YEAR CHANGE IN RETAILER SALES FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2019 *(by segment)*

Segment	Year-on-Year change	Share in total reported retailer sales
Fashion	+0.6%	39%
Culture, Gifts & Leisure	+0.6%	18%
Health & Beauty	+4.5%	14%
Food & Beverage	+4.6%	11%
Household Equipment	+2.7%	11%
Other	+0.7%	7%
TOTAL	**+1.8%**	**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	2019	2018	Reported change
France-Belgium	446.0	446.1	0.0%
Italy	205.7	210.3	−2.2%
Scandinavia	186.1	188.1	−1.1%
Iberia	137.7	134.9	+2.1%
CE & Other	109.8	120.6	−9.0%
Netherlands	81.4	75.1	+8.4%
Germany	51.9	51.8	+0.2%
TOTAL SHOPPING CENTERS	**1,218.6**	**1,226.8**	**−0.7%**
Other retail properties	23.7	25.4	−6.8%
TOTAL	**1,242.3**	**1,252.2**	**−0.8%**

On a total share basis, gross rental income generated by shopping centers amounted to €1,218.6 million in 2019, compared to €1,226.8 million one year ago, down 0.7% on a reported basis. This decline reflects the impact of disposals completed in 2018 and 2019—notably in Italy, Hungary and Portugal—as well as foreign exchange effects. Gross rental income surged in the Netherlands thanks to the opening of new phases of the Hoog Catharijne redevelopment (Utrecht, see section 3.6) while the performance of Iberia reflects successful re-tenanting initiatives and the strong local macroeconomic environment.

Adding in gross rental income generated by other retail properties, down 6.8% due to the disposal of assets, total gross rental income amounted to €1,242.3 million on a total share basis.

2.4 NET RENTAL INCOME

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

In millions of euros	2019	2018	Reported change	Like-for-like change	Index-linked change
France-Belgium	410.2	405.1	+1.3%	+2.2%	+2.1%
Italy	193.3	196.5	−1.6%	+3.2%	+0.8%
Scandinavia	168.1	168.4	−0.2%	+2.4%	+2.0%
Iberia	126.5	121.3	+4.3%	+7.8%	+1.3%
CE & Other	100.9	108.1	−6.6%	+1.7%	+3.2%
Netherlands	68.9	56.7	+21.4%	+5.5%	+2.0%
Germany	40.0	39.5	+1.1%	−1.4%	+0.8%
TOTAL SHOPPING CENTERS	**1,108.0**	**1,095.6**	**+1.1%**	**+3.0%**	**+1.8%**
Other retail properties	22.6	23.4	−3.4%		
TOTAL	**1,130.6**	**1,119.0**	**+1.0%**		

Net rental income (NRI) generated by shopping centers totaled €1,108.0 million for the year ended December 31, 2019, up 1.1% on a reported-portfolio, total-share basis compared with 2018.

This reflected the combined effect of:

> A €30.1 million like-for-like increase (up 3.0%)[1] driven by indexation (positive 1.8% impact), solid reversion, higher income from specialty leasing and optimized service charges;

> A €13.7 million positive impact related to the first-time application of IFRS 16;[2]

> A €9.6 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), Prado (Marseille, France) and more recently Créteil Soleil (Paris area, France);

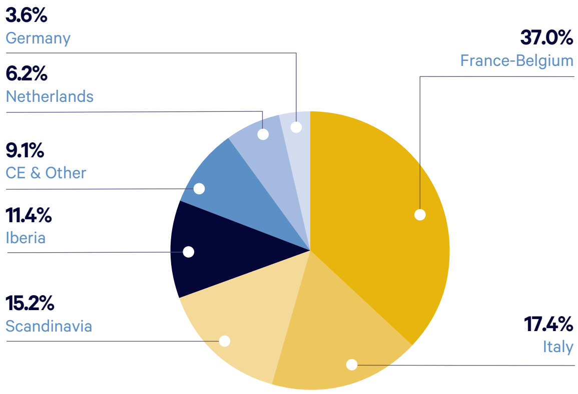
> A €29.8 million negative impact from disposals closed in 2018 and 2019; and

> A negative €11.2 million foreign exchange impact attributable to the depreciation of the Swedish krona, the Norwegian krone and the Turkish lira, as well as other non-recurring items.

(1) Like-for-like data exclude the contribution of new spaces (acquisitions, greenfield projects and extensions), spaces being restructured, disposals completed since January 2019, and foreign exchange impacts.

(2) Effective January 1, 2019, the first-time application of IFRS 16 has modified the Group's accounting for lease payments. The major impact for Klépierre relates to ground leases, whose costs have been almost entirely transferred from "Land expenses" (net rental income) to "Change in value of investment properties" and "Interest expense on lease liabilities." In 2019, on a total share basis, this added €6.4 million to net current cash flow, a combined effect of a €13.7 million increase in net rental income and a €7.3 million increase in interest expense. On a per share basis, the impact on net current cash flow was positive by 2 cents. By construction, the impact was neutral at the level of net income (as the decrease in value of investment properties was €6.4 million).

▸ BREAKDOWN OF SHOPPING CENTER NRI BY REGION FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2019 *(on a total share basis)*



▸ FOREIGN EXCHANGE IMPACT ON LIKE-FOR-LIKE NRI YEAR-ON-YEAR GROWTH FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2019

	Like-for-like NRI change		Forex impact on like-for-like NRI change
	At constant forex	At current forex	
Norway	+3.1%	+0.5%	−265 bps
Sweden	+1.0%	−2.1%	−316 bps
Denmark	+3.0%	+2.8%	−18 bps
Scandinavia	**+2.4%**	**+0.3%**	**−204 bps**
Czech Republic	+5.4%	+6.1%	+75 bps
Poland	+1.5%	+1.5%	0 bps
Turkey[(a)]	−4.9%	−14.6%	−967 bps
CE & Other	**+1.7%**	**−0.3%**	**−206 bps**
TOTAL	**+3.0%**	**+2.5%**	**−51 bps**

(a) In accordance with the Turkish Presidential Decree and following the sharp depreciation of the Turkish lira, rents in Turkey 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[1] to net current cash flow amounted to €57.4 million in 2019. The Group's equity-accounted investments are listed below:

- **France:** Les Passages (Boulogne), Espace Coty (Le Havre), Mayol (Toulon), Le Millénaire (Paris), and Belle Épine (Paris), acquired on December 13, 2019;
- **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.

▸ CONTRIBUTION OF EQUITY-ACCOUNTED COMPANIES *(On a total share basis)*

GROSS RENTAL INCOME

In millions of euros	12/31/2019	12/31/2018
France	22.5	22.5
Italy	41.2	39.9
Norway[a]	7.7	7.6
Portugal	3.7	3.3
Turkey	9.7	10.3
TOTAL	**84.8**	**83.6**

(a) To determine the Group's share for Norway, data must be multiplied by 56.1%.

NET RENTAL INCOME

In millions of euros	12/31/2019	12/31/2018
France	17.0	16.6
Italy	35.6	34.2
Norway[a]	6.3	6.2
Portugal	3.2	3.0
Turkey	7.7	6.6
TOTAL	**69.8**	**66.5**

(a) To determine the Group's share for Norway, data must be multiplied by 56.1%.

EBITDA

In millions of euros	12/31/2019	12/31/2018
France	17.0	16.5
Italy	35.6	34.6
Norway[a]	6.3	6.2
Portugal	3.2	3.0
Turkey	7.2	6.2
TOTAL	**69.2**	**66.4**

(a) To determine the Group's share for Norway, data must be multiplied by 56.1%.

NET CURRENT CASH FLOW

In millions of euros	12/31/2019	12/31/2018
France	14.5	13.9
Italy	27.8	26.5
Norway[a]	6.3	6.2
Portugal	0.7	0.6
Turkey	8.1	7.0
TOTAL	**57.4**	**54.1**

(a) To determine the Group's share for Norway, data must be multiplied by 56.1%.

NET INCOME[b]

In millions of euros	12/31/2019	12/31/2018
France	(9.4)	6.6
Italy	19.9	18.2
Norway[a]	6.1	(0.5)
Portugal	1.0	(0.5)
Turkey	1.9	7.2
TOTAL	**19.5**	**31.0**

(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.

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

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	42.9	+8.2%	3.3	12.9%	3.3%	2.0%
Italy	35.5	+10.3%	3.3	11.3%	1.7%	1.9%
Scandinavia	30.0	+5.7%	1.6	12.3%	4.2%	0.5%
Iberia	12.7	+18.1%	1.9	13.3%	1.7%	0.3%
CE & Other	8.5	+6.6%	0.5	13.8%	4.7%	3.1%
Netherlands	1.9	+8.9%	0.2	-	2.4%	0.6%
Germany	4.5	−9.3%	(0.5)	11.0%	3.3%	3.6%
TOTAL	**136.1**	**+8.2%**	**10.3**	**12.4%**	**3.0%**	**1.6%**

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.

For Klépierre, 2019 was characterized by dynamic leasing activity and the signing of structuring deals. The Group's **Retail First**® strategy enabled it once again to seize opportunities with best-in-class banners and leverage the quality of its portfolio throughout Europe. Retail First consists in rapidly adapting the retail offering of Klépierre malls by (i) deploying existing retailers under their most up-to-date format ("right-sizing"), (ii) replacing struggling segments with more profitable ones, and (iii) attracting new, on-trend concepts to Klépierre shopping malls as well as supporting their international expansion.

In 2019, the Group signed 1,598 leases in total, including 1,284 renewals and re-lettings, generating €10.3 million in additional minimum guaranteed rents (MGR; excluding extensions and greenfield projects), or an 8.2% positive rental reversion. The EPRA vacancy rate decreased by 20 basis points to 3.0% as of December 31, 2019 while bad debt allowances reached the low level of 1.6% (versus 1.7% one year ago).

These robust performances are the direct consequence of the leasing initiatives undertaken by Klépierre in 2018 and 2019 and the strong links that bind the Group to its **key accounts** and fast-growing retailers. As such, Klépierre continued to leverage its broad geographical footprint in Europe and to gain market shares in the catchment areas where its malls are present. Highlights included 27 deals signed with Calzedonia, 20 deals with Inditex, 10 deals with H&M, nine deals with Deichmann, eight deals with Yves Rocher and seven deals with Normal.

With a permanent aim of meeting consumer expectations, Klépierre continued to diversify the retail mix of its malls and replaced fashion stores (125 net unit closures in 2019) with concepts in more dynamic segments such as Health & Beauty, Sports and Home equipment. In total, 23 deals were signed during the year, with Rituals, Kiehl's, Sephora, MAC, Yves Rocher, Bourjois, Kiko and The Body Shop while Snipes, Courir, JD Sports, Foot Locker, Adidas, Decathlon and New Balance continued to expand in Klépierre malls. Several furniture specialists and design retailers such as Maisons du Monde, H&M Home, Nille, Muy Mucho, Shoji and Illums Bolighus also strengthened their presence. In addition, Klépierre pursued the rollout of its Destination Food® concept with the opening of a new food district in the Créteil Soleil extension (Paris area, France) as well as the transformations of the food offerings under way at Nový Smíchov (Prague, Czech Republic; 34 leases signed) and Emporia (Sweden, Malmö; 33 leases signed).

The Group is still determined to **broaden the retail offering** of its malls to cover all types of consumers. As such, Klépierre progressively rode the wave of the good-value-for-money retailers' success with the opening of 23 stores with banners such as Action, Primark, TK Maxx, Lidl, Normal, Gifi and ÖOB over the last two years. Conversely, several upscale banners joined Klépierre malls this year, including La Grande Épicerie and Pierre Hermé at Saint-Lazare (Paris, France), Trussardi at Porta di Roma (Rome, Italy), Hästens at Field's (Copenhagen, Denmark) and Chanel Beauty at Emporia (Malmö, Sweden).

Overall, retailers invested €494 million[(1)] in their stores within Klépierre's malls in 2019, proving the relevance of the Group's platform in the transforming retail landscape.

In 2019, the Group also ramped up efforts to roll out new **retailers and segments** in its malls:

> **"Brands going retail"** are actively expanding their store network within Klépierre's portfolio. Hence, Dyson, the British household appliance brand, opened four new stores in Klépierre's Italian malls, Samsung unveiled its first "experience store" in Klépierre's portfolio at Hoog Catharijne (Utrecht, Netherlands), while Adidas (three leases), Daniel Wellington (two leases) and Vans also expanded. In early 2020, Huawei has opened its first store in a Klépierre shopping center at La Gavia (Spain, Madrid) while new H&M outlet store concept Afound selected Hoog Catharijne (Utrecht, Netherlands) to launch its first boutique in the Netherlands;

> **The automotive segment** is also gaining traction. Renault opened a showroom in Val d'Europe (Paris area, France), while Mitsubishi, Mini and Ford launched pop-up stores during the year; and

> **Digitally-Native Vertical Brands** (DNVBs) like online sunglasses specialist Hawkers (five leases), Danish online sneaker brand ARKK, which opened a pop-up store in Field's (Copenhagen, Denmark), and online fashion retailer Shein, which opened pop-up stores at Prado (Marseille, France) together with Maremagnum (Barcelona, Spain), are leveraging their online business with a physical store presence.

Lastly, Klépierre is also introducing new **services** in its malls. Several medical centers have opened in its French malls while Min Doktor opened a new vaccination clinic at Emporia (Malmö, Sweden). Field's (Copenhagen) welcomed a ballet studio and the first kindergarten in a Danish mall, while iFLY (skydiving simulator) will unveil its new concept by the end of 2020.

(1) Based on refit commitments by retailers as per lease terms. Total capex figure extrapolated from capex per sq.m. estimates on a store-by-store basis, depending on retail sector, country and store type (shops vs. mid-size units).

2.7 LEASE EXPIRATION SCHEDULE

▶ **SHOPPING CENTER LEASE EXPIRATION SCHEDULE** *(as a percentage of minimum guaranteed rents)*

Geography	≤ 2019	2020	2021	2022	2023	2024	2025	2026	2027+	Total	WALT[(b)]
France	11.2%	6.7%	7.6%	9.5%	9.5%	8.4%	7.9%	9.6%	29.5%	100.0%	5.1
Belgium	0.0%	1.2%	2.4%	3.2%	55.8%	5.4%	6.2%	7.5%	18.2%	100.0%	5.2
France-Belgium	**10.8%**	**6.5%**	**7.4%**	**9.2%**	**11.4%**	**8.3%**	**7.8%**	**9.5%**	**29.1%**	**100.0%**	**5.1**
Italy	**13.6%**	**12.9%**	**12.4%**	**13.2%**	**9.7%**	**8.6%**	**7.3%**	**5.9%**	**16.4%**	**100.0%**	**4.1**
Denmark[(a)]	-	-	-	-	-	-	-	-	-	-	-
Norway	3.8%	14.1%	14.7%	12.8%	21.9%	16.3%	7.1%	2.2%	7.1%	100.0%	3.3
Sweden	1.1%	9.6%	19.6%	28.1%	19.3%	11.0%	5.1%	4.4%	1.8%	100.0%	3.1
Scandinavia	**2.8%**	**12.4%**	**16.6%**	**18.9%**	**20.8%**	**14.2%**	**6.3%**	**3.0%**	**5.0%**	**100.0%**	**3.2**
Spain	0.9%	8.3%	8.5%	8.3%	12.0%	11.3%	8.1%	7.5%	35.2%	100.0%	6.8
Portugal	0.4%	6.0%	15.7%	12.0%	15.6%	14.9%	10.5%	3.3%	21.5%	100.0%	5.5
Iberia	**0.8%**	**7.9%**	**9.8%**	**9.0%**	**12.6%**	**11.9%**	**8.5%**	**6.7%**	**32.7%**	**100.0%**	**6.5**
Czech Republic	0.5%	15.4%	15.9%	23.5%	20.7%	13.2%	1.7%	4.0%	5.2%	100.0%	3.0
Poland	0.6%	22.3%	14.7%	19.3%	12.4%	9.2%	1.3%	7.0%	13.3%	100.0%	2.7
Turkey	0.0%	27.5%	11.9%	16.2%	23.7%	7.2%	2.9%	1.2%	9.4%	100.0%	3.4
CE & Other	**0.4%**	**21.2%**	**14.4%**	**20.0%**	**18.4%**	**10.1%**	**1.9%**	**4.4%**	**9.3%**	**100.0%**	**3.0**
Netherlands	**2.1%**	**4.8%**	**2.0%**	**0.2%**	**0.5%**	**2.9%**	**1.7%**	**4.9%**	**80.9%**	**100.0%**	**8.7**
Germany	**0.0%**	**2.0%**	**6.5%**	**35.6%**	**12.7%**	**11.9%**	**2.3%**	**3.3%**	**25.7%**	**100.0%**	**4.6**
TOTAL	**8.0%**	**9.6%**	**10.2%**	**12.8%**	**12.4%**	**9.6%**	**6.8%**	**6.8%**	**23.8%**	**100.0%**	**4.8**

(a) Under Danish law, lease contracts are open-ended.
(b) Weighted average lease term (in number of years).

3

BUSINESS ACTIVITY BY REGION

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

NRI & EPRA VACANCY RATE IN FRANCE-BELGIUM

	Reported portfolio NRI			Like-for-like portfolio NRI			EPRA Vacancy Rate	
In millions of euros	12/31/2019	12/31/2018	Change	12/31/2019	12/31/2018	Change	12/31/2019	12/31/2018
France	391.7	387.0	+1.2%	372.7	364.8	+2.2%	3.4%	3.4%
Belgium	18.5	18.1	+2.4%	18.2	17.7	+2.7%	0.8%	1.0%
FRANCE-BELGIUM	**410.2**	**405.1**	**+1.3%**	**390.9**	**382.5**	**+2.2%**	**3.3%**	**3.3%**

Despite the weak trading momentum that weighed on exports and business investment, GDP growth in France remained resilient at 1.3% in 2019, thanks to sustained domestic demand driven by social and fiscal measures as well as a slight increase in wages. Labor market gains are expected to bring the unemployment rate down to 8.5% by end-2019 (versus 9.1% at end-2018) and inflation is expected to moderate to 1.3% on the back of lower oil prices.

In France-Belgium, **retailer sales** increased by 0.3%. In the final quarter of the year (down 0.3%), the strong November performance, boosted by Black Friday, was offset by weaker sales in December as a result of strikes and a negative calendar effect (2.3% decline in footfall in December). Retailer sales were supported by recent re-tenanting initiatives and the opening of a number of key anchors. Almost two years since its extension, Val d'Europe has continued to receive a boost from proactive leasing initiatives, which was reflected in robust retailer sales expansion, while footfall at Créteil Soleil footfall widely benefited from the opening of its extension in November (up 19%, despite the strikes).

Over the period, the most dynamic sectors were Food & Beverage (up 3.9%), Health & Beauty (up 3.5%), while Culture, Gifts & Leisure was boosted especially by the ongoing development of the Sports segment (up 7.0%).

Net rental income in France-Belgium grew by 2.2% on a like-for-like basis, outstripping indexation by 10 basis points, driven by positive rental reversion of 8.2%. The slowdown in the second half of the year was mostly attributable to a cautious approach following the nationwide strikes. On a reported-portfolio basis (up 1.3%), the lower growth reflects the full-year impact of French asset disposals including the Saint-Maximin shopping mall (Creil, France), completed in March 2019.

Leasing activity was vigorous in 2019, with 452 leases signed in France and Belgium, translating into a positive 8.2% rental reversion rate. The highlight of the year was the successful inauguration of the Créteil Soleil extension, which was fully let at opening. The 11,400 sq.m. extension hosted an outstanding set of retailers including Nike, Stradivarius, Monki and Normal as well as distinctive restaurants such as Five Guys, IT (Italian Trattoria), Pret A Manger and Le Fish'Tro, the new concept developed by Léon de Bruxelles. The highly successful opening will pave the way for the ongoing refurbishment, re-tenanting and future sales and footfall increases. Some two years after the Val d'Europe extension, the leasing mix has continued to improve with the arrival of 16 new brands including Victoria's Secret, Daniel Wellington, Snipes, the first Renault City concept store and Pazzi (robot-made pizzas) in France, with Nespresso set to round out the retail offering in 2020. Footfall now stands at more than 19 million, a 15% increase since 2016. Another illustration of the upgrading of Klépierre's assets is the 13,000 sq.m. extension of Rives d'Arcins (Bègles) – the largest shopping destination in the Bordeaux urban area – with the opening of a new 6,000 sq.m. Decathlon store and Maisons du Monde, while the Zara store is soon to be right-sized over 3,000 sq.m. The first floor of Arcades (Noisy-le-Grand, Paris area) has been restructured to offer a new layout to visitors and introduce Snipes (500 sq.m.) and Stradivarius (700 sq.m.). These two stores are further enhancing the first floor retail offering which already boasts H&M and Bershka flagships, paving the way for the entire refurbishment and re-tenanting of this 16 million footfall mall. Lastly, the renovation of Blagnac (Toulouse area; 10 leases) kicked off in June and is progressing well, with completion expected in September 2020. This transformation already has a number of successes to its credit with the recent unveiling of a LEGO boutique, a new Snipes flagship (1,000 sq.m.), the relocation of Lacoste and the opening of an Eden Park store.

3.2 ITALY (17.1% OF NET RENTAL INCOME)

NRI & EPRA VACANCY RATE IN ITALY

In millions of euros	Reported portfolio NRI 12/31/2019	Reported portfolio NRI 12/31/2018	Reported portfolio NRI Change	Like-for-like portfolio NRI 12/31/2019	Like-for-like portfolio NRI 12/31/2018	Like-for-like portfolio NRI Change	EPRA Vacancy Rate 12/31/2019	EPRA Vacancy Rate 12/31/2018
ITALY	**193.3**	**196.5**	**−1.6%**	**183.7**	**178.1**	**+3.2%**	**1.7%**	**1.5%**

After recording moderate growth in 2018 (0.7%), **Italian** GDP stagnated in 2019. Weak confidence weighed on private consumption and business investment while global trade uncertainty stymied external demand and exports. In this lackluster context, inflation is expected to stabilize at a low level in 2019 (0.6% versus 1.2% in 2018). On the other hand, employment continued to rise with a growing number of new permanent contracts (unemployment down to 10.0% in 2019 from 10.6% in 2018), and this should progressively support consumer confidence and private consumption over the years to come.

Retailer sales bounced back remarkably in 2019 (up 1.7%), after a weak 2018 (down 1.6%), with a clear acceleration in the second half of the year (up 2.1%). In a still muted economic environment, growth was mostly driven by Klépierre's leasing and asset management initiatives, with centers having undergone major re-tenanting operations recording sharp sales growth, including Milanofiori (Milan area), Le Vele Milenium (Cagliari), Campania (Napoli) and Nave de Vero (Venice). Thanks to more clement weather compared to last year, fashion sales grew by 0.5%, while growth was mostly powered by the Household Equipment (up 5.4%) segment as well as by Health & Beauty (up 2.8%).

On a like-for-like basis, the Italian portfolio continued to post solid **net rental income** growth with an increase of 3.2%, outperforming indexation by 240 basis points. This is the result of sound rental reversion and an improvement in the gross-to-net rental income ratio. On a reported basis, net rents decreased by 1.6%, reflecting the disposal of three malls in September 2018 in Milan and Brescia.

In 2019, **368 leases** were signed in Italy, including 321 renewals and re-lettings with a 10.3% positive reversion rate. In Milanofiori (Milan area), following the right-sizing of the Zara store and the rollout of Destination Food®, the re-tenanting campaign accelerated with the signing of 31 leases, including 24 new stores such as LEGO, Starbucks, Tommy Hilfiger, Timberland, Levi's and Yves Rocher. Taken together, these initiatives translated into very strong operating performances over the full year (footfall up 7.9%, retailer sales up 6.3%).

In Naples, 19 leases were signed at Campania, including 11 new stores with strong reversion rates, as a result of growing retailer sales and a low occupancy cost ratio. Ahead of the relocation of the hypermarket, which is expected to accelerate the arrival of new anchors, brands such as Dyson, Adidas, Xiaomi, KFC and Napapijri have joined the mall. Five years after its opening, the renewal campaign at Nave de Vero (Venice) has now got under way. With 29 leases signed, Klépierre has achieved a strong level of reversion, supported by overall sales growth of 60% at the mall since its opening. The campaign has boosted the presence of international retailers including Dyson, Xiaomi, Intimissimi and Parfois. Once again, leasing activity was dynamic in Porta di Roma, Italy's leading mall, with the opening of the first Trussardi store in Klépierre's Italian portfolio, the inauguration of a Stradivarius store over more than 700 sq.m. and the introduction of Xiaomi, the fast-growing Chinese phone retailer.

3.3 SCANDINAVIA (14.9% OF NET RENTAL INCOME)

NRI & EPRA VACANCY RATE IN SCANDINAVIA

In millions of euros	Reported portfolio NRI 12/31/2019	Reported portfolio NRI 12/31/2018	Reported portfolio NRI Change	Like-for-like portfolio NRI 12/31/2019	Like-for-like portfolio NRI 12/31/2018	Like-for-like portfolio NRI Change	EPRA Vacancy Rate 12/31/2019	EPRA Vacancy Rate 12/31/2018
Norway	63.0	64.0	−1.6%	53.2	51.6	+3.1%	3.6%	3.3%
Sweden	52.2	53.5	−2.4%	51.9	51.4	+1.0%	4.4%	5.9%
Denmark	52.9	51.0	+3.9%	51.5	50.0	+3.0%	5.3%	4.9%
SCANDINAVIA	**168.1**	**168.4**	**−0.2%**	**156.6**	**152.9**	**+2.4%**	**4.2%**	**4.5%**

GDP growth in **Scandinavia** (Norway, Sweden and Denmark) eased off in 2019. In Norway, growth is set to come out at 1.1% with the rebound in the oil sector partly offset by lower external demand in other activities and weaker household consumption. The unemployment rate is expected to fall further to 3.4% by year-end 2019, although inflation is forecast to remain above 2% over the year. The global slowdown and weak exports dragged down economic growth in Sweden, with GDP growth projected to slow to 1.4% in 2019 (versus 2.4% in 2018) and unemployment to rise by 50 basis points year on year. The Danish economy should be more resilient with GDP growth estimated at 1.8%, sustained by private consumption and pharmaceutical and machinery exports. Unemployment is expected to remain at a low 5.0%.

Retailer sales in Scandinavia declined by 1.1%. The trend improved in the second half of the year (flat), thanks to intensive leasing initiatives and a successful Black Friday campaign in November. In Denmark, Field's (Copenhagen) continued to benefit from the recent changes in the tenant mix which had a positive impact on footfall (up 4.5% over the year), while retailer sales in Nerstranda (Tromsø) were boosted by the right-sizing of the H&M store. In Sweden, the proactive re-tenanting drive at Emporia (Malmö) and the influx of Danish visitors on the back of the depreciation of the Swedish krona acted as catalysts to the overall performance.

On a like-for-like basis, net rental income grew by 2.4% in 2019 (up 3.1% in Norway, up 1.0% in Sweden and up 3.0% in Denmark), supported by a 2.0% indexation rate, positive rental reversion, and declining vacancy. Additional income from specialty leasing, mostly in Denmark, also helped drive growth in net rental income.

Leasing activity was sustained with 326 leases signed at an average positive 5.7% reversion. Klépierre is running a proactive leasing strategy in all sectors so as to leverage the expansion of new concepts and local heroes in its malls. Once again, the Group demonstrated its ability to attract differentiating brands and offer additional services:

> In **Norway,** 180 deals were signed with an average positive reversion of 8.6%. At Oslo City, four years after the acquisition, re-leasing and renewal activity remained strong with the openings of a Normal concept and a right-sized and refurbished Meny supermarket. The right-sizing of the only directly operated M.A.C. store in Norway and the inauguration of the Rituals flagship significantly upgraded the Health & Beauty segment, which will be further enhanced by the enlargement of the Kicks store next February. Lastly, Apcoa has become the new parking operator, uprating the driver experience through various additional services (camera-based payment system);

> In **Sweden** where 123 deals were signed in 2019, leasing was very dynamic at Emporia (Malmö), thanks to the ongoing re-tenanting drive which translated into the opening of stores such as Chanel Beauty, Hästens, Yves Rocher, Ideal of Sweden, a new Lindex flagship, the Danish fashion brand Kings & Queens (1,000 sq.m.; inaugural store in Sweden) and Søstrene Grene (650 sq.m.; relocated to the ground floor on a larger format). New services were also added to the center with the opening of Min Doktor. In addition, the signing of Swedish value-for-money retailer ÖOB (1,300 sq.m.) and the opening of XXL over 3,800 sq.m. in the first half of 2020 will further bolster the mix. At Emporia, Klépierre is also rolling out its Destination Food® concept in three phases, with the restructuring and extension of the food court over 1,600 sq.m.. Emblematic deals have already been signed with Seven Burgers, Thai Pad, Tokyo 15, Dhaba, Pita Pit, La Baracca, Two Monkeys, Wokshop and Manga; and

> In **Denmark,** 23 deals were signed. The tenant mix at Field's (Copenhagen) continues to be reshuffled, with the introduction of Illums Bolighus, the Scandinavian design retailer and the opening of the first kindergarten in a Danish mall. Swedish womenswear brand Lindex also chose Field's for its return to Denmark, opening a new 800 sq.m. store in October. The retail mix will also be boosted by the arrival of iFLY (skydiving simulator) by the end of 2020. Lastly, Danish drugstore chain Matas is set to right-size its boutique at Bruun's Galleri (Aarhus) while Nespresso has decided to join the mall.

3.4 IBERIA (11.2% OF NET RENTAL INCOME)

▸ NRI & EPRA VACANCY RATE IN IBERIA

	Reported portfolio NRI			Like-for-like portfolio NRI			EPRA Vacancy Rate	
In millions of euros	12/31/2019	12/31/2018	Change	12/31/2019	12/31/2018	Change	12/31/2019	12/31/2018
Spain	106.9	99.3	+7.7%	105.6	98.6	+7.0%	1.7%	1.8%
Portugal	19.6	22.0	−11.1%	16.8	14.9	+12.8%	1.8%	4.3%
IBERIA	**126.5**	**121.3**	**+4.3%**	**122.4**	**113.5**	**+7.8%**	**1.7%**	**2.4%**

The Spanish economy was dynamic in 2019 and is expected to remain so in 2020 albeit at a slower pace than in recent years. GDP growth is expected to reach 2.0% by the end of the year. A main driver of the expansion, domestic demand has decelerated slightly while uncertainties in Europe weighed on exports. The unemployment rate is set to decline further to 14.2% in 2019 (versus 15.3% in 2018). Similarly, GDP growth in Portugal is projected to come at 1.9% in 2019, slightly below 2018. While confidence is set to remain high, domestic demand is expected to slow down, reflecting challenging external conditions and lower wage increases. Unemployment is projected to further compress to 6.5% in 2019.

In 2019, **retailer sales** continued to grow at a very strong pace in both Spain (up 5.4%) and Portugal (up 7.4%), with growth for the region as a whole coming in at 5.9%. Beyond the still supportive economic environment, growth is largely explained by the proactive leasing policy in Klépierre malls, particularly at Nueva Condomina (up 11.1%), Parque Nascente (up 7.5%) and Plenilunio (up 7.4%). All segments contributed to this strong performance, especially Health & Beauty (up 9.4%), Culture, Gift & Leisure (up 9.1%), Food & Beverage (up 4.8%) and Fashion (up 4.4%).

This outstanding sales growth trend translated into buoyant like-for-like **net rental income** growth of 7.8%, on a par with 2018 and significantly above Iberian indexation (positive 1.3%). This performance continued to be driven by strong positive reversion, a sharp improvement in occupancy rates (by 70 basis points to stand at 98.3%) together with fast-growing specialty leasing income. On a reported-portfolio basis, the geography as a whole posted net rental income growing by 4.3%, with Portugal declining by 11.1% (up 12.8% on a like-for-like basis), due mainly to the disposal of four shopping centers in April 2019.

Leasing activity remained very dynamic with 189 leases signed (including 158 releasings and re-lettings), translating into an 18.1% positive reversion rate. In Spain, close to two years after the acquisition of Nueva Condomina, re-tenanting remained extremely dynamic with 12 leases signed during the year, including 10 new stores (of which Adidas, Bershka, Pull & Bear, Guess, Fútbol Factory, and Miniso). A new karting facility was installed on the car parking space, enhancing the center's leisure offering. Since the acquisition, the constant re-tenanting drive is bearing fruit with the mall registering a 15% increase in footfall, further cementing Nueva's position as the go-to retail destination in Murcia. At La Gavia (Madrid), the ongoing renewal campaign is progressing well. Many brands have been right-sized, including Bershka, Adidas, Pull & Bear and JD sports, while Huawei opened its first store in a Klépierre shopping center in early 2020.

In Portugal, 2019 has been an active year to further upgrade the positioning of Parque Nascente, a leading mall of Porto. Anchored by a strong hypermarket, Primark and the Inditex galaxy, the offering of this 13.5 million footfall mall has been enhanced by the arrival of 15 new brands, including JD Sports, Football Club Porto, Hawkers, Tiger, Punt Roma and Tezenis.

3.5 CENTRAL EUROPE AND OTHER (8.9% 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	12/31/2019	12/31/2018	Change	12/31/2019	12/31/2018	Change	12/31/2019	12/31/2018
Czech Republic	33.1	33.4	−0.6%	31.9	30.3	+5.4%	0.3%	1.5%
Poland	33.1	31.7	+4.4%	32.2	31.7	+1.5%	0.9%	1.5%
Hungary	16.6	21.8	−23.9%	-	-	-	-	-
Turkey	15.3	18.6	−17.9%	16.0	16.9	−4.9%	10.3%	10.2%
Other	2.8	2.6	+8.0%	2.7	2.6	+4.2%	4.4%	9.0%
CE & OTHER	**100.9**	**108.1**	**−6.6%**	**82.9**	**81.5**	**+1.7%**	**4.7%**	**4.9%**

In November 2019, Klépierre sold four shopping centers in Hungary (Corvin, Duna Plaza, Miskolc Plaza and Győr Plaza). As of that date, the Group no longer owns or operates any assets in Hungary.

Central European economies (Poland and the Czech Republic) remained buoyant in 2019. Business was very dynamic in Poland, with GDP expected to grow by 4.3% by the end of 2019, driven by strong domestic demand, a booming labor market and rising investment. In that context, unemployment is projected to decline further (from 3.9% in 2018 to 3.4% in 2019), and inflation to stabilize at 2.3%. In the Czech Republic, growth eased slightly but remained robust at 2.6% thanks mainly to strong household consumption underpinned by government spending. Growth was however held back slightly by challenges faced by neighboring countries, which depressed external demand. Rising revenues have pushed up inflation which is projected to come out at 2.8% whereas unemployment is forecast to sink to 2.0% by 2019.

In 2019, the Turkish economy continued to suffer from the 2018 crisis and from regional uncertainties. However, on the back of substantial government stimulus, private consumption has continued to bounce back and GDP was projected to grow modestly by 0.3%. Inflation and unemployment are expected to remain high at 15.8% and 13.5%, respectively.

Retailer sales in the CE & Other region were up 6.8%. In the Czech Republic (6.3%), the performance was driven by Nový Smíchov (Prague), which continued to benefit from the 7,000 sq.m. restructuring work on the former Tesco unit that has enabled the development of strong brands such as Zara, Sephora, Bershka and Lindex while Plzeň Plaza (Plzeň) posted strong figures thanks to the dynamism of Albert supermarket and the enlargement of Terranova over more than 1,000 sq.m. Polish sales were up 3.7% supported by a favorable domestic context and the solid sales growth posted by Sosnowiec Plaza and Ruda Śląska Plaza as a result of recent re-anchoring operations with the fashion group LPP and electronics store Media Expert. Lublin Plaza also benefited from proactive leasing initiatives, the upgrade of the food court and the recent refurbishment.

Like-for-like **net rental income** growth in the CE & Other region came out at 1.7% for the year. The Czech Republic (up 5.4%) posted strong figures and Poland (up 1.5%) continued perform well. Conversely, Turkish rental income was down 4.9%, due to the temporary rental discounts granted to tenants and the challenging economic environment. The region as a whole broadly benefited from high positive rental reversion, lower bad debts and improved occupancy rates. On a reported basis, net rental income decreased by 6.6%, reflecting the impact of disposals in Hungary and the negative foreign exchange impact in Turkey.

In 2019, **leasing activity** remained dynamic in Central Europe with a total of 151 leases signed and a 6.6% positive rental reversion on renewals and re-lettings. In Nový Smíchov (Prague), the transformation of the mall is still on track and efforts to attract differentiating brands continuing to pay off in the shape of emblematic deals signed with Decathlon—which will unveil a brand new store on more than 1,800 sq.m. next February—and sportswear specialist 4F. Camaïeu, Napapijri and Kiehl's also joined the center while shoe brand ECCO opened a new right-sized boutique in September. In addition, Klépierre began restructuring of the food court on the third floor, where it will be rolling out the Destination Food® concept on the back of new leases with major brands including McDonald's, KFC, Costa Coffee, Jeff de Bruges, traditional Czech concept Tradice, as well as with Asian cuisine Bombay Express and Thai Thai in the food offering. In Poland, 62 deals were signed in 2019. The renovation of Poznan Plaza was completed during the year, enriching the fashion offering through deals signed with local retailer Medicine (600 sq.m.) and Portuguese brand Parfois while Euro RTV AGD, Poland's leading consumer electronics specialist opened a new concept on more than 1,300 sq.m. In Lublin Plaza, the fast expanding Chinese retailer Xiaomi inaugurated its first store in Klépierre's Polish portfolio in September and New Balance and Costa coffee will soon enhance the mall's global offering. Lastly, in Turkey, the sports mix was significantly upgraded at Akmerkez (Istanbul) with major leases signed with Decathlon (1,800 sq.m.), Adidas and New Balance, while the fashion offering was rounded out by a new Mango store (1,200 sq.m.).

3.6 NETHERLANDS (6.1% OF NET RENTAL INCOME)

▸ NRI & EPRA VACANCY RATE IN THE NETHERLANDS

	Reported portfolio NRI			Like-for-like portfolio NRI			EPRA Vacancy Rate	
In millions of euros	12/31/2019	12/31/2018	Change	12/31/2019	12/31/2018	Change	12/31/2019	12/31/2018
NETHERLANDS	**68.9**	**56.7**	**+21.4%**	**53.9**	**51.1**	**+5.5%**	**2.4%**	**5.6%**

After steady growth in 2018 (2.5%), the **Dutch economy** slowed down in 2019, with GDP growing by 1.7%. In 2019, the Netherlands suffered from weak external demand, but business investment and private consumption remained robust, reflecting the low unemployment rate at 3.4% and substantial wage growth. Inflation is expected to jump to 2.7% as a result of increases in VAT and house prices.

On a like-for-like basis, **net rental income** growth outperformed the 2.0% indexation rate to reach 5.5%. This performance was attributable to a combination of a good reversion rate, higher occupancy, and a further decline in bad debt allowances. On a reported portfolio basis, net rental income soared by 21.4%, thanks mainly to the contribution of store openings at Hoog Catharijne (Utrecht).

On the leasing front, 48 leases were signed over the year (including 32 releasings or re-lettings). Hoog Catharijne, the leading mall in the Netherlands, continued to attract emblematic brands such as Samsung, which opened an iconic “experience store” in the first half, and the H&M satellites Monki (550 sq.m.) and Afound (1,000 sq.m.; inaugural store in the Netherlands planned for next February). The fashion offer was further enriched by the opening of Calzedonia in the South Mile and Intimissimi in the North Mile. Furthermore, Daniel Wellington and LEGO inaugurated new concepts in July and October respectively. Footfall now exceeds 30 million, a 12% increase year on year. At Alexandrium (Rotterdam), the retail offer was significantly enriched thanks to proactive restructuring operations and the right-sizing of the Albert Heijn supermarket which paved the way for the opening of a new The Sting store (2,000 sq.m.), and the enlargement of H&M (3,300 sq.m.) to include H&M Home. Snipes, the fast-growing sneaker retailer, also unveiled a new store over more than 500 sq.m. in August while Calzedonia and Intimissimi opened an entirely new store last December. All these deals foreshadow Klépierre’s ambition for the leading mall in Rotterdam, which is slated for renovation by the fourth quarter of 2021.

3.7 GERMANY (3.5% OF NET RENTAL INCOME)

▸ NRI & EPRA VACANCY RATE IN GERMANY

	Reported portfolio NRI			Like-for-like portfolio NRI			EPRA Vacancy Rate	
In millions of euros	12/31/2019	12/31/2018	Change	12/31/2019	12/31/2018	Change	12/31/2019	12/31/2018
GERMANY	**40.0**	**39.5**	**+1.1%**	**40.2**	**40.8**	**−1.4%**	**3.3%**	**4.1%**

After years of expansion, the **German economy** stagnated in 2019, with GDP projected to rise by just 0.6% compared to 1.5% in 2018. Weak growth in global trade had a negative impact on export-dependent sectors, and investment declined sharply due to the low level of business confidence. However, the labor market remained resilient and unemployment is set to fall to 3.1% in 2019. Inflation is expected to decline further to 1.3% by year-end 2019.

Retailer sales increased by 2.5% in 2019, one of the best performances for the country in recent years. In the second half of the year, the successful Black Friday weekend boosted the overall performance. In Boulevard Berlin, the opening in December 2018 of Maisons du Monde and Vapiano in June 2019 continued to power sales growth while Forum Duisburg benefited from the renewal campaign launched in 2018. Arneken also posted good figures on the back of the arrival of Tedi, the fast-growing German discount retailer and the highly successful TK Maxx anchor.

Over the year, **net rental income** increased by 1.1% on a reported basis, outpacing the like-for-like growth performance as a result of the settlement of service charges relating to previous years. On a like-for-like basis, **net rental income** declined by 1.4%. Despite a marked reduction in vacancy (down 80 basis points versus 3.3% at end-2018, EPRA format), rents were penalized by a 9.3% negative reversion, due to the continuing mark-to-market of rents and an increase in bad debt.

Leasing activity remained strong in Germany with 61 leases signed representing 15,000 sq.m. (including 53 releasings and re-lettings). The completion of the renewal campaign at Forum Duisburg enabled 20 retailers to open or roll out their latest store formats, including Snipes, JD Sports, Jack & Jones and Only. The right-sizing of the Saturn unit contributed to the mall’s dynamism and paved the way for the reopening of an entirely refurbished and enlarged H&M flagship on 3,000 sq.m. in February 2019 and the introduction of multi-label fashion retailer Olymp & Hades on 1,000 sq.m. Leasing activity was upbeat at Centrum Galerie (Dresden) as well, where the mix was enriched by a deal signed with JD Sports for a unit spanning more than 650 sq.m.. In addition, Rituals will be relocated in the first half of 2020 to offer a wholly new experience to visitors. Meanwhile, Boulevard Berlin continued to attract emblematic brands such as Intimissimi, whose store opened in September.

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

▸ NRI & EPRA VACANCY RATE OF OTHER RETAIL PROPERTIES

	Current-Porfolio NRI			Like-for-Like Portfolio NRI			EPRA vacancy rate	
In millions of euros	12/31/2019	12/31/2018	Change	12/31/2019	12/31/2018	Change	12/31/2019	12/31/2018
OTHER RETAIL PROPERTIES	**22.6**	**23.4**	**−3.4%**	**20.9**	**21.4**	**−2.2%**	**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 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

	12/31/2019	12/31/2018	Change
Total share *(in millions of euros)*			
Gross rental income	1,242.3	1,252.2	+0.8%
Rental and building expenses	(111.7)	(133.2)	−16.1%
Net rental income	**1,130.6**	**1,119.0**	**+1.0%**
Management and other income	92.2	94.9	−2.9%
General and administrative expenses	(169.6)	(188.2)	−9.9%
EBITDA	**1,053.2**	**1,025.7**	**+2.7%**
Adjustments to calculate operating cash flow:			
> Depreciation charge for right of use assets[a]	(8.5)		
> Employee benefits, stock option expense and non-current operating expenses	12.6	17.2	
> IFRIC 21 impact	-	-	
Operating cash flow	**1,057.2**	**1,042.9**	**+1.4%**
Cost of net debt	(122.2)	(151.6)	−19.4%
Adjustments to calculate net current cash flow before taxes:			
> Amortization of Corio debt mark-to-market	(19.2)	(19.7)	
> Financial instrument close-out costs	19.7	29.0	
Net current cash flow before taxes	**935.5**	**900.6**	**+3.9%**
Share in equity-accounted companies	57.4	54.1	
Current tax expense	(32.3)	(31.2)	
Net current cash flow	**960.6**	**923.5**	**+4.0%**
Group share			
Net current cash flow	**830.3**	**793.7**	**+4.6%**
Adjustments to calculate EPRA Earnings add back:			
> Employee benefits, stock option expense and non-recurring operating expenses	(7.7)	(11.9)	
> Depreciation, amortization and provisions for contingencies and losses	(8.4)	(14.4)	
EPRA Earnings	**814.2**	**767.3**	**+6.1%**
Average number of shares[b]	293,941,863	299,913,706	−2.0%
Per share *(in millions of euros)*			
NET CURRENT CASH FLOW	**2.82**	**2.65**	**+6.7%**
EPRA EARNINGS	**2.77**	**2.56**	**+8.3%**

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

- **Net rental income** increased by 1.0% on a total share basis (down 0.2%, restated for the impact of the first-time application of IFRS 16),[6] supported by 3.0% like-for-like growth at Klépierre shopping centers (see section 2.4 "Net rental income");
- **Operating cash flow** advanced by 1.4% on a total share basis, in line with net rental income. Restated for the €8.5 million impact of IFRS 16 and excluding one-off items from 2018 operating costs, general and administrative expenses decreased by €5.5 million mainly as a result of lower other general expenses. This translated into a further reduction in the EPRA Cost Ratio (from 15.6% to 13.9% excluding direct vacancy costs; see section 9.5);
- **Cost of net debt** decreased by €29.4 million to €122.2 million on a total share basis. It benefited from €9 million in one-off financial income corresponding to the compensation received by Klépierre on a cash deposit made to the German tax authorities in connection with tax litigation incurred by Corio prior to its merger with Klépierre. 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 €121.7 million, representing a €20.7 million decrease year-on-year. Overall, the average cost of debt declined by 15 basis points to 1.45% (see section 8.3 "Cost of debt");
- **Current tax expense** increased by €1.1 million to €32.3 million on a total share basis. This includes a €1.5 million decrease in the second half, thanks to favorable regulatory changes in Italy (reinstatement of the notional interest deduction mechanism for 2019 and subsequent years); and
- **The average number of shares** outstanding fell from 299.9 million in 2018 to 293.9 million in 2019, as a result of the ongoing share buyback program.

Overall in 2019, net current cash flow per share increased by 6.7% year on year to €2.82 (up 6.0% restated for the impact of the first-time application of IFRS 16).[1] Excluding the one-off financial income relating to tax litigation in Germany (see above, cost of net debt), net current cash flow reached €2.79, up 5.6%, significantly above the initial guidance of €2.72–€2.75.

See section 9.1 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. The major impact for Klépierre relates to ground leases, whose costs have been almost entirely transferred from "Land expenses" (net rental income) to "Change in value of investment properties" and "Interest expense on lease liabilities." In 2019, on a total share basis, this added €6.4 million to net current cash flow, a combined effect of a €13.7 million increase in net rental income and a €7.3 million increase in interest expense. On a per share basis, the impact on net current cash flow was positive by 2 cents. By construction, the impact was neutral at the level of net income (as the decrease in value of investment properties was €6.4 million).

5

INVESTMENTS, DEVELOPMENTS, AND DISPOSALS

5.1 INVESTMENT MARKET

In 2019, improving retailer sales in Europe combined with lower unemployment rates and financing costs have not yet reversed subdued investor sentiment on the retail asset class. For the second year in a row, investment volumes decreased by around 20% on a trailing twelve-month basis. In early 2020, prime transactions signed in Spain with high quality institutional investors as well as large French transactions underway are signs of an upturn in investor appetite and increased liquidity at the prime end of the asset class.

The market share of the top five countries (France, United Kingdom, Germany, Italy and Spain) remained at around 60%, with the contracting share attributable to Germany and the United Kingdom offset by a significant increase in the French market due to shopping center transactions in Paris and large high street deals.

On the pricing front, yields are expanding slightly across most European geographies. Pricing of prime was not impacted as much since higher quality stock has been put on the market. Yield expansion on prime assets mostly affected the United Kingdom, while corrections in Germany and France were minor, and even more marginal still in Spain and Italy. The yield spread with secondary assets continued to expand however, albeit at a slower pace than in 2018.

5.2 CAPITAL EXPENDITURE

Total capital expenditure in 2019 amounted to €390.1 million, breaking down as follows:

- €188.3 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);
- €97.5 million allocated to the **standing portfolio** (excluding investment on extensions). This covers leasing capex, technical maintenance capex, and refurbishment (see section 9.6);
- €87.4 million allocated to **acquisitions,** mostly relating to a 10% stake in Belle Épine (Paris area, France) acquired in December. Covering more than 130,000 sq.m., this 15 million footfall shopping center is perfectly located in a densely populated catchment area in Southern Paris and offers an exceptional mix of 211 shops, with Carrefour as main anchor, a Pathé movie theater, Zara (soon to be right-sized), H&M and Uniqlo as well as differentiating retailers like Sephora, Normal, Nike, Maisons du Monde and JD Sports. This first-class mall will be further enhanced by the opening of a Primark store in the first quarter of 2020; and
- €16.9 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 seeks to transform its assets while strengthening their leadership in their respective catchment areas. To do so, the Group aims 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 work.

As of December 31, 2019, the Group's development pipeline represented €2.6 billion worth of potential investments, including €0.6 billion worth of committed projects[1] with an average expected yield on cost of 6.6%; €0.9 billion worth of controlled projects;[2] and €1.1 billion of identified projects.[3] On a Group share basis, the total pipeline represented €2.3 billion, of which €0.5 billion committed, €0.7 billion controlled, and €1.1 billion identified.

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

(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 DECEMBER 31, 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 €m)*	Cost to date *(in €m)*	Targeted yield on cost [(b)]
Hoog Catharijne Phase 3	Netherlands	Utrecht	Ext.-refurb.	23,844	2019-2021	100.0%	90	55	6.4%
Créteil Soleil	France	Paris region	Ext.-refurb.	11,400	2019-2020	80.0%	137	110	6.0%
Rives d'Arcins[(c)]	France	Bordeaux region	Ext.-redev.	12,925	2019-2020	52.0%	21	18	6.9%
Gran Reno	Italy	Bologna	Ext.-refurb.	24,876	2021	100.0%	147	27	6.7%
Grand Place	France	Grenoble	Ext.-refurb.	16,200	2020-2022	100.0%	66	11	7.8%
Campania	Italy	Naples	Redevelopment	14,200	2021	100.0%	35	16	8.7%
Le Gru	Italy	Turin	Redevelopment	5,846	2021	100.0%	21	11	6.7%
Other projects				12,664			48	22	5.7%
Total committed projects				**121,955**			**564**	**269**	**6.6%**
Le Gru[(c)]	Italy	Turin	Ext.-refurb.	24,316	2022	100.0%	119	3	
Maremagnum	Spain	Barcelona	Ext.-refurb.	8,740	2021-2022	100.0%	43	1	
Odysseum[(c)]	France	Montpellier	Ext.-redev.	15,300	2022	100.0%	52	8	
Porta di Roma[(d)]	Italy	Rome	Extension	4,880	2022	50.0%	14	0	
Il Leone di Lonato[(d)]	Italy	Lombardy	Extension	9,300	2023	50.0%	23	0	
Val d'Europe	France	Paris region	Extension	9,000	2022	55.0%	61	0	
Blagnac	France	Toulouse region	Ext.-refurb.	5,347	2022	53.6%	19	0	
Le Vele & Millenium	Italy	Sardinia	Ext.-refurb.	7,500	2023	100.0%	50	0	
Allum	Sweden	Gothenburg region	Ext.-redev.	6,600	2023	56.1%	28	0	
L'esplanade	Belgium	Brussels region	Extension	19,475	2023	100.0%	131	18	
Økernsenteret	Norway	Oslo	Redevelopment	64,650	2024	56.1%	170	49	
Viva	Denmark	Odense	New dev.	28,200	2024	56.1%	117	23	
Other projects				24,218			90	1	
Total controlled projects				**227,526**			**916**	**103**	
Total identified projects				**254,277**			**1,125**	**5**	
TOTAL				**603,758**			**2,605**	**377**	

(a) Estimated cost as of December 31, 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 December 31, 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., Le Gru 15,670 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 Opening of Créteil Soleil extension

The extension of **Créteil Soleil** (Paris), one of Klépierre's flagship malls in France was inaugurated in November and prompted a 19% increase in footfall in December. Perfectly illustrating the Group's operational strategy and ambitions, this new 11,400 sq.m. area offers: an unprecedented "Food avenue" over 4,000 sq.m.—with retailers such as Five Guys, Factory & Co, Pret A Manger, Starbucks and La Cantine Libanaise—, a location for special events, and a new 18-screen movie theater (or 6 additional screens) of the latest generation. Responding to changing consumption habits, the mall's new retail offering includes 15 exclusive new brands such as Bourjois, Nike, Stradivarius, Monki, LEGO and Normal. The extension will be topped off by the full refurbishment of this 21 million footfall shopping center, slated for completion by the end of 2020.

5.3.3 Extension and refurbishment of Gran Reno

The 16,700 sq.m. extension, rounded out with the refurbishment of the existing shopping center, will create a 55,000 sq.m. regional mall with no comparable competition in one of the wealthiest catchment areas in Italy. Klépierre will also be redeveloping the upper floor of the hypermarket—totaling 8,200 sq.m.—to pave the way for new anchors. Together with Klépierre's Destination Food® concept, 70 new brands will be added to the mix, as well as indoor and outdoor event areas in an exciting and attractive new environment. Pre-leasing is progressing well, with 56% of the space signed or under advanced negotiations, including Zara, Bershka, Pull & Bear, Stradivarius, New Balance, Napapijri, Tommy Hilfiger, Lush and Nike. Construction started in April 2019 and the opening is expected in mid-2021.

5.3.4 Extension and refurbishment of Grand Place

With 125 stores, Grand Place is the leading retail destination in the Grenoble region, already boasting leading brands such as Zara, H&M, Bershka, Fnac and Sephora. The full refurbishment of the mall initiated in September 2019 and due for completion by the end of 2020 will improve the customer experience, showcased by the installation of new glass roofs to boost natural light.

The 16,200 sq.m. extension will host the first Primark store in the region as well as 12 new restaurants in a Destination Food® concept together with 15 new brands. 56% of the space is already signed or under advanced negotiations, and construction is expected to start in the first half of 2020 for an opening in first-half 2022.

Developed in close collaboration with local stakeholders, the project will contribute to a wider urban plan covering 400 hectares. The starting point of the plan is the renovation of the area surrounding the center, including the replacement of an overpass with an urban boulevard with greater space given over to public transportation and soft mobility.

5.4 DISPOSALS

DISPOSALS COMPLETED SINCE JANUARY 1, 2019

Assets (City, Country)	Area (in sq.m.)	Sale price[a] (in €m)	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
Corvin (Budapest, Hungary)	34,161		11/14/2019
Duna Plaza (Budapest, Hungary)	36,571		11/14/2019
Gyor Plaza (Gyor, Hungary)	15,696		11/14/2019
Miskolc Plaza (Mizkolc, Hungary)	14,791		11/14/2019
Shopping centers	**202,392**	**471.5**	
Other properties	**41,048**	**65.3**	
TOTAL DISPOSALS	**243,440**	**536.8**	

(a) Excluding transfer taxes, total share.

Since January 1, 2019, the Group has completed disposals totaling €536.8 million (total share, excluding transfer taxes). This amount includes the sale of:

> **Eleven 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), one in the Netherlands (Almere Centrum, Almere),[1] and four in Hungary (Corvin, Duna Plaza, Győr Plaza and Miskolc Plaza). Further to the sale of these Hungarian malls, Klépierre no longer owns or operates any assets in Hungary and closed down its branch office there in November 2019; and

> **Other properties** relating to retail assets, offices and land plots in Norway and France (notably retail parks in Pontault-Combault in the Paris region and Rochefort-sur-Mer near La Rochelle).

Including €108.4 million of sales under promissory agreement, total disposals amounted to €645.2 million (excluding transfer taxes). Overall, assets were sold at a 6.1% premium to their latest appraised values. The average yield stands at 6.8%, inflated by the Central European disposals, where yields have historically been greater than in other Klépierre geographies, reflecting the higher country risk premium (excluding Central Europe, the yield stood at 6.3%). Overall, this has been yet another active year on the disposal front, underscoring the benefits of the Group's pan-European presence and its ability to manage high value creation through capital recycling.

5.5 FINANCIAL INVESTMENTS

In 2019, and as part of the €400 million share buyback program announced on February 6, 2019, the Group repurchased 9,584,166 of its own shares at an average price of €31.29 and an aggregate amount of €300 million.

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

6

PARENT COMPANY EARNINGS AND DIVIDEND

6.1 SUMMARY EARNINGS STATEMENT FOR THE PARENT COMPANY KLÉPIERRE SA

▸ EARNINGS STATEMENT FOR KLÉPIERRE SA

In millions of euros	2019	2018
Operating income	49.1	44.0
Operating expenses	(49.0)	(50.0)
Net operating income	**0.2**	**(6.0)**
Share of income from joint operations	104.2	171.7
Net financial income	221.4	183.9
Net income from ordinary operations before tax	**325.8**	**349.7**
Net non-recuring expense	(6.1)	(2.1)
Income tax (benefit)/expense	(2.0)	2.6
NET INCOME	**317.7**	**350.2**

Net income for Klépierre SA came to €317.7 million in 2019, versus €350.2 million in 2018. The €32.5 million decrease was attributable to the combined effect of the following:

> A €67.5 million decrease in the share of income from joint operations, as 2018 income was inflated by the disposal of the Grand Vitrolles shopping center in 2018; and

> A €37.5 million increase in net financial income resulting from a dividend received from Klépierre's main Dutch subsidiary.

6.2 DIVIDEND

The Executive Board will recommend that the shareholders present or represented at the Annual General Meeting to be held on April 30, 2020, approve a dividend in respect of fiscal year 2019 of €2.20 per share, representing a 4.8% increase on the €2.10 dividend paid in respect of fiscal year 2018. The 2019 dividend is consistent with Klépierre's practice of distributing around 80% of net current cash flow on a Group share basis.

The proposed €2.20 dividend for 2019 consists of the following:

> A cash dividend of €1.3519 per share paid out; and

> A distribution of €0.8481 per share paid out of Klépierre SA's merger premium and contribution premium and qualifying as an equity repayment within the meaning of Article 112-1 of the French Tax Code *(Code général des impôts)*.

Of the proposed €2.20 dividend, €0.7592 corresponds to the "SIIC dividend" stemming from Klépierre SAS tax-exempt activities. As such, the "SIIC dividend" is not eligible for the 40% tax rebate provided for in Article 158-3-2 of the French Tax Code.

As in 2019, and with a view to providing Klépierre's shareholders with more regular revenue streams, the distribution will be paid in two equal installments:

> An interim dividend of €1.10 per share (including the €0.7592 "SIIC dividend") that will be paid on March 11, 2020; and

> The balance of €1.10 per share to be paid on July 9, 2020.

7

PORTFOLIO VALUATION

7.1 PROPERTY PORTFOLIO VALUATION

7.1.1 Property portfolio valuation methodology

7.1.1.1 Scope of the portfolio appraised by external appraisers

As of December 31, 2019, 98.6% of the value of Klépierre's property portfolio, or €23,330 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 measured internally at fair value.

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

Type of asset	Value *(in €m)*
Externally-appraised assets	**23,330**
Acquisitions	87
Investment property at cost	134
Other internally-appraissed assets (land, assets held for sale, etc.)	121
TOTAL PORTFOLIO	**23,673**

7.1.1.2 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, 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 PORTFOLIO AS OF DECEMBER 31, 2019

Appraiser	Countries covered	Share of total portfolio *(in %)*
Cushman & Wakefield	> France, Norway, Sweden, Denmark, Belgium and Poland	42%
CBRE	> France, Spain, Italy, Netherlands, Czech Republic and Portugal	37%
Jones Lang LaSalle	> Italy, Turkey and Greece	16%
BNP Paribas Real Estate	> Germany and France (other retail properties)	5%
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

(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.*

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 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.

ASSUMPTIONS USED BY APPRAISERS FOR DETERMINING THE SHOPPING CENTER PORTFOLIO VALUATION AS OF DECEMBER 31, 2019(a)

Geography	Annual rent(b) *(in €/sq.m.)*	Discount rate(c)	Exit rate(d)	NRI CAGR(e)
France-Belgium	355	5.8%	4.9%	2.6%
Italy	390	6.9%	5.7%	1.7%
Scandinavia	327	6.9%	4.9%	2.4%
Iberia	354	7.4%	5.7%	2.1%
CE & Other	243	9.1%	7.1%	3.9%
Netherlands	241	6.7%	5.9%	2.9%
Germany	220	5.2%	4.5%	0.8%
TOTAL	**318**	**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.

7.1.2 Valuation

7.1.2.1 Property portfolio valuation

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

				Change over 6 months			Change over 12 months	
In millions of euros	12/31/2019	% of total portfolio	06/30/2019	Reported	LfL(b)	12/31/2018	Reported	LfL(b)
France	9,013	38.1%	9,098	−0.9%	−2.2%	9,231	−2.4%	−3.6%
Belgium	442	1.9%	447	−1.1%	+0.0%	454	−2.7%	−1.7%
France-Belgium	**9,455**	**39.9%**	**9,545**	**−0.9%**	**−2.1%**	**9,684**	**−2.4%**	**−3.5%**
Italy	**4,077**	**17.2%**	**4,045**	**+0.8%**	**+0.3%**	**4,052**	**+0.6%**	**−0.6%**
Norway	1,471	6.2%	1,491	−1.4%	+0.1%	1,424	+3.3%	+2.0%
Sweden	1,165	4.9%	1,200	−3.0%	−4.3%	1,252	−7.0%	−5.6%
Denmark	1,199	5.1%	1,181	+1.5%	+1.3%	1,196	+0.2%	−0.1%
Scandinavia	**3,835**	**16.2%**	**3,873**	**−1.0%**	**−1.0%**	**3,872**	**−1.0%**	**−1.2%**
Spain	1,940	8.2%	1,938	+0.1%	+0.2%	1,918	+1.1%	+1.1%
Portugal	312	1.3%	304	+2.6%	+2.4%	394	−20.9%	+3.9%
Iberia	**2,252**	**9.5%**	**2,242**	**+0.4%**	**+0.5%**	**2,313**	**−2.6%**	**+1.5%**
Czech Republic	685	2.9%	682	+0.5%	+0.5%	696	−1.5%	+3.9%
Poland	372	1.6%	375	−0.7%	−0.8%	388	−4.2%	−4.3%
Hungary	0	0.0%	215	−100.0%	-	201	−100.0%	-
Turkey	292	1.2%	315	−7.1%	−6.5%	363	−19.4%	−10.9%
Other	24	0.1%	22	+8.5%	+8.2%	23	+2.2%	+1.4%
CE & Other	**1,374**	**5.8%**	**1,609**	**−14.6%**	**−1.3%**	**1,672**	**−17.8%**	**−1.9%**
Netherlands	**1,437**	**6.1%**	**1,433**	**+0.3%**	**−1.2%**	**1,514**	**−5.1%**	**−2.3%**
Germany	**941**	**4.0%**	**959**	**−2.0%**	**−2.1%**	**976**	**−3.6%**	**−3.7%**
TOTAL SHOPPING CENTERS	**23,370**	**98.7%**	**23,706**	**−1.4%**	**−1.1%**	**24,083**	**−3.0%**	**−2.0%**
TOTAL OTHER RETAIL PROPERTIES	**303**	**1.3%**	**336**	**−10.0%**	**−1.9%**	**357**	**−15.1%**	**−7.4%**
TOTAL PORTFOLIO	**23,673**	**100.0%**	**24,042**	**−1.5%**	**−1.2%**	**24,440**	**−3.1%**	**−2.0%**

(a) 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 (€1,411 million in December 31, 2019; total share, including transfer taxes). The corresponding gross asset value of these assets stand at €1,497 million.
(b) Like-for-like change. For Scandinavia and Turkey, change is indicated on a constant forex basis. Central European assets are valued in euros.

VALUATION OF THE PROPERTY PORTFOLIO[a]

(on a Group share basis, including transfer taxes)

In millions of euros	12/31/2019	% of total portfolio	06/30/2019	Change over 6 months Reported	Change over 6 months LfL[b]	12/31/2018	Change over 12 months Reported	Change over 12 months LfL[b]
France	7,194	35.8%	7,258	−0.9%	−2.3%	7,385	−2.6%	−3.9%
Belgium	442	2.2%	447	−1.1%	+0.0%	454	−2.7%	−1.7%
France-Belgium	**7,635**	**38.0%**	**7,705**	**−0.9%**	**−2.2%**	**7,839**	**−2.6%**	**−3.7%**
Italy	**4,049**	**20.2%**	**4,015**	**+0.8%**	**+0.4%**	**4,021**	**+0.7%**	**−0.5%**
Norway	825	4.1%	837	−1.4%	+0.1%	799	+3.3%	+2.0%
Sweden	653	3.3%	673	−3.0%	−4.3%	702	−7.0%	−5.6%
Denmark	673	3.4%	663	+1.5%	+1.3%	671	+0.2%	−0.1%
Scandinavia	**2,151**	**10.7%**	**2,173**	**−1.0%**	**−1.0%**	**2,172**	**−1.0%**	**−1.2%**
Spain	1,940	9.7%	1,938	+0.1%	+0.2%	1,918	+1.1%	+1.1%
Portugal	312	1.6%	304	+2.6%	+2.4%	394	−20.9%	+3.9%
Iberia	**2,252**	**11.2%**	**2,242**	**+0.4%**	**+0.5%**	**2,313**	**−2.6%**	**+1.5%**
Czech Republic	685	3.4%	682	+0.5%	+0.5%	696	−1.5%	+3.9%
Poland	372	1.9%	375	−0.7%	−0.8%	388	−4.2%	−4.3%
Hungary	0	0.0%	215	−100.0%	-	201	−100.0%	-
Turkey	275	1.4%	295	−6.9%	−6.5%	341	−19.5%	−11.0%
Other	24	0.1%	22	+8.5%	+8.2%	23	+2.2%	+1.4%
CE & Other	**1,356**	**6.8%**	**1,589**	**−14.6%**	**−1.2%**	**1,650**	**−17.8%**	**−1.8%**
Netherlands	**1,437**	**7.2%**	**1,433**	**+0.3%**	**−1.2%**	**1,514**	**−5.1%**	**−2.3%**
Germany	**893**	**4.5%**	**911**	**−2.0%**	**−2.1%**	**927**	**−3.6%**	**−3.7%**
TOTAL SHOPPING CENTERS	**19,774**	**98.5%**	**20,068**	**−1.5%**	**−1.1%**	**20,436**	**−3.2%**	**−2.0%**
TOTAL OTHER RETAIL PROPERTIES	**303**	**1.5%**	**336**	**−10.0%**	**−1.9%**	**357**	**−15.1%**	**−7.4%**
TOTAL PORTFOLIO	**20,077**	**100.0%**	**20,404**	**−1.6%**	**−1.1%**	**20,793**	**−3.4%**	**−2.1%**

(a) 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 (€1,332 million in December 31, 2019; group share, including transfer taxes). The corresponding gross asset value of these assets stand at €1,418 million.
(b) 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 December 31, 2019 was €23,673 million on a total share basis (€20,077 million on a Group share basis). On a total share basis (including transfer taxes), shopping centers accounted for 98.7% of the portfolio and other retail properties for 1.3%.[1]

VALUATION RECONCILIATION WITH THE STATEMENT OF FINANCIAL POSITION

(on a total share basis)

In millions of euros	
Investment property at fair value	**21,307**
Right-of-use asset relating to ground leases[a]	(355)
Investment property at cost[b]	134
Fair value of property held for sale	105
Leasehold and lease incentives	17
Transfer taxes	1,078
Klépierre's equity interest in assets accounted for under the equity method (incl. receivables)	1,388
TOTAL PORTFOLIO	**23,673**

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

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

7.1.2.2 Shopping center portfolio valuation

Including transfer taxes, the value of the shopping center portfolio stood at €23,370 million on a total share basis as of December 31, 2019, down by 3.0% or €713 million on a reported basis compared to the same period last year. This increase reflects the combined impact of:

- A €494 million negative impact from disposals;
- A €460 million like-for-like valuation decrease (down 2.0%);
- A €286 million increase related to acquisitions and developments; and
- A €45 million negative impact related to foreign exchange.

12-MONTH SHOPPING CENTER PORTFOLIO VALUATION RECONCILIATION

(on a total share basis, including transfer taxes)

In millions of euros	
Shopping center portfolio at 12/31/2018	**24,083**
Disposals	(494)
Acquisitions/developments	286
Like-for-like change	(460)
Forex	(45)
SHOPPING CENTER PORTFOLIO AT 12/31/2019	**23,370**

The change in the like-for-like valuation during the second half of 2019 (down 1.1%) was in keeping with the trend in the first half (down 0.9%), with the slight decline attributable primarily to the increase in the risk premium included in the appraisers' models and reflecting the declining liquidity on the investment market.

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 1.3% negative market effect on the valuation of the portfolio.

On the back of healthy rental transactions and despite slightly lower indexation assumptions, NRI growth over the next ten years as predicted by the appraisers in their valuation models was down slightly compared to the last appraisal campaign, which combined with the ongoing growth of rents gave rise to a slightly positive cash flow effect.

From a geographical perspective, Iberia was still the most dynamic region (up 0.5% over 6 months and up 1.5% 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	−2.1%	−2.0%	-0.1%
Italy	+0.3%	+0.3%	0.0%
Scandinavia	−1.0%	−2.1%	+1.1%
Iberia	+0.5%	−0.8%	+1.3%
CE & Other	−1.3%	−1.8%	+0.5%
Netherlands	−1.2%	+0.1%	−1.3%
Germany	−2.1%	−0.5%	−1.6%
TOTAL SHOPPING CENTERS	**−1.1%**	**−1.3%**	**+0.2%**

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

Overall, as of December 31, 2019, the average EPRA NIY rate[1] for the portfolio[2] stood at 5.0%, up 10 basis points compared to one year ago (reflecting the slight decline in valuation together with the slight NRI increase). 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 December 31, 2019.

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

(on a Group share basis, including transfer taxes)

Country	12/31/2019	06/30/2019	12/31/2018
France	4.3%	4.3%	4.2%
Belgium	4.0%	4.0%	4.0%
France-Belgium	**4.3%**	**4.3%**	**4.2%**
Italy	**5.5%**	**5.5%**	**5.5%**
Norway	4.9%	4.8%	4.9%
Sweden	4.4%	4.2%	4.2%
Denmark	4.6%	4.5%	4.5%
Scandinavia	**4.6%**	**4.5%**	**4.5%**
Spain	5.5%	5.3%	5.1%
Portugal	6.6%	6.5%	6.7%
Iberia	**5.7%**	**5.5%**	**5.4%**
Poland	8.1%	7.9%	7.7%
Hungary	-	8.6%	8.4%
Czech Republic	4.6%	4.5%	4.9%
Turkey	8.4%	7.6%	8.4%
Other	12.2%	12.6%	9.9%
CE & Other	**6.5%**	**6.3%**	**6.8%**
Netherlands	**5.4%**	**5.2%**	**5.1%**
Germany	**4.5%**	**4.5%**	**4.6%**
TOTAL SHOPPING CENTERS	**5.0%**	**4.9%**	**4.9%**

(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	+7.7%	+3.7%	+1.8%	−1.9%	−3.7%	−7.2%
Italy	+7.7%	+3.8%	+1.9%	−1.8%	−3.6%	−7.0%
Scandinavia	+7.6%	+3.7%	+1.8%	−1.8%	−3.5%	−6.9%
Iberia	+7.4%	+3.5%	+1.6%	−2.0%	−3.7%	−7.1%
CE & Other	+7.1%	+3.5%	+1.7%	−1.7%	−3.3%	−6.5%
Netherlands	+11.4%	+5.5%	+2.7%	−2.7%	−5.2%	−10.1%
Germany	+8.6%	+4.2%	+2.1%	−2.0%	−4.0%	−7.8%
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	+17.9%	+7.7%	+3.6%	−3.3%	−6.2%	−11.3%
Italy	+13.3%	+6.0%	+2.8%	−2.6%	−4.9%	−9.2%
Scandinavia	+20.6%	+9.1%	+4.3%	−3.8%	−7.3%	−13.3%
Iberia	+13.2%	+5.9%	+2.8%	−2.6%	−4.9%	−9.0%
CE & Other	+10.8%	+4.9%	+2.3%	−2.1%	−4.1%	−7.6%
Netherlands	+16.7%	+7.4%	+3.5%	−3.2%	−5.9%	−11.2%
Germany	+21.2%	+9.3%	+4.4%	−3.9%	−7.4%	−13.4%
TOTAL SHOPPING CENTERS	**+16.7%**	**+7.3%**	**+3.4%**	**−3.1%**	**−5.9%**	**−10.9%**

7.1.2.3 Other retail properties

Including transfer taxes, the value of the other retail property portfolio stood at €303 million, down 15.1% over twelve months, due to the disposal of eleven retail assets (notably a retail park in France in Rochefort-sur-Mer, near La Rochelle), and down 1.9% on a like-for-like portfolio basis over six months. The EPRA NIY of the portfolio came out at 6.8%, stable over six months and up 10 basis points compared with December 31, 2018.

7.2 MANAGEMENT SERVICE ACTIVITIES

Klépierre's real estate management service activities include leasing, property and facility management, 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-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 a rate of 7.4% to 9.4% rate (depending on the country) 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 December 31, 2019 stood at €378.5 million on a total share basis (€368.9 million, Group share) compared to €373.5 million (€364.5 million, Group share) as of December 31, 2018.

8

FINANCIAL POLICY

Based on a moderate use of leverage, Klépierre's financial policy aims at ensuring balance-sheet stability, continuous access to liquidity and the most competitive cost of capital. In the eurozone, markets have markedly shifted towards lower financing costs with interest rates that have decreased significantly and tighter credit spreads over the year. Interest rates are now expected to remain low for an extended period of time. 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.

8.1 FINANCIAL RESOURCES

8.1.1 Change in net debt

As of December 31, 2019, consolidated net debt totaled €8,830 million, versus €8,875 million as of December 31, 2018, a €45 million decrease that was mainly attributable to the following:

> Cash inflows from operations and other items (foreign exchange, changes in working capital), amounting to €929 million;

> Cash outflows in respect of distributions for €731 million (including the dividend for €619 million, and distributions to non-controlling interests for €112 million);

> Cash outflows in respect of capital expenditure for €390 million (see section 9.6 "EPRA Capital Expenditure") including €205 million in development pipeline projects, €98 million in standing assets and €87 million of acquisitions of existing assets in France; and

> Cash inflows from disposals for €537 million, corresponding to assets sold mostly in France, Hungary, the Netherlands and Portugal. A portion of these proceeds financed the buyback of Klépierre shares for an aggregate amount of €300 million.

8.1.2 Debt ratios

The Loan-to-Value (LTV) ratio increased to 37.3% as of December 31, 2019, a 100 basis point increase compared to year-end 2018 mainly attributable to a decrease in the fair value of the property portfolio and an adverse foreign exchange effect. Nevertheless, the metric remains comfortably anchored within Klépierre's long-term LTV target of between 35% and 40%.

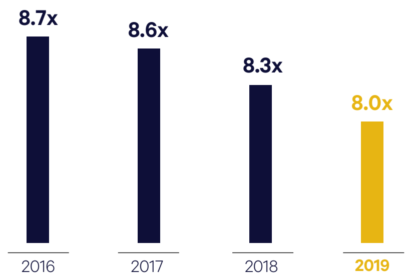
LOAN-TO-VALUE CALCULATION AS OF DECEMBER 31, 2019 *(as per covenant definitions, on a total share basis)*

In millions of euros	12/31/2019	12/31/2018
Current financial liabilities	2,342.4	2,069.6
Bank facilities	26.5	224.7
Non-current financial liabilities	7,092.0	7,036.3
Revaluation due to fair value hedge	(7.1)	(18.2)
Fair value adjustment of debt[a]	(21.5)	(40.6)
Gross financial liabilities excluding fair value hedge	**9,432.4**	**9,271.8**
Cash and cash equivalents[b]	(602.2)	(396.7)
Net debt	**8,830.2**	**8,875.1**
Property portfolio value (incl. transfer taxes)	23,672.6	24,439.6
LOAN-TO-VALUE RATIO	**37.3%**	**36.3%**

(a) Corresponds to the outstanding amount of the market value adjustment of 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 8.0x as of the end of December 2019, compared to 8.3x as of December 31, 2018.

▶ NET DEBT TO EBITDA



8.1.3 Available resources

Klépierre's liquidity position improved by €700 million year on year to €2.9 billion as of December 31, 2019 as a result of the following initiatives:

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

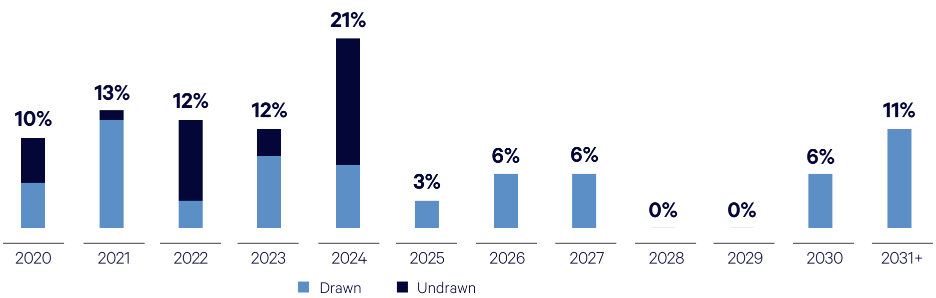
> Nine bilateral facilities originally maturing in 2023 were extended to 2024 (eight facilities for an aggregate amount of €1,100 million) and 2025 (one facility for €100 million); and

> €600 million worth of new 11-year notes were issued at the end of June 2019 bearing a 0.625% coupon. The new notes were used in part to refinance in advance bonds maturing in 2020.

In Scandinavia, Steen & Strøm, the leading mall property company in Scandinavia in which Klépierre has a 56% stake, raised €209 million in NOK and SEK on the capital markets (bonds and commercial paper), to refinance €179 million of financing in the same currencies, falling due within the year.

Taking into account these transactions, the Group's average debt maturity stood at 6.5 years. The average remaining maturity of the undrawn committed credit facility remained high, at 4.3 years.

▶ DEBT MATURITY SCHEDULE AS OF DECEMBER 31, 2019 *(% of authorized debt)*



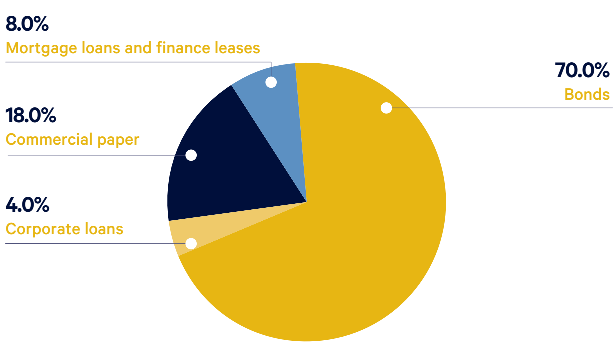
8.1.4 Debt structure

As of December 31, 2019, the share of financing sourced from capital markets in total debt stood at 88%, enabling Klépierre to benefit from excellent financing conditions. Bank facilities accounted for 12%, of which 8.2% concerned asset-backed debt raised mainly in Scandinavia (6.7%), 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] the fact that leases are denominated in euros in the Czech Republic and Poland and the cost of currency hedging, especially over long durations, the Group has decided not to hedge this position.

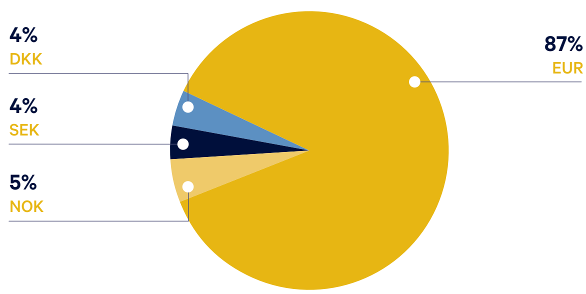
▶ FINANCING BREAKDOWN BY TYPE OF RESOURCE AS OF DECEMBER 31, 2019

(utilizations, total share)



▶ FINANCING BREAKDOWN BY CURRENCY AS OF DECEMBER 31, 2019

(utilizations, total share)



(1) *On a total share basis, including transfer taxes, the Czech Republic represented 2.9% of the total Klépierre portfolio, Poland 1.6% and Turkey 1.2%.*

8.2 INTEREST RATE HEDGING

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

> 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;

> Over the year, Klépierre switched €520 million of its short-term, fixed-rate exposure to optional hedging instruments. These transactions will limit the cost of carry of the hedging instruments over the next two years;

> In 2019, Steen & Strøm subscribed €111 million worth of hedging instruments denominated in Scandinavian currencies to maintain its hedging ratio at 73% as of December 31, 2019; and

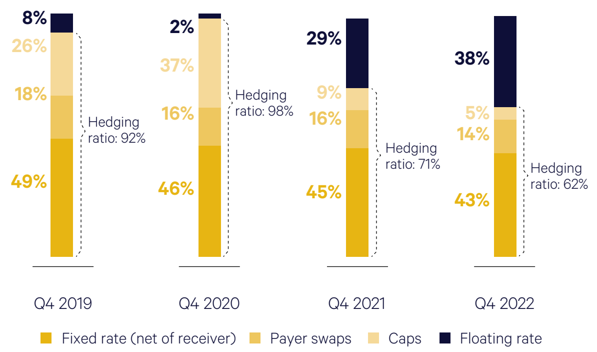
> At the end of June 2019, Klépierre entered into a €600 million interest rate swap in order to float a new bond issuance (€600 million).

As of December 31, 2019, the proportion of fixed-rate debt (including hedging instruments) was 92%, while the average maturity remained around four years (4.2).

In January 2020, Klépierre strengthened its hedging profile by rolling over maturing instruments (€400 million in caps and €500 million in swaps) and lowering the average strike of its cap portfolio (€1,300 million).

Accordingly, and considering the upcoming repayments, the sensitivity of the Group's cost of debt to interest rate fluctuations should remain low in the coming years.

▸ DEBT BY TYPE OF HEDGING INSTRUMENT[1]



Based on the interest rate yield curve as of December 31, 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.

8.3 COST OF DEBT

During the year, the Group's average cost of debt continued to fall, to 1.45% from 1.60% in 2018, benefiting from low short-term interest rates and the attractive refinancing operations carried out in recent years. Based on the current debt structure and market conditions, and in view of the upcoming refinancing transactions, the cost of debt is expected to remain very low over the next three years.

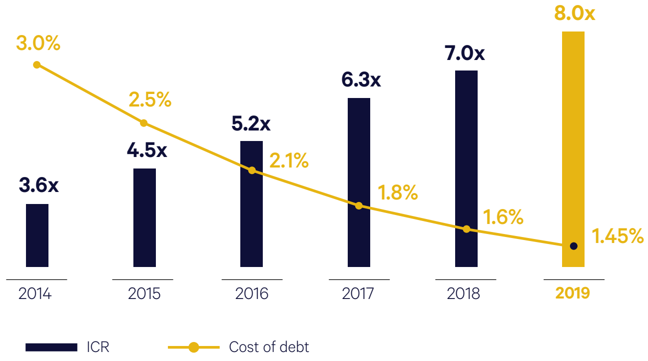
▸ BREAKDOWN OF COST OF DEBT

In millions of euros	12/31/2019	12/31/2018
Cost of net debt (as per IFRS consolidated income statement)	**122.2**	**151.6**
Non-recurring items	2.6	(3.3)
Non-cash impact	10.3	(9.8)
Interest on advances to associates	11.5	12.4
Liquidity cost	(5.9)	(6.2)
Interest expense on lease liabilities[a]	(8.4)	0.0
Cost of debt (used for cost of debt calculations)	**132.2**	**144.7**
Average gross debt	**9,119.0**	**9,058.3**
COST OF DEBT *(in %)*	**1.45%**	**1.60%**

(a) As per IFRS 16.

(1) Incl. January 2020 transactions.

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



8.4 CREDIT RATINGS AND COVENANTS

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 notes initially issued by Corio NV that are still outstanding.

▸ **COVENANTS APPLICABLE TO KLÉPIERRE SA FINANCINGS**

Financing	Ratios/covenants	Limit[a]	12/31/2019	12/31/2018
Syndicated loans and bilateral loans	Net debt/Portfolio value ("Loan to Value")	≤ 60%	37.3%	36.3%
	EBITDA/Net interest expense[b]	≥ 2.0x	8.0x	7.0x
	Secured debt/Portfolio value[c]	≤ 20%	0.7%	0.7%
	Portfolio value[d]	≥ €10bn	€20.1bn	€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 the liability management operations (non-recurring items).
(c) Excluding Steen & Strøm.
(d) Group share, including transfer taxes.

9

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).

EPRA SUMMARY TABLE[a]

	12/31/2019	12/31/2018	See section
EPRA Earnings *(in millions of euros)*	814.2	767.3	9.1
EPRA Earnings per share *(in euros)*	2.77	2.56	9.1
EPRA NAV *(in millions of euros)*	11,417	12,038	9.2.7
EPRA NAV per share *(in euros)*	39.50	40.50	9.2.7
EPRA NNNAV *(in millions of euros)*	10,803	11,591	9.2.7
EPRA NNNAV per share *(in euros)*	37.40	39.00	9.2.7
EPRA Net Initial Yield Shopping centers	5.0%	4.9%	9.3
EPRA "Topped-up" Net Initial Yield Shopping centers	5.2%	5.1%	9.3
EPRA Vacancy Rate	3.0%	3.2%	9.4
EPRA Cost Ratio (including direct vacancy costs)	15.4%	17.2%	9.5
EPRA Cost Ratio (excluding direct vacancy costs)	13.9%	15.6%	9.5

(a) Per-share figures rounded to the nearest 10 cents.

9.1 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)*	12/31/2019	12/31/2018
Net income as per IFRS consolidated statement of comprehensive income	**324.9**	**838.8**
Adjustments to calculate EPRA Earnings:		
(i) Changes in value of investment properties, development properties held for investment and other interests	(526.3)	313.7
(ii) Profits or losses on disposal of investment properties, development properties held for investment and other interests	24.0	(10.7)
(iii) Profits 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]	(8.0)	(43.4)
(vi) Changes in fair value of financial instruments and associated close-out costs	(26.2)	(20.3)
(vii) Acquisition costs on share deals and non-controlling joint venture interests	(4.7)	(5.3)
(viii) Deferred tax in respect of EPRA adjustements[b]	8.1	(78.1)
(ix) Adjustments (i) to (viii) above in respect of joint ventures (unless already included under proportional consolidation)	(37.9)	(23.1)
(x) Non-controlling interests in respect of the above	81.8	(61.4)
EPRA EARNINGS	**814.2**	**767.3**
Company-specific adjustments:		
> Employee benefits, stock option expense and non-current operating expenses	7.7	11.9
> Depreciation, amortization and provisions for contingencies and losses	8.4	14.4
NET CURRENT CASH FLOW	**830.3**	**793.7**
Average number of shares[c]	*293,941,863*	*299,913,706*
Per share *(in millions of euros)*		
EPRA EARNINGS[d]	**2.77**	**2.56**
NET CURRENT CASH FLOW	**2.82**	**2.65**

(a) Goodwill impairment mostly relates to a decrease in the valuation of management services companies following the disposal of the Hungarian portfolio.
(b) In 2019, this item includes €2.3 million in deferred tax, €5.8 million in non-current taxes.
(c) Excluding treasury shares.
(d) The IFRS 16 impact on EPRA earnings is strictly similar to that on net current cash flow (see footnote 5, section 4).

9.2 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.

9.2.1 Methodology

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

9.2.2 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.

9.2.3 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.

9.2.4 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.

9.2.5 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").

9.2.6 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, so as to determine the effective tax on unrealized capital gains pursuant to applicable local tax regulations (see section 9.2.5 above).

9.2.7 Calculation of EPRA Net Asset Values

▸ EPRA NET ASSET VALUES

Group share *(in millions of euros)*	12/31/2019	06/30/2019	12/31/2018	6-month change	12-month change
Consolidated shareholders' equity[a]	**9,774**	**9,766**	**10,358**	**+0.1%**	**−5.6%**
Amounts owed to shareholders	0	308	0	-	-
Unrealized capital gains on management service activities[b]	340	336	346	1.1%	−1.6%
Goodwill restatement[a]	(603)	(608)	(611)	−0.7%	−1.2%
Fair value of hedging instruments	8	12	8	-	-
Deferred taxes on asset values as per SOFP[a]	1,519	1,516	1,525	0.2%	−0.4%
Transfer tax restatement[c]	380	384	413	−1.1%	−7.9%
EPRA NAV	**11,417**	**11,714**	**12,038**	**−2.5%**	**−5.2%**
Optimized deferred taxes on unrealized capital gains	(355)	(373)	(400)	−5.0%	−11.2%
Fair value of hedging instruments	(8)	(12)	(8)	-	-
Fair value of fixed-rate debt	(251)	(299)	(39)	-	-
EPRA NNNAV	**10,803**	**11,030**	**11,591**	**−2.1%**	**−6.8%**
Number of shares, end of period	288,736,070	293,216,592	297,430,644		
Per share *(in millions of euros)*[d]					
EPRA NAV	**39.50**	**40.00**	**40.50**	**−1.0%**	**−2.3%**
EPRA NNNAV	**37.40**	**37.60**	**39.00**	**−0.5%**	**−4.0%**

(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 €369 million (see section 7.2), 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 €340 million.
(c) External appraisers valued transfer taxes payable on the whole portfolio at €941 million, considering that all properties would be sold through asset deals. Klépierre's assessment of such transfer taxes totals €561 million, as the Group considered it would be likely to secure share deals instead of asset deals in several instances. The €380 million restatement is the difference between these two valuations.
(d) Per-share figures rounded to the nearest 10 cents.

EPRA NAV 12-MONTH RECONCILIATION PER SHARE[a]

In euro per share	
EPRA NAV AT 12/31/2018	**40.50**
Cash flow	2.82
Like-for-like asset revaluation	(1.44)
Dividend	(2.10)
Forex and other	(0.21)
EPRA NAV AT 12/31/2019	**39.50**

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

EPRA NAV per share amounted to €39.50 at the end of December 2019, versus €40.50 one year earlier.[1] This decrease reflects the generation of net current cash flow (€2.82 per share), which was more than offset by the decrease in the value of the like-for-like portfolio (€1.44 per share) and the dividend payment (€2.10 per share). Foreign exchange and other items had a negative impact of €0.21 per share.

9.3 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 7.1.2.2 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	18,443	303	18,745
Investment property – Share of joint ventures/funds	1,332	0	1,332
Total portfolio	**19,774**	**303**	**20,077**
Less: Developments, land and other	(1,190)	0	(1,190)
Completed property portfolio valuation (B)	**18,584**	**303**	**18,887**
Annualized cash passing rental income	1,033	22	1,055
Property outgoings	(111)	(2)	(112)
Annualized net rents (A)	**923**	**21**	**943**
Notional rent expiration of rent free periods or other lease incentives	39	0	39
Topped-up net annualized rent (C)	**961**	**21**	**982**
EPRA NET INITIAL YIELD (A/B)	**5.0%**	**6.8%**	**5.0%**
EPRA "TOPPED-UP" NET INITIAL YIELD (C/B)	**5.2%**	**7.0%**	**5.2%**

9.4 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	14,916	449,917	3.3%
Italy	4,964	286,412	1.7%
Scandinavia	7,769	183,292	4.2%
Iberia	2,455	141,717	1.7%
CE & Other	4,979	106,474	4.7%
Netherlands	1,673	68,741	2.4%
Germany	1,272	38,890	3.3%
TOTAL	**38,028**	**1,275,443**	**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 December 31, 2019, are based on internal assumptions. Shopping centers (or portions thereof) under restructuring that are excluded from the scope are as follows: Échirolles (Grenoble), Odysseum (Montpellier), the Créteil Soleil extension (Paris region), Nailloux Village (Toulouse), Økern (Oslo). Strategic vacancies are also excluded.

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

9.5 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	12/31/2019	12/31/2018
Administrative and operating expenses[(a)]	(216.4)	(236.4)
Net service charge costs[(a)]	(72.4)	(76.4)
Net management fees[(a)]	83.3	86.0
Other net operating income intended to cover overhead expenses[(a)]	8.9	8.9
Share of joint venture expenses[(b)]	(14.1)	(15.7)
Exclude (if part of the above):		
Service charge costs recovered through rents but not separately invoiced	9.4	8.5
EPRA Costs (including vacancy costs) (A)	**(201.3)**	**(225.1)**
Direct vacancy costs	(19.9)	(20.9)
EPRA Costs (excluding vacancy costs) (B)	**(181.4)**	**(204.2)**
Gross rental income less ground rents[(a)]	1,234.0	1,235.9
Less: service fee/cost component of gross rental income	(9.4)	(8.5)
Add: share of joint ventures (gross rental Income less ground rents)[(b)]	83.1	81.7
Gross rental income (C)	**1,307.7**	**1,309.1**
EPRA COST RATIO (INCLUDING DIRECT VACANCY COSTS) (A/C)	**15.4%[(c)]**	**17.2%**
EPRA COST RATIO (EXCLUDING DIRECT VACANCY COSTS) (B/C)	**13.9%[(c)]**	**15.6%**

(a) As per the IFRS consolidated statements of comprehensive income.
(b) For more information, see section 2.5 "Contribution of equity-accounted companies".
(c) Restated for the impact of IFRS 16, the EPRA cost ratios stood respectively at 15.6% (incl. vacancy costs) and 14.0% (excl. vacancy costs).

9.6 EPRA CAPITAL EXPENDITURE

Investments made in 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	12/31/2019	12/31/2018
Acquisitions	-[(b)]	75.3
Development	188.3	190.0
Like-for-like portfolio	97.5	127.3
Other	16.9	15.0
TOTAL	**302.7**	**407.7**

(a) Inclusive of expenses charged to tenants.
(b) The acquisition of a 10% stake in Belle Épine (€87.4 million, incl. transfer taxes) is not included as figures exclude investments in equity-accounted assets.

9.6.1 Developments

Development capital expenditure includes investments related to new constructions and large extensions of existing assets. In 2019, these investments amounted to €188.3 million, mainly relating to the Créteil Soleil extension (Paris region, France), Gran Reno (Bologna, Italy) and the Hoog Catharijne redevelopment (Utrecht, Netherlands).

9.6.2 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 2019, these investments amounted to €97.5 million (of which €24.6 million recharged to tenants), breaking down as follows:

- €14.4 million in refurbishment, consisting in renovation work, mainly in common areas. Most of this expenditure was invoiced to tenants;
- €57.2 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
- €25.9 million in technical maintenance capital expenditure aimed at replacing obsolete or dysfunctional equipment relating to properties. A large portion of these investments were rebilled to tenants.

9.6.3 Other capital expenditure

Other capital expenditure amounted to €16.9 million and consisted in development fees, leasing fees and capitalized interest (€3.7 million).

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OUTLOOK

In 2020, Klépierre expects to generate net current cash flow of between €2.85 and €2.90, to be compared with €2.79 in 2019 (i.e., €2.82 restated for €0.03 one-off financial income).

In a European economic environment where GDP growth is expected to remain subdued (up 1.1% in 2020) and assuming a slightly lower contribution from indexation compared to 2019, the Group's like-for-like net rental income growth should remain robust.

Debt management initiatives implemented in 2019 and refinancing planned in 2020 will help further reduce financial cost.

Based on the current conditions of the European property investment market, the Group expects to keep on streamlining its portfolio by disposing of some of its non-core assets. The disposal proceeds shall be reinvested in the development pipeline, targeted acquisitions and/or further share buybacks. As in previous years, the Group's capital allocation strategy assumes no material change in debt.