2019 UNIVERSAL REGISTRATION DOCUMENT

KLEPIERRE

CONTENTS

READ THE DIGITAL VERSION OF THE UNIVERSAL REGISTRATION DOCUMENT ON KLEPIERRE'S WEBSITE WWW.KLEPIERRE.COM

KLEPIERRE

2019 UNIVERSAL REGISTRATION DOCUMENT

INCLUDING THE ANNUAL FINANCIAL REPORT

AUTORITÉ DES MARCHÉS FINANCIERS
AMF

This Universal Registration Document was filed on March 13, 2020 with the AMF, as competent authority under Regulation (EU) 2017/1129, without prior approval pursuant to Article 9 of said regulation. The Universal Registration Document may be used for the purposes of an offer to the public of securities or admission of securities to trading on a regulated market if supplemented by a securities note and, if applicable, a summary and any amendments to the Universal Registration Document. The whole document is approved by the AMF in accordance with Regulation (EU) 2017/1129. This Universal Registration Document is available on Klépierre's website, www.klepierre.com and on the AMF website at www.amf-france.org.


21
PINCHOS
TAPAS BAR
101
36
35

1

GROUP OVERVIEW

1.1 BUSINESS ENVIRONMENT, ECONOMIC MODEL AND STRATEGY

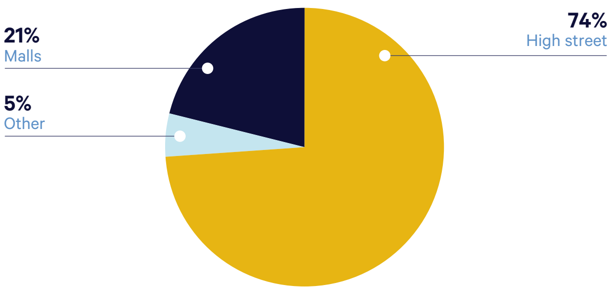
Klépierre is the European leader in shopping malls combining property development, property and asset management activities. The Group's property portfolio of more than 100 leading shopping centers in Continental Europe, hosting 1.1 billion visits per year and valued at €23.7 billion as of December 31, 2019, makes it a unique player in the retail property market.

1.1.1 Business environment

A highly fragmented market and a fast changing environment

The retail market is largely dominated by store-based retailing, accounting for 90% of retail sales in Europe[1] whereas online sales represent approximately 10% of total retail sales. As a major shopping destinations owner, Klépierre operates in a highly fragmented market in which roughly 74% of the physical retail offer (in GLA; Gross Leasable Area) is located on the high street, 21% in shopping centers and 5% in other property segments (mainly retail parks and outlets). Within the shopping center segment, the Group's portfolio includes several of the highest-quality malls in Continental Europe, located in the most densely-populated and dynamic catchment areas.

RETAIL PROPERTY MARKET BY TYPE OF PROPERTY[2]



In a constantly changing environment, shoppers' habits are being influenced by new mobility and demographic dynamics, changes in urban planning and technological and environmental revolutions. In recent years, the purchasing journey has evolved very rapidly with consumers becoming the driving force, notably thanks to technology which is enabling them to shift from being mere shoppers to well informed consumers. This transformation is influencing customer behavior and aspirations and making consumers, more demanding. The new way of shopping is largely characterized by a combination of emotional desires, digital impulses together with ethical and social considerations. Even if the emergence of different consumer habits primarily concerns millennials it must be understood as a cross-generational movement which is encouraging the retail industry to adapt its organization to meet the demands of today and tomorrow and offer a seamless experience across all channels.

Consequently, and although physical stores remain by far the preferred channel for consumers, e-commerce is another component of Klépierre's business environment. Indeed, in the countries where Klépierre operates, online sales represent roughly 10% of overall retailer sales[1] and are continuing to grow. The role of the store is undeniably changing therefore, and is now part of an omnichannel approach. To address this challenge, retailers are adapting the format and number of their stores and reconfiguring their supply chains, with the aim of maximizing synergies between online and physical stores. Brick-and-mortar locations support brand awareness, provide opportunity for consumers to access products and foster click-and-collect sales. In that context, Klépierre is easing the transition to omnichannel for its retailers and acting to drive in-store revenues from both sides of shopping (physical and online) while attracting new players to its malls.

(1) In 2018, Source: ICSC Industry Insights, March 2019.
(2) Source: PwC Strategy& study on shopping malls in Continental Europe, October 2018.

A unique relationship with retailers

Relying on its unique pan-European presence and strong visitor base, Klépierre is the main landlord of Europe's largest retailers such as Inditex (206 stores in Klépierre malls), Bestseller (85 stores), H&M (79 stores), Sephora (54 stores), McDonald's (62 stores), Calzedonia (144 stores) and Primark (10 stores).

▸ **NUMBER OF STORES FOR A SAMPLE OF EUROPEAN RETAILERS AS OF DECEMBER 31, 2019**

INDITEX 206 stores	SEPHORA 54 stores	PRIMARK 10 stores	GrandVision 104 stores
JD 42 stores	H&M 79 stores	BESTSELLER 85 stores	PANDORA 49 stores
M 62 stores	CALZEDONIA 144 stores	YVES ROCHER 80 stores	RITUALS... 33 stores

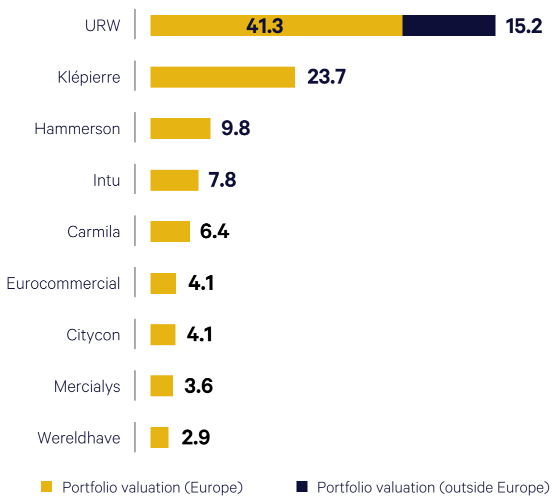
The Group is convinced that a thorough understanding of retail and strong relationships with banners are essential to the success of its malls. Klépierre's unique exposure to retailers and its unrivaled pan-European platform are key competitive advantages in competing favorably with the high street segment and other retail real estate companies. Klépierre continues to gain market shares in the catchment areas where its malls are present with distinctive retailers choosing the Group to expand their store network and implement their latest concepts in Europe, making a major contribution to increasing the outreach and footfall of its shopping centers. The strong links that bind the Group to its key accounts and fast-growing retailers – including Digitally Native Vertical Brands (DNVBs) – translate into continuous and intense leasing activity as well as a permanent renewal of the offering to match customer expectations (see section 1.2 "Key figures").

A leading player in the retail real estate sector

Illustrating its long-term investment vision, Klépierre is among the leading retail owners in Europe and benefits from the French "SIIC" status (equivalent to the REIT regime) for listed companies whose primary business activity is to acquire and/or construct buildings for the purpose of leasing them and directly or indirectly owning equity in corporations whose business purpose is identical.

In the shopping center category, Klépierre's main listed competitors include Unibail-Rodamco Westfield (operating in the United States, the United Kingdom and Continental Europe), Hammerson (United Kingdom, Ireland and France), Intu (United Kingdom and Spain), Eurocommercial (France, Italy, Sweden, and Belgium), Carmila (France, Italy, Spain), Wereldhave (France, Netherlands, Belgium) and Mercialys (France).

▸ **VALUE OF THE RETAIL PROPERTY PORTFOLIO OF MAIN LISTED RETAIL REITS AT YEAR END 2019**
(in billions of euros, total share, including transfer taxes)



Source: Company disclosures. Proportionate portfolio valuation for URW, Hammerson, Intu and Eurocommercial and group share portfolio valuation for Carmila.

1.1.2 Economic model

Our business model

for making sustainable places to Shop. Meet. Connect.®

INPUTS AND RESOURCES

Infrastructure

Local infrastructure is essential to the success of shopping centers. The Group depends on the good quality of transport infrastructure and its maintenance in the urban areas where it operates.

Financial resources

Property investment is a capital-intensive business. Klépierre had a market capitalization of around €10.2 billion at the end of 2019. The Group had net debt of €8.8 billion, two-thirds of which raised on the bond market.

Talent

Klépierre needs talented staff to operate a large portfolio of malls, find the right retail mix in each location, and invest in its properties. The Group hired more than 207 new recruits across Europe for a total headcount of 1,131 at year-end 2019.

Technology

Technology is changing consumer habits and revolutionizing retail models across the markets in which Klépierre operates. The Group uses technology in maintenance, safety, marketing and IT to provide new services to its customers and shoppers and achieve operational efficiencies.

Natural capital

The Group consumes energy to operate its shopping malls, and raw materials in its refurbishment and expansion activities. Klépierre used 387 GWh of energy in 2019, mostly from electricity and urban cooling or heating, to run its shopping centers.

Innovation

Klépierre needs to find innovative solutions to support the retail transformation. Through "Klépierre ID", its open innovation platform, Klépierre reaches out to start-ups that can test new services in its shopping centers.

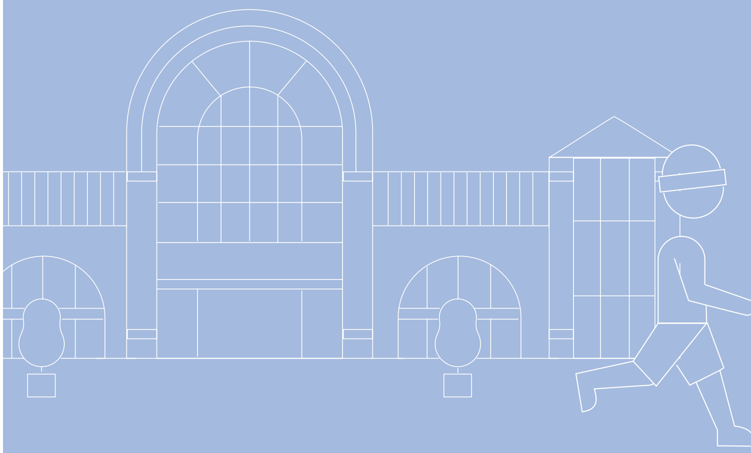
OUR UNIQUE

INVESTING AND DEVELOPING

KLÉPIERRE'S PORTFOLIO CONSISTS OF AROUND A HUNDRED MALLS
with a combined gross asset value of €23.7 billion.

THEY ARE TYPICALLY LOCATED IN URBAN AREAS
that are sought-after destinations for major retailers, and represent the dominant assets in their catchment area.

THE GROUP'S DEVELOPMENT PIPELINE
focuses on value added opportunities through the refurbishment and expansion of existing assets to increase their competitive positioning.



APPROACH

OPERATING

KLÉPIERRE'S TOTAL SHOPPING MALL FLOOR AREA UNDER MANAGEMENT REPRESENTS AROUND 5.5 MILLION SQ.M. AND GENERATED RETAILER SALES OF €13 BILLION IN 2019

The Group offers compelling retail and leisure facilities for visitors and dynamic and adaptable space for retailers across more than a dozen countries.

VALUE CREATION

PRIMARY STAKEHOLDERS

€960.6m
net current cash flow

1.1bn
visits

12,000+
leases in place

21%
of open positions filled by internal mobility

SECONDARY STAKEHOLDERS

€91m
in local taxes

€2.6bn
in projects under development

72%
reduction in GHG emissions per sq.m. since 2013

97%
of mall space (in value) offered for use by local initiatives

17%
reduction in energy consumption

1.1.3 Strategy

Klépierre's strategic priority is to leverage its pan-European platform to maximize financial and non-financial value-creation for its stakeholders. To do so, since 2013, the Group has refocused its activities on pre-eminent assets located in high growth cities while using its operational expertise to anticipate retail trends, adapt the offering and constantly renew the shopping experience in the malls it owns and manages. This approach is rounded out by sound financial discipline which is enabling the Group to weather the retail transformation.

A leading pan-European platform

As the European shopping center specialist, Klépierre operates in the most affluent, densely populated and fastest growing consumer zones. Its €23.7 billion portfolio spread over a dozen of countries provides retailers with access to approximately 150 million consumers in more than 50 cities and attracts more than 1.1 billion visits each year.

The relevance of Klépierre's platform is built on clear asset selection criteria:

> Invest in the right catchment area, in the heart of major urban centers, with high population density, whose disposable income exceeds the national average and supported by a strong demographic growth;

> Match the positioning and expansion plans of top national and international retailers; and

> Invest to take or maintain the leadership of the malls in their catchment area.

Accordingly, over time, Klépierre has developed a diversified portfolio of high quality and high performing shopping malls which occupy dominant positions in the regions where they are located, offering an unrivalled platform to leading retailers in search of a differentiating landlord expertise. From this perspective, the Group builds a trust-based relationship with banners relying on its Europe-wide coverage, providing them with operational efficiency, innovative services and tailor-made support in their development.

An active transformation underpinned by a reshuffled portfolio

In line with its refined vision of the mall, and as part of its capital allocation policy, Klépierre has actively engaged in the transformation of its portfolio by focusing on retailers' preferred locations and the most dynamic cities in Europe. Since 2012 and through a sustained pace of disposals, the Group has drastically reduced the number of assets in its portfolio by 46% and sold properties for an average value of €784 million per annum. In the meantime, the Group:

> Merged with Corio facilitating the integration of trophy assets, the reinforcement of the Group's footprint in key countries such as Italy, France and Spain and the penetration of new countries (Netherlands, Germany), while generating substantial revenue and costs synergies; and

> Targeted opportunistic acquisitions of prime malls to further enhance the quality of its platform and strengthen its presence in strategic locations such as Plenilunio (Madrid, Spain), and Oslo City (Norway) in 2015, Nueva Condomina (Murcia, Spain) in 2017 and Belle Épine (Paris region, France) in 2019.

As a result, Klépierre's portfolio is now highly concentrated with the top 100 assets representing 96% of the total value[(1)].

All these elements underscore the Group's ability to manage high value creation through capital recycling and support its long-term commitment to streamlining its asset base and supporting its sustainable expansion as a key partner of leading retail distributors.

Beyond its asset rotation policy, the Group relentlessly renews the mix to create retailer and customer preference for its malls. Over recent years, Klépierre has been upsizing mid-size fashion units to offer a truly ominchannel experience and better anchor its shopping centers while reducing its exposure to fashion shops and declining sectors and supporting the expansion of new segments such as Health & Beauty, Sports and Food & Beverage. This strategy contributes to boosting rental growth and delivering sustainable performance.

Shop. Meet. Connect.®

In early 2018, Klépierre adopted a new baseline that better encapsulates its vision of a mall: Shop. Meet. Connect.® The Group develops shopping centers as local hubs where people can:

> **Shop,** because Klépierre is convinced that the type of physical retail it offers will continue to expand and flourish. Shoppers like going to Klépierre's shopping centers because they are places where new products are best showcased and brand loyalty is actually built and strengthened;

> **Meet,** because customers are looking for more than just shopping when they come to a mall. They are looking to have an experience;

> **Connect,** because Klépierre's shopping centers are not only part of retail's transformation to phygital. By integrating retailers' omnichannel platforms and offering digital services, they are also at the center of local ecosystems where multiple and diverse communities interact.

Customer-centric mall management

Over many years, Klépierre has been evolving from a mere property owner to a retail-focused company concentrating its efforts on better serving its primary customers: retailers.

Retailers are experiencing a fast and profound revolution in their industry. Klépierre facilitates their transformation by creating the conditions for the renewal of physical retail. This is the main purpose of its "Retail First" initiative.

Klépierre also pays increasing attention to its end customers through an active marketing policy and specific mall design guidelines, both aimed at enhancing the customer experience in its malls. This attention is embodied in two concepts that supplement Klépierre's client-centric management: Let's Play® and Clubstore®.

(1) Property value on a total share basis, including transfer taxes.

Retail First

Klepierre interacts regularly with international retailers present in Europe, as it is the principal landlord for most of them. These privileged relationships enable Klépierre to facilitate their growth efficiently, whether this means optimizing their presence and store format or offering new points of sale and helping accelerate the retail mix upgrade through a better understanding of the challenges and needs of retail tenants.

Retail First consists of several initiatives that Klépierre implements as part of its leasing management. The main two are:

> **Right-sizing** which aims at ensuring that retailers are able to offer the right format at the right location. In many cases, it implies expanding or reducing the size of their stores, and/or relocating them in more appropriate sites within a given shopping center;

> **Destination Food®,** a comprehensive plan to develop and enhance the Food & Beverage offering in Klépierre malls.

Let's Play®

Let's Play® sums up the positioning of Klépierre malls. It consists of promoting shopping as a game and injecting a "retailtainment" spirit into all Klépierre shopping centers. Marketing efforts are harmonized across the portfolio to foster high-quality events and services that enrich the customer experience, always with a twist of fun.

Clubstore®

Clubstore® is Klépierre's comprehensive approach to the customer experience. The Group has developed a holistic set of detailed standards with respect to 15 touch points with customers, from digital access to welcome desks, from parking to storefronts, from lighting to sound and smell, from break zones to kids' entertainment, etc. These standards are being rolled out across the portfolio to offer a sense of hospitality and a seamless journey to all who visit Klépierre malls.

Corporate and social responsibility: Act for Good®

In late 2017, Klépierre launched a new CSR approach: Act for Good® with Klépierre. This approach, which was developed with external stakeholders, further combines the requirements of operational excellence with environmental, societal, and social performance. Act for Good® with Klépierre rests on three pillars:

> **"Act for the Planet"** which sums up the Group's ambition to make a positive contribution to the environment. Over the last six years, Klépierre has achieved excellent environmental results it can draw on to speed up innovation and differentiation across its industry;

> **"Act for Territories"** which illustrates the importance of the Group's local involvement in the regions in which it operates. While Klépierre malls pursue many local initiatives, this pillar is intended both to oversee these initiatives and increase their visibility, while strengthening the socio-economic fabric around its centers. It is being developed around employment, citizen engagement and the co-design of tomorrow's shopping centers;

> **"Act for People"** which is about the people involved with our shopping centers. It is devoted to the well-being of our visitors, our employees and our retail tenants' employees. It engages all of the communities with which the Group interacts and promotes value creation for everyone.

Each of the three pillars is broken down into specific quantified commitments, with a five-year timeframe (2022) supplemented by medium-term goals (2030). These commitments as well as achievements for 2019, are described in chapter 4 "Sustainable development."

Targeted strategic developments and sound financial management

To strengthen the leadership of its malls in their catchment area, Klépierre regularly modernizes and accelerates the transformation of their mix through development projects. Based on a conservative approach, Klépierre's development pipeline aims to ensure tomorrow's growth by taking reasonable risks. At this stage and considering the limited demand from retailers to expand on greenfield projects, the Group has focused its development strategy on extensions and renovations in its main geographies. However, it does not rule out designing and developing new projects in its preferred regions that are especially attractive due to their locations and quality.

Relying on solid fundamentals and observing strict financial discipline, Klépierre permanently strives to further enhance its risk/return profile. Indeed, the Group is convinced that sound financial management is a key factor in embracing the retail transformation and follows an approach which consists in matching its sources with uses of funds. Pursuing an accretive capital rotation policy with proceeds of disposals reinvested in share buybacks, pipeline projects and targeted acquisitions, and combining cash flow growth with moderate leverage, the Group has delivered, year after year, solid dividend growth.

Since April 2014, the Group has enjoyed an A– credit rating from Standard & Poor's, placing it among the world's top three real estate companies and a declining net debt/EBITDA ratio currently standing at 8.0x. Lastly, thanks to a tightly-managed debt level, and a high level of hedging the Group benefits from efficient access to the capital markets and continues to carry out attractive refinancing operations to further reduce its cost of debt.

1.2 KEY FIGURES

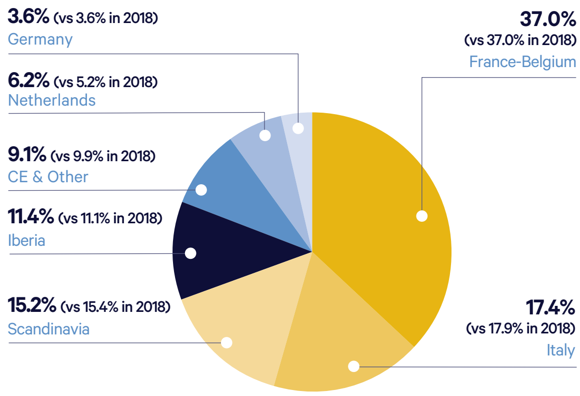
1.2.1 Business key performance indicators

VALUATION OF THE PROPERTY PORTFOLIO AS OF YEAR-END

(in millions of euros, total share, including transfer taxes)

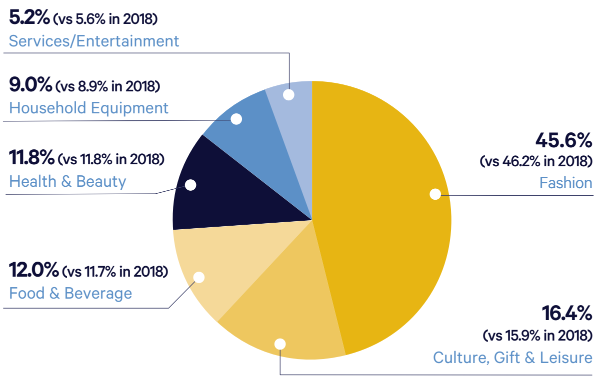
GEOGRAPHICAL BREAKDOWN OF THE SHOPPING CENTER PROPERTY PORTFOLIO

(in % of net rental income, total share)



As of December 31, 2019, Klépierre's property portfolio includes around 100 leading shopping centers in more than 10 countries in Continental Europe valued at €23.7 billion[1]. Klépierre shopping centers welcomed 1.1 billion visits in 2019[2].

RETAIL MIX *(as a % of rents)*



TOP 10 TENANTS (11.8% OF RENTS)[3]

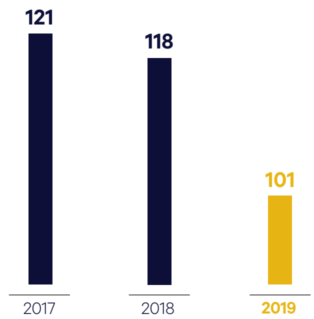
1. Zara
2. H&M
3. Sephora
4. Bershka
5. Celio
6. Media World
7. Primark
8. McDonald's
9. Fnac
10. Foot Locker

(1) Valuation including transfer taxes and retail assets.
(2) Stable compared to 2018.
(3) The top 10 tenants represented 11.6% of rents in 2018 and 11.8% in 2017.

1.2.2 Non-financial key performance indicators

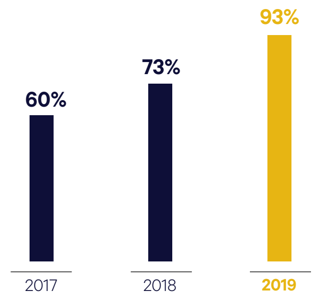
ENERGY INTENSITY OF SERVICED AREAS IN kWh/sq.m.

Reported scope
2019 coverage rate: 95.8% (122 owned and managed shopping centers excluding Hoog Catharijne (Utrecht, Netherlands) + 10 managed-only shopping centers)



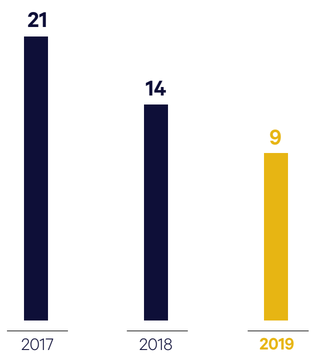
PROPORTION OF ELECTRICITY USAGE FROM RENEWABLE SOURCES

Reported scope
2019 coverage rate: 95.8% (122 owned and managed shopping centers excluding Hoog Catharijne (Utrecht, Netherlands) + 10 managed-only shopping centers)



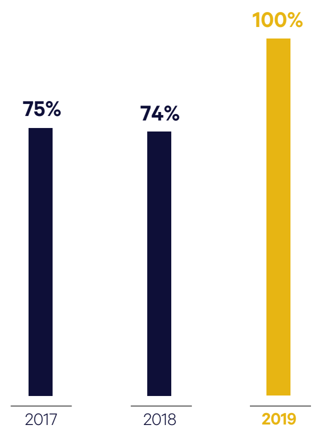
DIRECT GHG EMISSIONS (SCOPES 1 & 2) IN kgCO_2e/sq.m. (MARKET-BASED APPROACH)

Reported scope
2019 coverage rate: 95.8% (122 owned and managed shopping centers excluding Hoog Catharijne (Utrecht, Netherlands) + 4 managed-only shopping centers)



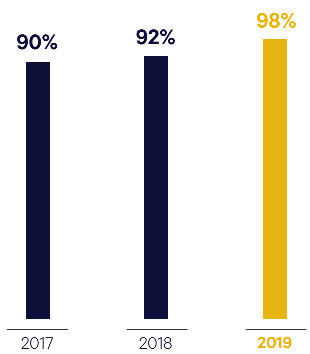
SHARE OF SHOPPING CENTERS WITH SUSTAINABILITY CERTIFICATION

Reported scope
2019 coverage rate: 99.2% (122 owned and managed shopping centers excluding Danubia (Bratislava, Slovakia) + 10 managed-only shopping centers + 4 owned-only shopping centers)



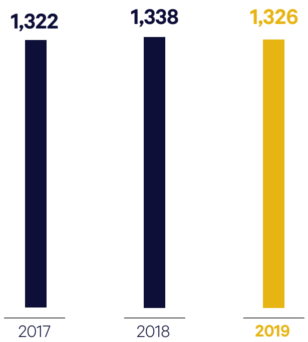
TRAINING ACCESS RATE FOR KLÉPIERRE EMPLOYEES

Share of employees that took at least one training course over the year.

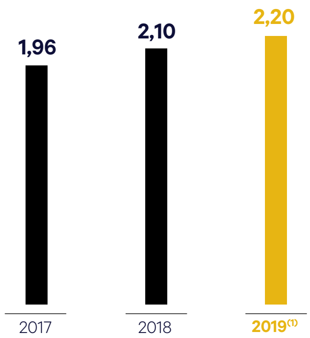


1.2.3 Financial key performance indicators[1]

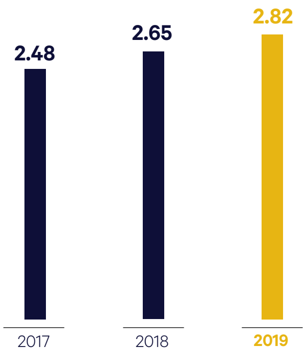
REVENUES
(in millions of euros, total share)



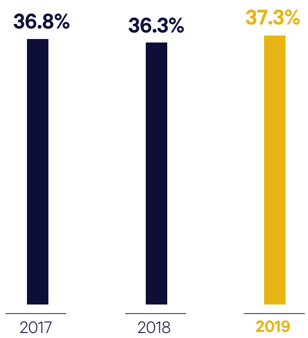
DIVIDEND PER SHARE
(in euros per share)



NET CURRENT CASH FLOW
(in euros per share)



LOAN-TO-VALUE
(net debt divided by the total value of the property portfolio, total share, including transfer taxes, as a %)



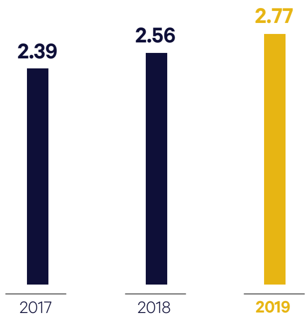
(1) *Submitted to a vote of the shareholders at the Annual General Meeting to be held on April 30, 2020.*

1.2.4 Sectoral key performance indicators (EPRA format)

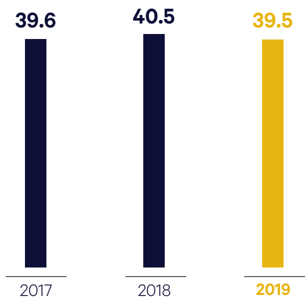
The following performance indicators have been prepared in accordance with best practices as defined by EPRA (European Public Real Estate Association) in its Best Practices recommendations guide. The updated guide is available on the EPRA website: www.epra.com.

For more information on the definitions, methodology and calculations of the sectoral key performance indicators set out below, please see section 2.8 of this Universal Registration Document, "EPRA performance indicators".

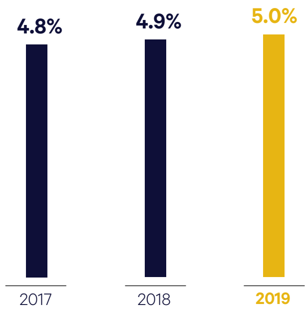
EPRA EARNINGS
(in euros per share)



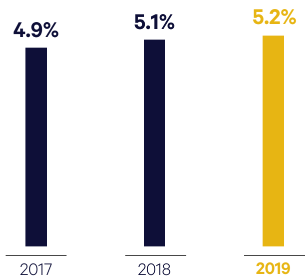
EPRA NET ASSET VALUE
(in euros per share)



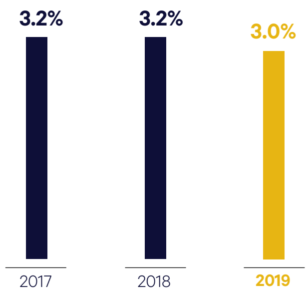
EPRA NET INITIAL YIELD
(shopping centers)



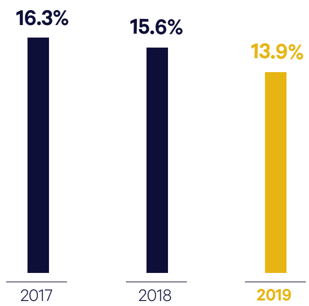
EPRA "TOPPED-UP" NET INITIAL YIELD
(shopping centers)



EPRA VACANCY RATE
(shopping centers)



EPRA COST RATIO
(excluding vacancy cost)[(1)]



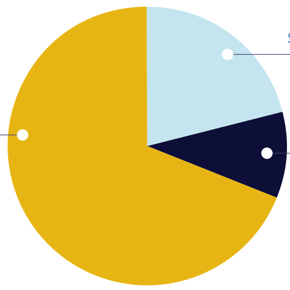
(1) The EPRA cost ratio for 2017 has been restated to reflect service charges recovered through rents which have been reclassified in accordance with EPRA guidelines.

1.3 SHARE OWNERSHIP AND STOCK INFORMATION

Klépierre shares are traded on compartment A of Euronext Paris.

Share ownership

Simon Property Group, the US-based real estate investment trust mainly engaged in the ownership of prime shopping centers worldwide is Klépierre's reference shareholder with more than 20% of shareholding. APG, the largest pension administrator in the Netherlands holds 10% of the shareholding. On top of that, close to two-thirds of Klépierre's shareholding is free float and mainly held by institutional investors.



Data as of December 31, 2019.

Stock information

ISIN code	FR0000121964
Ticker symbol	LI
Trading market	Euronext Paris – Compartment A
Number of shares	302,664,095
Core indices	Euronext CAC 40, Euronext CAC Next 20, Euronext SBF 120, FTSE Global All Cap, MSCI World, MSCI Europe, S&P Developed ex-US, S&P Europe 350, Stoxx Europe 600
Real Estate Sector indices	DJ Global Select Real Estate Securities, Euronext IEIF SIIC France, Euronext REIT Europe, FTSE EPRA/NAREIT Global, FTSE EPRA/NAREIT Developed, FTSE EPRA/NAREIT Developed Europe, FTSE EPRA/NAREIT Europe, FTSE EPRA/NAREIT Eurozone, S&P Global Ex-US Property, Stoxx Europe 600 Real Estate Cap
ESG indices	MSCI World ESG, MSCI Socially Responsible Index, DJ Sustainability Europe, DJ Sustainability World, Euronext CDP Environment, Euronext Vigeo France 20, Euronext Vigeo Europe 120, Euronext Vigeo World 120, FTSE4Good Global, FTSE4Good Europe, Stoxx Global Climate Change Leaders, Stoxx Global ESG Leaders, Stoxx Global ESG Environmental Leaders, Stoxx Global ESG Social Leaders, Stoxx Global ESG Impact, Stoxx Europe Sustainability

	2014	2015	2016	2017	2018	2019
Closing price *(in euros)*	35.73	40.99	37.35	36.67	26.96	33.85
Market capitalization *(in billions of euros)*	7.1	12.9	11.7	11.5	8.5	10.2
Year-on-year change	+6.1%	+14.7%	–8.9%	–1.8%	–26.5%	+25.6%
% change in CAC 40 index	–0.5%	+8.5%	+4.9%	+9.3%	–11.0%	+26.4%
% change in EPRA Eurozone index	+18.1%	+13.3%	+1.0%	+13.2%	–11.7%	+16.0%

Source: Bloomberg.

For more information, please see chapter 6 of this Universal Registration Document, "Share capital, share ownershi , General Meeting and share buyback program".

1.4 BACKGROUND

Klépierre inception

> **1990:** Klépierre was formed from the demerger of Locabail-Immobilier and its portfolio of operating leases. Since then, Klépierre has owned, managed and developed shopping centers in France and Continental Europe.

> **1998**: Merger with Compagnie Financière and Financière Chaptal, two real estate entities controlled by Paribas; first international acquisition (Italy).

> **2000:** Signature of an agreement with Carrefour to acquire 160 retail malls adjoining its hypermarkets accompanied by property management and development partnerships. Opening of Val d'Europe.

Growth with the election for SIIC status in 2003, a major acquisition with Steen & Strøm in 2008

> **2002:** Klépierre strengthens its position in Italy through two partnerships with Finin and Finiper.

> **2003:** Acquisition of 28 shopping centers in France, Spain, Italy, Greece and Portugal and its first investment in the Czech Republic (Nový Smíchov, Prague). Klépierre opts for the newly-created SIIC tax regime (the French equivalent to a REIT regime).

> **2004-2006:** Continued development of shopping centers, acquisitions in Hungary, Poland and first investment in Belgium.

> **2008:** Acquisition by Klépierre with the support of its majority shareholder BNP Paribas of 56.1% of Steen & Strøm (retail property company with operations in Norway, Sweden and Denmark) in partnership with the Netherlands-based Pension Fund APG (43.9%).

Since 2012: 100% retail property strategy and creation of the leading European pure play shopping center specialist

> **2012-2013:** Consolidation of the strategy as a pure player in shopping centers in Continental Europe: disposal program of mature assets and divestment from the office property segment amounting to nearly €1.3 billion; delivery of landmark development projects including Saint-Lazare Paris (France) and Emporia (Malmö, Sweden). Early 2012: Simon Property Group, a US-based group and world leader in the shopping center industry, acquires a 28% equity stake in Klépierre. BNP Paribas becomes the second largest shareholder with a 22% equity stake.

> **2014:** Klépierre focuses on its best-performing shopping centers: sale of 126 retail malls in France, Spain and Italy in April, five shopping centers in Sweden in July, and the remaining assets of its Paris office portfolio during the first half of the year. In all, nearly €3 billion in non-core assets were sold in 2013 and 2014. As a result of the improvement in the Company's profile, its financial structure continued to strengthen, which led Standard & Poor's to raise Klépierre's credit rating to A–. In October 2014, Klépierre launched a public exchange offer for 100% of the ordinary shares of Corio, a Dutch real estate company specialized in shopping centers, in order to create the leading pure player in shopping centers in Continental Europe, with a unique platform of assets located in regions offering the greatest potential in terms of economic and demographic growth. The proposed exchange ratio valued Corio at €7.2 billion. This transaction was welcomed by the shareholders of both groups: 93.6% of Corio shareholders tendered their shares to the public exchange offer that closed in January 2015. This acquisition was followed by the cross-border merger of Klépierre and Corio on March 31, 2015. The value of the property portfolio of the new group was over €21 billion. Following this share-based transaction, Klépierre had three main shareholders: Simon Property Group with 18%, BNP Paribas and APG with 13.5% each.

> **2015:** Acquisition of two top-tier assets for €720 million: Plenilunio, a dominant shopping center in Madrid and Oslo City, a leading shopping center located in the heart of Norway's capital. Klépierre continued to sell off non-core assets including, for example, a portfolio of nine convenience shopping centers in the Netherlands for €730 million. BNP Paribas, Klépierre's historic shareholder, sells off its remaining shares on the market.

> **2016:** Successful integration of Corio with revenue and cost synergies in excess of those announced. At the same time, Klepierre pressed ahead with improving the average quality of its portfolio with the disposal of €600 million in assets.

> **2017:** The year saw two emblematic openings of extension projects for Klépierre. In April, 17 years after its establishment, Val d'Europe was extended over another 17,000 sq.m., welcoming 30 new brands, including Primark, Uniqlo, Nike and NYX. In addition, the first phase of the Hoog Catharijne redevelopment opening confirmed its position as the most visited shopping center in the Netherlands (with 26 million visitors in 2017, up 10.5%). In May, Klépierre reinforced its position in Spain with the acquisition of Nueva Condomina, the leading shopping center in the Murcia region. At the same time, Klépierre disposed of total of €263 million in assets, mostly in Scandinavia, Spain and France.

> **2018:** In March, Klépierre opened Prado, a 23,000 sq.m. downtown mall in Marseille. This shopping center, offering unique architecture under its impressive glass canopy, is anchored by Galeries Lafayette, Zara, and Auchan Gourmand (a unique gourmet food concept), complemented by differentiating brands such as Repetto, Lush, Kusmi Tea, Sweet Pants, Comptoir des Cotonniers and Lacoste. In Hoog Catharijne, the redevelopment of the Netherlands' leading mall continued. In November, the "South Mile" opened while new iconic retailers further strengthened the retail mix in this world class mall (JD Sports, Douglas, Lush, G-Star, Guess, Levi's, Pandora, Ray-Ban).

> **2019:** The year was characterized by the successful inauguration of the 11,400 sq.m. extension of Créteil Soleil (Paris area, France), in November. This Klépierre's flagship mall illustrates the Group's operational strategy and ambitions with an unprecedented "Food avenue" over 4,000 sq.m., a location for special events, and a new 18-screen movie theater. 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. In December, Klépierre also enriched its portfolio with the acquisition of a 10% stake in Belle Épine (Paris area, France), a 15-million footfall first-class mall in Southern Paris perfectly anchored by Carrefour, a Pathé movie theatre, Zara, H&M, Uniqlo, Sephora and Maisons du Monde. Lastly, as part of the streamlining of its portfolio initiated several years ago, Klépierre completed disposals totaling €536.8 million in 2019, including selling four shopping centers in Hungary (Corvin, Duna Plaza, Miskolc Plaza and Győr Plaza). As of November 2019, the Group no longer owns or operates any assets in Hungary.

1.5 PROPERTY PORTFOLIO AS OF DECEMBER 31, 2019

1.5.1 Shopping centers

France-Belgium

Property valuation of €9,392 million (on a total share basis, including transfer taxes)[(1)]

Center	Country	Region	Opening date	Last renovation/ extension	Acquired by Klépierre	Gross leasable area[(2)]	Rentable floor area[(3)]	EPRA Vacancy Rate	Klépierre equity interest
Créteil, Créteil Soleil	France	Île-de-France	1974	2019-20	1991	135,102	103,478	3.2%	80.0%
Marne-la-Vallée – Serris, Val d'Europe	France	Île-de-France	2000	R/E 2017	2000	127,400	84,500	2.1%	55.0%
Thiais, Belle Épine	France	Île-de-France	1971	R 2015	2019	135,289	135,289	na	10.0%
Toulouse, Blagnac	France	Occitanie	1993	R/E 2009	2004	76,290	76,290	1.0%	53.6%
Bègles, Rives d'Arcins	France	Nouvelle-Aquitaine	1995	R/E 2013	1996	87,075	64,275	2.2%	52.0%
Montpelllier, Odysseum	France	Occitanie	2009		2009	71,475	51,475	0.8%	100.0%
Louvain-la-Neuve, L'esplanade	Belgium	Walloon Brabant	2005		2005	55,905	55,905	0.8%	100.0%
Clermont-Ferrand, Jaude	France	Auvergne – Rhône-Alpes	1980	R/E 2015	1990	41,113	41,113	2.6%	100.0%
Noisy-le-Grand, Arcades	France	Île-de-France	1978	R/E 2009	1995	57,560	42,699	1.7%	53.6%
Boulogne-Billancourt, Les Passages de l'Hôtel de Ville	France	Île-de-France	2001	R 2013	2001	23,400	23,400	1.5%	50.0%
Grenoble, Grand Place	France	Auvergne – Rhône-Alpes	1976	R/E 2002	2015	80,573	54,893	6.8%	100.0%
Paris, Saint-Lazare	France	Île-de-France	2012		2012	12,275	12,275	0.9%	100.0%
Claye-Souilly, Les Sentiers de Claye-Souilly	France	Île-de-France	1972	E 2012	2001	50,780	33,780	2.9%	55.0%
Écully, Grand Ouest	France	Auvergne – Rhône-Alpes	1972	R (car park) 2009	2001	39,968	14,654	0.8 %	83.0%
Caen, Mondeville 2	France	Normandy	1995		2015	37,217	17,727	3.4%	100.0%
Portet-sur-Garonne, Grand Portet	France	Occitanie	1972	R 2018	2001	42,620	24,620	5.0%	83.0%
Villiers-en-Bière	France	Île-de-France	1971	R 2016	2001	55,600	30,600	4.8%	83.0%
Marseille, Prado	France	Provence-Alpes-Côte d'Azur	2018		2018	22,420	22,420	6.7%	60.0%
Marseille, Grand Littoral	France	Provence-Alpes-Côte d'Azur	1996	R/E 2013	2015	106,511	58,365	12.6%	100.0%
Roques-sur-Garonne	France	Occitanie	1995	R/E 2009	2011	50,867	36,867	7.1%	100.0%
Nice, Nice TNL	France	Provence-Alpes-Côte d'Azur	1981	R 2005	2015	21,300	11,900	1.5%	100.0%
Lattes, Grand Sud	France	Occitanie	1986	R/E 1993	2002	31,678	14,278	0.0 %	83.0%
Aubervilliers, Le Millénaire	France	Île-de-France	2011		2011	58,058	58,058	6.1%	50.0%
Toulon, Centre Mayol	France	Provence-Alpes-Côte d'Azur	1990		2015	33,474	19,212	9.8%	40.0%
Toulouse, Saint-Orens	France	Occitanie	1991	R/E 2008	2004	38,793	38,793	6.4%	53.6%
Rennes, Colombia	France	Brittany	1986	R 2016	2005	21,291	16,467	4.3%	100.0%
Le Havre, Espace Coty	France	Normandy	1999		2000	26,585	26,585	2.3%	50.0%
Annecy, Courier	France	Auvergne – Rhône-Alpes	2001	R 2016	2001	19,271	19,271	0.0 %	58.4%
Pontault-Combault	France	Île-de-France	1978	R/E 1993	2001	27,384	12,884	5.5%	83.0%
Tourville, Tourville-la-Rivière	France	Normandy	1990	R 2011	2007	17,931	7,231	0.7%	85.0%
Saint-Étienne, Centre 2	France	Auvergne – Rhône-Alpes	1979		2015	33,929	28,318	5.1%	100.0%
Givors, 2 Vallées	France	Auvergne – Rhône-Alpes	1976	R 2016	2001	32,528	19,565	1.1%	83.0%
Valenciennes, Place d'Armes	France	Hauts-de-France	2006	R 2016	2006	15,740	15,740	1.5%	100.0%
Sevran, Beau Sevran	France	Île-de-France	1973		2003	39,056	24,531	6.7%	83.0%
Metz, St-Jacques	France	Grand Est	1976	R 2014	2015	19,500	17,000	6.0%	100.0%
Valence, Victor Hugo	France	Auvergne – Rhône-Alpes	1994	R 2007	2007	10,434	10,434	2.3%	100.0%

Other assets in France include: Angoulême, Champ de Mars – Besançon, Les Passages Pasteur – Caen, Côte de Nacre – Creil, Saint Maximin – Cholet La Seguiniere Outlet – Chartres, La Madeleine – Dieppe, Belvédère – Drancy, Avenir – Marseille, Bourse - Marseille, Le Merlan – Riom, Riom Sud – Sète Balaruc – Toulouse, Nailloux Outlet Village. They account for 4.6% of the property valuation of France.

(1) Excluding €63 million reclassified to "convenient shopping centers and other retail properties".
(2) Total sales area (including the hypermarket if there is one), plus storage area and not including aisles and shared tenant space.
(3) Area owned by Klépierre and on which Klépierre collects rents.

Italy

Property valuation of €3,987 million (on a total share basis, including transfer taxes)[(1)]

Centre	Region	Opening date	Last renovation/ extension	Acquired by Klépierre	Gross leasable area[(2)]	Rentable floor area[(3)]	EPRA Vacancy Rate	Klépierre equity interest
Roma, Porta di Roma	Lazio	2007	R 2016	2015	96,946	73,274	0.6%	50.0%
Turin, Shopville Le Gru	Piedmont	1994	R 2013	2015	84,670	84,670	0.8%	100.0%
Naples, Campania	Campania	2007	E 2014	2015	93,472	88,162	0.9%	100.0%
Assago (Milan), Milanofiori	Lombardy	1988	R 2018	2005	50,187	31,405	2.0%	100.0%
Venice, Nave de Vero	Veneto	2014		2015	38,779	38,779	1.5%	100.0%
Lonato, Il Leone di Lonato	Lombardy	2007		2008	46,529	30,225	1.0%	50.0%
Milan, Globo I-II-III	Lombardy	1993/2001/2004	E 2006	2015	94,305	30,445	0.4%	100.0%
Modena, Grand Emilia	Emilia-Romagna	1996		2015	39,688	19,779	1.2%	100.0%
Savignano s. Rubicone (Rimini), Romagna Center	Emilia-Romagna	1992	R/E 2014	2002	72,566	51,389	0.0%	100.0%
Cagliari, Le Vele & Millennium	Sardinia	1998	R 2013	2015	43,536	32,306	1.2%	100.0%
Bologna, Shopville Gran Reno	Emilia-Romagna	1993		2015	37,816	14,065	0.0%	100.0%
Udine, Citta Fiera	Friuli Venezia Giulia	1992	E 2015	2015	116,851	47,698	8.3%	49.0%
Varese, Belforte	Lombardy	1988	E 2012	2002	28,202	10,029	0.0%	100.0%
Pavia, Montebello della Battaglia, Montebello	Lombardy	1974	E 2005	2002	62,789	43,994	0.0%	100.0%
Vittuone, Il Destriero	Lombardy	2009		2009	27,218	16,142	0.4%	50.0%
Bergamo, Seriate, Alle Valli	Lombardy	1990	R/E 2008	2002	34,590	10,984	0.0%	100.0%
Citta S. Angelo, Pescara Nord	Abruzzo	1995	R/E 2010	2002	33,718	19,515	3.2%	83.0%
Roma, La Romanina	Lazio	1992	R/E 2009	2002	31,737	19,832	5.2%	83.0%
Verona, Le Corti Venete	Veneto	2006		2008	29,402	16,412	2.7%	50.0%
Colonnella (Teramo), Val Vibrata	Abruzzo	2000	R/E 2007	2002	29,250	15,819	1.0%	100.0%

Other assets in Italy include: Lecce, Cavallino – Pesaro, Rossini Center – Rome, Tor Vergata – Senigallia, Il Maestrale – Solbiate Olona, Le Betulle – Vignate (Milan), Acquario Center. They account for 2.2% of the property valuation of Italy.

Scandinavia

Property valuation of €3,835 million (on a total share basis, including transfer taxes)

Centre	Country	Opening date	Last renovation/ extension	Acquired by Klépierre	Gross leasable area[(2)]	Rentable floor area[(3)]	EPRA Vacancy Rate	Klépierre equity interest
Copenhague, Field's	Denmark	2004	E 2015	2008	94,720	94,720	4.1%	56.1%
Malmö, Emporia	Sweden	2012		2008	66,726	66,726	3.4%	56.1%
Oslo, Oslo City	Norway	1988		2015	23,304	23,304	0.2%	56.1%
Ahrus, Bruun's Galleri	Denmark	2003		2008	37,790	37,790	4.7%	56.1%
Partille, Allum	Sweden	2006		2008	49,749	49,749	1.1%	56.1%
Örebro, Marieberg	Sweden	1988	2009	2008	33,167	33,167	3.3%	56.1%
Drammen, Gulskogen Senter	Norway	1985	2010	2008	40,090	40,090	1.1%	56.1%
Tønsberg, Farmandstredet	Norway	1997	2008	2008	37,907	33,657	4.8%	56.1%
Lørenskog, Metro Senter	Norway	1988	2009	2008	52,859	52,859	4.5%	28.1%
Borlänge, Kupolen	Sweden	1989	2005	2008	50,001	50,001	6.1%	56.1%
Ås, Vinterbro Senter	Norway	1996	R 2013	2008	41,139	41,139	4.9%	56.1%
Haugesund, Amanda	Norway	1997	1997	2008	24,639	14,639	1.9%	56.1%
Stavanger, Arkaden Torgterrassen	Norway	1993	2010	2008	19,653	17,420	6.9%	56.1%
Larvik, Nordbyen	Norway	1991	2006	2008	15,995	15,995	1.8%	28.1%
Tromsø, Nerstranda	Norway	1988		2008	11,675	11,675	6.8%	56.1%
Viejle, Bryggen	Denmark	2008		2008	22,260	22,260	10.5%	56.1%

Other assets in Scandinavia include: Hamar, Maxi Storsenter (Norway) – Kristiandstad, Galleria Boulevard (Sweden). They account for 1.8% of the property valuation of Scandinavia.

(1) Excluding €90 million reclassified to "Convenient shopping centers and other retail properties".
(2) Total sales area (including the hypermarket if there is one), plus storage area and not including aisles and shared tenant space.
(3) Area owned by Klépierre and on which Klépierre collects rents.

Iberia

Property valuation of €2,238 million (on a total share basis, including transfer taxes)(1)

Centre	Country	Region	Opening date	Last renovation/ extension	Acquired by Klépierre	Gross leasable area(3)	Rentable floor area(4)	EPRA Vacancy Rate	Klépierre equity interest
Madrid, Plenilunio	Spain	Madrid	2006	R 2018	2015	70,570	70,570	0.3%	100.0%
Madrid Vallecas, La Gavia	Spain	Madrid	2008	R/E 2013	2008	85,382	50,102	0.5%	100.0%
Murcia, Nueva Condomina	Spain	Murcia	2006	R 2014	2017	110,391	110,391	4.4%	100.0%
Santa Cruz de Tenerife, Meridiano	Spain	Canary Islands	2003	R 2015	2003	42,948	27,361	0.1%	100.0%
Madrid, Principe Pio	Spain	Madrid	2004		2015	28,891	28,891	2.1%	100.0%
Gondomar (Porto), Parque Nascente	Portugal	North	2003		2003	66,249	49,749	0.8%	100.0%
Barcelona, Maremagnum	Spain	Catalonia	1995	R 2012	2015	22,632	22,632	2.1%	100.0%
Portimão, Aqua Portimão	Portugal	South	2011		2011	35,713	23,999	2.4%	50.0%
Guimarães, Espaço Guimarães	Portugal	North	2009		2015	49,376	33,092	2.7%	100.0%

Other assets in Iberia include: Jaén, La Loma (Spain) – Parla, El Ferial (Spain). They account for less than 1% of the property valuation of Iberia.

Central Europe and Other

Property valuation of €1,295 million (on a total share basis, including transfer taxes)(2)

Centre	Country	Opening date	Last renovation/ extension	Acquired by Klépierre	Gross leasable area(3)	Rentable floor area(4)	EPRA Vacancy Rate	Klépierre equity interest
Prague, Nový Smíchov	Czech Republic	2001	R 2011	2001	57,203	44,543	0.3%	100.0%
Istanbul, Akmerkez	Turkey	1993	2010	2015	33,560	33,560	4.7%	46.9%
Warsaw, Sadyba Best Mall	Poland	2000		2005	26,243	26,243	0.4%	100.0%
Poznan, Poznan Plaza	Poland	2005	R 2019	2005	29,446	29,446	1.3%	100.0%
Lublin, Lublin Plaza	Poland	2007	R 2018	2007	26,209	26,209	0.8%	100.0%
Bursa, Anatolium	Turkey	2010		2015	83,343	83,343	15.6%	100.0%
Tekirdağ, Tekira	Turkey	2008	2017	2015	34,649	34,649	5.8%	100.0%
Plzeň, Plzeň Plaza	Czech Republic	2007		2008	19,685	19,685	0.4%	100.0%

Other assets in CE & Other include: Rybnik, Rybnik Plaza (Poland) – Denizli, Teras Park (Turkey). They account for less than 1% of the property valuation of CE & Other.

Netherlands

Property valuation of €1,437 million (on a total share basis, including transfer taxes)

Centre	Region	Opening date	Last renovation/ extension	Acquired by Klépierre	Gross leasable area(3)	Rentable floor area(4)	EPRA Vacancy Rate	Klépierre equity interest
Utrecht, Hoog Catharijne	Utrecht	1973	R/E 2015	2015	107,055	79,345	0.0%	100.0%
Rotterdam, Alexandrium	Zuid-Holland	1984	R 2001	2015	50,598	47,398	5.1%	100.0%
Rotterdam, Markthal	Zuid-Holland	2014		2015	11,730	11,730	7.7%	100.0%

Other assets in Netherlands include: Amsterdam, Villa Arena – Flevoland, T Circus Almere. They account for less than 1% of the property valuation of the Netherlands.

(1) *Excluding €14 million reclassified to "Convenient shopping centers and other retail properties".*
(2) *Excluding €80 million reclassified to "Convenient shopping centers and other retail properties".*
(3) *Total sales area (including the hypermarket if there is one), plus storage area and not including aisles and shared tenant space.*
(4) *Area owned by Klépierre and on which Klépierre collects rents.*

Germany

Property valuation of €941 million (on a total share basis, including transfer taxes)

Centre	Region	Opening date	Last renovation/ extension	Acquired by Klépierre	Gross leasable area[1]	Rentable floor area[2]	EPRA Vacancy Rate	Klépierre equity interest
Berlin, Boulevard Berlin	Berlin	2013	R/E 2013	2015	87,588	87,588	1.0%	94.9%
Dresden, Centrum Galerie Dresden	Sachsen	2009	R/E 2014	2015	68,414	68,414	1.9%	94.9%
Duisburg, Forum Duisburg	Nordrhein Westfalen	2008	R/E 2008	2015	59,227	59,227	4.9%	94.9%
Hildesheim, Arneken Galerie Hildesheim	Niedersachsen	2012	R/E 2012	2015	27,969	27,969	8.8%	94.9%

Other assets in Germany include Duisburg, Konigsgalerie and account for less than 1% of the property valuation of Germany.

1.5.2 Convenient shopping centers and other retail properties

Property valuation of €548 million (on a total share basis, including transfer taxes)

Country	City, center
France	Convenient shopping centers: > Bordeaux, Saint-Christoly – Carcassonne, Salvaza – Marzy (Nevers) – Mérignac, Mérignac Soleil PAC – Orgeval, Capteor – Vannes, Vannes Nouvelle Coutume > Other retail properties (formerly Klemurs, 218 assets)
Other countries	Convenient shopping centers: > Italy: Bergamo, Brembate – Collegno (Turin), La Certosa – Como, Grandate – Cremona (Gadesco), Cremona Due – Matera – Moncalieri (Turin) – Serravalle Scrivia, Serravalle > Iberia: Oviedo, Los Prados (Spain) – Valence, Gran Turia (Spain) – Vinaroz, Portal Mediterráneo (Spain) > CE & Other: Ruda Slaska, Ruda Slaska Plaza (Poland) – Sosnowiec, Sosnowiec Plaza (Poland) – Adapazari, Adacenter (Turkey) – Tarsus, Tarsu (Turkey) – Patras, Patra Mall (Greece) – Thessaloniki, Efkarpia (Greece) – Thessaloniki, Makedonia (Greece) – Bratislava, Danubia (Slovakia)

1.5.3 Overview of valuation reports prepared by Klépierre's independent external appraisers

General context of the valuation

Context and instructions

This is a free translation into English of the valuation report issued in French and is provided solely for the convenience of English speaking readers.

Context and terms of the engagement

In accordance with the instructions of Klépierre ("the Company") as detailed in the signed valuation agreements between Klépierre and the appraisers, we have valued the assets held by the Company taking account of the nature of their ownership (freehold, ground lease, etc.). This Summary Report, which outlines the terms of our engagement, has been prepared for inclusion in the Company's Universal Registration Document.

The valuations were undertaken by our valuation teams in each of the various countries and were reviewed by the pan-European valuation teams. In order to estimate the market value for each asset, we have taken into consideration domestic real estate transactions as well as the other valuations undertaken in Europe, in order to maintain a consistent approach and to take account of all available market transactions and information.

The valuations were performed using the discounted cash flow and capitalization methods, which are regularly used for these types of assets.

Our valuations were performed as of December 31, 2019.

Standards and general principles applied

We confirm that our valuations were performed in accordance with the appropriate sections of the June 2017 Edition of the RICS Valuation – Global Standards 2017 ("Red Book"), effective July 1, 2017. This is an internationally-accepted valuation basis. Our valuations are compliant with IFRS and IVSC guidance. The valuations were prepared on the basis of the recommendation of the French financial markets authority (*Autorité des marchés financiers* – AMF) on valuation data pertaining to the real estate assets of listed companies, as published on February 8, 2010. They also take into account the recommendations of the Barthès de Ruyter report on the valuation of real estate of listed companies, as published in February 2000.

We confirm that we have prepared our valuations as external and independent valuers, as defined by the RICS Red Book. We also confirm that the appraisals were performed in accordance with the principles of IFRS 13, i.e., on the basis of the "highest and best use" of each asset.

The market value set out hereafter generally approximates fair value within the meaning of IFRS, and particularly IFRS 13.

Basis of valuation

Our valuations correspond to market value and are reported to the Company on both a net basis (after deduction of transfer duties and costs) and gross basis (before deduction of transfer duties and costs).

(1) Total sales area (including the hypermarket if there is one), plus storage area and not including aisles and shared tenant space.
(2) Area owned by Klépierre and on which Klépierre collects rents.

Valuation considerations and assumptions

Information

The Company's management was asked to confirm that the information provided relating to the assets and tenants was complete and accurate in all material respects. Consequently, we have assumed that all relevant information known by Company employees that could have an impact on values was made available to us and that this information was up to date in all material respects. This includes running costs, work undertaken, financial information (including doubtful debts), turnover rents, lettings signed or in the process of being signed and lease incentives, in addition to the list of leases in force and vacant units.

Floor areas

We have not measured the assets and have therefore based our valuations on the floor areas that were provided to us.

Environmental analysis and ground conditions

We have not been asked to undertake a study of ground conditions or an environmental analysis, and therefore have not investigated past events in order to determine if the ground or buildings are or have been contaminated. Unless provided with information to the contrary, we have worked on the assumption that the assets are free from historic ground contamination or potential contamination, and that the condition of the land will not affect its current or future usage.

Planning regulations

We have not reviewed the relevant planning permissions and have assumed that the assets have been built, and are occupied and used, in conformity with all necessary authorizations and that the land is free of legal restrictions. We have assumed that the layout of the assets conforms to legal requirements and planning regulations, including as regards structures, fire protection, health and safety, and security. We have also assumed that any extensions in progress are being undertaken in line with planning regulations and that all necessary authorizations have been obtained.

Title deeds and tenancy schedules

Our work was based on the tenancy schedules, summaries of additional revenues, non-recoverable charges, capital projects and business plans provided to us. We have assumed, beyond that which is set out in our individual asset reports, that the assets are not subject to any constraints that could impede a sale, and that they are free from any restrictions or charges. We have not reviewed the title deeds and have taken as correct the rental, occupational and all other pertinent information provided to us by the Company.

Condition of the assets

We observed the general condition of each asset during our inspection. While our engagement does not include a building or structural survey, we have indicated in our report any disrepair that was visible during our inspection. The assets were valued based on the information provided by the Company, which state that no deleterious or harmful materials were used in their construction.

Taxation

Our valuations were performed without taking into account any fees or taxes that may be applicable in the event of a transfer. Rental and market values are stated net of value-added taxes.

Confidentiality and disclosure

In accordance with our standard practice, we confirm that our valuation reports are confidential and are addressed solely to the Company. Accordingly, we accept no liability to third parties. This report, or an extract thereof, may not be published or reproduced in any document, declaration, memorandum or communication with any third party without our prior written consent as regards the form and context in which this information may appear. In signing this Summary Report, the individual valuation firms accept no liability for the valuations carried out by the other firms.

French original signed by

Jean-Philippe Carmarans
Head of Valuation France
Cushman & Wakefield

Jean-Claude Dubois
Chairman
BNP Paribas Real Estate Valuation France

Arabella Edwards
Head of Valuation, JLL France
JLL Expertises

Christian Robinet
Senior Director
CBRE Valuation

1.6 SIMPLIFIED ORGANIZATION CHART AS OF DECEMBER 31, 2019

Shopping centers

France	Klécar France 83	Progest 100	Real estate business			
	Klépierre Management 100	Klépierre Brand Ventures 100	Klépierre Gift Cards 100	Klépierre Procurement International 100	Klépierre Finance 100	Financière Corio 100
Belgium	Real estate business 100					
	Klépierre Management Belgique 100	Klépierre Finance Belgique 100				
Spain	Real estate business 100	Klépierre Molina 100				
	Klépierre Management España 100					
Italy	Klécar Italia 83	K2 fund 95	Clivia SPA 50	Corio Italia 100	Real estate business 100	ISCI 50
	Klépierre Management Italia 100	Klépierre Finance Italie 100				
Portugal	Real estate business 100					
	Klépierre Management Portugal 100					
Luxembourg	Holding Klégé 50					
	Reluxco 100					
Greece	Real estate business 100					
	Klépierre Management Hellas 100					
Netherlands	Capucine B.V. 100	Klépierre Nordica B.V. 100	Klépierre Nederland B.V. 100	Real estate business 100		
	Klépierre Management Nederland B.V. 100					
Turkey	Real estate business					
Germany	Real estate business					
	Klépierre Management Deutschland 100					
Poland	Real estate business 100					
	Klépierre Management Polska 100					
Czech Republic	Real estate business 100					
	Klépierre Management Ceska Republika 100					
Slovakia	Real estate business 100					
	Klépierre Management Slovensko 100					
* Norway Sweden Denmark	Steen & Strøm AS 56,1	Real estate business				
	Management companies					

Legend

- % Direct or indirect control of Klépierre SA at December 31, 2019
- Real estate business
- Service business
- * Subsidiary (Steen & Strøm) covering the Nordic countries and 56.1% owned, with Storm ABP

Other activities

France	Klémurs 100	Klédir 100
	Klépierre Conseil 100	Klé Start 100

1.7 RISK MANAGEMENT

1.7.1 Objectives

Klépierre faces generic risks related to the environment (economic, regulatory, etc.) or the normal functioning of a company, as well as specific risks related to its business sector or operations. As these risks are constantly evolving, they must be regularly monitored and mapped. Risk management does not aim at the hypothetical elimination of risks, but makes it possible to define (in the sense of "knowing" and "fixing") the degree of risk control necessary for Klépierre to undergo its daily operations and execute its strategy.

In accordance with Regulation (EU) 2017/1129 on prospectuses ("Prospectus 3" or "PD3"), Klépierre describes below its significant and specific risks (see section 1.7.4).

1.7.2 Principles

In accordance with the reference framework established in July 2010 by the French financial markets authority (*Autorité des marchés financiers* – AMF), Klépierre's internal risk management framework is predicated on:

> Complying with laws and regulations;

> Applying instructions and guidelines laid down by the Executive Board; and

> Ensuring the Group's internal processes work smoothly.

The internal framework is underpinned by the following principles:

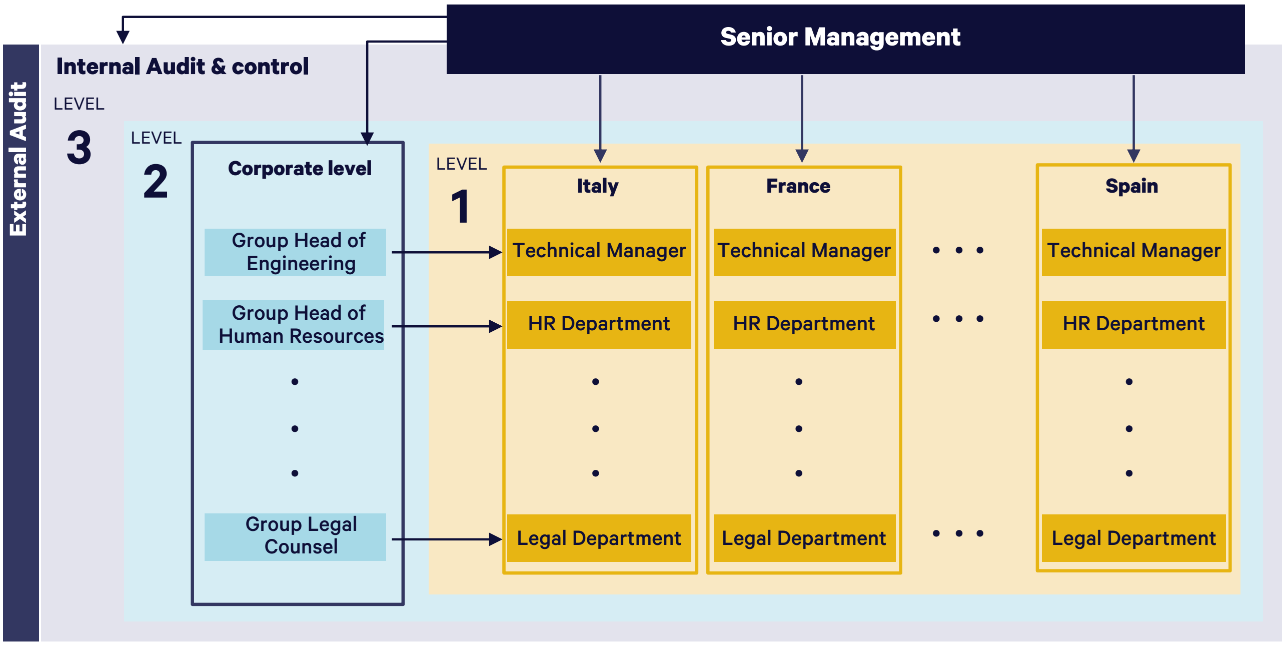
> Collegiality of the strategic decision-making process;

> Delegation of responsibilities through the use of correspondents who are responsible for consistent implementation of the Group's policies. Every manager is required to implement effective controls over the activities for which he/she is responsible;

> Segregation of duties by keeping operational roles separate from supervisory roles; and

> Triple level of control recommended by international audit institutions: level 1 by self-assessment (employees and their managers); level 2 by corporate controls; level 3 by internal or external audits.

▸ SIMPLIFIED ILLUSTRATION OF THE LEVELS OF CONTROL IN THE KLÉPIERRE ORGANIZATION



1.7.3 Organization

Under the supervision of the Supervisory Board, the Executive Board is responsible for the Group's overall risk management and internal control framework.

The Executive Board's role is to: arbitrate the relevant level of risk exposure; lay down the general principles for the internal control framework; design and implement the appropriate internal control system and the corresponding roles and responsibilities; and make sure that it works smoothly, improving it where necessary.

The Group's internal control framework is overseen by the Internal Audit & Control Department. Its independence is guaranteed by direct connection to the Executive Board, and its reporting to the Audit Committee.

At least once every year the Internal Audit & Control Department reports to the Audit Committee any changes to the Group's internal control framework and the findings of the work performed by the various framework participants. In December 2019, a presentation was given to the Audit Committee on the 2019 activities and the 2020 roadmap.

Supervision also makes use of the comments and recommendations made by the Statutory Auditors and by the regulatory/supervisory bodies. Implementation of remedial action plans is monitored centrally by the Internal Audit & Control Department and the Accounting Department.

1.7.4 Main risk factors

This section was drawn up in accordance with the new European "Prospectus 3" regulation in force since July 21, 2019. Below are presented the twelve material and specific risks for Klépierre, divided into two categories.

The risks described below are presented:

> In the form of net risks (i.e., gross risks after taking into account the effectiveness of mitigation, prevention and protection measures);

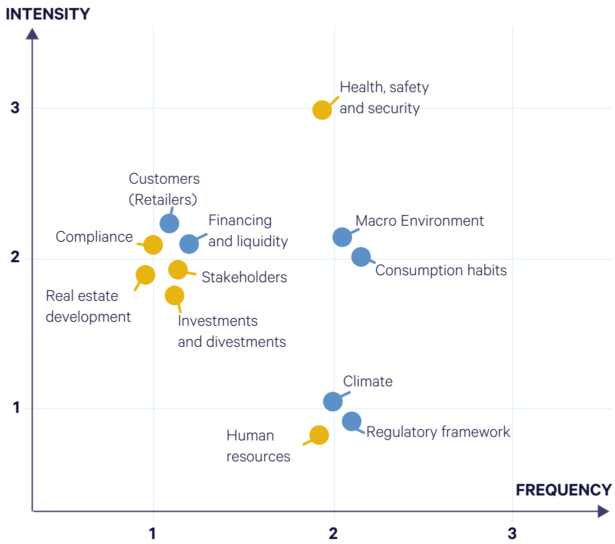
> By category (external risks and internal risks);

> In descending order of intensity within each category. Intensity is measured as the combination of the Frequency/Probability that the risk may materialize and the impact that it would have on Klépierre.

For each of these risks, the probability and frequency of and level of impact in the event of impact are detailed in line with the results of the update in 2019 to the Group's risk map.

Investors' attention is drawn to the fact that the list of risk factors presented in this chapter is not exhaustive and that other risks - unknown or whose occurrence is not considered as material at the date of this document - may or could exist or occur.

MAPPING OF MATERIAL AND SPECIFIC RISKS



External Risks
1 - Macro environment (economic, demographic, political)
2 - Consumption habits
3 - Climate
4 - Regulatory framework
5 - Financing and liquidity
6 - Customers (retailers)

Internal Risks
7 - Health, safety and security
8 - Stakeholders
9 - Compliance
10 - Human resources
11 - Investments and divestments
12 - Real estate development

1.7.4.1 External risks

Macro Environment (economic, demographic, political)

Description

Klépierre is dependent on the key macroeconomic indicators that underpin the retail markets in the countries in which it operates: GDP growth, purchasing power, consumption, inflation, exchange rate, unemployment, urban growth and local demographic factors.

Klépierre is also dependent on the political stability of the countries in which its malls are located.

Impacts

A negative macroeconomic outlook is likely to manifest itself in lower footfall and a fall in tenant sales, in Klépierre malls. This could compromise Klépierre's rental income as some retailers may delay rent payments, fail to pay rent at all, or even decide to close their stores. Deflationary pressures could lead to an adverse trend in the indices against which most rents are payable under Klépierre leases. Falling rental income and higher vacancy rates could penalize asset values and investment market liquidity. A change in the exchange rate outside the eurozone could have a negative impact on operating and financial costs, on conversion into euros.

A sudden or unexpected deterioration in the geopolitical environment of one of the countries in which Klépierre operates could have adverse impacts on the Group's activity. This instability could lead to a decrease in the profitability and solvency of Klépierre's various local stakeholders, resulting in a decrease in Klépierre's profitability, and over time, in the value of the assets in the country concerned.

Mitigation measures

The diversified nature of Klépierre's portfolio, more than 100 assets across numerous European countries and many thousands of tenants representing all retail sectors, provides a hedge against negative macro-economic conditions in one market. Rents paid by the top ten tenants represent only 12% of Klépierre's revenue. The largest asset represents less than 5% of the portfolio by value.

Assets are based in thriving urban locations, typically serving a catchment area of 1 million people within a 30-minute journey, ensuring the Group is well positioned to benefit from the economic growth.

Asset performance is regularly monitored by asset managers to ensure their performance is as forecast, and individual business plans are updated annually for all of its malls.

Asset disposals are executed regularly to streamline the portfolio. The Group's main tenants represent the leading companies in their sector. All tenants are subject to a financial health review before signing lease contracts, and must provide financial guarantees. The use of long-term leases provides a stable rental income, with only a minority of early exit clauses activated.

The overwhelming majority of the assets in Klépierre's portfolio (94% in terms of value) are located in a stable, homogeneous economic area (eurozone and Scandinavia), thereby limiting the impact of exchange rate volatility for the currencies of other countries in which the Group operates (mainly the Polish zloty, the Czech krona and the Turkish lira).

Frequency/Probability: ** Impact: ** Trend: →

The eurozone, where a large majority (in number and value) of Klépierre's assets are located, currently presents contrasting signals that prevent extrapolation into the future. On the one hand, unemployment has decreased in the three major countries where Klépierre has the highest concentration of assets (by approximately 1 million in the eurozone in 2019), and the prospects for economic growth are positive (projected growth in eurozone GDP of 1.2% in 2020). On the other hand, an increase in the magnitude and frequency of social protest movements is blurring the conclusions that could be drawn from the positive economic indicators.

Moreover, the Group's decision to dispose of its assets in Hungary in 2019 has eliminated the risks of geopolitical instability in that region and exposure to the volatility of the Hungarian forint.

Consumption habits

Description

Technology-driven changes in consumer habits have seen e-commerce take hold across the markets in which Klépierre operates, forcing many retailers to re-evaluate their business models and their brick-and-mortar footprint. At the same time, consumers are becoming more environmentally and socially aware, which may ultimately affect how – and how much – they consume. Lastly, certain consumers are reallocating a portion of their budgets and free time between other types of activities (travel, sports, etc.).

Impacts

The continued growth of online retail may have a negative impact on footfall and tenant sales, cause a disruption in some retail segments, and/or render some stores unprofitable. This could impact demand for new retail space as retailers move their operations online. The growth in consumers' environmental awareness and the reallocation of their available resources (time and money) could have an impact on the profitability of certain tenants and in time, on the relevance of their presence in Klépierre shopping centers (especially in view of the growing trend to buy used rather than new goods). As a consequence, increasing vacancy rates and downward pressure on rents would affect rental income and asset values.

Mitigation measures

The Group has positioned its shopping malls to take advantage of the new omnichannel environment in which retailers are operating. This means selecting those retailers nimble and fast enough to offer quality online and offline shopping. Klépierre also has a duty to support them in transforming their store formats and enhancing their appeal.

Klépierre is also leveraging digital technology to both offer new services to its retailers and shoppers and use data to monitor the changing needs of its customers and better meet their expectations.

The Group also implements a set of initiatives aimed at giving customers more reasons to come to, or stay longer in the malls. Beyond constantly adapting the retail offering, these initiatives include creating entertaining concepts and events, enhancing the food offering, and enriching the customer journey.

Through its ambitious CSR strategy, Klépierre also aims to promote sustainable retail and increase the contribution of its malls to local economies and communities.

Frequency/Probability: ** Impact: ** Trend: →

E-commerce is continuing to grow at a sustained pace. At the end of 2019, online sales represented around 10% of total sales in the countries in which Klépierre operates.

Klépierre has nonetheless maintained sustained growth in net rental income (up by an average of 3.3% like for like over the past five years). Indeed, the Group managed to capitalize on the quality of its portfolio and its unrivalled operational know-how.

Climate

Description

Climate change is predicted to lead to an increase in the number of extreme weather-related events. With assets spanning Europe, shopping centers are likely to be affected by weather phenomena including storms, snow, floods, heat waves and forest fires. Climate change could also lead to growing political pressure, including more stringent regulation.

Impacts

Extreme weather-related events could impact Klépierre's business continuity and result in the temporary closure of assets.

In the long term, rising temperatures could lead to a reduction in footfall if consumption patterns and mobility habits are affected.

Climatic changes are also likely to result in an increase in costs for the development, construction and operation of assets. For example, additional costs are likely to be incurred in upgrading equipment and design and construction standards to deal with higher temperatures. Operating costs could also increase for heating, ventilation and air conditioning equipment designed to maintain pleasant ambient temperatures.

Other potential costs include an increase in insurance premiums as insurers price in the risk of an increase in extreme weather-related events.

Mitigating measures

The Group's diversified geographic footprint mitigates in itself the exposure to extreme weather-related events.

Major environmental risks are factored into acquisition and disposal decisions.

With regards to its standing assets, the Group has developed internal measures including energy audits and other procedures to reduce energy consumption and improve efficiency. All Klépierre assets undergo an audit every five years to check their structural condition.

Klépierre has an ambitious environmental performance program designed to reduce natural resource consumption and improve supply quality focusing on:

- Improving operational energy efficiency and reducing heating and/or air-conditioning needs, thereby managing potential temperature variations without excess consumption;
- Reducing carbon emissions;
- Limiting the use of potable water.

The Group has also rolled out initiatives to limit its dependence on fossil fuel-based natural resources by increasing the use of on-site renewables, purchasing green electricity and promoting soft mobility. With a view to constantly reducing greenhouse gas emissions, Klépierre has continued to apply its "BOOST" action plans (24-hour on-site workshops aimed at identifying all the drivers for reducing energy consumption) to all of its assets (to date, around 80 assets representing about 70% of the portfolio's value have participated). Similar initiatives have been launched to increase the rate of recycling and recovery of waste with an objective of diverting 100% of waste from landfill by 2022.

Lastly, the Group's policy is to source the best available solution in the insurance market to strike a good balance between costs and coverage. Insurance programs take the form of master policies, combined with local policies for each country in which Klépierre is present. For more information on the Group's commitments and actions to fight climate change, please see section 4.2. "Act for the Planet" of this Universal Registration Document.

Frequency/Probability: **   Impact: *   Trend: ↑

Only two of Klépierre's malls suffered significant disruption to their operations in 2019 as a result of extreme weather conditions (two closures for flooding and one due to a snow storm). The crisis management plans implemented in response to these events limited the operating impact and physical damage.

In addition, Klépierre, outperformed its objective in 2019, with 93% of the electricity used in the common and serviced areas of its centers drawn from renewable energy. Three years ahead of schedule, the Group also became the largest real estate portfolio in the world by value to be BREEAM In-Use certified for sustainable asset performance across each of its malls portfolio.

As in 2018, Klépierre was classified in the climate change leadership category published by CDP, an NGO specialized in corporate environmental disclosure.

Klépierre will continue the efforts undertaken in previous years, while increasing the awareness and involvement of its tenants in order to further reduce the environmental impact of its portfolio.

Regulatory framework

Description

Property companies such as Klépierre are subject to robust regulatory frameworks. A relaxation or tightening of certain rules could weaken Klépierre's position. For example, Klépierre benefits from special tax rules under the French "SIIC regime" (or its equivalent in other countries). Other regulatory factors include laws and regulations on urban planning, commercial licenses, leases, that constitute barriers to entry for new operators or frame business practices. With regard to the operational management of assets that are open to the general public, new obligations could be incumbent upon Klépierre in terms of maintaining and controlling technical equipment, or securing properties. Other regulatory changes beyond the real estate sector could also have consequences for Klépierre's operating processes (such as the recent implementation of the EU General Data Protection Regulation (GDPR) and the "Sapin II" anti-corruption law in France).

Impacts

Any changes to the tax regime resulting in a higher tax rate could have a negative impact on Klépierre's business and results, leading to lower profitability, a loss of attractiveness to equity investors or a decrease in corporate value. A tightening of planning regulations, which would limit the availability of leasable space, may impact the development potential of the shopping centers and consequently hinder the Group's pace of growth. Conversely, any easing of the same regulations may increase competition, resulting in a decrease in footfall, rental income and potentially higher vacancy rates. An unfavorable change in lease regulations (rent indexation criteria, rules for re-billing expenses, etc.) could have an adverse impact on Klépierre's revenue. A hardening of regulations on maintenance, controls or safety procedures in shopping centers could have a significant impact on the costs of the associated providers.

More broadly, failing to identify and take into account changes in the regulatory framework could over time result in non-compliance, potentially leading to penalties or substantial fines being imposed on Klépierre.

Mitigation measures

The Group's geographical scope provides protection against the introduction of unfavorable legislation in an individual market. The Group's Legal Department conducts regular reviews of legislation and is assisted when necessary by external advisors. The Group also actively contributes to the work of commercial real estate associations, as well as to wider industries bodies. At the level of the shopping centers, certain technical services include a contractual obligation to monitor local regulations, thereby limiting the risk of non-compliance due to an unanticipated regulatory change.

Frequency/Probability: **   Impact: *   Trend: ↑

Klépierre's legal organization, consisting of a Group-level department and local correspondents in the subsidiaries, serves to anticipate regulatory changes, which in turn limits and optimizes their impact.

Regulatory monitoring helped identify a trend towards tightening tax regulations in several countries in which Klépierre operates. If this trend continues, it could result in an increase in Klépierre's average tax rate in the long term.

Financing and liquidity

Description

Property investment being a capital-intensive business, Klépierre needs to raise long-term financial resources in the form of loans or equity to fund its investments and acquisitions and refinancing of maturing debts. This exposes the Group to risks associated with fluctuations in equity and debt capital markets in the event of a liquidity crisis or a broader economic shock.

Impacts

Any restrictions on credit conditions or price of debt following a liquidity crisis or broader economic downturn would increase funding costs for the Group, resulting in an adverse impact on its earnings, and its financial position. This restriction would limit its flexibility in conducting its business and pursuing growth (*e.g.*, by impeding or preventing certain acquisitions). Furthermore, in addition to the usual covenants, the loan agreements entered into by Klépierre also contain covenants obliging the Group to comply with specific financial ratios. If Klépierre were to breach one of its covenants and be unable to remedy that failure within the contractually permitted time period, the lenders could demand early repayment of the loan. Lenders could also demand early repayment of outstanding amounts in accordance with cross default clauses. The forced sale of assets may also impact asset values for the Group and the sector more broadly.

Mitigation measures

Klépierre follows a prudent financial policy with a LTV target between 35-40%, and an objective to maintain its credit rating within the Standard and Poor's A category. As of December 31, 2019, Klépierre's LTV was 37.3%, comfortably anchored within its target range. The Group's target hedging rate is approximately 70%. This rate is defined as the proportion of fixed-rate debt (after hedging) to gross borrowings. As of December 31, 2019, the hedging rate was above the objective, at 92%. Klépierre has access to several additional mitigation methods:

- Availability of unused credit lines to absorb scheduled refinancing needs for the next two years;
- Access to finance facilitated by the security offered to lenders in the form of property assets;
- Attentiveness to the long-term refinancing needs of the business and the need to diversify maturity dates and the sources of finance in such a way as to facilitate renewal of financing;
- Range of different loan types and counterparties used with the banking market (syndicated loans, mortgage loans, etc.);
- Outstanding commercial paper, which represents the bulk of short-term financing, never exceeds backup credit lines. This means that the Company can refinance immediately if it has difficulty renewing its borrowings on the commercial paper market.

For more detailed information on exposure to financial risks (interest rates, liquidity, foreign exchange, counterparties, treasury shares, etc.) and the measures adopted to cover these risks, please refer to Note 9 of the consolidated financial statements in section 3.1.5 "Risk exposure and hedging strategy" of this Universal Registration Document.

Frequency/Probability: *   Impact: **   Trend: →

Klépierre continued to deleverage in 2019, reducing net debt by €45 million; combined with the increase in the Group's EBITDA, this further narrowed the leverage ratio from 8.3x to 8.0x.

Building on its strong balance sheet and taking advantage of the low interest rate environment, Klépierre cut the average cost of debt by 15 basis points to 1.45%.

Customers (retailers)

Description

Klépierre's success is intrinsically linked to that of the tenants occupying its shopping centers. Klépierre's financial health depends on that of its retailers. Tenants are confronted with the challenges of the transformation of retail in the same way as Klépierre and most of the risks that concern them could have an indirect impact on the Group's results. It is therefore essential to select shopping center tenants on the basis of financial solidity, their appeal for visitors, and the overall consistency of the merchandising mix for a given shopping center.

Impacts

The rents paid by Klépierre's tenants represent nearly all of the Group's operating income. The inability of one of Klépierre's major tenants to pay its rent could substantially impact Klépierre's revenue. Certain leases include a variable share of the rent indexed to the tenant's sales; a significant reduction in the tenant's sales would also automatically reduce Klépierre's revenue.

The retailer mix in Klépierre malls affects its attractiveness for visitors, and therefore its profitability. The loss of an anchor retailer in a shopping center could have a snowball effect and lead to the departure of other tenants, impacting Klépierre's revenue and possibly leading to a decrease in the value of the property.

Changes in the competitive retail landscape could result in an increasing concentration of retailers' physical points of sale at locations considered strategic for their business models. Failing to adequately reposition Klépierre's portfolio or realign its geographical footprint with that of its retailers could lead to higher vacancy rates at Klépierre malls and consequently, a decrease in the value of its assets.

Mitigation measures

Diversifying Klépierre's portfolio serves to limit its exposure to a bankruptcy or the departure of a key customer. The top 10 retailers in terms of their contributions to rental income only represent 12% of total rental income.

Klépierre's strategy of positioning its assets in dynamic, high-growth catchment areas is aligned with the repositioning of retailers' physical points of sale in key locations, making Klépierre shopping centers the go-to anchor points for most of the market's retailers. Klépierre's international platform of over 100 assets in more than 10 countries is also a gateway to new markets for expanding retailers.

Beyond its role as a lessor, for several years Klépierre has sought to use its retail expertise to help its primary customers, retailers, with their transformation. Thus, each year, Klépierre organizes Retailer Days, bringing together the Group's major retailers to present commercial opportunities and upcoming trends and innovations. Moreover, Klépierre offers retailers local services to enable them to access new visitors via partnerships and marketing events. All these initiatives limit the impact on retailers of the rapid and profound development in the retail industry.

Frequency/Probability: * Impact: ** Trend: →

Klépierre's key performance indicators are very sound. The average occupancy cost ratio of Klépierre tenants remained low at 12.4% and the vacancy rate fell by 20 basis points to 3.0%, while bad debt allowances fell a further 10 basis points to 1.6%.

For more information on Klépierre's 2019 rental performance, please refer to section 2.1.6 «Shopping center business summary: leasing highlights" of this Universal Registration Document.

1.7.4.2 Internal risks

Health, safety and security

Description

As publicly accessible buildings, Klépierre's shopping centers are exposed to health, safety and security risks whose occurrence may adversely affect the shopping centers image, business or performance (or Klépierre's as a whole). Material health, safety and security risks include:

> A terrorist attack taking place within a shopping center site or its immediate surroundings;

> Health risks associated with contaminants or the spread of bacteria and viruses;

> An abrupt or severe deterioration of public order within a shopping center site or its immediate surroundings;

> Small-scale crime, theft and/or antisocial behavior taking place within a shopping center or its immediate surroundings;

> A building collapse or severe structural damage to a shopping center due to unforeseen circumstances;

> A fire breaking out within a shopping center;

> Visitor accidents due to slips, trips and falls.

Impacts

Failure to comply with relevant health and safety legislation or to protect people and assets against external safety and security threats could result in legal action and/or penalties for non-compliance.

Shopping centers may also be subjected to temporary closure, leading to a loss of business. Visitors may no longer feel safe within the shopping center and/or the surrounding area, leading to an adverse impact on footfall and retailer sales.

Tenants' staff may also no longer feel safe within the shopping center and/or the surrounding area, reducing employer attractiveness for retailers locally. Lastly, a significant health, safety or security event may adversely affect the individual shopping center's image and/or the reputation of the Klépierre Group, to the extent that it is found to be at fault.

Mitigation measures

Klépierre's mitigation strategy focuses on the four following intervention points:

Prevention

The Group implements preventative actions in accordance with its operating procedures covering significant health, safety and security risks. These include measures such as building structure audits, seismic surveys in the areas concerned, hot work permits, air and water quality analyses as well as preventive installations such as security railings, fire/intrusion/gas alarms, anti-ram-car protection, etc.

Other preventative actions include the protection of sensitive areas (technical equipment, control rooms, offices, waste areas, etc.) and regular maintenance of equipment and upgrading of centers' video surveillance systems.

Shopping centers also provide the local police and fire service with round-the-clock access to all relevant support documents in the event of on-site emergency intervention.

Training

Training is delivered to shopping center directors and technical managers through face-to-face sessions, the communication of standard operating procedures, quick-assessment tools and large-scale safety drills in shopping centers.

Control tools and audits

The Group has reviewed and updated its crisis management procedures and deployed incident reporting and monitoring software. Visible safety and security is provided by dedicated teams and guards permanently on site and working under the control of shopping center management teams. Third-party inspections of technical equipment (such as elevators, travelators, sprinkler systems, etc.) guarantee their conformity. Compliance with health standards to prevent Legionella is also monitored. The effectiveness of the entire system is tested every year using sampling techniques during internal operational audits.

Security risk management

Each of the Group's shopping centers conducts emergency evacuation drills once or twice a year to ensure that all of the stakeholders fully understand their roles.

For more information on measures to mitigate health, safety and security risks, please refer to section 4.4.2 "Shopping center health, safety and well-being" of this Universal Registration Document.

Frequency/Probability: ** Impact: * Trend: →**

Consolidated reporting of incidents at Group level revealed a downward trend year on year in each type of major incident (down 28% overall). Since 2017, the gradual deployment of a holistic approach and related processes (i.e., standard operating procedures) is making it possible to mitigate those risks more effectively with each passing year.

Specific risks related to the Covid-19 epidemic

(The following information is supplemental to the Management Report issued by the Executive Board on January 29, 2020).

Over the course of the early part of 2020, the Covid-19 epidemic has gradually spread from China to Continental Europe. Since the end of February, containment measures initially imposed on northern Italy have been extended to the rest of the country. Initially, Klépierre's Italian malls were subject to temporary restrictions on opening hours (evenings and weekends). On the evening of March 11, the Italian Prime Minister ordered all shops across the country to close until March 25, except for certain essential services and those selling bare necessities, including grocery stores and pharmacies.

Between February 22, 2020, when the initial measures were enacted by the Italian government, and March 11, footfall in Klépierre's Italian malls fell by 30%; the decrease was 45% over the last seven days of that period. In other countries where the Group operates, footfall is slightly negative over the same time span, down by 3% overall and 6% over the last seven days of the period.

Klépierre's Italian malls in 2019 represented €205.7 million or 16.6% of gross rental income on a total share basis. At this stage, it is too early to determine the situation's impact on the contractual obligations of our retailers or to estimate the effect of any case-by-case support measures the Group may decide upon, particularly as regards adapting payment deadlines.

Although a significant proportion of gross rents (90.5% in 2019) consist of minimum guaranteed amounts with an average residual lease term of 4.1 years, a persistent, deeper and more generalized decline in retailers' sales could adversely affect their solvency and Klépierre's ability to collect a portion of said rents. Given the lack of visibility over the likely duration of the epidemic, it is not currently possible to measure the impact the situation may have on the Group's 2020 net current cash flow per share.

The Group set up a crisis management team in mid-February 2020, supported by external experts, with the aim of containing the impact of the epidemic on consumers and retailers in its shopping centers, as well as on the Group's employees. This unit is coordinating Klépierre's response to the crisis in each affected area, ensuring that its operations are compliant with any measures enacted by the authorities on a real-time basis, and adjusting the Group's operating organization and resources so as to ensure the best possible health and safety conditions while maintaining business continuity.

Once the health situation has stabilized, the Group remains confident in its ability to continue its growth momentum, leveraging the quality of its portfolio, its unique operational know-how and the strength of its balance sheet.

Stakeholders

Description

In the course of its day-to-day business, Klépierre interacts with a vast ecosystem of stakeholders on which Klépierre relies heavily for operations to run smoothly. The Group is therefore exposed to the risks of these stakeholders. Furthermore, the business relations forged with them may also be a source of risk. This section will focus on the two types of stakeholders deemed most exposed within Klépierre's risk universe, i.e., suppliers and service, providers and co-owners. Risks concerning Klépierre employees (internal stakeholders) are discussed in the "Human Resources" risk sub-section.

- **Suppliers and service providers:** the bulk of goods and services procured by the Group is made up of utilities (energy and water), cleaning, maintenance and safety and security. Klépierre also has recourse to a wide range of service providers in its development operations (i.e., architects, design offices, construction companies, etc.). In 2019, subcontracted work reaches several times the amount of payroll and involves several thousand different service providers across the Group.
- **Co-owners:** a significant portion of the Group's assets are held in co-ownership with third parties. These multi-owner structures may limit Klépierre's ability to freely deploy its strategy at all of its shopping centers. Details of these partnerships are provided in agreements and mandates and they are governed by specific bodies (general meetings), which can add an extra layer of complexity to asset management.

Impact

Suppliers and service providers: poor performance of a service – or even failure to perform the service in the event of bankruptcy – could

(1) *As of December 31, 2019. For more information, please see section 2.1.7 "Lease expiration schedule".*

have an operational impact on Klépierre and potentially impact its reputation.

Excessive dependence of a given service provider on Klépierre may lead to the requalification of service agreements as employment contracts, resulting in an uncontrolled increase in Klépierre's payroll costs.

Klépierre may be held liable and its image tarnished in the event of the failure of suppliers or service providers to comply with regulations (*e.g.*, undeclared or illicit work, corruption, etc.). Likewise, any instances of non-compliance with internationally accepted human rights through the activities of its supply chain could lead to reputational damage for the Group and hamper its ability to attract new investors and employees.

Co-owners: diverging strategic interests with the different co-owners could limit Klépierre's ability to deploy its business plan for the assets concerned (if building work proposed by Klépierre were not approved, for example), which would jeopardize the Group's strategic objectives and potentially impact the long-term value of the assets concerned.

Conversely, majority co-owners may force Klépierre to approve budgets that are not aligned with the Group's strategy. Failure to comply with obligations towards co-owners within the scope of an asset management agreement could lead to legal proceedings against Klépierre, or the loss of the mandate and the related income.

Mitigation measures

- **Suppliers and service providers:** the Group's main geographies (France-Belgium, Italy, Iberia) have dedicated purchasing and procurement teams that ensure effective management of operational risks and optimize the Group's performance in this area. Their objectives are to streamline processes, select, evaluate and monitor a specific pool of approved suppliers and improve operating margins. When doing work in a shopping center, all service providers must first have provided shopping center management with all of the statutory documents authorizing them to carry out work there (ID documents, certifications, etc.), and their employees must go to the control room to prove their identity as part of efforts to prevent undeclared or illicit work.

  Prior to signing a contract, service providers are vetted for financial health by checking their revenue to avoid the risk of over-dependence on Klépierre. These checks are repeated over the course of the business relationship.
- **Co-owners:** under its investment policy, the Group ensures that it is in a position to guide decision-making in line with its strategy.

Frequency/Probability: *   Impact: **   Trend: →

- **Suppliers & Service Providers:** the Group published a Responsible Procurement Charter in 2019 that is to be appended to service and supply contracts going forwards to ensure that those stakeholders' CSR policies are aligned with those of Klépierre.
- **Co-owners:** 92% of maintenance capital expenditure proposals submitted by Klépierre were approved in 2019.

Compliance

Description

Compliance is a major topic at Group level. "Compliance" here means both regulatory compliance and compliance with contractual obligations and existing procedures that reflect the operational implementation of strategic objectives.

The Group operates in a complex regulatory environment due to the sheer range of legal dimensions it has to deal with (i.e., laws and regulations in the fields of tax, securities, construction, town planning, real estate, labor and data protection (GDPR), the «Sapin II» anti-corruption law, the 4th EU Directive on money laundering and terrorism financing (AML/CFT), IFRS accounting standards, etc.), and the many different levels of regulations that must be complied with (local, regional, national, European.).

Impacts

Failure to comply with regulations could lead to criminal convictions or substantial fines and damage to Klépierre's brand image. In certain cases, Klépierre may be held jointly liable in the event of the failure of suppliers or service providers to comply with regulations (GDPR, undeclared or illicit work, for example).

Non-compliance in a given shopping center could result in its temporary or permanent closure. A failure to keep the anti-corruption procedures required under Sapin II regulations up to date could result in a warning from the supervisory authorities, tarnishing the Company's reputation.

Preparing statutory financial statements that fail to present a true and fair view of the Company's assets and/or financial position could jeopardize certification of the accounts by the Statutory Auditors, which could in turn damage Klépierre's standing with investors.

Lastly, failure to comply with contractual clauses could also have severe consequences, such as the loss of a management agreement and the related income.

Mitigation measures

As noted previously under «Regulatory Framework» risk, the Group's Legal Department tracks legislation on a regular basis, assisted, where necessary, by external advisors, providing it with extensive knowledge of the regulatory environment.

The Legal Department, through its representative at the fortnightly Corporate Management Team meetings, ensures that information about the policies that need to be adopted in the various regulatory domains is shared at senior management level. The legal aspects of all of the Group's strategic operations (investments, disposals, mergers, etc.), as well as its tax structure, are tracked by in-house teams with the support of external counsel where required. The Group's Legal Department – supported by the local legal teams – monitors the progress of the Group's main litigation and disputes at European level. Contractual deadlines and engagements are also tracked by the Legal Department.

The consolidated financial statements are prepared every year in line with the detailed procedures set out in sections 1.7.5.1 and 1.7.5.2 of this Universal Registration Document. Financial commitments are tracked directly by the Finance Department and presented in "Note 6 – Off-balance sheet commitments" in section 3.3.3, and in "Note 10 – Finance and guarantee commitments" in section 3.1.5. The Group's financial covenants are detailed in section 2.7.4 "Credit ratings and covenants".

Klépierre's organizational structure helps ensure that Group procedures are correctly applied based on two levels of control: country and corporate. The Internal Audit function, together with the use of external audits (not limited to statutory audits), help ensure continuous process improvement and keep operating practices in line with strategic objectives.

Frequency/Probability: * **Impact: **** **Trend: →**

Tighter regulations in Klépierre's business environment, especially in the form of new EU directives (Anti-Tax Avoidance Directive, GDPR, 5th Directive on money laundering and the financing of terrorism), increases the risk of regulatory non-compliance. This increasing regulatory complexity is offset by the expertise acquired by the legal teams.

Moreover, the deployment of specific software tools (*e.g.*, safety, security and maintenance), and periodic information-sharing sessions organized by the business lines (seminars, webinars, etc.), help to circulate procedures and ensure that they are being applied correctly.

Human resources

Description

Klépierre operates in a highly competitive industry with a relatively small scale of organization. Its staff are highly employable, meaning retention of skilled employees is a priority.

Impacts

A decline in the Group's appeal as an employer would reduce its ability to recruit, motivate and retain talented employees, especially in key positions. Any perceived unattractiveness in the Company's employer brand would compromise its ability to attract candidates for vacant positions.

A loss of core skills, knowledge and expertise due to employee turnover, or a lack of commitment on the part of employees, may also impact the Group's corporate decision-making and operational efficiency.

Lastly, the Group must comply with diversity legislation in many of its major markets. Failure to do so could result in fines or other sanctions.

Mitigation measures

The Group is taking steps to strengthen its employer brand. It offers competitive wages, runs a dynamic internship program and partners with leading schools and universities to identify and recruit the most talented individuals.

In 2019, Klépierre launched a dedicated page on the renowned digital recruitment platform, *Welcome To The Jungle*. High potential individuals are closely monitored to support their professional development and career progression to key positions within the Group.

Through its corporate academy, "Klépierre University", the Group promotes long-term investment in training which is open to all employees to: build a common base of knowledge; strengthen competencies; share experiences and best practices; support professional development; and promote employee mobility.

Specific integration paths for each profile have been defined to boost upskilling for new joiners. Mobility is further encouraged by the Group's policy to promote internal talent and meet employees' development ambitions. 21% of positions advertised by Klépierre have been filled internally. A variety of tools are used to promote a quality work environment (such as training on health and psychosocial risks), measures to ensure work-life balance (such as homeworking), and widespread initiatives to encourage well-being at work (such as sport events, yoga classes, etc.). Psychosocial risks are mitigated through mandatory training of managers and an independent, toll-free and anonymous helpline. For more information on measures concerning employee welfare, please refer to section 4.4.3 "Offer Group employees a positive experience" of this Universal Registration Document.

Frequency/Probability: ** **Impact: *** **Trend: →**

Employee turnover in 2019 was 12%, on a par with the rate of 11.4% recorded for 2018.

Thanks to the physical platform provided by Klépierre University, combined with a digital learning portal which opened in March 2018 ("Learn'up"), 98% of employees received training in 2019, up from 92.5% in 2018.

In 2020, the Group will continue to strive to mitigate this risk by stepping up initiatives to strengthen its employer brand and pursue its talent-spotting and training program. A new engagement survey will be conducted to identify pointers for improvement.

Investments and divestments

Description

Portfolio rotation is an inherent part of Klépierre's strategy to position its malls in the most profitable and dynamic catchment areas. Buying or selling an asset entails risks related to a faulty assessment of the quality and/or potential of the asset. Assets may indeed be acquired or disposed at a price disconnected with its intrinsic value. Considering the cyclical nature of the property investment market, the timing of transactions may also be inappropriate.

Impacts

Inadequate acquisition or divestment decisions could have an adverse impact on the Group's financial position, operating results, and/or growth prospects. These may result in the loss of opportunities, lower asset values, disputes with buyers or sellers resulting in litigation and a loss of investor confidence. The inability to dispose of non-strategic assets would hinder Klépierre's asset portfolio optimization strategy.

Mitigation measures

All proposals to acquire, develop or sell assets are subject to extensive audits. Klépierre also hires the services of specialized and highly reputed advisers (including lawyers, notaries, bankers, real estate experts and auditors) to support the due diligence process. Transactions and investments are successively challenged by the Executive Board, the Investment Committee and the Supervisory Board.

Lastly, asset valuations are carried out by recognized external independent firms twice a year in line with AMF recommendations. Asset managers in each area are tasked with providing checked data to the independent appraisers. The appraisal values are then presented and discussed with local teams, analyzed and controlled by the Investment Department. These assessments are reviewed by the Statutory Auditors and presented to the Audit Committee.

Frequency/Probability: * Impact: ** Trend: →

Klépierre did not acquire any new malls in 2019 (with the notable exception of the stake acquired in Thiais Belle Épine center), nor was it involved in any mergers with other companies. However, it continued its non-strategic asset disposal policy and sold several shopping centers for a total amount of €537 million. On average, these assets were sold for more than their most recent expert valuation (6.1% overall), at an average yield of 6.8% in 2019 (*versus* 5.7% in 2018), which is a testimony to the continuing expertise of the Investment Department teams in this domain. For more information, please refer to section 2.4.4 "Disposals" of this Universal Registration Document.

Real estate development

Description

Klépierre's development activity is focused on enhancing its own properties through redevelopments and/or extensions, and may also include the development of greenfield projects. In most European countries, developments are long projects posing significant risks in relation to planning, construction and leasing.

Typical risks include delays in securing the building permits, the execution of work, and the completion of leasing. They also include cost overruns in the construction or lower rental revenues than budgeted.

Impacts

The main potential impacts are:

- The abandonment of the project in the design phase;
- The sale of the land plot; or
- A lower return on investment at completion.

In all cases these may result in adverse consequences on Klépierre's financial results, growth strategy and market reputation.

Mitigation measures

Before being committed, development projects must successively be examined by the internal Development Committee, the Executive Board, the Investment Committee, and the Supervisory Board. The validation criteria include:

- Consistency of the project with Klépierre's capital allocation strategy, operational guidelines, and CSR policy;
- Technical feasibility and local acceptability;
- Satisfactory pre-leasing rate; and
- Risk-adjusted return on investment.

Progress on development projects is examined on a quarterly basis by the Corporate Management Team. To limit potential loss of up-front costs and the risk of not obtaining regulatory approvals, development teams engage with stakeholders to ensure they support the proposed project as soon as a feasibility study has been carried out. Detailed design costs are not incurred without having run a preliminary financial analysis confirming the viability of the project. Construction is not started before a high level of retailers' support has been obtained.

Frequency/Probability: * Impact: ** Trend: →

In 2019, Klépierre inaugurated the extension Créteil Soleil a flagship mall in the Paris area, with 100% of the space leased or under advanced negotiations. Combined with the mall's refurbishment – slated for completion by the end of 2020 – the extension is expected to deliver a yield of 6.0%, ahead of the initial projection of 5.7%.

The Group also kicked off extension-renovation work at Gran Reno (near Bologna, Italy) with work expected to be completed during the first half of 2020. At the end of 2019, 56% of the space has been pre-leased, confirming the mall's attractiveness to retailers.

1.7.5 Details on certain controls

1.7.5.1 Accounting organization and management control

Accounting tasks are carried out by the Finance Department in each country in which the Group operates. The company and consolidated financial statements are prepared under the responsibility of the Group Finance Department. The deployment of an ERP system (SAP) across the Group makes it possible to record day-to-day transactions and enter accounting data in an integrated and automated manner. All the processes used to prepare accounting data are subject to accounting control programs at various levels, including validation rules, authorizations and instructions concerning supporting evidence for, and documentation of, accounting entries. The "Accounting Internal Control" unit, which reports directly to the Deputy CFO, is in charge of defining and providing the accounting control rules and ensuring the smooth operation of the internal control environment.

Klépierre's internal financial data is certified using a specific tool called "FACT" (Finance Accounting Control Tool). FACT relies on a series of validation mechanisms through which the staff involved in the evaluation of accounting controls formally certify the reliability of the data provided and the proper functioning of controls. This process contributes to the overall monitoring of the functioning of internal accounting controls within the Group. It also gives the Finance Department, which is responsible for the preparation and quality of the Klépierre Group's consolidated financial statements, the necessary level of assurance on the accuracy of financial statements of each entity. The content of the certifications is updated on a quarterly basis by the Group's accounting internal control function, and covers, among other items, regulatory requirements in terms of internal accounting control. The certifications' content is approved by the Deputy CFO.

The financial reporting system in place in all countries enables the Group to track trends in the main key performance indicators by country and by asset, and to ensure that these are properly geared to the objectives laid down in the annual budget approved by the Executive Board. Reports prepared at country level are reviewed on a quarterly basis by the Group Controlling Department, which also carries out a full reconciliation of the consistency of the accounting results with the consolidated management results.

1.7.5.2 Account closing process and consolidation

The accounts are consolidated by the Group Accounting and Consolidation Department. Data for the consolidation system used at almost all Klépierre's main subsidiaries is provided by the Finance Department in each country. A specific reporting tool is used to record off-balance sheet commitments. This allows each reporting unit to declare off-balance sheet commitments and the Consolidation Department to monitor controls and data consolidation.

The consolidated financial statements are prepared using a process laid down in instructions circulated to the finance departments of each country to ensure that deadlines are met, and that the data provided complies with the Group's accounting standards.

The principal accounting controls carried out at each quarterly close during the consolidation process are:

> Controls on changes in the scope of consolidation and equity reconciliations;

> Analysis of supporting evidence for all consolidation adjustments;

> Analysis of and explanations for all deviations from budgets and forecasts; and

> Analysis of balance sheet movements and outstanding balances.

At each quarterly close, the Group Accounting and Consolidation Department coordinates an internal certification process for the accounting data reported by country, as well as the controls performed. As a part of this process, the CFO for each country certifies:

> The reliability and compliance of the accounting data provided with regard to the regulations in force and Group standards;

> Smooth operation of the accounting internal control system, safeguarding the quality of the accounting data; and

> Significant events that occurred after the accounts closing and their financial impact on the consolidated financial statements.

The clarity of financial reporting and the compliance of accounting methods are overseen by the Audit Committee, as well as the Statutory Auditors.


Cutters
Cutters
squeeze
15min massasje
195,-
squeeze
Minibank
STARBUCKS COFFEE

2

BUSINESS FOR THE YEAR

2.1 BUSINESS OVERVIEW

2.1.1 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.

2.1.2 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.

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

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%**

2.1.3 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.

2.1.4 Net rental income

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

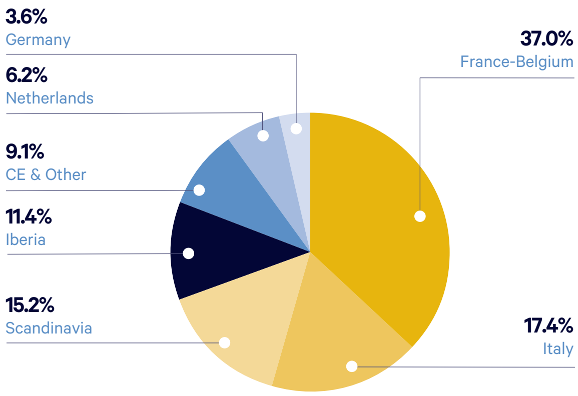
In millions of euros	2019	2018	Reported change	Like-for-like change	Index-linked change
France-Belgium	410.2	405.1	+1.3%	+2.2%	+2.1%
Italy	193.3	196.5	−1.6%	+3.2%	+0.8%
Scandinavia	168.1	168.4	−0.2%	+2.4%	+2.0%
Iberia	126.5	121.3	+4.3%	+7.8%	+1.3%
CE & Other	100.9	108.1	−6.6%	+1.7%	+3.2%
Netherlands	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.

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



(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).*

▶ 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.

2.1.5 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.

2.1.6 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).

2.1.7 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).

2.2 BUSINESS ACTIVITY BY REGION

2.2.1 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.

2.2.2 Italy (17.1% of net rental income)

NRI & EPRA VACANCY RATE IN ITALY

	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
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.

2.2.3 Scandinavia (14.9% of net rental income)

NRI & EPRA VACANCY RATE IN SCANDINAVIA

	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
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.

2.2.4 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.

2.2.5 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 (up 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.).

2.2.6 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 February 2020). 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.

2.2.7 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.

2.2.8 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 2.4 "Investments, developments and disposals").

2.3 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	
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.

In 2019, the increase in net current cash flow reflects the combined impact of the following:

> **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),[(1)] supported by 3.0% like-for-like growth at Klépierre shopping centers (see section 2.1.4 "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 2.8.5);

(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).

- **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 2.7.3 "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 2.8.1 for the reconciliation of net current cash flow to EPRA earnings and net income.

2.4 INVESTMENTS, DEVELOPMENTS, AND DISPOSALS

2.4.1 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.

2.4.2 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 2.4.3 "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 2.8.6);
- €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.

2.4.3 Development pipeline

2.4.3.1 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.

2.4.3.2 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 six 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.

2.4.3.3 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.

2.4.3.4 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.

2.4.4 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, 2019 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.

2.4.5 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.*

2.5 PARENT COMPANY EARNINGS AND DIVIDEND

2.5.1 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.

2.5.2 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.

2.6 PORTFOLIO VALUATION

2.6.1 Property portfolio valuation

2.6.1.1 Property portfolio valuation methodology

2.6.1.1.1 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 millions of euros)*
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**

2.6.1.1.2 Methodology used by external appraisers

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

Further to a tender process launched in 2017, Klépierre selected new appraisers to serve from the June 2018 campaign onwards. The selected appraisers are: BNP Paribas Real Estate, CBRE, 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 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.

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

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

ASSUMPTIONS USED BY APPRAISERS FOR DETERMINING THE SHOPPING CENTER PORTFOLIO VALUATION AS OF 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.

2.6.1.2 Valuation

2.6.1.2.1 Property portfolio valuation

VALUATION OF THE PROPERTY PORTFOLIO[a]

(on a total share basis, including transfer taxes)

In millions of euros	12/31/2019	% of total portfolio	Change over 6 months: 06/30/2019	Change over 6 months: Reported	Change over 6 months: LfL[b]	Change over 12 months: 12/31/2018	Change over 12 months: Reported	Change over 12 months: 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).

2.6.1.2.2 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 decrease 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.

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

▸ 12-MONTH SHOPPING CENTER PORTFOLIO VALUATION RECONCILIATION

(on a total share basis, including transfer taxes)

In millions of euros	
Shopping center portfolio at 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.

▸ 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.

(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.

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%**

2.6.1.2.3 Other retail properties

Including transfer taxes, the value of the other retail property portfolio stood at €303 million, down 15.1% over 12 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.

2.6.2 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.

2.7 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.

2.7.1 Financial resources

2.7.1.1 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 2.8.6 "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.

2.7.1.2 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%.

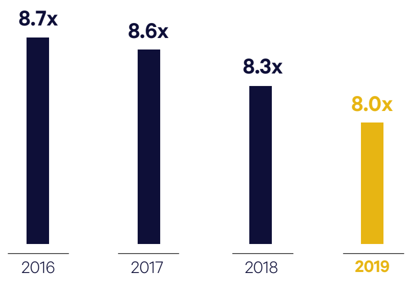
LOAN-TO-VALUE CALCULATION AS OF DECEMBER 31, 2019 *(as per covenant definitions, on a total share basis)*

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 2019, compared to 8.3x as of December 31, 2018.

NET DEBT TO EBITDA



2.7.1.3 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;

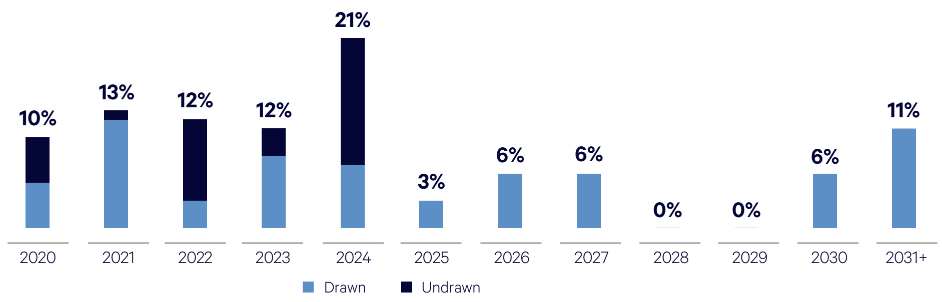
> Nine bilateral facilities originally maturing in 2023 were extended to 2024 (eight facilities for an aggregate amount of €1.1 billion) and 2025 (one facility for €100 million); and

> €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)*

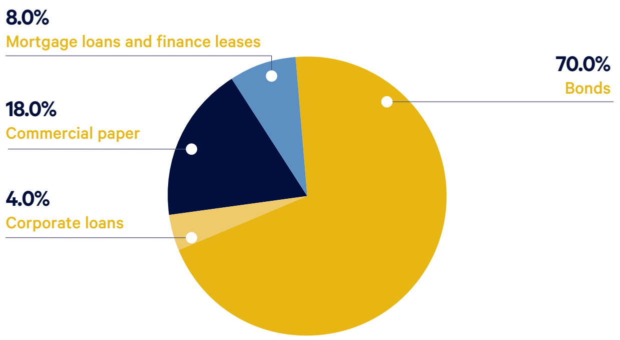


2.7.1.4 Debt structure

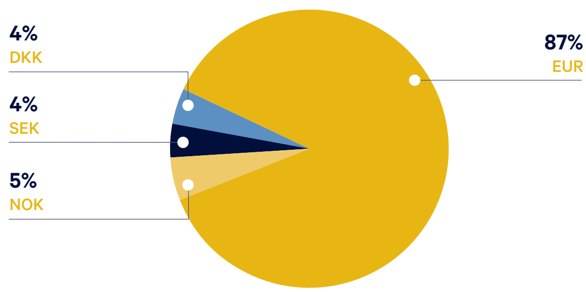
As of December 31, 2019, the share of financing sourced from capital markets in total debt stood at 88%, enabling Klépierre to benefit from excellent financing conditions. Bank facilities accounted for 12%, of which 8.2% concerned asset-backed debt raised mainly in Scandinavia (6.7%), France (1.4%) and 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%.

2.7.2 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

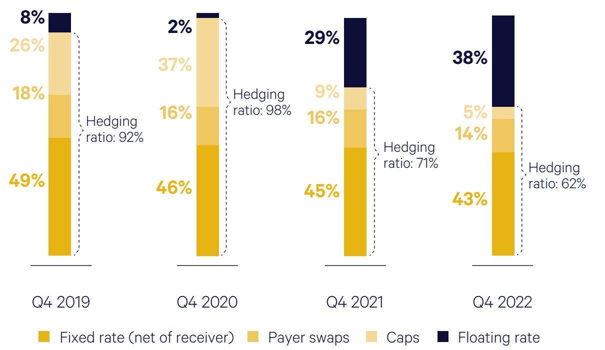
> At the end of June 2019, Klépierre entered into a €600 million interest rate swap in order to float a new bond issuance (€600 million).

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.

2.7.3 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.

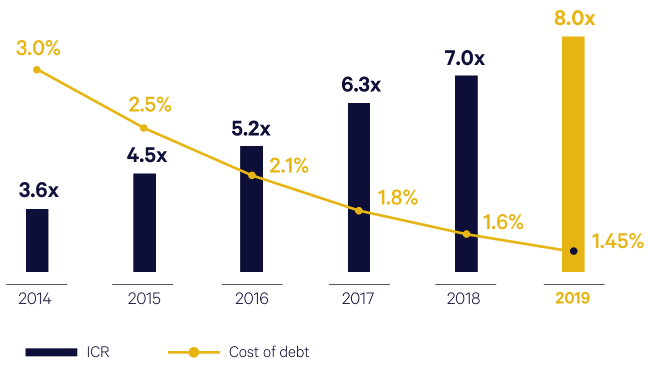
▸ BREAKDOWN OF COST OF DEBT

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**



2.7.4 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.

2.8 EPRA PERFORMANCE INDICATORS

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

▸ **EPRA SUMMARY TABLE[(a)]**

	12/31/2019	12/31/2018	See section
EPRA Earnings *(in millions of euros)*	814.2	767.3	2.8.1
EPRA Earnings per share *(in euros)*	2.77	2.56	2.8.1
EPRA NAV *(in millions of euros)*	11,417	12,038	2.8.2
EPRA NAV per share *(in euros)*	39.50	40.50	2.8.2
EPRA NNNAV *(in millions of euros)*	10,803	11,591	2.8.2.7
EPRA NNNAV per share *(in euros)*	37.40	39.00	2.8.2.7
EPRA Net Initial Yield Shopping centers	5.0%	4.9%	2.8.3
EPRA "Topped-up" Net Initial Yield Shopping centers	5.2%	5.1%	2.8.3
EPRA Vacancy Rate	3.0%	3.2%	2.8.4
EPRA Cost Ratio (including direct vacancy costs)	15.4%	17.2%	2.8.5
EPRA Cost Ratio (excluding direct vacancy costs)	13.9%	15.6%	2.8.5

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

2.8.1 EPRA Earnings

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

EPRA EARNINGS

Group share *(in millions of euros)*	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 2.3).

2.8.2 EPRA Net Asset Values

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

2.8.2.1 Methodology

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

2.8.2.2 Goodwill

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

2.8.2.3 Unrealized capital gains on management companies

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

2.8.2.4 Fair value of financial instruments

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

2.8.2.5 Deferred taxes on asset values

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

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

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

2.8.2.6 Transfer taxes

Originally valued by the external appraisers based on the assumption that all properties will be sold through asset deals, transfer taxes on the sale of assets are restated by Klépierre to reflect the most likely transaction scenario between share deals and asset deals, so as to determine the effective tax on unrealized capital gains pursuant to applicable local tax regulations (see section 2.8.2.5 above).

2.8.2.7 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 2.6.2), while their carrying amount in the consolidated financial statements was €29 million, giving rise to an unrealized capital gain on these activities in an amount of €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.

2.8.3 EPRA Net Initial Yields

EPRA Net Initial Yield (NIY) is calculated as annualized rental income based on passing cash rents, less non-recoverable property operating expenses, divided by the gross market value of the property. EPRA "Topped-up" NIY is calculated by making an adjustment to EPRA NIY in respect of the expiration of rent-free periods (or other unexpired lease incentives such as discounted rent-free periods and step-up rents). See section 2.6.1.2.2 for the geographical breakdown of EPRA NIY.

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

▸ **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%**

2.8.4 EPRA Vacancy Rate

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

▸ **EPRA VACANCY RATE**[(a)]

In thousands of euros	Estimated rental value of vacant space (A)	Total estimated rental value (B)	EPRA Vacancy Rate (A/B)
France-Belgium	14,916	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.

2.8.5 EPRA Cost Ratio

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

▸ **EPRA COST RATIO**

In millions of euros	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 2.1.5 "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).

2.8.6 EPRA Capital Expenditure

Investments made in 2019 are presented in detail in section 2.4 “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.

2.8.6.1 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).

2.8.6.2 Like-for-like portfolio

Capital expenditure on the like-for-like portfolio includes investments made to maintain or enhance standing assets without creating additional leasing space. In 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.

2.8.6.3 Other capital expenditure

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

2.9 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.

The management report was authorized for issue by the Executive Board on January 29, 2020 and presented to the Supervisory Board on February 4, 2020. It does not therefore take into account the impact of the Covid-19 epidemic, which had not properly begun at that time. For more information, see section 1.7.4.2.


MAREMAGNUM
SHOPPING CENTER

3

FINANCIAL STATEMENTS

3.1 CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

3.1.1 Consolidated statements of comprehensive income

In millions of euros	Notes	12/31/2019	12/31/2018
Gross rental income	6.1	1,242.3	1,252.2
Land expenses (real estate)[a]	6.2/8	(8.2)	(16.3)
Service charge income[b]	6.3	280.3	279.0
Service charge expenses[b]	6.3	(352.7)	(355.4)
Building expenses (owner)	6.4	(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	6.5	8.9	8.9
Survey and research costs		(1.6)	(0.9)
Payroll expenses	11.1	(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]	6.6/8	(20.4)	(13.0)
Provisions		2.1	(2.5)
Change in value of investment properties[a]	6.7/8	(526.3)	313.7
Proceeds from disposals of investment properties and equity investments	6.8	496.4	526.8
Carrying amount of investment properties and equity investments sold	6.8	(472.5)	(537.5)
Income from the disposal of investment properties and equity investments		**24.0**	**(10.7)**
Goodwill impairment	5.1	(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	(8.4)	
Cost of net debt	**6.9**	**(122.2)**	**(151.6)**
Change in the fair value of financial instruments		(25.7)	(11.1)
Share in earnings of equity-accounted companies	5.5	19.5	31.0
Profit before tax		**396.1**	**1,138.2**
Income tax	7	(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 – ATTRIBUTABLE TO OWNERS OF THE PARENT *(in euros)*		**1.11**	**2.80**
Average number of shares – diluted		**293,941,863**	**299,913,706**
DILUTED EARNINGS PER SHARE – ATTRIBUTABLE TO OWNERS OF THE PARENT *(in euros)*		**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 – Attributable to owners of the parent *(in euros)*	**1.06**	**2.36**
Diluted comprehensive earnings per share – Attributable to owners of the parent *(in euros)*	**1.06**	**2.36**

(a) From 2019, these items are presented after the application of IFRS 16. In accordance with the modified retrospective method, the consolidated statement of comprehensive income for 2018 has not been restated.
(b) From 2019, service charges income and expenses are decompensated. Non-recovered rental expenses presented for a negative amount of €76.4 million as of December 31, 2018, were divided between service charges income for €279.0 million and service charges expenses for a negative amount of €355.4 million.

3.1.2 Consolidated statements of financial position

In millions of euros	Notes	12/31/2019	12/31/2018
Goodwill	5.1	602.9	611.8
Intangible assets	5.2	28.5	33.7
Property, plant and equipment	5.3	36.1	9.9
Investment properties at fair value	5.4	21,306.8	21,692.2
Investment properties at cost	5.4	133.8	170.2
Investments in equity-accounted companies	5.5	1,096.7	1,050.2
Other non-current assets	5.6	294.9	299.0
Long-term derivative instruments	5.12	11.5	30.4
Deferred tax assets	7	21.7	20.7
Non-current assets		**23,532.9**	**23,918.0**
Investment properties held for sale	5.4	105.0	72.7
Trade and other receivables	5.7	106.3	127.1
Other receivables	5.8	355.6	328.1
> Tax receivables		96.0	120.8
> Other		259.6	207.3
Short-term derivative instruments	5.12	53.7	19.2
Cash and cash equivalents	5.9	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	**5.10**	**12,258.0**	**12,893.3**
Non-current financial liabilities	5.11	7,092.0	7,036.3
Non-current leases liabilities	8	368.1	
Long-term provisions	5.13	12.2	28.5
Pension obligations	11.3	11.2	13.5
Long-term derivative instruments	5.12	15.4	17.1
Deposits		146.4	147.1
Deferred tax liabilities	7	1,591.5	1,608.8
Non-current liabilities		**9,236.8**	**8,851.3**
Current financial liabilities	5.11	2,342.4	2,069.6
Current leases liabilities	8	14.6	
Bank overdrafts	5.9	26.5	224.7
Trade payables		124.2	145.7
Due to suppliers of property		86.2	21.9
Other liabilities	5.14	358.6	369.7
Short-term derivative instruments	5.12	17.7	12.1
Payroll and tax liabilities	5.14	173.0	181.5
Current liabilities		**3,143.2**	**3,025.2**
TOTAL EQUITY AND LIABILITIES		**24,638.0**	**24,769.7**

3.1.3 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)
Capital increase of the parent company		
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 repayment 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 method, the consolidated statement of cash flows for 2018 was not restated.

3.1.4 Statements of changes in consolidated equity

In millions of euros	Share capital	Capital reserves	Treasury shares	Hedging reserves	Consolidated reserves and retained earnings	Equity attributable to owners of the parent	Equity attributable to non-controlling interests	Total equity
EQUITY AT 12/31/2017	**440.1**	**5,862.1**	**(419.2)**	**(50.2)**	**4,563.8**	**10,396.6**	**2,563.8**	**12,960.4**
Share capital transactions								
Share-based payments								
Treasury share transactions			(149.4)			(149.4)		(149.4)
Dividends		(168.1)			(421.3)	(589.4)	(100.4)	(689.8)
Net income for the period					**838.8**	**838.8**	**190.1**	**1,029.0**
Gains and losses recognized directly in equity								
> Proceeds from sales of treasury shares					2.3	2.3		2.3
> Gains and losses from cash flow hedges				32.2		32.2	3.0	35.1
> Translation gains and losses					(158.3)	(158.3)	(17.1)	(175.4)
> Actuarial gains and losses					1.0	1.0		1.0
> Tax on other items of comprehensive income				(8.1)		(8.1)	(0.9)	(8.9)
Other items of comprehensive income				**24.1**	**(155.0)**	**(130.9)**	**(15.0)**	**(145.9)**
Changes in the scope of consolidation					(8.1)	(8.1)	(103.0)	(111.1)
Other movements					(0.1)	(0.1)	0.2	0.0
EQUITY AT 12/31/2018	**440.1**	**5,694.0**	**(568.6)**	**(26.1)**	**4,818.0**	**10,357.5**	**2,535.7**	**12,893.3**
Share capital transactions[b]	(16.4)	(400.3)	416.7			0.0		0.0
Share-based payments								
Treasury share transactions			(276.0)			(276.0)		(276.0)
Dividends		(125.5)			(494.0)	(619.5)	(89.0)	(708.5)
Net income for the period					**324.9**	**324.9**	**47.0**	**371.9**
Gains and losses recognized directly in equity								
> Proceeds from sales of treasury shares					3.9	3.9		3.9
> Gains and losses from cash flow hedges				19.8		19.8	0.8	20.6
> Translation gains and losses[a]					(34.6)	(34.6)	(7.9)	(42.5)
> Actuarial gains and losses					2.4	2.4		2.4
> Tax on other items of comprehensive income				(4.4)		(4.4)	(0.5)	(4.9)
Other items of comprehensive income				**15.4**	**(28.3)**	**(12.9)**	**(7.6)**	**(20.5)**
Changes in the scope of consolidation					0.1	0.1	(2.5)	(2.4)
Other movements				0.1	0.1	0.2	0.0	0.2
EQUITY AT 12/31/2019	**423.7**	**5,168.3**	**(427.9)**	**(10.6)**	**4,620.9**	**9,774.4**	**2,483.6**	**12,258.0**

(a) The negative €34.6 million impact in translation gains and losses mainly concerns Turkey (negative €27.8 million), Sweden (negative €17.1 million) and Norway (positive €6.8 million).

(b) Movements in share capital transactions for a negative €16.4 million, negative €400.3 million and positive €416.7 million are due to the cancellation of treasury shares as described in note 5.10.1.

3.1.5 Notes to the consolidated financial statements

NOTE 1 SIGNIFICANT EVENTS OF THE PERIOD

1.1 Investments

The main investments over the period concern the extension works on Créteil Soleil (inaugurated in November 2019) and refurbishment on the existing shopping center for a total amount of €79.4 million over the period.

The other main investments during the period concern the following ongoing projects: Hoog Catharijne (the Netherlands), the Rives d'Arcins extension in Bordeaux (France), Gran Reno in Bologne (Italy), and Emporia in Malmo (Sweden).

On December 13, the Group acquired 10% of Secar, owner of the Belle Épine shopping center in Thiais (France) for an amount of €84.2 million.

1.2 Main disposals

Since January 1, 2019, the Group has completed the following disposals:

> The Novo Plaza shopping center in Czech Republic (January 10);

> A portion of the St Maximin shopping center in France (March 8);

> Four shopping centers in Portugal: Minho, Loures, Telheiras, and Gaia (April 30);

> The Almere mall in the Netherlands (June 19). Klépierre has retained a small portion of Almere mall in the portfolio;

> All the malls owned by Klépierre in Hungary (November 14) as well as the management service companies;

> Several portions of the Pontault-Combault shopping center in France (December 13).

In addition, a set of ten retail units in France was divested over the period.

1.3 Dividend

On April 16, 2019, the General Meeting of Shareholders approved the payment of a €2.10 per-share cash dividend in respect of the 2018 fiscal year. The total dividend approved by Klépierre shareholders amounted to €619.5 million (excluding dividends payable on treasury shares).

On March 11, 2019, a €1.05 per share interim dividend was paid to shareholders, for a total amount of €311.6 million excluding taxes and fees. Another €1.05 per share (€307.9 million) was paid on July 10, 2019.

1.4 2019 share buyback program

On February 6, 2019, Klépierre announced a new share buyback program of up to €400 million. As of December 31, 2019, the Group had repurchased 9,584,166 shares under the program for an aggregate amount of €299.8 million.

1.5 Cancellation of shares

On February 20, 2019, June 20, 2019 and December 17, 2019, the Group canceled a total of 11,691,968 shares acquired in 2017 and 2018 under the March 13, 2017 share buyback program for a total amount of €416.7 million.

1.6 Debt

During 2019, gross indebtedness rose by €284 million notably due to the issuance of a new eleven-year bond for €600 million. The aim of this transaction was to pre-finance the redemption of two euro bonds falling due in September 2019 (€275 million) and in April 2020 (€300 million). In addition, €200 million of new bilateral revolving credit facility were signed with five-year maturity and nine bilateral facilities originally maturing in 2023 were extended to 2024 (€1,100 million) and 2025 (€100 million). As a consequence, the cash position of the Group increased by €341 million and the Group liquidity position reached €2.9 billion as of December 31, 2019.

Taking into account these transactions, the Group's average debt maturity stood at 6.5 years.

NOTE 2 SIGNIFICANT ACCOUNTING PRINCIPLES

2.1 Corporate reporting

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

On January 29, 2020, the Executive Board approved the consolidated financial statements of Klépierre SA for the period from January 1 to December 31, 2019 and authorized their publication.

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

2.2 Application of IFRS

In accordance with Commission Regulation (EC) No. 1126/2008 of November 3, 2008 on the application of international accounting standards, the Klépierre Group's consolidated financial statements for the year ended December 31, 2019 have been prepared in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB), as adopted by the European Union and mandatorily applicable on that date.

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

This framework is available on the following website: http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:02008R1126-20190101

The consolidated financial statements for the year ended December 31, 2019 are presented in the form of a complete set of accounts including all the information required by the IFRS.

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

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

2.2.1 Standards, amendments and interpretations whose application was mandatory as of January 1, 2019

The accounting principles applied to the consolidated financial statements for the year ended December 31, 2019 are identical to those used in the Group's consolidated financial statements for the year ended December 31, 2018, with the exceptions of the following new standards and interpretations, whose application is mandatory for the Group:

> Amendments to IFRS 9	Prepayment Features with Negative Compensation and Modifications of Financial Liabilities
> Annual improvements to IFRS	2015-2017 Cycle
> Amendments to IAS 28	Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures
> IFRS 16	Leases
> IFRIC 23	Uncertainty over Income Tax Treatments
> IAS 19 amendments	Plan Amendment, Curtailment or Settlement

IFRS 16 "Leases"

IFRS 16 "Leases" supersedes IAS 17 "Leases", IFRIC 4 "Determining Whether an Agreement Contains a Lease", SIC-15 "Operating Leases-Incentives" and SIC-27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease". The standard is mandatory for annual reporting periods beginning on or after January 1, 2019.

This new standard is very close to the existing standard as regards the treatment of leases by the lessor and has no impact on the Group's consolidated financial statements in this respect.

For lessees, the standard removes the distinction between finance and operating leases. A single balance sheet accounting model is required, for all leases, with an exemption for low value assets and short-term leases. IFRS 16 requires lessees to:

> Recognize lease assets (right-of-use assets) and lease liabilities on the statement of financial position, initially measured at the present value of unavoidable lease payments;

> Depreciate right-of-use assets and interest on lease liabilities over the lease term; and

> Separate the total amount of cash paid into a principal portion and interest.

The discount rate used to determine the present value of lease liabilities was computed based on the incremental borrowing rate. The weighted average discount rate applied to lease liabilities restated at January 1, 2019 was 2.10%. Discounting was applied based on the assumption of payments being made at the end of the fiscal year.

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

> Right-of-use assets relating to head office leases and vehicle leases are measured by applying a cost model and are depreciated on straight-line basis over the lease term. There are recognized in property, plant and equipment;

> Right-of-use assets relating to ground leases that meet the definition of investment property are measured using the fair value model provided by IAS 40 as required by the standard. They are subsequently measured at an amount equal to the remaining balance of the lease liability. Right-of-use assets relating to ground leases are recognized in investment properties at fair value.

The Group has elected to apply the modified retrospective approach. Accordingly, the comparative financial statements from the previous periods are not restated and the cumulative impact of IFRS 16, calculated as of January 1, 2019, is recorded in consolidated equity. IFRS 16 has no impact on the Group's opening equity and has no material impact on the overall reading of the consolidated financial statements.

The following table presents the impacts of the application of IFRS 16 on the opening consolidated statements of financial position:

In millions of euros	12/31/2018 Published	IFRS 16 Impact	01/01/2019 with IFRS 16
Goodwill	611,8		611.8
Intangible assets	33.7		33.7
Property, plant and equipment	9.9	33.2	43.0
Investment properties at fair value[(a)]	21,692.2	390.2	22,082.4
Investment properties at cost	170.2		170.2
Investments in equity-accounted companies	1,050.2		1,050.2
Other non-current assets	299.0	(26.6)	272.4
Long-term derivative instruments	30.4		30.4
Deferred tax assets	20.7		20.7
Non-current assets	**23,918.0**	**396.8**	**24,314.8**
Investment properties held for sale	72.7		72.7
Trade and other receivables	127.1		127.1
Other receivables	328.1		328.1
> Tax receivables	120.8		120.8
> Other	207.3		207.3
Short-term derivative instruments	19.2		19.2
Cash and cash equivalents	304.5		304.5
Current assets	**851.7**		**851.7**
TOTAL ASSETS	**24,769.7**	**396.8**	**25,166.5**
Share capital	440.1		440.1
Additional paid-in capital	5,650.0		5,650.0
Legal reserves	44.0		44.0
Consolidated reserves	3,384.6		3,384.6
> Treasury shares	(568.6)		(568.6)
> Hedging reserves	(26.1)		(26.1)
> Other consolidated reserves	3,979.2		3,979.2
Consolidated earnings	838.8		838.8
Equity attributable to owners of the parent	**10,357.5**		**10,357.5**
Equity attributable to non-controlling interests	2,535.7		2,535.7
Total equity	**12,893.3**		**12,893.3**
Non-current financial liabilities	7,036.3		7,036.3
Non-current leases liabilities	-	384.3	384.3
Long-term provisions	28.5		28.5
Pension obligations	13.5		13.5
Long-term derivative instruments	17.1		17.1
Deposits	147.1		147.1
Deferred tax liabilities	1,608.8		1,608.8
Non-current liabilities	**8,851.3**	**384.3**	**9,235.6**
Current financial liabilities	2,069.6		2,069.6
Current leases liabilities	-	14.9	14.9
Bank overdrafts	224.7		224.7
Trade payables	145.7		145.7
Due to suppliers of property	21.9		21.9
Other liabilities	369.7	(2.4)	367.2
Short-term derivative instruments	12.1		12.1
Payroll and tax liabilities	181.5		181.5
Current liabilities	**3,025.2**	**12.4**	**3,037.6**
TOTAL EQUITY AND LIABILITIES	**24,769.7**	**396.8**	**25,166.5**

(a) Of which €363.6 million corresponding to the initial recognition of right-of-use assets relating to ground leases and €26.6 million in upfront payments on ground leases reclassified from "Other non-current assets" to "Investment properties at fair value" as of January 1, 2019.

The following table presents the reconciliation between off-balance sheet commitments under operating leases disclosed as of December 31, 2018 and the IFRS 16 lease liability restated as of January 1, 2019:

In millions of euros	01/01/2019
Off-balance sheet commitments under operating leases as of 12/31/2018	**38.2**
Ground lease liability included in investment properties at fair value	363.6
Discounting effect	(0.9)
Other effects	(1.7)
IFRS 16 liability restated as of 01/01/2019	**399.2**
Of which IFRS 16 lease liability – non-current	*384.3*
Of which IFRS 16 lease liability – current	*14.9*

IFRIC 23

IFRIC 23 clarifies how the recognition and measurement requirements of IAS 12 "Income Taxes" are applied in cases of uncertainty concerning the measurement and treatment of income taxes.

All income tax provisions have been thoroughly reviewed and the standard has no material impact on the Group's opening consolidated statements of financial position.

2.2.2 Standards, amendments and interpretations whose application was not mandatory as of January 1, 2019

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

> IFRS 17	Insurance Contracts
> Amendments to IFRS 3	Business Combinations
> Amendments to IAS 1	Presentation of Financial Statements
> Amendments to IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors

2.3 Use of material judgments and estimates

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

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

Measurement of goodwill of management companies

The Group tests goodwill for impairment at least once a year. This requires estimating the value in use of the cash-generating units to which the goodwill is allocated. In order to determine value in use, Klépierre prepares expected future cash flows for each cash-generating unit and applies a pre-tax discount rate to calculate the present value of these cash flows (see note 5.1).

Investment property

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

Financial instruments

The Group assesses the fair value of the financial instruments it uses in accordance with standard market models and IFRS 13, as described in note 5.11.1.

2.4 Translation of foreign currencies

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

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

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

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

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

2.5 Distinction between liabilities and equity

The difference between liabilities and equity is whether or not the issuer is obliged to make a cash payment to the counterparty. Being able to make such a decision regarding cash payments is the crucial distinction between the two items.

2.6 Earnings per share

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

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

NOTE 3 SEGMENT INFORMATION

ACCOUNTING POLICIES

Segment information

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

3.1 Segment earnings

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

> France-Belgium (including Other retail properties);

> Scandinavia (Steen & Strøm: Norway, Sweden and Denmark);

> Italy;

> Iberia (Spain & Portugal);

> Netherlands;

> Germany;

> CE & Other (Hungary, Poland, Czech Republic, Slovakia, Greece and Turkey).

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

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

The "Scandinavia" segment includes all the legal entities of the Steen & Strøm Group, which is 43.9%-held by a minority shareholder. The fair value of the non-controlling interest in the Scandinavian segment amounted to €959.1 million as of December 31, 2019, *versus* €952.5 million as of December 31, 2018. As of December 31, 2019, the fair-value contribution of the Scandinavian portfolio represented an amount of €3,876.7 million in non-current assets, €74.0 million in current assets, €1,563.7 million in non-current liabilities and €336.4 million in current liabilities.

	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**

3.2 Investment properties by operating segment

In millions of euros	Value of investment properties at 12/31/2019[a][c]	Value of investment properties at 12/31/2018[a]
France-Belgium[b]	8,595.7	8,901.8
Scandinavia	3,609.5	3,613.0
Italy	3,357.9	3,332.7
Iberia	2,159.1	2,198.9
Netherlands	1,584.4	1,416.3
Germany	894.3	926.2
CE & Other	1,239.6	1,473.4
TOTAL	**21,440.6**	**21,862.4**

(a) Including investment properties at fair value, investment properties at cost and excluding investment properties held for sale.
(b) Including other retail properties.
(c) Including right-of-use assets relating to ground leases.

3.3 New investments over the period by operating segment

In millions of euros	Investment properties at fair value	Investment properties at cost	Investments at 12/31/2019[a]
Shopping centers	**199.5**	**103.3**	**302.7**
France-Belgium [b]	84.7	58.9	143.6
Scandinavia	37.4	0.3	37.7
Italy	12.6	44.1	56.7
Iberia	6.6		6.6
Netherlands	46.1		46.1
Germany	3.9		3.9
CE & Other	8.2		8.2
TOTAL	**199.5**	**103.3**	**302.7**

(a) Investments include acquisitions, capitalized expenses and changes in scope.
(b) Including other retail properties.

The main investments over the period (including capitalized interest) in the France-Belgium segment concern the Créteil Soleil extension and refurbishment for a total amount of €79.4 million, and the Rives d'Arcins extension in Bègles near Bordeaux for €10.4 million.

In the Netherlands, investments mainly concern the redevelopment of the Hoog Catharijne mall's lateral wings in downtown Utrecht for €41.8 million.

Most of the capital expenditure in Italy is attributable to the Gran Reno shopping center, located in Casalecchio di Reno near Bologna, for €34.5 million.

Investments in the Scandinavia segment correspond to several projects and refurbishments: Emporia (Sweden), Gulskogen Senter (Norway) and Field's Copenhagen (Denmark).

NOTE 4 SCOPE OF CONSOLIDATION

ACCOUNTING POLICIES

Scope of consolidation

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

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

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

Consolidation method

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

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

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

Intercompany transactions

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

As of December 31, 2019, the Group's scope of consolidation included 258 companies, of which 222 fully consolidated companies and 36 companies accounted for using the equity method.

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

The main changes in scope of consolidation during the year 2019 were as follows:

- On January 10, 2019, the Group sold Czech entity Praha SRO, owner of the Novo Plaza center in Prague;
- On May 28, 2019, in Italy, the Group created Acquario Srl (95.06% held by Klépierre) in partnership with Finim;
- On November 14, 2019, the Group sold all of its interests in Hungary, comprising seven entities that own four malls (excluding one shell company to be liquidated in 2020);
- On December 13, 2019, Klépierre acquired 10% of Secar (France), owner of the Belle Épine mall located in the South of Paris;
- Klécar Europe Sud SCS was merged into Klépierre SA and Klefin Italia Spa was merged into Corio Italia SA. In addition, three shell companies were liquidated (Klépierre Athinon AE, KLP Polska Movement SKA Sp. z o.o. and Fastighets Västra Götaland AB) and one was created (Kle Dir).

NOTE 5 NOTES TO THE FINANCIAL STATEMENTS: STATEMENT OF FINANCIAL POSITION

5.1 Goodwill

ACCOUNTING POLICIES

Accounting for business combinations

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

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

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

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

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

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

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

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

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

Goodwill measurement and impairment

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

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

Goodwill corresponding to optimized value of deferred taxes

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

Goodwill of management companies

Goodwill may relate to management companies. Impairment tests are performed annually and are based on valuations as determined by independent appraisers. These valuations are based on the discounted cash flow (DCF) method in every country where the Klépierre Group conducts management activities. This method consists of three stages.

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

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

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

Impairment tests, performed annually based on the valuations of independent appraisers, consist in comparing the carrying amount of the entities with their net asset value.

As of December 31, 2019, goodwill totaled €602.9 million, *versus* €611.8 million as of December 31, 2018, breaking down as follows:

Goodwill of management companies

As of December 31, 2019, goodwill of management companies totaled €248.0 million (after impairment), *versus* €252.1 million as of December 31, 2018.

In millions of euros	12/31/2018	Change in scope	Disposals, retirement of assets	Impairment	Other movements	12/31/2019
France	117.7					117.7
Italy	53.7					53.7
Spain	32.0					32.0
Portugal	7.4					7.4
Netherlands	14.0					14.0
Germany	13.7					13.7
Turkey	0.8			(0.8)		
Scandinavia	9.5				0.0	9.5
Hungary	3.4			(3.4)		
GOODWILL RELATING TO MANAGEMENT ACTIVITIES	**252.1**	**-**	**-**	**(4.2)**	**0.0**	**248.0**

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

- The discount rate applied Germany was 8.4% and 9.4% for Norway;
- The discount rate applied to other countries was 7.4%;
- The free cash flows over the duration of the business plan are based on business volume and operating margin assumptions that take into account economic and market assumptions at the date on which the plan was prepared;
- A growth rate for the 2020-2024 period based on the assumptions of the internal business plan and approved by the company's senior management;
- Management companies' terminal value was determined using a growth rate of 1% applied from 2024.

Further to the impairment tests performed as of December 31, 2019, the Group recognized an impairment loss in the amount of €0.8 million.

Related to the disposal of Hungarian portfolio during the period, the goodwill was fully impaired before disposal.

Goodwill corresponding to the optimized value of deferred taxes

As of December 31, 2019, goodwill corresponding to the optimized value of deferred taxes totaled €354.9 million (after impairment), *versus* €359.6 million as of December 31, 2018.

In millions of euros	12/31/2018	Change in scope	Disposals, retirement of assets	Impairment	Other movements	12/31/2019
Former Corio assets	277.7					277.7
IGC	32.7					32.7
Oslo City	35.1				0.3	35.4
Nueva Condo Murcia	8.9			(3.8)		5.1
Other	5.3	(1.3)				4.0
GOODWILL ARISING ON DEFERRED TAX LIABILITIES	**359.6**	**(1.3)**	**-**	**(3.8)**	**0.3**	**354.9**

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

5.2 Intangible assets

ACCOUNTING POLICIES

Intangible assets

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

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

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

Impairment of intangible assets

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

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

“Software” includes software in service as well as ongoing IT projects. The increase in this item relates to the Group’s investment in new software and applications.

In millions of euros	12/31/2018	Acquisitions and capitalized expenses	Disposals, retirement of assets	Additions for the period	Currency movements	Changes in the scope of consolidation	Reclassifications	12/31/2019
Leasehold rights	2.8							2.8
Goodwill	4.2				(0.1)			4.1
Software	87.8	4.9			0.1	(0.4)	(0.4)	92.0
Concessions, patents and similar rights	1.8							1.8
Other intangible assets	4.1					(0.2)		3.9
Total gross value	**100.7**	**4.9**	**-**	**-**	**-**	**(0.6)**	**(0.4)**	**104.6**
Leasehold rights	(1.1)							(1.1)
Goodwill	(2.5)							(2.5)
Software	(58.4)			(9.4)	(0.2)	0.4		(67.6)
Concessions, patents and similar rights	(1.4)			(0.1)				(1.5)
Other intangible assets	(3.4)			(0.1)		0.2		(3.4)
Total amortization	**(67.0)**	**-**	**-**	**(9.5)**	**(0.2)**	**0.6**	**-**	**(76.1)**
INTANGIBLE ASSETS – NET VALUE	**33.7**	**4.9**	**-**	**(9.5)**	**(0.2)**	**-**	**(0.4)**	**28.5**

5.3 Property, plant and equipment

ACCOUNTING POLICIES

Property, plant and equipment

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

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

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

In millions of euros	12/31/2018	First time application of IFRS 16[(a)]	Acquisitions and capitalized expenses	Disposals, retirement of assets	Additions for the period	Currency movements	Changes in the scope of consolidation	Reclassifications and other movements[(a)]	12/31/2019
Depreciable assets and work in progress	33.0		1.6	(0.6)		(0.4)	(2.1)	1.4	32.9
Right-of-use relating to property, plant and equipment[(a)]		33.2	0.3			(0.1)		1.0	34.4
Total gross value	**33.0**	**33.2**	**1.9**	**(0.6)**	**-**	**(0.5)**	**(2.1)**	**2.4**	**67.3**
Depreciable assets	(23.1)			0.6	(2.3)	0.2	1.7	0.2	(22.7)
Right-of-use relating to property, plant and equipment[(a)]					(8.5)				(8.5)
Total depreciation	**(23.1)**	**-**	**-**	**0.6**	**(10.8)**	**0.2**	**1.7**	**0.2**	**(31.2)**
Impairment									
PROPERTY, PLANT AND EQUIPMENT AND WORK IN PROGRESS – NET VALUE	**9.9**	**33.2**	**1.9**	**-**	**(10.8)**	**(0.3)**	**(0.4)**	**2.6**	**36.1**

(a) The impacts relating to the application of IFRS 16 are described in note 8 "IFRS 16 'Leases'".

5.4 Investment properties

ACCOUNTING POLICIES

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

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

As from January 1, 2019, land held under operating leases is classified and accounted for by the Group as right-of-use asset under IFRS 16. After initial recognition, it is measured using the fair value model in accordance with IAS 40 "Investment Property".

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

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

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

> Stage of completion;

> Level of reliability of cash inflows after completion;

> Development risk specific to the property.

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

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

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

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

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

Borrowing costs

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

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

Fair value of investment property

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

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

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

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

Shopping centers are valued by:

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

Other retail assets are valued by BNP Paribas Real Estate.

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

In thousands of euros	2019 appraisal fees
Cushman & Wakefield	276.3
CBRE	345.1
Jones Lang Lasalle	132.5
BNP Paribas Real Estate	105.5
Colliers	1.4
TOTAL	**860.8**

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

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

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

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

As regards the discounted cash flows approach, appraisers estimate the different cash flows over a 10-year period. To determine future cash flows, appraisers are provided with all relevant information (detailed rent rolls, footfall, retailer sales, occupancy cost ratios, etc.), which they use to make their own assessment.

They factor in their own leasing assumptions (ERV, vacancy, incentives, etc.) as well as future capital expenditures and non-recoverable operating expenses. Lastly, they apply a discount rate that varies from one property to another since it is a combination of the risk-free rate and the risk premium attached to each property due to its location, quality, size, and technical specificities.

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

5.4.1 Investment properties at fair value

In millions of euros

INVESTMENT PROPERTIES AT FAIR VALUE – NET VALUE AS OF 12/31/2018	**21,692.2**
Right-of-use asset relating to ground leases as of 01/01/2019 – First time application of IFRS 16[a]	390.2
INVESTMENT PROPERTIES AT FAIR VALUE – NET VALUE AS OF 01/01/2019	**22,082.4**
Additions to the scope of consolidation	-
Investments	197.1
Capitalized interest	2.4
Disposals and removals from the scope of consolidation	(449.5)
Other movements, reclassifications	24.8
Currency movements	(30.1)
Fair value adjustments	(520.3)
INVESTMENT PROPERTIES AT FAIR VALUE – NET VALUE AS OF 12/31/2019	**21,306.8**

(a) The impacts relating to the application of IFRS 16 on the opening balances are described in note 2, section 2.2.1.

Investments for €197.1 million and capitalized interest for €2.4 million committed and recognized over the period mainly concern the Hoog Catharijne development project in Utrecht for €41.8 million, refurbishment and capital expenditures in France for €83.5 million and in Scandinavia for €37.4 million.

The Group completed disposals totaling €449.5 million, mainly attributable to the sales of:

- Four malls in Portugal (Telheiras in Lisbon, Gaia Jardim in Porto, Continente de Loures in Loures and the Minho Center in Braga);
- A portion of the Almere shopping mall near Amsterdam in the Netherlands;
- Four malls in Hungary (Duna Plaza and Corvin Atrium in Budapest, Gyor Plaza and Miskolc Plaza);
- Nine retails units in France.

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

Shopping centers *(weighted average)*	12/31/2019				
	Annual rent *(in euros per sq.m.)*[a]	**Discount rate**[b]	**Exit rate**[c]	**CAGR of NRI**[d]	**EPRA NIY**
France-Belgium	355	5.8%	4.9%	2.6%	4.3%
Italy	390	6.9%	5.7%	1.7%	5.5%
Scandinavia	327	6.9%	4.9%	2.4%	4.6%
Netherlands	241	6.7%	5.9%	2.9%	5.4%
Iberia	354	7.4%	5.7%	2.1%	5.7%
Germany	220	5.2%	4.5%	0.8%	4.5%
CE & Other[e]	243	9.1%	7.1%	3.9%	6.5%
TOTAL GROUP	**318**	**6.5%**	**5.2%**	**2.4%**	**5.0%**

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

(a) Average annual rent (minimum guaranteed rent plus sales-based rent) per asset per square meter.

(b) Rate used to calculate the present value of future cash flows.

(c) Rate used to capitalize the exit rent to determine the exit value of an asset.

(d) Compound annual growth rate of net rental income determined by the appraiser at 10 years.

(e) Turkey: the average annual rent per asset per square meter amounts to €156, the average discount rate stands at 15.4%, the average exit rate is 8.7%, the compound annual growth rate of net rental income is 8.3% and EPRA NIY stands at 8.4%.

As of December 31, 2019, the average EPRA Net Initial Yield (NIY) of the portfolio stood at 5.0% (including transfer taxes). A 10-bp increase in yields would result in a €370 million loss in the portfolio valuation (attributable to owners of the parent).

5.4.2 Investment properties at cost

In millions of euros

INVESTMENT PROPERTIES AT COST – NET VALUE AS OF 12/31/2018	**170.2**
Investments	101.6
Capitalized interest	1.7
Disposals and removals from the scope of consolidation	-
Other movements, reclassifications	(133.6)
Currency movements	(0.1)
Impairment losses and reversals	(6.0)
INVESTMENT PROPERTIES AT COST – NET VALUE AS OF 12/31/2019	**133.8**

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

"Other movements and reclassifications" mainly concern the Créteil Soleil extension, which was inaugurated in November 2019 further to completion, and consequently reclassified to investment properties at fair value.

As of December 31, 2019, the main investment properties at cost comprise:

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

5.4.3 Investment properties held for sale

ACCOUNTING POLICIES

Investment properties held for sale

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

The accounting impacts are as follows:

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

In millions of euros	
INVESTMENT PROPERTIES HELD FOR SALE – NET VALUE AS OF 12/31/2018	**72.7**
Disposals and removals from the scope of consolidation	(72.7)
Other movements, reclassifications	105.0
Currency movements	-
Fair value adjustments	-
INVESTMENT PROPERTIES HELD FOR SALE – NET VALUE AS OF 12/31/2019	**105.0**

During the year 2019, all the assets classified as held for sale as of December 31, 2018, were sold for €72.7 million and comprise:

- A portion of the Creil Saint Maximin retail mall in France;
- The Novo Plaza mall located in Prague, Czech Republic;
- One retail unit in France.

Assets reclassified to "Investment properties held for sale" in the amount of €105.0 million mainly relate to a shopping center located near Caen and a group of twenty retail units in France.

5.4.4 Investment property portfolio reconciliation

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

	12/31/2019				
In millions of euros	**Investment properties held by fully consolidated companies**	**Investments in equity-accounted companies[a]**	**Transfer taxes**	**Lease liability[b]**	**Total portfolio value (including transfer taxes)**
Investment properties	20,926.1	1,387.5	1,077.6		23,391.2
Right-of-use asset relating to ground leases	380.7			(354.7)	26.0
Incl. upfront payments on ground leases	*25.9*				*25.9*
Investment properties at fair value	**21,306.8**	**1,387.5**	**1,077.6**	**(354.7)**	**23,417.2**
Investment properties at cost	133.8				133.8
Investment properties held for sale	105.0				105.0
Operating lease incentives	16.5				16.5
TOTAL	**21,562.1**	**1,387.5**	**1,077.6**	**(354.7)**	**23,672.5**

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

5.5 Investments in equity-accounted companies

In millions of euros	12/31/2018 Attributable to owners of the parent	Share in 2019 net income	Dividends received	Capital increases and decreases	Currency movements	Changes in scope of consolidation and other movements	12/31/2019 Attributable to owners of the parent
Investments in joint ventures	906.0	17.0	(17.9)	(15.4)	1.5		891.1
Investments in associates	144.3	2.5	(9.0)	(2.9)	(9.5)	80.2	205.6
EQUITY-ACCOUNTED COMPANIES	**1,050.2**	**19.5**	**(26.9)**	**(18.3)**	**(8.0)**	**80.2**	**1,096.7**

Thirty-six companies were accounted for using the equity method as of December 31, 2019, of which twenty-seven joint ventures and nine associates.

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

	12/31/2019		12/31/2018	
In millions of euros	100%	Attributable to owners of the parent	100%	Attributable to owners of the parent
Non-current assets	2,508.5	1,241.0	2,548.2	1,260.1
Current assets	93.0	45.6	118.1	57.8
Cash and cash equivalents	92.7	44.1	64.9	30.4
Non-current external financial liabilities	(82.0)	(38.6)	(95.5)	(45.3)
Non-current financial liabilities (Group and associates)	(495.9)	(247.4)	(520.3)	(259.6)
Non-current liabilities	(259.8)	(129.5)	(247.8)	(126.9)
Current external financial liabilities	(14.0)	(6.9)	(13.4)	(6.6)
Current liabilities	(36.7)	(17.1)	(7.9)	(3.9)
NET ASSETS	**1,805.9**	**891.1**	**1,846.3**	**906.0**

	12/31/2019		12/31/2018	
In millions of euros	100%	Attributable to owners of the parent	100%	Attributable to owners of the parent
Revenues from ordinary activities	148.3	73.3	145.8	72.0
Operating expenses	(27.7)	(13.8)	(27.3)	(13.5)
Change in value of investment properties	(55.4)	(26.9)	(45.8)	(22.0)
Financial income	(19.7)	(9.8)	(20.7)	(10.3)
Profit before tax	45.5	22.9	52.0	26.2
Tax	(11.8)	(5.9)	(18.6)	(9.4)
NET INCOME	**33.6**	**17.0**	**33.3**	**16.8**

Klépierre's share in the external net debt (current and non-current external financial liabilities adjusted for cash and cash equivalents) of its joint ventures amounted to €1.4 million as of December 31, 2019, *versus* €21.6 million as of December 31, 2018.

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

	12/31/2019		12/31/2018	
In millions of euros	100%	Attributable to owners of the parent	100%	Attributable to owners of the parent
Non-current assets	1,145.6	211.6	330.3	143.2
Current assets	8.4	1.6	2.3	1.0
Cash and cash equivalents	7.3	3.1	8.6	3.8
Non-current external financial liabilities	(0.5)	(0.2)	(0.7)	(0.2)
Non-current financial liabilities (Group and associates)	(60.4)	(5.9)	(0.5)	(0.1)
Non-current liabilities	(10.9)	(1.6)	(1.7)	(0.6)
Current external financial liabilities	(0.1)	(0.0)	(0.1)	(0.0)
Current liabilities	(18.5)	(3.0)	(5.8)	(2.6)
NET ASSETS	**1,071.0**	**205.6**	**332.4**	**144.3**

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

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

In millions of euros	12/31/2019 100%	12/31/2019 Attributable to owners of the parent	12/31/2018 100%	12/31/2018 Attributable to owners of the parent
Revenues from ordinary activities	26.6	11.7	24.8	10.8
Operating expenses	(6.5)	(2.9)	(8.0)	(3.4)
Change in value of investment properties	(16.3)	(7.2)	16.1	6.0
Financial income	1.9	0.9	1.7	0.8
Profit before tax	5.7	2.5	34.6	14.2
Tax			0.0	0.0
NET INCOME	**5.7**	**2.5**	**34.6**	**14.2**

The increase in net assets from €332.4 million (at 100%) as of December 31, 2018 to €1,071.0 million (at 100%) as of December 31, 2019 is mainly due to the acquisition of Secar, owner of the Belle Épine mall in Thiais.

5.6 Other non-current assets

ACCOUNTING POLICIES FOR FINANCIAL ASSETS (CURRENT AND NON-CURRENT)

Financial assets

Financial assets include long-term financial investments, current assets representing operating receivables, debt securities, investment securities (including derivatives) and cash. Under IFRS 9, financial assets are measured at fair value through profit or loss or at their amortized cost.

Measurement and recognition of financial assets

Loans and receivables

These include receivables from equity investments, other loans and other receivables. All are recognized at amortized cost, which is calculated using the effective interest rate method. The effective interest rate is the rate that precisely discounts estimated future cash flows to obtain the carrying amount of the instrument. Impairment losses are based on a forward-looking expected credit loss (ECL) approach.

Cash and cash equivalents

Cash and cash equivalents include cash held in bank accounts, short-term deposits maturing in less than three months, money market funds and other marketable securities. They are described in note 5.9 "Cash and cash equivalents".

In millions of euros	12/31/2018	Change in scope	Increases	Decreases	Other (including currency movements)	12/31/2019
Other long-term investments	0.1				0.2	0.3
Advances to equity-accounted companies and others	282.0		173.5	(181.8)	2.9	276.6
Loans	0.3		0.1	(0.1)	0.3	0.6
Deposits	15.6		2.0	(1.3)		16.3
Other long-term financial investments	1.1					1.1
TOTAL	**299.0**	**-**	**175.6**	**(183.2)**	**3.4**	**294.9**

5.7 Trade and other receivables

ACCOUNTING POLICIES

Trade and other receivables

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

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

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

In millions of euros	12/31/2019	12/31/2018
Trade receivables	142.9	167.2
Step-up rents and rent-free periods	39.7	37.6
Gross value	**182.6**	**204.7**
Allowances for bad debts	(76.3)	(77.6)
NET VALUE	**106.3**	**127.1**

5.8 Other receivables

	12/31/2019			12/31/2018
In millions of euros	Total	Less than one year	More than one year	Total
Tax receivables	**96.0**	**96.0**		**120.8**
Income tax	22.7	22.7		45.3
VAT	53.0	53.0		56.1
Other tax receivables	20.3	20.3		19.4
Other	**259.6**	**259.6**		**207.3**
Service charges due	16.2	16.2		13.7
Downpayments to suppliers	62.8	62.8		41.6
Prepaid expenses	10.0	10.0		35.0
Funds from principals	117.7	117.7		92.2
Other	52.9	52.9		24.8
TOTAL	**355.6**	**355.6**		**328.1**

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

In accordance with IFRS 16, upfront payments on ground leases as of December 31, 2018, have been reclassified from prepaid expenses to right-of-use assets on ground leases for €26.6 million (see note 2.2.1).

Funds managed by Klépierre Management on behalf of its principals stood at €117.7 million as of December 31, 2019 *versus* €92.2 million as of December 31, 2018. The management accounts of the principals are recognized under "Other liabilities" (see note 5.14) for the same amount.

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

5.9 Cash and cash equivalents

In millions of euros	12/31/2019	12/31/2018
Cash equivalents	55.1	0.9
> Treasury bills and certificates of deposit	0.1	0.1
> Money-market investments	55.0	0.8
Cash	429.4	303.6
Gross cash and cash equivalents	**484.5**	**304.5**
BANK OVERDRAFTS	**(26.5)**	**(224.7)**
NET CASH AND CASH EQUIVALENTS	**458.0**	**79.9**

Bank overdrafts in the amount of €26.5 million mainly correspond to the gross debit position in notional cash-pooling. They are offset by a gross credit position included in cash and cash equivalents.

Cash equivalents comprise French term deposit for €55.0 million and Italian treasury bills for €0.1 million.

5.10 Equity

5.10.1 Share capital, additional paid-in capital and capital reserves

As of December 31, 2019, the share capital was made up of 302,664,095 fully paid-up shares each with a par value of €1.40. Shares are held in either registered or bearer form.

In euros	Number of shares	Share capital	Issue premiums	Merger premiums	Other premiums
As of January 1, 2019	314,356,063	440,098,488	4,906,584,902	310,095,156	433,330,000
Cancellation of shares in 2019	(11,691,968)	(16,368,755)	(400,286,950)		
New shares issued in 2019					
Dividend distribution in 2019				(125,463,828)	
AS OF DECEMBER 31, 2019	**302,664,095**	**423,729,733**	**4,506,297,952**	**184,631,328**	**433,330,000**

On February 20, 2019, June 20, 2019 and December 17, 2019, the Group canceled 11,691,968 shares acquired in 2017 under the March 13, 2017 share buyback program, as described in note 5.10.2. Pursuant to this transaction, the share capital was reduced to €423.7 million and issue premiums to €4,506.3 million.

On April 16, 2019, the General Meeting of Shareholders approved the payment of a €2.10 per share cash dividend in respect of the 2018 fiscal year. The total dividend approved by Klépierre shareholders amounted to €645.6 million (including dividends payable on treasury shares) and €619.5 million (excluding dividends payable on treasury shares).

A portion of the dividend distribution (€125.5 million) was deducted from merger premiums with the remaining portion (€494.0 million) deducted from other consolidated reserves, as described in note 5.10.3.

As of December 31, 2019, the legal reserve stood at €44 million.

5.10.2 Treasury shares

ACCOUNTING POLICIES

Treasury shares

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

	12/31/2019						12/31/2018					
	Stock options	Performance shares	Liquidity agreement	External growth	Share buyback programs	Total	Stock options	Performance shares	Liquidity agreement	External growth	Share buyback program	Total
Number of shares	34,752	877,768		706,442	12,309,063	13,928,025	418,034	869,902	335,423	885,195	14,416,865	16,925,419
o/w allocated		*877,768*				*877,768*		*869,902*				*869,902*
Acquisition value (€m)	1.2	29.3		14.3	383.2	427.9	11.8	29.0	9.5	18.3	500.0	568.6
Proceeds from sales (€m)	(0.2)	(1.2)	1.4			(0.0)	(0.1)	(0.0)	(1.4)			(1.5)

As of December 31, 2019, Klépierre held 13,928,025 treasury shares, *versus* 16,925,419 shares as of December 31, 2018, of which 12,309,063 arising from the March 2017 and February 2019 share buyback programs, breaking down as follows:

> In 2017 and 2018, Klépierre repurchased 14,416,865 shares, as part of its share buyback program announced on March 13, 2017. In 2019, Klépierre canceled 11,691,968 shares acquired under this program (cancellation of 6,932,462 shares on February 20, 2019, 2,828,962 shares on June 20, 2019 and 1,930,544 shares on December 17, 2019). The residual number of shares amounts to 2,724,897.

> On February 6, 2019, Klépierre announced a new share buyback program of up to €400 million. As of December 31, 2019, the Group repurchased 9,584,166 shares for an aggregate amount of €299.8 million.

5.10.3 Other consolidated reserves

The increase in other consolidated reserves is mainly attributable to the appropriation of 2018 consolidated net income for €838.8 million (before distribution) and to the 2018 dividend distribution for €494.0 million (note 5.10.1).

5.10.4 Non-controlling interests

Non-controlling interests decreased by €52.1 million during the year 2019. This change mainly reflects:

> Net income for the period attributable to non-controlling interests (positive €47.0 million impact);

> Payment of dividends (negative €89.0 million impact);

> Foreign exchange impacts (negative €7.9 million impact), mainly in Scandinavia.

5.11 Current and non-current financial liabilities

ACCOUNTING POLICIES

Financial liabilities

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

IFRS 9 "Financial Instruments" describes how financial assets and liabilities must be measured and recognized.

Measurement and recognition of financial liabilities

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

Recognition of liabilities at amortized cost

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

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

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

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

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

Measurement and recognition of derivatives

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

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

> Hedges to cover statement of financial position items whose fair value fluctuates in response to interest rate, credit or exchange rate risks (fair value hedge);

> Hedges to cover the exposure to future cash flow risk (cash flow hedges), which consists of setting the amount of future cash flows arising on a variable-rate liability or asset.

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

The adoption of hedge accounting has the following consequences:

> Fair value hedges of existing assets and liabilities: the hedged portion of the asset/liability is accounted for at fair value in the statement of financial position. The gains or losses resulting from changes in fair value are recognized immediately in profit or loss. At the same time, there is an opposite effect corresponding adjustment in the fair value of the hedging instrument, in line with its effectiveness;

> Cash flow hedges: the portion of the gain or loss on the fair value of the hedging instrument that is determined to be an effective hedge is recognized directly in equity and reclassified to the income statement when the hedged cash transaction affects profit or loss. The gain or loss from the change in value of the ineffective portion of the hedging instrument is recognized immediately in profit or loss.

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

Recognition date: trade or settlement

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

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

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

Klépierre applies the following rules:

> Derivatives are recognized at their trade date, since their measurement effectively takes account of any deferred start dates;

> Other financial instruments (especially liabilities) are recognized on their settlement date.

Method used to calculate fair value of financial instruments

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

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

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

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

Tax treatment of changes in fair value of financial instruments

In Klépierre's case:

> The non-SIIC portion of the deferred tax on financial instruments recognized at fair value is calculated pro rata of net financial income;

> The financial instruments of foreign subsidiaries recognized at fair value give rise to deferred tax calculated on the basis of the rates applicable in the country concerned.

5.11.1 Change in debt

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

Current and non-current financial liabilities amounted to €9,434.4 million as of December 31, 2019 *versus* €9,106.0 million at year-end 2018.

In millions of euros	12/31/2019	12/31/2018
Non-current		
Bonds net of costs/premiums	**5,863.6**	**5,772.7**
> Of which fair value hedge adjustments	7.1	18.2
Bank loans and borrowings – long term	**1,048.2**	**1,096.3**
Fair value adjustments to debt[(a)]	**21.4**	**40.6**
Other loans and borrowings	**158.8**	**126.7**
> Advance payments to associates	151.6	119.4
> Other	7.2	7.2
Total non-current financial liabilities	**7,092.0**	**7,036.3**
Current		
Bonds net of costs/premiums	**550.0**	**304.8**
> Of which fair value hedge adjustments		
Bank loans and borrowings – short term	**49.0**	**35.4**
> Of which other borrowings issue costs	3.2	3.2
Accrued interest	**81.5**	**81.2**
> On bonds	74.0	74.5
> On bank loans	5.5	4.8
> On advance payments to associates	2.0	1.9
Commercial paper	**1,659.9**	**1,646.7**
Other loans and borrowings	**2.0**	**1.6**
> Advance payments to associates	2.0	1.6
Total current financial liabilities	**2,342.4**	**2,069.6**
TOTAL NON-CURRENT AND CURRENT FINANCIAL LIABILITIES	**9,434.4**	**9,106.0**

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

Net debt totaled €8,830.2 million as of December 31, 2019, *versus* €8,875.1 million as of December 31, 2018. Net debt is the difference between financial liabilities (excluding both fair value hedge adjustments and the mark-to-market of Corio's debt recognized at the acquisition date) plus bank overdrafts minus available cash and marketable securities.

In millions of euros	12/31/2019	12/31/2018
Non-current and current financial liabilities	9,434.4	9,106.0
Bank overdrafts	26.5	224.7
Revaluation due to fair value hedge	(7.1)	(18.2)
Fair value adjustement of debt[(a)]	(21.4)	(40.6)
Cash and cash equivalents[(b)]	(602.2)	(396.7)
NET DEBT	**8,830.2**	**8,875.1**

(a) Corresponds to the balance of the mark-to-market of Corio's debt recognized at the acquisition date.
(b) Includes cash managed for principals for €117.7 million as of December 31, 2019 and for €92.2 million as of December 31, 2018.

The €45 million decrease is attributable to:

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

> Cash outflows in respect of distribution for €731 million (including the dividend for €619 million, and distributions to non-controlling interests for €112 million) and to the share buyback program for €158 million;

> Cash outflows in respect of capital expenditure for €390 million 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 was used to buyback Klépierre shares for an aggregate amount of €300 million.

5.11.2 Main sources of financing

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

	Group's financing						
In millions of euros	Borrower	Issue currency	Reference rate	Maturity date	Repayment profile	Maximum amount	Amount used as at 12/31/2019
Bonds						**5,349**	**5,349**
	Klépierre SA	EUR	4.625%	4/14/2020	At maturity	300	300
	Klépierre SA	EUR	4.750%	3/14/2021	At maturity	564	564
	Klépierre SA	EUR	1.000%	4/17/2023	At maturity	750	750
	Klépierre SA	EUR	1.750%	11/06/2024	At maturity	630	630
	Klépierre SA	EUR	2.125%	10/22/2025	At maturity	255	255
	Klépierre SA	EUR	1.875%	2/19/2026	At maturity	500	500
	Klépierre SA	EUR	1.375%	2/16/2027	At maturity	600	600
	Klépierre SA	EUR	4.230%	5/21/2027	At maturity	50	50
	Klépierre SA	EUR	0.625%	7/1/2030	At maturity	600	600
	Klépierre SA	EUR	1.250%	9/29/2031	At maturity	600	600
	Klépierre SA	EUR	1.625%	12/13/2032	At maturity	500	500
						634	**634**
	Klépierre (formerly Corio)	EUR	5.448%	8/10/2020	At maturity	250	250
	Klépierre (formerly Corio)	EUR	3.250%	02/26/2021	At maturity	299	299
	Klépierre (formerly Corio)	EUR	3.516%	12/13/2022	At maturity	85	85
						461	**461**
	Steen & Strøm	NOK	NIBOR	8/9/2021	At maturity	71	71
	Steen & Strøm	NOK	2.620%	6/8/2022	At maturity	46	46
	Steen & Strøm	NOK	NIBOR	9/14/2022	At maturity	76	76
	Steen & Strøm	NOK	NIBOR	3/23/2023	At maturity	81	81
	Steen & Strøm	NOK	2.400%	11/7/2023	At maturity	51	51
	Steen & Strøm	NOK	2.550%	10/24/2024	At maturity	15	15
	Steen & Strøm	NOK	NIBOR	10/24/2024	At maturity	25	25
	Steen & Strøm	NOK	2.980%	5/23/2029	At maturity	10	10
	Steen & Strøm	SEK	STIBOR	2/22/2021	At maturity	38	38
	Steen & Strøm	SEK	1.093%	12/8/2022	At maturity	48	48
Bank loans						**4,021**	**350**
	Klépierre SA	EUR	Euribor	6/4/2020	At maturity	475	
	Klépierre SA	EUR	Euribor	7/7/2022	At maturity	850	
	Klépierre SA	EUR	Euribor	(b)	At maturity	2,125	
	Klépierre Nederland	EUR	Euribor	1/14/2021	At maturity	350	350
	Steen & Strøm	NOK	NIBOR	2019	At maturity	101	
	Steen & Strøm	NOK	NIBOR	2021	At maturity	119	
Mortgage loans						**731**	**731**
	Massalia Shopping Mall	EUR	Euribor	6/23/2026	At maturity	114	114
	Steen & Strøm	SEK	STIBOR	(b)		240	240
	Steen & Strøm	DKK	CIBOR	(b)		302	302
	Steen & Strøm	DKK	Fixed	(b)		75	75
Property finance leases						**21**	**21**
Short-term facilities and bank overdrafts						**400**	
Commercial paper						**1,658**	**1,658**
	Klépierre SA	EUR			At maturity	1,500	1,500
	Steen & Strøm	NOK			At maturity	91	91
	Steen & Strøm	SEK			At maturity	67	67
GROUP TOTAL(a)						**11,617**	**9,205**

(a) Totals are calculated excluding backup lines of funding since the maximum amount of the "Commercial paper" line includes that of the backup line.
(b) These lines combine several facilities with different maturities.

As a general rule, the Group finances its assets with equity or debt contracted by Klépierre SA. In some cases, especially in partnerships or in Scandinavian countries, the Group may use mortgage loans to fund its activities. The total mortgages granted to secure these financings (€731 million) amounted to €930 million as of December 31, 2019.

5.11.3 Covenants

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

Covenants applicable to Klépierre SA financings

As of December 31, 2019, Klépierre SA complies with all its obligations arising from its borrowings:

Financing	Ratios/covenants	Limit[a]	12/31/2019	12/31/2018
	Net debt/Portfolio value ("Loan to Value")	≤60%	37.3%	36.3%
	EBITDA/Net interest expenses[b]	≥2.0x	8.0	7.0
	Secured debt/Portfolio value[c]	≤20%	0.7%	0.7%
Syndicated loans and bilateral loans	Portfolio value[d]	≥€10 bn	€20.1bn	€20.8bn
Bond issues	Secured debt/Revalued Net Asset Value[c]	≤50%	0.9%	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.

Financial covenants applicable to fully consolidated companies with non-controlling interests

A portion of Steen & Strøm's debt is subject to a covenant that requires shareholders' equity to be equal to at least 20% of net asset value at all times. On December 31, 2019, this ratio was 53.6%.

5.11.4 Breakdown of borrowings by maturity date

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

In millions of euros	Total	Less than one year	One to five years	More than five years
Non-current				
Bonds net of costs/premiums	**5,863.6**		**2,748.5**	**3,115.1**
> Of which fair value hedge adjustments	7.1		7.1	
Bank loans and borrowings – long term	**1,048.2**		**1,048.2**	
Fair value adjustments to debt[a]	**21.4**		**21.4**	
Other loans and borrowings	**158.8**		**151.6**	**7.2**
> Advance payments to associates	151.6		151.6	
> Other	7.2			7.2
Total non-current financial liabilities	**7,092.0**		**3,969.7**	**3,122.3**
Current				
Bonds net of costs/premiums	**550.0**	**550.0**		
> Of which fair value hedge adjustments				
Bank loans and borrowings – short term	**49.0**	**49.0**		
Accrued interest	**81.5**	**81.5**		
> On bonds	74.0	74.0		
> On bank loans	5.5	5.5		
> On advance payments to associates	2.0	2.0		
Commercial paper	**1,659.9**	**1,659.9**		
Other loans and borrowings	**2.0**	**2.0**		
> Advance payments to associates	2.0	2.0		
Total current financial liabilities	**2,342.4**	**2,342.4**		
TOTAL NON-CURRENT AND CURRENT FINANCIAL LIABILITIES	**9,434.4**	**2,342.4**	**3,969.7**	**3,122.3**

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

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

As of December 31, 2019, the maturity schedule of contractual flows including principal and interest (non-discounted)

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

Two bonds denominated in euros (€550 million) and all outstanding commercial paper (€1,658 million) mature during 2020.

As of December 31, 2018, the maturity schedule of contractual flows was as follows:

Repayment year *In millions of euros*	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027 and beyond**	**Total**
Principal	2,023	582	1,359	300	947	708	288	646	2,068	8,921
Interest	144	125	83	75	64	59	49	35	114	747
GROUP TOTAL (PRINCIPAL + INTEREST)	**2,166**	**708**	**1,442**	**374**	**1,011**	**767**	**337**	**681**	**2,181**	**9,668**

5.12 Hedging instruments

5.12.1 Interest rate hedging portfolio

As part of its risk management policy (see note 9 "Risk exposure and hedging strategy"), Klépierre has entered into interest-rate swap or cap agreements allowing it to convert debt from floating rate to fixed rate and vice-versa. As a result of these instruments, the proportion of total debt arranged or hedged at a fixed rate was 92% as of December 31, 2019 (notional amounts).

With regards to the reform of European benchmarks, Klépierre has not identified any material impact on the way it applies hedge accounting considering that the aggregate notional amount of derivatives concerned is limited (€714 million as of December 31, 2019) of which:

> Four receiver swaps maturing in 2030 (€600 million of notional) are qualified as fair value hedges;

> Two payer swaps maturing in 2026 (€114 million of notional) are qualified as cash flow hedges.

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

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

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

The "trading" category includes a portfolio of caps (for a notional amount of €2.4 billion), a portfolio of payer swaps (€800 million), a portfolio of swaptions (€700 million) and receiver swaps (€1.4 billion).

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

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

As of December 31, 2018, the breakdown of derivatives by maturity date was as follows:

Hedging relationship *In millions of euros*		Klépierre Group derivatives											
	Currency	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**Total**
Cash flow hedge													**913**
	EUR			350					114				464
	NOK	161			50	30							241
	SEK		59	59	29								146
	DKK			62									62
Fair value hedge													**344**
	EUR		250	94									344
	NOK												
	SEK												
	DKK												
Trading													**3,834**
	EUR	410	1,600	1,250	100			200					3,560
	NOK												
	SEK		49	39		39							127
	DKK		40		107								147
GROUP TOTAL		**571**	**1,997**	**1,854**	**287**	**69**	**-**	**200**	**114**	**-**	**-**	**-**	**5,092**

As of December 31, 2018, the corresponding contractual flows (interest) broke down as follows (positive flows = payer flows):

In millions of euros	**Hedging relationship**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**Total**
Swaps	Cash flow hedge	2	2	1	0	(0)	(0)	(1)	(1)				3
Swaps	Fair value hedge	(12)	(6)	(1)									(18)
Swaps/caps	Trading	(13)	12	(1)	0								(2)
EUR-denominated derivatives		**(23)**	**8**	**(1)**	**0**	**(0)**	**(0)**	**(1)**	**(1)**	**-**	**-**	**-**	**(17)**
NOK-denominated derivatives		**0**	**(0)**	**(0)**	**(0)**	**(0)**							**(1)**
SEK-denominated derivatives		**4**	**4**	**2**	**0**	**0**							**10**
DKK-denominated derivatives		**2**	**2**	**2**	**0**								**5**
GROUP TOTAL		**(17)**	**14**	**2**	**0**	**(0)**	**(0)**	**(1)**	**(1)**	**-**	**-**	**-**	**(3)**

Fair value of the interest rate derivatives portfolio:

In millions of euros	**Fair value net of accrued interest as of 12/31/2019**	**Change in fair value during 2019**	**Matching entry**
Cash flow hedge	(13.4)	2.4	Shareholders' equity
Fair value hedge	7.1	(11.1)	Borrowings\Net income
Trading	16.0	9.3	Net income
TOTAL	**9.6**	**0.6**	

5.12.2 Currency hedging portfolio

At the end of 2019, Klépierre entered into a NOK/SEK cross currency swap (NOK 200 million or SEK 211 million). The economic effect of this swap is to transform a NOK bond into a SEK liability. Its carrying value will evolve in line with the NOK/SEK exchange rate. This transaction is qualified as net investment hedge. As of December 31, 2019, the fair value of this instrument is equal to €33.4 thousand.

Fair value of the exchange rate derivatives portfolio:

In millions of euros	**Fair value net of accrued interest as of 12/31/2019**	**Change in fair value during 2019**	**Matching entry**
Net investment hedge	0.0	0.0	Shareholders' equity
Trading (FX)			Borrowings\Net income
TOTAL	**0.0**	**0.0**	

5.13 Non-current provisions

ACCOUNTING POLICIES

Provisions and contingent liabilities

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

This standard requires that non-interest-bearing long-term liabilities are discounted.

Non-current provisions amounted to €12.2 million as of December 31, 2019 *versus* €28.5 million as of December 31, 2018, dedicated mainly to covering business-related litigations and taxes outside the scope of IFRIC 23 in the different countries where Klépierre operates.

The variation of the period is mainly due (i) to the payment of the IGEC in Spain and (ii) to the IGEC current portion to be paid reclassified in tax payables in relation with IFRIC 23 application.

5.14 Payroll, tax liabilities and other liabilities

In millions of euros	12/31/2019	12/31/2018
Payroll and tax liabilities	**173.0**	**181.5**
Employees and related accounts	41.6	37.0
Social security and other bodies	13.3	14.1
Tax payables		
> Income tax	54.6	62.1
> VAT	24.8	30.7
Other taxes and duties	38.7	37.7
Other liabilities	**358.6**	**369.7**
Creditor customers	13.7	15.6
Prepaid income	33.2	40.4
Other liabilities	311.7	313.7

Creditor customers amount to €13.7 million and correspond to advance payments received from tenants regarding service charges.

Other liabilities also include funds representing the management accounts of Klépierre Management's principals, balanced by an equal amount in other receivables under assets. These funds totaled €117.7 million as of December 31, 2019 (€92.2 million as of December 31, 2018).

NOTE 6 NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

6.1 Gross rental income

ACCOUNTING POLICIES

IFRS 16 "Leases"

IFRS 16 "Leases" supersedes IAS 17 with effect from January 1, 2019. It has no major impact on the treatment of leases by the lessor.

In accordance with IFRS 16, the Group, as landlord, distinguishes between two types of leases:

> Finance leases, which transfer substantially all the risks and rewards inherent in the ownership of an asset to the lessee. Title to the asset may or may not be transferred at the end of the lease term;

> All other leases are classified as operating leases.

Recognition of step-up rents and rent-free periods

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

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

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

Entry fees

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

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

Early termination penalties

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

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

IFRS 15 "Revenue from Contracts with Customers"

Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. Gross rental income is excluded from the scope of IFRS 15. Consequently, only service charges and management, administrative and related income are accounted for in accordance with IFRS 15.

Regarding service charge revenues, a principal/agent analysis should be performed.

Principal-Agent analyses of the service charges and management, administrative and related income are based on two main principles:

> Responsibility for providing the services according to the terms of the contract;

> Ability to establish the price of the services provided.

The Group performed the analysis, consequently, service charges revenues and services charges expenses have been shown separately in the consolidated statements of comprehensive income.

Detail of gross rental income is presented below:

In millions of euros	12/31/2019	12/31/2018
Lease rents	1,225.3	1,233.2
Spreading of tenant incentives	(23.6)	(22.4)
Gross rents	**1,201.7**	**1,210.8**
Other rental income	40.5	41.4
GROSS RENTAL INCOME	**1,242.3**	**1,252.2**

6.2 Land expenses (real estate)

ACCOUNTING POLICIES

Ground leases: IFRS 16

In 2018, the "land expenses" item comprised lease payments for the period (fixed and variable rents) and upfront payments for the ground lease depreciated over the term of the lease.

With the mandatory application of IFRS 16 "Leases" as from January 1, 2019, ground leases are now recognized as a right-of-use asset and lease liability in the statement of financial position for the present value of the lease payments (fixed portion only) and are subsequently measured at fair value in accordance with IAS 40. The lease expenses previously recognized in "Land expenses" are reclassified to "Interest expenses" and "Change in value of investment properties".

In accordance with IFRS 16, upfront payment for ground leases have been reclassified in the statement of financial position from "Prepaid expenses" to "Right-of-use asset relating to ground leases". The lease expenses previously recognized in "land expenses" are reclassified to "Change in value of investment properties".

For the year ended December 31, 2019, land expenses amounted to €8.2 million and comprised variable payments on ground leases not included in the right-of-use valuation in accordance with IFRS 16.

6.3 Service charges

Service charges income corresponds to service charges invoiced to tenants, and is presented separately since January 1, 2019. Service charges income is recorded as income in the period in which it is earned.

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

6.4 Owners' building expenses

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

6.5 Other operating income

Other operating income notably includes building work rebilled to tenants.

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

For the year ended December 31, 2019, depreciation, amortization and impairment of property, plant and equipment and intangible assets amounted to €20.4 million, of which €8.5 million in depreciation of right-of-use assets, as described in note 8.

6.7 Change in value of investment properties

As of December 31, 2019, changes in value of investment properties amounted to a negative €526.3 million, *versus* a positive €313.7 million as of December 31, 2018.

In millions of euros	12/31/2019	12/31/2018
Change in value of investment properties at fair value[(a)]	(520.3)	315.4
Change in value of investment properties at cost	(6.0)	(1.7)
TOTAL	**(526.3)**	**313.7**

(a) The change in value of the right-of-use asset relating to ground leases amounts to a negative €6.8 million (see note 8).

6.8 Net proceeds from disposals of investment properties and equity investments

Net proceeds from disposals totaled a positive €24 million, and mainly resulted from the disposals of:

- Shares held in the Novo Plaza shopping center located in Prague, Czech Republic, on January 10, 2019;
- A portion of the Saint Maximin retail mall near Creil in France on March 8, 2019;
- Four malls in Portugal (Telheiras, Gaia, Loures and Minho), completed on April 30, 2019;
- A portion of the Almere shopping mall near Amsterdam in the Netherlands on June 19, 2019;
- The entire portfolio in Hungary on November 14, 2019;
- Several portions of the Pontault-Combault shopping center in France on December 13, 2019;
- Ten retail units in France.

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

6.9 Cost of net debt

The cost of net debt totaled €122.2 million in December 2019, *versus* €151.6 million in 2018.

The significant decrease (€29.4 million) in this item is explained by (i) the reduction in the cost of interest-rate hedging following the restructuring of the Group's hedging position in 2018 and 2019; (ii) the decrease in deferrals on payments on swaps (€12.3 million); and (iii) a €9.0 million one-off interest received from Germany Tax Authorities following ongoing tax litigation.

In millions of euros	12/31/2019	12/31/2018
Financial income	**85.9**	**65.1**
Income from sales of securities	0.0	0.0
Interest income on swaps	47.4	34.9
Deferral of payments on swaps	0.0	0.0
Capitalized interest	3.7	4.3
Interest on advances to associates	9.7	10.1
Sundry interest received	16.7	6.8
Other revenue and financial income	5.0	6.3
Currency translation gains	3.4	2.7
Financial expenses	**(199.7)**	**(216.7)**
Expenses from sales of securities		
Interest on bonds	(145.0)	(144.3)
Interest on bank loans	(10.4)	(11.4)
Interest expense on swaps	(23.2)	(26.4)
Deferral of payments on swaps	(18.7)	(31.0)
Interest on advances to associates	(1.8)	(2.0)
Sundry interest paid	(2.0)	(0.4)
Other financial expenses	(17.8)	(21.5)
Currency translation losses	(2.8)	(3.2)
Transfer of financial expenses	2.9	3.9
Amortization of the fair value of debt[a]	19.2	19.7
Cost of net debt	**(113.8)**	**(151.6)**
Interest expense on leases liabilities[b]	(8.4)	
COST OF NET DEBT AFTER IFRS 16	**(122.2)**	**(151.6)**

(a) Corresponds to the amortization of the mark-to-market of Corio's debt recognized at the acquisition date.
(b) The impacts relating to the application of IFRS 16 are described in note 8.

NOTE 7 TAXES

ACCOUNTING POLICIES

Income tax and deferred tax

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

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

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

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

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

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

Deferred tax is calculated at the local rate prevailing at the reporting date. The rates applied are: France 28.92%, Spain 25%, Italy 27.9%, Belgium 25%, Greece 24%, Portugal 22.5% plus a surtax where applicable, Poland 19%, Hungary 9%, Czech Republic 19%, Slovakia 21%, Sweden 20.6%, Norway 22%, Luxembourg 24.94%, Netherlands 25% or 21.7%, Denmark 22%, Turkey 22% and Germany 34.03%.

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

General features of SIIC tax status – France

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

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

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

Income tax on companies not eligible for SIIC equivalent

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

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

Tax regime of Spanish SOCIMI entities

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

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

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

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

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

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

In millions of euros	12/31/2019	12/31/2018
Current tax	(26.5)	(40.4)
Deferred tax	2.3	(68.8)
TOTAL	**(24.2)**	**(109.2)**

For the year ended December 31, 2019, deferred tax income amounted to €2.3 million, *versus* deferred tax expenses of €68.8 million for the year ended December 31, 2018, with the change stemming mainly from deferred taxes on investment properties correlated to fair value movements and the recognition of tax loss carryforwards.

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

	France			
In millions of euros	**SIIC sector**	**Common law**	**Other companies**	**Total**
Pre-tax earnings and earnings from equity-accounted companies	(2.6)	(10.2)	389.4	376.6
Theoretical tax expense at 32.02%	**0.8**	**3.3**	**(124.7)**	**(120.6)**
Tax-exempt earnings under the SIIC and SOCIMI tax regimes	**15.0**		**31.3**	**46.3**
Taxable sectors				
Impact of permanent timing differences	(9.4)	(1.5)	(36.5)	(47.4)
Untaxed consolidation adjustments	(12.7)	(2.4)	44.9	29.8
Impact of non-capitalized losses		(0.1)	(5.4)	(5.6)
Assignment of non-capitalized losses	2.4	0.0	7.3	9.7
Change of tax regime				-
Change in tax rates and other taxes	14.0	2.5	13.8	30.3
Differences in tax rates between France and foreign countries		(0.0)	33.4	33.4
EFFECTIVE TAX EXPENSE	**10.0**	**1.7**	**(36.0)**	**(24.2)**

Breakdown of deferred taxes:

In millions of euros	**12/31/2018**	**Change in scope**	**Change in net income**	**Cash flow hedging reserves**	**Asset, liability reclassifications**	**Other changes**	**12/31/2019**
Investment properties	(1,625.3)	16.1	(10.5)		0.0	3.5	(1,616.3)
Derivatives	7.1		0.1	(5.7)	(0.0)	(0.0)	1.5
Tax loss carryforwards	22.9		2.9		0.0	0.2	26.1
Other items	(13.6)	1.0	9.2		0.2	0.5	(2.8)
Total for entities in a net liability position	**(1,608.8)**	**17.1**	**1.7**	**(5.7)**	**0.1**	**4.1**	**(1,591.5)**
Investment properties	(0.8)	(0.0)	0.7		(0.0)	0.0	(0.1)
Derivatives				0.7			0.7
Tax loss carryforwards	16.4		(0.8)		(0.0)	(0.1)	15.5
Other items	5.1	(0.0)	0.7		(0.2)	0.0	5.7
Total for entities in a net asset position	**20.7**	**(0.0)**	**0.6**	**0.7**	**(0.2)**	**(0.0)**	**21.7**
NET POSITIONS	**(1,588.2)**	**17.1**	**2.3**	**(4.9)**	**(0.0)**	**4.1**	**(1,569.7)**

Deferred tax in the income statement represents income of €2.3 million and mainly comprises:

> €2.1 million in deferred tax income, of which €2.9 million resulting from the recognition of tax losses, partially offset by the utilization of tax losses for the period, and a negative €0.8 million due to change in tax rates in the Netherlands;

> €11.2 million in deferred tax expense resulting from the change on temporary differences arising from changes in the fair market value and tax value of investment properties;

> €1.6 million in deferred tax income on investment properties, mainly resulting from the decrease in the tax rates in the Netherlands (€0.9 million).

Tax losses carried forward

Ordinary tax loss carryforwards are capitalized when their utilization is deemed probable. The expected time scale for recovering taxes loss carryforwards capitalized for all entities within the Group is three to nine years on average.

The inventory of tax losses carried forward by country is set out below:

Country	Tax rate	Inventory of ordinary losses at 12/31/2018	Inventory of ordinary losses at 12/31/2019	Change in ordinary losses in 2019	Capitalized deferred tax at 12/31/2018	Deferred tax capitalizable at 12/31/2019	Change in capitalized amounts	Deferred tax capitalized at 12/31/2019	Deferred tax not capitalized at 12/31/2019	Comments
Belgium	25.00%	(44,374)	(42,534)	1,840		10,634			10,634	Unlimited deferral of ordinary losses and up to €1 million profit. 70% above €1 million profit
Denmark	22.00%	(4,260)		4,260	937		(937)			Unlimited deferral of ordinary losses. Taxable income of up to DKK 8,400,000 for 2019 (previously DKK 8,025,000) can always be eliminated by tax loss carryforwards, whereas taxable income exceeding DKK 8,400,000 (previously DKK 8,025,000) can merely be reduced by 60% as a result of tax loss carryforwards
Spain	25.00%	(22,289)	(17,254)	5,035		4,314			4,314	Unlimited deferral of ordinary losses > If net income is less than €20 million, tax loss carryforwards may be used to offset up to 70% of the tax base; > If net income is at least €20 million but less than €60 million, tax loss carryforwards may be used to offset up to 50% of the tax base; > If net revenues are at least €60 million, tax loss carryforwards may be offset up to 25% of the tax base. In any event, tax losses for an amount of up to €1 million may be offset
	SOCIMI	(57,884)	(88,333)	(30,449)	3,569		(3,569)			
France	28.92%	(379,581)	(325,478)	54,103		94,128			94,128	Unlimited deferral of ordinary losses Use of tax loss carryforwards limited to 50% of taxable income (beyond €1 million)
	32.02%									
	19.00%									
	SIIC	(254,054)	(267,486)	(13,432)						
Greece	24.00%	(8,900)	(3,955)	4,945		949			949	Losses can be deferred for 5 years
Hungary	9.00%	(164,316)		164,316 (1)						> If the tax loss was generated before the tax year starting in 2014, losses can be offset until December 31, 2025; > If the tax loss was generated during the tax year starting in 2014, losses can be offset until December 31, 2025; > If the tax loss was generated after 2014, losses can be offset during the following five tax years. Use of tax loss carryforwards limited to 50% of taxable income
Italy	27.90%	(29,329)	(16,195)	13,134		898			898	Unlimited deferral of ordinary losses No limitation for the losses for the first 3 years After 3 years use of tax loss carryforwards limited to 80% of taxable income
	or									
	24.00%	(69,860)	(60,322)	9,538	9,404	14,477	1,911	11,315	3,162	
Luxembourg	24.94%	(74,973)	(64,361)	10,612		16,052			16,052	Losses generated as of January 1, 2017 will only be able to be carried forward for a maximum period of 17 years. Losses that arose before January 1, 2017 are not affected by this limitation
Norway	22.00%	(57,095)	(29,102)	27,993	12,561	6,402	(6,158)	6,402		Unlimited deferral of ordinary losses
Netherlands	25.00%	(26,049)	(7,145)	18,904	4,816	1,786	(4,081)	735	1,052	Losses can be deferred for 9 years (for losses incurred prior to 2019 otherwise 6 years)
	21.70%		(16,573)	(16,573)		3,596	3,596	3,596		
Poland	19.00%	(33,605)	(21,665)	11,940		4,116			4,116	Losses can be deferred for 5 years Up to 50% of the tax loss carryforwards can be used in a given fiscal year
Portugal	21.00%	(5,520)	(10,874)	(5,354)	1,079	2,284	35	1,114	1,170	Tax losses generated in tax years starting on or after January 1, 2017 can be carried forward for five years Use of tax loss carryforwards limited to 70% of taxable income
Czech Republic	19.00%	(1,144)	(288)	856	217	55	(163)	55		Losses can be deferred for 5 years
Turkey	22.00%	(49,911)	(38,875)	11,036		8,552			8,552	Losses can be deferred for 5 years
Germany	34.03%	(39,864)	(61,280)	(21,416)		20,854			20,854	Unlimited deferral of ordinary losses Use of tax loss carryforwards limited to 60% of taxable income (beyond €1 million)
Sweden	20.60%	(113,766)	(89,153)	24,613	6,742	18,366	11,614	18,356	10	Unlimited deferral of ordinary losses
TOTAL		**(1,436,773)**	**(1,160,873)**	**275,899**	**39,325**	**207,462**	**2,248**	**41,573**	**165,891**	

(1) Change in scope following disposal.

Non-capitalized deferred taxes on tax loss carryforwards amounted to €165.9 million as of December 31, 2019 *versus* €251.0 million as of December 31, 2018.

NOTE 8 IFRS 16 "LEASES"

IFRS 16 "Leases", applicable to financial periods beginning on or after January 1, 2019, supersedes IAS 17 and removes the distinction between finance leases and operating leases. The main changes brought about by this new standard and the transition impacts for the Group are presented in the note 2.2.1 "IFRS 16 Leases".

The following tables present the impacts of the application of IFRS 16 on the statement of financial position and on the statement of comprehensive income as of December 31, 2019.

8.1 Impacts on the statement of financial position

As of December 31 2019, the impacts on the statement of financial position are as follows:

In millions of euros	First-time application of IFRS 16	Increase (new contracts)	Decrease (contract terminations)	Reevaluation and other movements	Allowances and debt reimbursment	Currency movements	Reclassification	12/31/2019
Gross right-of-use asset relating to property, plant and equipment	33.2	0.3		1.0		(0.1)		34.4
Amortization right-of-use asset relating to property, plant and equipment					(8.5)	0.0		(8.5)
Total net right-of-use asset relating to property, plant and equipment	**33.2**	**0.3**	**-**	**1.0**	**(8.5)**	**(0.1)**		**25.9**
Right-of-use asset relating to ground leases at fair value	390.2			(2.8)		0.1	0.0	387.5
Change in fair value of right-of-use asset relating to ground leases					(6.8)	(0.0)		(6.8)
Total right-of-use asset relating to ground leases	**390.2**			**(2.8)**	**(6.8)**	**0.1**	**0.0**	**380.7**
TOTAL ASSETS[(a)]	**423.4**	**0.3**	-	**(1.8)**	**(15.3)**	**0.0**	**0.0**	**406.6**
Leases liabilities – non-current	384.3	0.3		(1.8)		0.0	(14.7)	368.1
Leases liabilities – current	14.9			0.0	(15.0)	(0.0)	14.7	14.6
TOTAL LIABILITIES[(a)]	**399.2**	**0.3**	-	**(1.8)**	**(15.0)**	**(0.0)**	**0.0**	**382.7**

(a) The difference between right-of-use assets and lease liabilities at the date of first-time application is due to the reclassification of €26.6 million of upfront payments on ground leases from "Prepaid expenses" to "Right-of-use asset", and of €2.4 million in rent-free periods received from lessors from "Other liabilities" to "Right-of-use asset" (see note 2, section 2.2.1).

The breakdown of current and non-current lease liabilities as of December 31, 2019 is presented below:

In millions of euros	Total	Less than one year	One to five years	More than five years
Leases liabilities – non-current	368.1		43.6	324.5
Leases liabilities – current	14.6	14.6		
TOTAL LEASES LIABILITIES	**382.7**	**14.6**	**43.6**	**324.5**

8.2 Impacts on comprehensive income

The table below presents comprehensive income for the year ended December 31, 2019, as if the Group had continued to apply IAS 17:

In millions of euros	12/31/2019 published	IFRS 16 Impact	12/31/2019 under IAS17	12/31/2018
Gross rental income	1,242.3		1,242.3	1,252.2
Land expenses (real estate)	(8.2)	(12.0)	(20.2)	(16.3)
Service charge income	280.3		280.3	
Service charge expenses	(352.7)	(0.8)	(353.6)	(76.4)
Building expenses (owner)	(31.0)	(0.9)	(31.9)	(40.5)
Net rental income	**1,130.6**	**(13.7)**	**1,116.9**	**1,119.0**
Management, administrative and related income	83.3		83.3	86.0
Other operating income	8.9		8.9	8.9
Survey and research costs	(1.6)		(1.6)	(0.9)
Payroll expenses	(118.7)		(118.7)	(121.9)
Other general expenses	(49.3)	(8.6)	(57.9)	(65.4)
Depreciation, amortization and impairment of intangible assets and property, plant and equipment	(20.4)	8.5	(11.9)	(13.0)
Provisions	2.1		2.1	(2.5)
Change in value of investment properties	(526.3)	5.6	(520.7)	313.7
Proceeds from disposals of investment properties and equity investments	496.4		496.4	526.8
Carrying amount of investment properties and equity investments sold	(472.5)		(472.5)	(537.5)
Income from the disposal of investment properties and equity investments	**24.0**		**24.0**	**(10.7)**
Goodwill impairment	(8.0)		(8.0)	(43.4)
Operating income	**524.5**	**(8.2)**	**516.3**	**1,269.8**
Net dividends and provisions on non-consolidated investments	0.0		0.0	0.0
Financial income	85.9		85.9	65.1
Financial expenses	(199.7)		(199.7)	(216.7)
Interest expense on leases liabilities	(8.4)	8.4	0.0	
Cost of net debt	**(122.2)**	**8.4**	**(113.8)**	**(151.6)**
Change in the fair value of financial instruments	(25.7)		(25.7)	(11.1)
Share in earnings of equity-accounted companies	19.5		19.5	31.0
Profit before tax	**396.1**	**0.2**	**396.3**	**1,138.2**
Income tax	(24.2)	(0.1)	(24.2)	(109.2)
Consolidated net income	**371.9**	**0.1**	**372.1**	**1,029.0**
Of which				
> Attributable to owners of the parent	324.9		324.9	838.8
> Attributable to non-controlling interests	47.0		47.0	190.1

The impacts of the application of IFRS 16 on comprehensive income for the year ended December 31, 2019, by nature of contracts, are as follows:

In millions of euros	Right-of-use asset related to property, plant and equipment	Right-of-use asset related to ground leases	Total
Depreciation, amortization and impairment of property, plant and equipment	(8.5)		(8.5)
Change in value of investment properties		(6.8)	(6.8)
Interest expense on leases liabilities	(0.3)	(8.1)	(8.4)
Deferred tax on IFRS 16 restatement	0.1		0.1
TOTAL IMPACT	**(8.7)**	**(14.9)**	**(23.6)**

Variable rents on ground leases not restated according to IFRS 16 amount to €8.2 million as of December 31, 2019 (see note 6.2).

Short-term leases, low-value assets and variable rents on property, plant and equipment, do not fall within the scope of IFRS 16. The rental expense recorded in 2019 in relation to these contracts is not material.

NOTE 9 RISK EXPOSURE AND HEDGING STRATEGY

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

9.1 Interest-rate risk

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

Recurrence of floating-rate financing requirement

Floating-rate debt represented 32% of the Group's borrowings as of December 31, 2019 (before hedging). It includes: bank loans (secured and unsecured), commercial papers and the use of authorized overdrafts.

Identified risk

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

Measurement of risk exposure

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

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

Fair value of cash flow hedge *In millions of euros*	**Notional**	**Fair value net of accrued interest**	**Change in shareholders' equity caused by a 1% increase in interest rates**
Cash flow hedge swaps at 12/31/2019			
> Euro-denominated portfolio	463.5	(6.4)	10.5
> Steen & Strøm portfolio	358.0	(6.9)	11.3
CASH FLOW HEDGE SWAPS AT 12/31/2019	**821.5**	**(13.3)**	**21.8**

Breakdown of floating rate financial borrowings after derivatives:

Interest rate position after hedging *In millions of euros*	**Amount**	**Change in financial expenses caused by a 1% increase in interest rates**
Gross position before hedging (floating-rate debt)	**2,976.5**	**29.8**
> Net hedge	(2,244.4)	(6.3)
Gross position after hedging	**732.1**	**23.5**
> Marketable securities	(0.1)	0.0
NET POSITION AFTER HEDGING	**732.0**	**23.5**

Breakdown of borrowings after interest rate hedging:

	Fixed-rate borrowings or converted to fixed-rate			**Floating-rate borrowings**			**Total gross borrowings**		**Average all-in cost of debt at closing date(a)**
In millions of euros	**Amount**	**Rate**	**Fixed portion**	**Amount**	**Rate**	**Floating portion**	**Amount**	**Rate**	
12/31/2017	8,880	1.68%	95%	450	1.06%	5%	9,331	1.65%	1.69%
12/31/2018	8,589	1.58%	96%	333	1.09%	4%	8,921	1.56%	1.60%
12/31/2019	8,473	1.34%	92%	732	1.09%	8%	9,205	1.32%	1.42%

(a) Including the spreading of issue costs premium.

The average all-in cost of debt calculated as of December 31, 2019 does not constitute a forecast over the coming period.

Hedging strategy

Klépierre has set a target of hedging approximately 70% of its exposure, calculated as the ratio of fixed-rate debt (after hedging) to gross borrowings expressed as a percentage. As of December 31, 2019, the Company was ahead of its objective, having hedged 92% of its exposure.

In order to achieve its target rate, Klépierre focuses on the use of swap agreements, which convert fixed rates to floating rates, and vice versa.

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

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

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

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

Description of fixed-rate borrowings

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

Identified risk

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

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

Measurement of risk exposure and hedging strategy

As of December 31, 2019, the Group's fixed-rate debt stood at €6,228 million before hedging.

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

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

9.1.3 Marketable securities

As of December 31, 2019, cash equivalents held by Klépierre only comprise amounts invested in French term deposits (€55 million) and Italian treasury bills for €0.1 million.

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

9.1.4 Fair value of financial assets and liabilities

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

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

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

> Fixed-rate bank debt: the fair value is calculated solely on the basis of rate fluctuations;

> Bonds: use of prices quoted on an active market where these are available.

	12/31/2019			12/31/2018		
In millions of euros	**Par value**	**Fair value**	**Change in fair value caused by a 1% increase in interest rate[(a)]**	**Par value**	**Fair value**	**Change in fair value caused by a 1% increase in interest rate[(a)]**
Fixed-rate bonds	6,152.7	6,473.1	(236.2)	5,802.1	5,926.0	(215.5)
Fixed-rate bank loans	75.5	76.3	(1.1)	83.0	83.3	(1.0)
Other floating-rate loans	2,976.5	2,976.5		3,036.2	3,036.2	
TOTAL	**9,204.7**	**9,525.9**	**(237.3)**	**8,921.3**	**9,045.6**	**(216.4)**

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

Derivatives are recognized in the statement of financial position at their fair value. As of December 31, 2019, a 100 basis-point increase in rates would have resulted in a €27.5 million decrease in the value of the Group's euro-denominated interest rate derivatives.

9.2 Liquidity risk

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

The average maturity of debt as of December 31, 2019 was 6.5 years, with borrowings spread between different markets (the bond market and commercial paper represent 88%, with the remainder being raised in the banking market). Within the banking market, the company uses a range of different loan types (syndicated loans, mortgage loans, etc.) and counterparties.

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

As of December 31, 2019, Klépierre had undrawn credit lines totaling €2,412 million (including bank overdrafts) and €458 million available on its bank accounts. These resources are sufficient to absorb the main refinancing scheduled for the next two and a half years.

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

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

Some of Klépierre SA's bonds (€5,983 million) include a bearer put option, providing the possibility of requesting early repayment in the event of a change of control generating a change in Klépierre's credit rating to below investment grade. Apart from this clause, no other covenant refers to Standard & Poor's rating for Klépierre.

The main covenants are described in note 5.11.3.

9.3 Currency risk

The bulk of Klépierre's business has so far been conducted within the eurozone with the exception of Norway, Sweden, Denmark, Poland, Czech Republic and Turkey.

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

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

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

In Turkey, on the contrary, rents are denominated in local currency annihilating any currency risk for tenants.

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

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

9.4 Counterparty risk in connection with financial activities

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

9.4.1 Counterparty risk on marketable securities

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

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

9.4.2 Counterparty risk on hedging instruments

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

9.5 Equity risk

As of December 31, 2019, Klépierre held no listed shares other than its own shares (13,928,025 shares as of December 31, 2019), which are recognized in equity at their acquisition cost.

NOTE 10 FINANCE AND GUARANTEE COMMITMENTS

10.1 Commitments given

In millions of euros	12/31/2019	12/31/2018
Commitments related to the Group's consolidated scope	**3.0**	**3.0**
Purchase commitments	3.0	3.0
Commitments related to Group financing		
Financial guarantees given	(a)	(a)
Commitments related to the Group's operating activities	**73.3**	**91.7**
Commitments under conditions precedent	16.9	28.0
Work completion commitments	27.9	33.5
Rental guarantees and deposits	2.2	6.4
Other commitments given	26.3	23.8
TOTAL	**76.3**	**94.7**

(a) Since December 31, 2018 this information has been transferred to note 5.11.2 "Main sources of financing".

10.1.1 Commitments related to the Group's consolidated scope

Purchase commitments

As of December 31, 2019, this item included a possible earn-out payment related to the acquisition of a project in France, contractually limited to €3 million excluding transfer costs.

10.1.2 Commitments related to the Group's operating activities

Commitments under conditions precedent

The commitments under conditions precedent relate to purchase agreements on land or assets and earn-out payments on acquisitions. As of December 31, 2019, this item comprises:

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

Work completion commitments

Work completion commitments mainly relate to development projects in France. The decrease during the period is mainly attributable to the Créteil Soleil extension delivery.

Rental guarantees and deposits

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

Other commitments given

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

Other commitments given related to leases

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

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

10.2 Mutual commitments

Commitments related to development projects amounted to €40.6 million as of December 31, 2019 *versus* €111.7 million as of December 31, 2018. These commitments concern development work engaged (but not paid) by the Group with contractors where financial completion warranties have been received, in connection with Hoog Catharijne in the Netherlands (€39.5 million) and the Créteil Soleil extension (€1.1 million).

10.3 Commitments received

In millions of euros	12/31/2019	12/31/2018
Commitments related to Group financing	**2,012.3**	**1,844.0**
Financing agreements obtained and not used[(a)]	2,012.3	1,844.0
Commitments related to the Group's operating activities	**510.9**	**481.2**
Sale commitments	115.2	77.1
Financial guarantees received in connection with management activities *(Loi Hoguet)*	195.0	205.0
Financial guarrantees received from tenants and suppliers	200.7	199.2
TOTAL	**2,523.2**	**2,325.2**

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

10.3.1 Commitments related to Group financing

Financing agreements obtained and not used

As of December 31, 2019, Klépierre had €2,012 million in undrawn committed credit facilities. The €168 million increase in commitments received is mainly due to €200 million in new credit facilities

10.3.2 Commitments related to the Group's operating activities

Sale commitments

As of December 31, 2019, sale commitments relate to some other assets in France and an earn-out in Germany.

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

As part of its real-estate, leasing and property management activities, banking guarantees have been delivered to Klépierre Management for an amount capped at €195 million as of December 31, 2019.

Financial guarantees received from tenants and suppliers

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

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

10.4 Shareholders' agreements

The main shareholders' agreements are detailed below:

Companies (countries)	Parties to the agreement	Date of the agreement or last amendment	% controlled by the Group	Type of control	Comments
Secar SC (France)	Cardif Group, Union de Gestion Immobilière Civile	12/13/2019	10.00%	Significant Influence	The agreement contains provisions relating to the governance of the Company, and the usual protections in the event of proposed share sales (first refusal, full tag-along rights, forced tag-along rights) and in particular in the event of end of the asset management mandate assigned to Klépierre Management.
Bègles Arcins SCS (France)	Assurécureuil Pierre 3 SC	09/02/2003	52.00%	Exclusive Control	The agreement contains provisions relating to the governance of the Company, and the usual protections in the event of proposed share sales, as well as a dispute resolution clause.
Secovalde SCI, Valdebac SCI (France)	Vendôme Commerces SCI	11/23/2010	55.00%	Exclusive Control	The agreement contains the usual protections in the event of a proposed sale of shares to a third party (first refusal and full tag-along rights) and change of control of a shareholder.
Portes de Claye SCI (France)	Cardif Assurances Vie	04/16/2012	55.00%	Exclusive Control	The agreement contains provisions governing relations between the Company's shareholders. It provides the usual protections in the event of a proposed sale of shares to a third party: reciprocal pre emption right, reciprocal full tag-along right, full tag-along obligation for non-controlling shareholders in the event the controlling shareholder plans to sell its full equity stake. It also gives non-controlling shareholders a right of first offer in the event of a sale of assets by the Company.
Massalia Invest SCI, Massalia Shopping Mall SCI (France)	Lacydon SA	09/27/2017	60.00%	Exclusive Control	The agreement contains provisions governing relationships between shareholders of said companies, particularly with respect to the governance of Massalia Invest and Massalia Shopping Mall SCI, the terms relating to the sale and divestment by shareholders of their investment in Massalia Invest (right of first refusal, tag-along right, a change of control clause, call option) and the conditions and main methods of funding of Massalia Invest and Massalia Shopping Mall SCI. The latest amendement modifies the rules applicable to the management committee when voting on decisions related to the shopping center's food superstore.
Nordica Holdco AB, Storm Holding Norway AS and Steen & Strøm AS (Sweden & Norway)	Stichting Pensioenfonds ABP, Storm ABP Holding BV and PG Strategic Real Estate Pool NV and Stichting Depositary APG Real Estate Pool	10/07/2008	56.10%	Exclusive Control	The agreement contains the usual protections for non-controlling interests: qualified majority voting for certain decisions, call option in the event of deadlock and tag-along rights, as well as the following provisions: > A one-year lock-up period applied to Steen & Strøm shares from the date of acquisition; > Each party has a right of first offer on any shares which the other party wishes to transfer to a third party. However, if shares are transferred by a party (other than Klépierre or one of its affiliates) to a Klépierre competitor (as defined in the agreement), the shares concerned will be subject to a right of first refusal and not a right of first offer; > From the sixth year following the acquisition, either party may request a meeting of shareholders to vote on the disposal of all the shares or assets of Steen & Strøm, or a market flotation of the company. The vote will be subject to a two-thirds majority. The Group has the right to appoint three members to the Board of Directors including the Chairman, whereas the partner can appoint two members. The partner has protective rights pursuant to the shareholders' agreement and following the analysis of the decisions reserved for the partner.
Kleprim's SC (France)	Holdprim's SAS	11/30/2016	50.00%	Joint Control	The agreement gives Kleprojet 1 exit rights if the conditions precedent are not met as well as the usual protections in the event of a proposed sale of shares to a third party (first refusal and full-tag along rights), change of control of a shareholder and other provisions governing relations between shareholders.
Cecobil SCS (France)	Vendôme Commerces SCI	10/25/2007	50.00%	Joint Control	The agreement provides the usual protections in the event of a proposed sale of shares to a third party (first refusal and full tag-along rights) and change of control of a shareholder.
Du Bassin Nord SCI (France)	Icade SA	NA	50.00%	Joint Control	The company Bassin Nord is jointly held by Klépierre SA and Icade SA and is jointly managed. The co-managing directors' compensation is approved by collective decision of the shareholders, who can only withdraw totally or partially when unanimously authorized by the other shareholders.
Holding Klege Sarl (Luxembourg – Portugal)	Torelli SARL	11/24/2008	50.00%	Joint Control	The agreement contains the usual provisions governing share capital transactions, decision-making and the right to information. Both parties have pre-emption rights in the event of a proposed sale of shares in the company to a third party. Each partner has the right to appoint the same number of members to the Board of Directors. The Chairman is appointed for a period of twelve continuous months on an alternating basis with the partner. All decisions are adopted on simple majority.
Italian Shopping Centre Investment SRL (Italy)	Allianz Lebenversicherungs-Aktiengesellschaft	08/05/2016	50.00%	Joint Control	The agreement contains provisions governing the relationship between shareholders, including decisions which must be submitted to shareholders for approval. It includes a right of first offer and a clause of dispute resolution process ("deadlock").

Companies (countries)	Parties to the agreement	Date of the agreement or last amendment	% controlled by the Group	Type of control	Comments
Clivia SpA, Il Destriero SpA (Italy)	Finiper, Finiper Real Estate & Investment, Iper Montebello, Immobiliare Finiper et Cedro 99	12/14/2007 Tacitly renewed on 12/14/2017 for an additional 10-year period	50.00%	Joint Control	The agreement contains provisions governing relations between shareholders, including a pre-emption right in the event of the sale of shares to third parties, as well as a tag-along right. The agreement also contains provisions relating to the governance of the company, and to the majority required to approve certain company decisions.
Akmerkez Gayrimenkul Yatirim Ortakligi AS (Turkey)	Several individuals	2005	46.92%	Significant Influence	The agreement contains provisions governing relations between shareholders including the composition of the Board of Directors, particularly the number of representatives of each shareholder on said Board. It also contains provisions related to the majority required to adopt decisions which must be submitted to the Board of Directors for approval.

10.5 Commitments under operating leases – Lessors

The main clauses contained in the lessor's lease agreement are described below. Rental periods vary by country. The terms for setting and indexing rents are set out in the agreement. Indexation is used to revise the minimum guaranteed rent. The indices applied vary from country to country.

Indexation specific to each country

In France, leases are indexed to the French commercial rents index (ILC) or cost of construction index (ICC). The ILC is a compound index derived from the French consumer price index (IPC), retail trade sales value index (ICAV) and cost of construction index (ICC). Leases are modified in line with the last index know as at January the 1st of each year. Most leases are indexed to the ILC for the second quarter, which is published in October and applicable from January 1 of the following year.

In Belgium, the index used is the Health index (the value of this index is determined by removing a number of products from the consumer price index product basket, in particular alcoholic beverages, tobacco products and motor fuels except for LPG). Leases are indexed every year on the effective date of the lease.

In Spain, the consumer price index is measured annually on January 1.

In Italy, the system is based on the consumer price indices (excluding tobacco) for working class and junior management (ISTAT), but is more complex in its implementation. Depending on the lease, either 75% (locazione regulated leases) or 100% of the ISTAT is applied.

In Portugal, the index used is the consumer price index, excluding real estate.

In Greece, the consumer price index is applied.

The Eurostat eurozone IPCH index used in Central Europe is based on consumer prices in the EMU countries.

In Norway, leases are usually written for periods of five or ten years. Unless agreed otherwise, either party may request an annual rent review based on the trend in the Norwegian consumer price index.

In Sweden, if a lease is signed for a period of more than three years, an annual indexation based on the Swedish consumer price index is usually included in the lease contract.

In Denmark, in most cases the rent is revised annually based on changes in the Danish consumer price index. Pursuant to Danish law applicable to commercial leases, either party may request that the rent is adjusted to reflect the market rate every four years. This provision applies unless the parties agree otherwise.

In the Netherlands, in most cases the rent is revised annually based on changes in the Dutch monthly consumer price index. Furthermore, pursuant to Dutch law applicable to commercial leases, either party may request the rent to be adjusted to reflect the market rate after the end of the first lease period, or every five years from the date of the new lease.

In Germany in most cases the index used is the consumer price index, however some tenants might have a contractually agreed minimum rate of indexation that differs from the consumer price index.

In Turkey, starting from September 2018, rents are denominated in Turkish lira in advance for each rental year, with a large majority of leases subject to indexation of consumer price index per year. Leases are generally signed for a five-year period and allow the lessee to extend the contract every year, for a maximum period of ten years. In cases where the lessee uses the option to extend the lease period, the rent will increase by consumer price index per year.

Minimum guaranteed rent and variable rent

Appraised on a year-by-year basis, the rent payable is equivalent to a percentage of the revenues generated by the lessee during the calendar year concerned. The rate applied differs depending on business type. The total amount of this two-tier rent (a fixed portion plus a variable portion) can never be less than the minimum guaranteed rent (MGR).

The MGR is revised annually by applying the index rate according to the terms specified above. The variable portion of the rent is equivalent to the difference between the revenue percentage contained in the lease and the minimum guaranteed rent after indexation.

All or part of the variable rent is consolidated into the MGR on renewal of the lease. In this way, the variable portion of the rent is usually reduced to zero at the beginning of the new lease. Every year, it is mechanically reduced in an amount equivalent to the rise in the MGR resulting from indexation.

Total amount of conditional rents recognized in income

The conditional rent is the portion of rental payments that is not fixed, but determined based on a factor other than time (*e.g.*, percentage of revenues, degree of use, price indices, market interest rates, etc.).

Minimum payments made under the lease are payments that the lessee is, or may be, required to make during the term of the lease, excluding the conditional rent, the cost of services and taxes to be paid or refunded to the lessor.

Future minimum rents receivable

As of December 31, 2019, future minimum rents receivable under non-cancelable operating leases were as follows:

In millions of euros	12/31/2019
Less than one year	930.0
Between one and five years	1,619.6
More than five years	612.1
TOTAL	**3,161.7**

NOTE 11 EMPLOYEE COMPENSATION AND BENEFITS

11.1 Payroll expenses

Total payroll expenses amounted to €118.7 million for the year ended December 31, 2019.

Fixed and variable salaries plus mandatory and discretionary profit sharing totaled €90.1 million; pension-related expenses, retirement expenses and payroll costs amounted to €26.2 million; taxes and similar compensation-related payments came to €2.4 million.

11.2 Headcount

As of December 31, 2019, the Group had an average of 1,101 employees: 448 employees worked in France-Belgium and 653 employees worked in other segments, including 133 employees in the Scandinavian real estate company Steen & Strøm. The average headcount of the Klépierre Group in 2019 breaks down as follows:

	12/31/2019	12/31/2018
France-Belgium	448	464
Scandinavia	133	139
Italy	175	176
Iberia	111	112
Netherlands	55	59
Germany	48	54
CE & Other	131	161
TOTAL	**1,101**	**1,166**

11.3 Employee benefits

ACCOUNTING POLICIES

Employee benefits

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

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

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

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

Short-term benefits

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

Post-employment benefits

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

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

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

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

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

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

Long-term benefits

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

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

Severance pay

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

Share-based payments

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

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

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

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

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

11.3.1 Defined contribution plans

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

11.3.2 Defined benefit plans

Provisions recognized for defined benefit pension plans totaled €11.2 million as of December 31, 2019.

In millions of euros	12/31/2018	Increases during the period	Reversals (utilized provisions)	Reversals (surplus provisions)	Other movements	Changes in the scope of consolidation	12/31/2019
Provisions for employee benefit obligations							
> Defined benefit plans	10.4	1.0			(2.5)		8.9
> Other long term benefits	3.1			(0.8)			2.3
TOTAL	**13.5**	**1.0**	-	**(0.8)**	**(2.5)**	-	**11.2**

The defined benefit plans in place in **France** are subject to an independent actuarial assessment, using the projected unit credit method to calculate the expense relating to rights vested by employees and the outstanding benefits to be paid to pre-retirees and retirees. The demographic and financial assumptions used when estimating the discounted value of the plan obligations and plan assets reflect the economic conditions specific to the monetary zone concerned. Klépierre has set up supplementary pension plans under a corporate agreement. Under these supplementary plans, employee beneficiaries will, on retirement, receive additional income over and above their national state pensions (where applicable) in accordance with the type of plan they are entitled to.
Group employees also benefit from agreed or contractual personal protection plans in various forms, such as retirement benefits.

In **Italy,** Klépierre Management Italia operates a *Trattamento di Fine Rapporto* (TFR) plan. The amount payable by the employer on termination of the employment contract (as a result of resignation, dismissal or retirement) is calculated by applying an annual coefficient for each year worked. The final amount is capped. Since the liability is known, it can be recognized under other liabilities and not as a provision for contingencies.

Until December 31, 2014, Scandinavia had both public and supplementary pension plans. Both plans provided for mandatory annual contributions to pension funds. In addition to these plans, Steen & Strøm had put in place a private plan for some employees in **Norway**. This system met the definition of a defined benefit plan within the meaning of IAS 19 (revised). As of December 31, 2015, the subsidiary in Norway terminated their defined benefit plan and set-up a defined contribution plan. Under the defined contribution plan the entity's obligation is limited to the amount that it agrees to contribute to the fund responsible for the payment of the obligation.

In **Spain,** a provision for employee benefit commitments may be recognized where specific provision is made in the collective bargaining agreement, but this does not affect employees at the Spanish subsidiaries of the Klépierre Group.
The existing commitments for post-employment medical assistance plans are measured based on assumed rises in medical costs. These assumptions, based on historical observations, take into account the estimated future changes in the cost of medical services resulting from both the cost of medical benefits and inflation.

▸ COMPONENTS OF THE NET OBLIGATION (FIVE-YEAR COMPARISON OF ACTUARIAL LIABILITIES)

In millions of euros	2019	2018	2017	2016	2015
Surplus (plan assets less obligations)					
Gross discounted value of obligations fully or partially funded by assets	**10.5**	**10.5**	**11.1**	**11.3**	**14.3**
Fair value of plan assets	(0.1)	(0.2)	(0.2)	(0.1)	(0.1)
Discounted value of unfunded obligations	**10.4**	**10.4**	**11.0**	**11.2**	**14.1**
Costs not yet recognized in accordance with IAS 19					
Past service cost	1.1	1.1	1.2	1.1	1.2
Net actuarial losses or gains	(2.4)	(1.0)	(1.4)	(0.3)	(1.8)
Acquisitions/Disposals			(0.1)	(0.6)	(2.1)
Length of service awards due	(0.2)	(0.2)	(0.2)	(0.4)	(0.3)
NET OBLIGATION RECOGNIZED IN THE STATEMENT OF FINANCIAL POSITION FOR DEFINED BENEFIT PLANS	**8.9**	**10.4**	**10.4**	**11.1**	**11.1**

CHANGE IN THE NET OBLIGATION

In millions of euros	12/31/2019
Net obligation at the beginning of the period	**10.4**
Retirement expense recognized in income for the period	1.1
Contributions paid by Klépierre recognized in income for the period	-
Acquisitions/Disposals	-
Benefits paid to recipients of unfunded benefits	(0.2)
Change in actuarial gains and losses, and other rights modifications	(2.4)
Translation differences	-
NET OBLIGATION AT THE END OF THE PERIOD	**8.9**

COMPONENTS OF RETIREMENT EXPENSES

In millions of euros	12/31/2019
Cost of services rendered during the year	1.0
Financial cost	0.1
Expected return on plan assets	-
Amortization of actuarial gains and losses	-
Amortization of past services	-
Impact of plan curtailments and settlements	-
Translation differences	-
TOTAL RECOGNIZED IN PAYROLL EXPENSES	**1.1**

MAIN ACTUARIAL ASSUMPTIONS USED FOR STATEMENT OF FINANCIAL POSITION CALCULATIONS

	12/31/2019	12/31/2018
Discount rate	0.61%	1.41%
Expected rate of return on plan assets	0.61%	1.41%
Expected rate of return on reimbursement rights	NA	NA
FUTURE SALARY INCREASE RATE	**0.50% – 2.25%**	**0.50% – 2.25%**

The discount rate is determined using the yield on the 10-year iBoxx AA corporate bonds index.

The positive €2.4 million impact of the change in actuarial gains and losses recognized directly in equity, reflects mainly:

> Updates to the staff and projected salary database;

> Changes in employee turnover assumptions;

> Changes in the discount rate over the period.

11.4 Stock options

As of December 31, 2019, all the five stock option plans set up for Group executives and employees had expired. Plans no.1, no.2, no.3 and no.4 expired respectively in 2014, 2015, 2017 and 2018. Plan no.5 expired during the first half of 2019.

11.5 Performance shares

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

11.5.1 Summary data

	Plan no. 4	
Plan authorized in 2015	**France**	**Other**
Date of General Meeting of Shareholders	04/14/2015	04/14/2015
Date of Executive Board meeting	05/04/2015	05/04/2015
End of vesting period	05/04/2018	05/04/2019
End of lock-up period	05/04/2021	-
Shares originally allotted	235,059	54,900
Discount on performance shares in 2019	221,059	37,900
Additional shares allotted	0	0
Shares canceled at December 31, 2019	14,000	17,000
Outstanding shares at December 31, 2019	0	0

	Plan no. 5	
Plan authorized in 2016	**France**	**Other**
Date of General Meeting of Shareholders	04/19/2016	04/19/2016
Date of Executive Board meeting	05/02/2016	05/02/2016
End of vesting period	05/02/2019	05/02/2020
End of lock-up period	05/02/2021	-
Shares originally allotted	240,500	84,000
Discount on performance shares in 2019	180,196	53,948
Shares canceled at December 31, 2019	21,666	18,852
Shares fully vested in 2019	38,638	-
Outstanding shares at December 31, 2019	-	11,200

	Plan no. 6	
Plan authorized in 2017	**France**	**Other**
Date of General Meeting of Shareholders	04/18/2017	04/18/2017
Date of Executive Board meeting	04/18/2017	04/18/2017
End of vesting period	04/18/2020	04/18/2021
End of lock-up period	04/18/2022	-
Shares originally allotted	216,300	94,600
Shares canceled at December 31, 2019	21,666	19,500
Outstanding shares at December 31, 2019	194,634	75,100

	Plan no. 7	
Plan authorized in 2018	**France**	**Other**
Date of General Meeting of Shareholders	04/24/2018	04/24/2018
Date of Executive Board meeting	04/24/2018	04/24/2018
End of vesting period	04/24/2021	04/24/2022
End of lock-up period	04/24/2023	-
Shares originally allotted	223,800	88,800
Shares canceled at December 31, 2019	17,566	9,000
Outstanding shares at December 31, 2019	206,234	79,800

On May 6, 2019, 317,800 shares were allotted to management and Group employees, as part of a performance share plan, authorized by the Executive Board. On October 31, 2019, 4,000 additional shares have been allotted. The characteristics of both are the following:

	Plan no. 8	
Plan authorized in 2019	**France**	**Other**
Date of General Meeting of Shareholders	05/06/2019	05/06/2019
Date of Executive Board meeting	05/06/2019	05/06/2019
End of vesting period	05/06/2022	05/06/2023
End of lock-up period	05/06/2024	-
Shares originally allotted	222,000	95,800
Additional shares allotted	4,000	-
Shares canceled at December 31, 2019	8,500	2,500
Outstanding shares at December 31, 2019	217,500	93,300

The total expense recognized for the year for all performance share plans amounted to €4.9 million and takes into account an estimate of the number of beneficiaries at the end of each vesting period, as beneficiaries may lose their entitlements if they leave the Klépierre Group during this period.

11.5.2 Other information

The following tables present the assumptions used to measure the value of performance share plans and the expenses recognized over the period.

	Plan no. 4	
Plan authorized in 2015	**France**	**Other**
Share price on the allotment date Average of the 40 opening share prices preceding May 4, 2015	€45.12	€45.12
Klépierre share price volatility Historical volatility over 3 years, as calculated as of May 4, 2015 based on daily variations	20% Klépierre share and 13.50% FTSE EPRA eurozone; correlation: 0.82	
Dividend per share	€1.60	€1.60
Share value	€17.00	€16.20
Expense for the period	€0.0 million	€0.0 million

	Plan no. 5	
Plan authorized in 2016	**France**	**Other**
Share price on the allotment date Average of the 40 opening share prices preceding May 2, 2016	€41.19	€41.19
Klépierre share price volatility Historical volatility over 3 years, as calculated as of May 2, 2016 based on daily variations	22% Klépierre share and 18% FTSE EPRA eurozone; correlation: 0.8	
Dividend per share	€1.70	€1.70
Share value	€17.52	€16.81
Expense for the period	€0.5 million	€0.3 million

	Plan no. 6	
Plan authorized in 2017	**France**	**Other**
Share price on the allotment date Average of the 40 opening share prices preceding April 18, 2017	€36.02	€36.02
Klépierre share price volatility Historical volatility over 3 years, as calculated as of April 18, 2017 based on daily variations	21.5% Klépierre share and 15% FTSE EPRA eurozone; correlation: 0.88	
Dividend per share	€1.82	€1.82
Share value	€18.39	€17.64
Expense for the period	€1.1 million	€0.3 million

	Plan no. 7	
Plan authorized in 2018	**France**	**Other**
Share price on the allotment date Average of the 40 opening share prices preceding April 28, 2018	€33.72	€33.72
Klépierre share price volatility Historical volatility over 3 years, as calculated as of April 28, 2018 based on daily variations	22% Klépierre share and 14% FTSE EPRA eurozone; correlation: 0.72	
Dividend per share	€1.96	€1.96
Share value	€21.12	€19.75
Expense for the period	€1.5 million	€0.3 million

	Plan no. 8	
Plan authorized in 2019	**France**	**Other**
Share price on the allotment date Average of the 40 opening share prices preceding May 6, 2019	€31.45	€31.45
Klépierre share price volatility Historical volatility over 3 years, as calculated as of May 6, 2019 based on daily variations	17% Klépierre share and 11% on the panel indicator; correlation: 0.61	
Dividend per share	€2.10	€2.10
Share value	€19.00	€17.66
Expense for the period	€0.8 million	€0.2 million

11.6 Employee share ownership plan

On April 8, 2019, the Group launched “Mercury 2019”, an employee share ownership plan, for France-based employees. As of June 25, 2019, 326 689 shares had been sold by Klépierre SA to the employees' mutual fund for a price of €24.96 per share. The purchase price of these shares is equal to the average price of Klépierre's shares over the 20 trading days between April 26, 2019 and May 24, 2019, less a 20% discount. The related expense recognized at the transaction date amounts to €0.4 million.

NOTE 12 ADDITIONAL INFORMATION

12.1 Transactions with related parties

12.1.1 Transactions with Simon Property Group

To the Company's knowledge and including treasury shares, Simon Property Group held a 21.12% stake in Klépierre SA as of December 31, 2019.

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

12.1.2 Transactions with APG Group

To the Company's knowledge and including treasury shares, APG Group held a 10.05% stake in Klépierre SA as of December 31, 2019.

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

12.1.3 Relationships between Klépierre Group consolidated companies

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

The following tables show the positions and transactions of equity-accounted companies (over which the Group has significant influence or joint control), which are not eliminated in consolidation. A full list of Klépierre Group companies accounted for using the equity method is provided in note 12.8 "List of consolidated entities".

ASSET AND LIABILITY POSITIONS WITH RELATED PARTIES AT PERIOD-END

	12/31/2019	12/31/2018
In millions of euros	Equity-accounted companies	Equity-accounted companies
Loans and advances to equity-accounted companies	253.3	259.7
Non-current assets	**253.3**	**259.7**
Trade and other receivables	1.9	2.3
Other	2.5	2.2
Current assets	**4.4**	**4.5**
TOTAL ASSETS	**257.7**	**264.2**
Loans and advances from equity-accounted companies	1.7	1.4
Non-current liabilities	**1.7**	**1.4**
Trade payables	0.4	0.4
Other liabilities		
Current liabilities	**0.4**	**0.4**
TOTAL LIABILITIES	**2.1**	**1.8**

INCOME STATEMENT ITEMS RELATED TO TRANSACTIONS WITH RELATED PARTIES

	12/31/2019	12/31/2018
In millions of euros	Equity-accounted companies	Equity-accounted companies
Management, administrative and related income	8.5	7.3
Operating income	**8.5**	**7.3**
Cost of net debt	9.7	10.0
Profit before tax	**18.2**	**17.3**
CONSOLIDATED NET INCOME	**18.2**	**17.3**

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

12.2 Post-employment benefits

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

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

12.3 Compensation for Supervisory Board and Executive Committee members

Klépierre SA, the parent company of the Klépierre Group, is a French joint-stock corporation *(société anonyme)* with a dual governance structure comprising an Executive Board and a Supervisory Board.

Directors' fees allocated to members of the Supervisory Board for fiscal year 2019 totaled €684,554, including €98,120 payable to the Chairman of the Supervisory Board.

Compensation for the Executive Committee breaks down as follows:

In thousands of euros	12/31/2019
Short-term benefits excluding employer's contribution	5,727.9
Short-term benefits: employer's contribution	2,695.6
Post-employment benefits	1,828.6
Other long-term benefits	169.1
Share-based payment[(a)]	1,764.2

(a) Expense posted in the profit and loss account related to bonus share plans.

12.4 Contingent liabilities

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

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

12.5 Subsequent events

On January 17, 2020, Klépierre completed the disposal of the Gran Turia mall in Spain.

In January 2020, Klépierre implemented a new hedging program to adjust its fixed-rate position over the period 2021-2024 and consequently secure its cost of debt at an attractive level, while limiting its cost of carry.

Accordingly, Klépierre bought €1,700 million in caps and €500 million in payer swaps.

12.6 Statutory Auditors' fees

	Deloitte				EY			
In millions of euros	2019	2018	2019	2018	2019	2018	2019	2018
Audit services	**1.4**	**1.3**	**95%**	**89%**	**1.1**	**1.1**	**92%**	**100%**
Audit and review of individual and consolidated financial statements								
> Issuer	0.2	0.2	17%	17%	0.2	0.2	18%	18%
> Fully-consolidated subsidiaries	1.1	1.0	75%	69%	0.9	0.9	75%	75%
Other services directly related to the Statutory Auditors' engagement								
> Issuer	0.0	0.0	0%	1%	0.0	0.1	0%	6%
> Fully-consolidated subsidiaries	0.0	0.0	3%	3%	0.0	0.0	0%	1%
Other non-audit services	**0.1**	**0.2**	**5%**	**11%**	**0.1**	**0.0**	**8%**	**0%**
> Legal, tax, employment-related and other services	0.1	0.2	5%	11%	0.1	0.0	8%	0%
TOTAL	**1.4**	**1.5**	**100%**	**100%**	**1.2**	**1.2**	**100%**	**100%**

12.7 Identity of consolidating companies

As of December 31, 2019, Klépierre was accounted for by the equity method in the consolidated financial statements of Simon Property Group, which holds a 21.12% stake in the share capital of Klépierre (including treasury shares).

Klépierre is included in the consolidated financial statements of APG Group, which as of December 31, 2019 held a 10.05% stake in the share capital of Klépierre (including treasury shares).

12.8 List of consolidated entities

List of consolidated companies Fully consolidated companies	Country	% interest 12/31/2019	12/31/2018	Change	% control 12/31/2019	12/31/2018	Change
HOLDING COMPANY – HEAD OF THE GROUP							
Klépierre SA	France	100.00%	100.00%	-	100.00%	100.00%	-
SHOPPING CENTERS – FRANCE							
KLE 1 SAS	France	100.00%	100.00%	-	100.00%	100.00%	-
SCOO SC	France	53.64%	53.64%	-	53.64%	53.64%	-
Klécar France SNC	France	83.00%	83.00%	-	83.00%	83.00%	-
KC3 SNC	France	83.00%	83.00%	-	100.00%	100.00%	-
KC4 SNC	France	83.00%	83.00%	-	100.00%	100.00%	-
KC5 SNC	France	83.00%	83.00%	-	100.00%	100.00%	-
KC9 SNC	France	83.00%	83.00%	-	100.00%	100.00%	-
KC10 SNC	France	83.00%	83.00%	-	100.00%	100.00%	-
KC12 SNC	France	83.00%	83.00%	-	100.00%	100.00%	-
KC20 SNC	France	83.00%	83.00%	-	100.00%	100.00%	-
LP7 SAS	France	100.00%	100.00%	-	100.00%	100.00%	-
Solorec SC	France	80.00%	80.00%	-	80.00%	80.00%	-
Centre Bourse SNC	France	100.00%	100.00%	-	100.00%	100.00%	-
Bègles Arcins SCS	France	52.00%	52.00%	-	52.00%	52.00%	-
Bègles Papin SNC	France	100.00%	100.00%	-	100.00%	100.00%	-
Sécovalde SCI	France	55.00%	55.00%	-	55.00%	55.00%	-
Cécoville SAS	France	100.00%	100.00%	-	100.00%	100.00%	-
Soaval SCS	France	100.00%	100.00%	-	100.00%	100.00%	-
Klémurs SASU	France	100.00%	100.00%	-	100.00%	100.00%	-
Nancy Bonsecours SCI	France	100.00%	100.00%	-	100.00%	100.00%	-
Sodevac SNC	France	100.00%	100.00%	-	100.00%	100.00%	-
Odysseum Place de France SNC	France	100.00%	100.00%	-	100.00%	100.00%	-
Klécar Participations Italie SAS	France	83.00%	83.00%	-	83.00%	83.00%	-
Pasteur SNC	France	100.00%	100.00%	-	100.00%	100.00%	-
Holding Gondomar 1 SAS	France	100.00%	100.00%	-	100.00%	100.00%	-
Holding Gondomar 3 SAS	France	100.00%	100.00%	-	100.00%	100.00%	-
Combault SNC	France	100.00%	100.00%	-	100.00%	100.00%	-
Beau Sevran Invest SCI	France	83.00%	83.00%	-	100.00%	100.00%	-
Valdebac SCI	France	55.00%	55.00%	-	55.00%	55.00%	-
Progest SAS	France	100.00%	100.00%	-	100.00%	100.00%	-
Belvedere Invest SARL	France	55.00%	55.00%	-	55.00%	55.00%	-
Haies Haute Pommeraie SCI	France	53.00%	53.00%	-	53.00%	53.00%	-
Plateau des Haies SNC	France	100.00%	100.00%	-	100.00%	100.00%	-
Forving SARL	France	95.33%	93.15%	2.18%	95.33%	93.15%	2.18%
Saint Maximin Construction SCI	France	55.00%	55.00%	-	55.00%	55.00%	-
Pommeraie Parc SCI	France	60.00%	60.00%	-	60.00%	60.00%	-
Champs des Haies SCI	France	60.00%	60.00%	-	60.00%	60.00%	-
La Rive SCI	France	85.00%	85.00%	-	85.00%	85.00%	-
Rebecca SCI	France	70.00%	70.00%	-	70.00%	70.00%	-
Le Maïs SCI	France	80.00%	80.00%	-	80.00%	80.00%	-
Le Grand Pré SCI	France	60.00%	60.00%	-	60.00%	60.00%	-
LC SCI	France	88.00%	88.00%	-	100.00%	100.00%	-
Kle Projet 1 SAS	France	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Créteil SCI	France	100.00%	100.00%	-	100.00%	100.00%	-
Albert 31 SCI	France	83.00%	83.00%	-	100.00%	100.00%	-
Galeries Drancéennes SNC	France	100.00%	100.00%	-	100.00%	100.00%	-
Portes de Claye SCI	France	55.00%	55.00%	-	55.00%	55.00%	-

List of consolidated companies Fully consolidated companies	Country	% interest 12/31/2019	12/31/2018	Change	% control 12/31/2019	12/31/2018	Change
Klecab SCI	France	100.00%	100.00%	-	100.00%	100.00%	-
Kleber Odysseum SCI	France	100.00%	100.00%	-	100.00%	100.00%	-
Klé Arcades SCI	France	53.69%	53.69%	-	100.00%	100.00%	-
Le Havre Colbert SNC	France	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Massalia SAS	France	100.00%	100.00%	-	100.00%	100.00%	-
Massalia Shopping Mall SCI	France	60.00%	60.00%	-	100.00%	100.00%	-
Massalia Invest SCI	France	60.00%	60.00%	-	60.00%	60.00%	-
Kle Start SAS	France	100.00%	100.00%	-	100.00%	100.00%	-
Kle Dir SAS	France	100.00%	0.00%	100.00%	100.00%	0,00%	100.00%
Corio et Cie SNC	France	100.00%	100.00%	-	100.00%	100.00%	-
Sanoux SCI	France	75.00%	75.00%	-	75.00%	75.00%	-
Centre Deux SNC	France	100.00%	100.00%	-	100.00%	100.00%	-
Mob SC	France	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Alpes SAS	France	100.00%	100.00%	-	100.00%	100.00%	-
Galerie du Livre SAS	France	100.00%	100.00%	-	100.00%	100.00%	-
Les Portes de Chevreuse SNC	France	100.00%	100.00%	-	100.00%	100.00%	-
Caetoile SNC	France	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Échirolles SNC	France	100.00%	100.00%	-	100.00%	100.00%	-
Sagep SAS	France	100.00%	100.00%	-	100.00%	100.00%	-
Maya SNC	France	100.00%	100.00%	-	100.00%	100.00%	-
Ayam SNC	France	100.00%	100.00%	-	100.00%	100.00%	-
Dense SNC	France	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Grand Littoral SASU	France	100.00%	100.00%	-	100.00%	100.00%	-
SERVICE PROVIDERS – FRANCE							
Klépierre Management SNC	France	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Conseil SAS	France	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Brand Ventures SNC	France	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Gift Cards SAS	France	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Finance SAS	France	100.00%	100.00%	-	100.00%	100.00%	-
Financière Corio SAS	France	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Procurement International SNC	France	100.00%	100.00%	-	100.00%	100.00%	-
SHOPPING CENTERS – INTERNATIONAL							
Klépierre Management Deutschland GmbH	Germany	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Duisburg GmbH	Germany	94.99%	94.99%	-	94.99%	94.99%	-
Klépierre Duisburg Leasing GmbH	Germany	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Duisburg Leasing II GmbH	Germany	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Dresden Leasing GmbH	Germany	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Duisburg II GmbH	Germany	94.99%	94.99%	-	94.99%	94.99%	-
Klépierre Dresden GmnH	Germany	94.99%	94.99%	-	94.99%	94.99%	-
Klépierre Köln Holding GmbH	Germany	100.00%	100.00%	-	100.00%	100.00%	-
Unter Goldschmied Köln GmbH	Germany	94.99%	94.99%	-	94.99%	94.99%	-
Klépierre Hildesheim Holding GmbH	Germany	100.00%	100.00%	-	100.00%	100.00%	-
Projekt A GmbH & CoKG	Germany	94.90%	94.90%	-	94.90%	94.90%	-
Projekt A Vermietung GmbH	Germany	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Berlin GmbH	Germany	94.99%	94.99%	-	94.99%	94.99%	-
Klépierre Berlin Leasing GmbH	Germany	100.00%	100.00%	-	100.00%	100.00%	-
Coimbra SA	Belgium	100.00%	100.00%	-	100.00%	100.00%	-
Les Cinémas de l'Esplanade SA	Belgium	100.00%	100.00%	-	100.00%	100.00%	-
Foncière de Louvain-La-Neuve SA	Belgium	100.00%	100.00%	-	100.00%	100.00%	-
Bryggen, Vejle A/S	Denmark	56.10%	56.10%	-	100.00%	100.00%	-
Bruun's Galleri ApS	Denmark	56.10%	56.10%	-	100.00%	100.00%	-
Field's Copenhagen I/S	Denmark	56.10%	56.10%	-	100.00%	100.00%	-
Viva, Odense A/S	Denmark	56.10%	56.10%	-	100.00%	100.00%	-
Steen & Strøm CenterUdvikling VI A/S	Denmark	56.10%	56.10%	-	100.00%	100.00%	-
Klecar Foncier Iberica SL	Spain	100.00%	100.00%	-	100.00%	100.00%	-
Klecar Foncier España SL	Spain	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Vallecas SA	Spain	100.00%	100.00%	-	100.00%	100.00%	-

List of consolidated companies Fully consolidated companies	Country	% interest 12/31/2019	12/31/2018	Change	% control 12/31/2019	12/31/2018	Change
Klépierre Molina SL	Spain	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Plenilunio Socimi SA	Spain	100.00%	100.00%	-	100.00%	100.00%	-
Principe Pio Gestion SA	Spain	100.00%	100.00%	-	100.00%	100.00%	-
Corio Torrelodones Office Suite SL	Spain	100.00%	100.00%	-	100.00%	100.00%	-
Corio Real Estate España SL	Spain	100.00%	100.00%	-	100.00%	100.00%	-
SC Nueva Condo Murcia SLU	Spain	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Nea Efkarpia AE	Greece	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Foncier Makedonia AE	Greece	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Peribola Patras AE	Greece	100.00%	100.00%	-	100.00%	100.00%	-
Immobiliare Gallerie Commerciali S.p.A	Italy	100.00%	100.00%	-	100.00%	100.00%	-
Klecar Italia S.p.A	Italy	83.00%	83.00%	-	100.00%	100.00%	-
Galleria Commerciale Di Collegno S.r.l	Italy	100.00%	100.00%	-	100.00%	100.00%	-
Galleria Commerciale Serravalle S.p.A	Italy	100.00%	100.00%	-	100.00%	100.00%	-
Galleria Commerciale Assago S.r.l	Italy	100.00%	100.00%	-	100.00%	100.00%	-
Galleria Commerciale Klépierre S.r.l	Italy	100.00%	100.00%	-	100.00%	100.00%	-
Galleria Commerciale Cavallino S.r.l	Italy	100.00%	100.00%	-	100.00%	100.00%	-
Galleria Commerciale Solbiate S.r.l	Italy	100.00%	100.00%	-	100.00%	100.00%	-
K2	Italy	95.06%	95.06%	-	95.06%	95.06%	-
Klépierre Matera S.r.l	Italy	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Caserta S.r.l	Italy	83.00%	83.00%	-	100.00%	100.00%	-
Shopville Le Gru S.r.l	Italy	100.00%	100.00%	-	100.00%	100.00%	-
Grandemilia S.r.l	Italy	100.00%	100.00%	-	100.00%	100.00%	-
Shopville Gran Reno S.r.l	Italy	100.00%	100.00%	-	100.00%	100.00%	-
Il Maestrale S.p.A.	Italy	100.00%	100.00%	-	100.00%	100.00%	-
Comes – Commercio e Sviluppo S.r.l	Italy	100.00%	100.00%	-	100.00%	100.00%	-
Globodue S.r.l	Italy	100.00%	100.00%	-	100.00%	100.00%	-
Globotre S.r.l	Italy	100.00%	100.00%	-	100.00%	100.00%	-
Generalcostruzioni S.r.l	Italy	100.00%	100.00%	-	100.00%	100.00%	-
B.L.O S.r.l	Italy	100.00%	100.00%	-	100.00%	100.00%	-
Gruliasco S.r.l	Italy	100.00%	100.00%	-	100.00%	100.00%	-
Corio Italia S.r.l	Italy	100.00%	100.00%	-	100.00%	100.00%	-
Acquario S.r.l	Italy	95.06%	0,00%	95.06%	95.06%	0,00%	95.06%
Reluxco International SA	Luxembourg	100.00%	100.00%	-	100.00%	100.00%	-
Storm Holding Norway AS	Norway	56.10%	56.10%	-	100.00%	100.00%	-
Steen & Strøm AS	Norway	56.10%	56.10%	-	100.00%	100.00%	-
Slagenveien 2 AS	Norway	56.10%	56.10%	-	100.00%	100.00%	-
Amanda Storsenter AS	Norway	56.10%	56.10%	-	100.00%	100.00%	-
Farmandstredet Eiendom AS	Norway	56.10%	56.10%	-	100.00%	100.00%	-
Nerstranda AS	Norway	56.10%	56.10%	-	100.00%	100.00%	-
Hamar Storsenter AS	Norway	56.10%	56.10%	-	100.00%	100.00%	-
Stavanger Storsenter AS	Norway	56.10%	56.10%	-	100.00%	100.00%	-
Vinterbro Senter DA	Norway	56.10%	56.10%	-	100.00%	100.00%	-
Steen & Strøm Mediapartner Norge AS	Norway	56.10%	56.10%	-	100.00%	100.00%	-
Oslo City Kjopesenter AS	Norway	56.10%	56.10%	-	100.00%	100.00%	-
Oslo City Parkering AS	Norway	56.10%	56.10%	-	100.00%	100.00%	-
Gulskogen Senter AS	Norway	56.10%	56.10%	-	100.00%	100.00%	-
Capucine BV	Netherlands	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Nordica BV	Netherlands	100.00%	100.00%	-	100.00%	100.00%	-
Corio Beleggingen I BV	Netherlands	100.00%	100.00%	-	100.00%	100.00%	-
Corio Nederland Kantoren BV	Netherlands	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Management Nederland BV	Netherlands	100.00%	100.00%	-	100.00%	100.00%	-
Hoog Catharijne BV	Netherlands	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Nederland BV	Netherlands	100.00%	100.00%	-	100.00%	100.00%	-
Bresta I BV	Netherlands	100.00%	100.00%	-	100.00%	100.00%	-
CCA German Retail I BV	Netherlands	100.00%	100.00%	-	100.00%	100.00%	-
CCA German Retail II BV	Netherlands	100.00%	100.00%	-	100.00%	100.00%	-
KLP Polska Sp. z o.o. Sadyba SKA w likwidacji	Poland	100.00%	100.00%	-	100.00%	100.00%	-
KLP Polska Sp. z o.o. Poznań SKA	Poland	100.00%	100.00%	-	100.00%	100.00%	-

List of consolidated companies Fully consolidated companies	Country	% interest 12/31/2019	12/31/2018	Change	% control 12/31/2019	12/31/2018	Change
KLP Polska Sp. z o.o. Ruda Śląska sp.k.	Poland	100.00%	100.00%	-	100.00%	100.00%	-
Sadyba Best Mall Sp. z o.o. sp.k.	Poland	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Pologne Sp. z o.o.	Poland	100.00%	100.00%	-	100.00%	100.00%	-
KLP Polska Sp. z o.o. Rybnik SKA	Poland	100.00%	100.00%	-	100.00%	100.00%	-
Sosnowiec Property KLP Polska Sp. z o.o. sp.k.	Poland	100.00%	100.00%	-	100.00%	100.00%	-
KLP Polska Sp. z o.o. Lublin sp.k.	Poland	100.00%	100.00%	-	100.00%	100.00%	-
KLP Polska Sp. z o.o. Kraków sp.k.	Poland	100.00%	100.00%	-	100.00%	100.00%	-
Sadyba Best Mall Sp. z o.o.	Poland	100.00%	100.00%	-	100.00%	100.00%	-
KLP Poznań Sp. z o.o.	Poland	100.00%	100.00%	-	100.00%	100.00%	-
Ruda Śląska Property KLP Polska Sp. z o.o. sp.k.	Poland	100.00%	100.00%	-	100.00%	100.00%	-
KLP Investment Poland Sp. z o.o.	Poland	100.00%	100.00%	-	100.00%	100.00%	-
Rybnik Property KLP Polska Sp. z o.o. sp.k.	Poland	100.00%	100.00%	-	100.00%	100.00%	-
KLP Lublin Sp. z o.o.	Poland	100.00%	100.00%	-	100.00%	100.00%	-
KLP Polska Sp. z o.o.	Poland	100.00%	100.00%	-	100.00%	100.00%	-
Klelou Imobiliaria Spa SA	Portugal	100.00%	100.00%	-	100.00%	100.00%	-
Galeria Parque Nascente SA	Portugal	100.00%	100.00%	-	100.00%	100.00%	-
Gondobrico SA	Portugal	100.00%	100.00%	-	100.00%	100.00%	-
Klenord Imobiliaria SA	Portugal	100.00%	100.00%	-	100.00%	100.00%	-
Kletel Imobiliaria SA	Portugal	100.00%	100.00%	-	100.00%	100.00%	-
Kleminho Imobiliaria SA	Portugal	100.00%	100.00%	-	100.00%	100.00%	-
Corio Espaço Guimarães SA	Portugal	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Cz S.R.O.	Czech Republic	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Plzen AS	Czech Republic	100.00%	100.00%	-	100.00%	100.00%	-
Nový Smíchov First Floor S.R.O.	Czech Republic	100.00%	100.00%	-	100.00%	100.00%	-
Arcol Group S.R.O.	Slovakia	100.00%	100.00%	-	100.00%	100.00%	-
Nordica Holdco AB	Sweden	56.10%	56.10%	-	56.10%	56.10%	-
Steen & Strøm Holding AB	Sweden	56.10%	56.10%	-	100.00%	100.00%	-
FAB CentrumInvest	Sweden	56.10%	56.10%	-	100.00%	100.00%	-
FAB Emporia	Sweden	56.10%	56.10%	-	100.00%	100.00%	-
FAB Borlänge Köpcentrum	Sweden	56.10%	56.10%	-	100.00%	100.00%	-
FAB Marieberg Galleria	Sweden	56.10%	56.10%	-	100.00%	100.00%	-
FAB Allum	Sweden	56.10%	56.10%	-	100.00%	100.00%	-
FAB P Brodalen	Sweden	56.10%	56.10%	-	100.00%	100.00%	-
Partille Lexby AB	Sweden	56.10%	56.10%	-	100.00%	100.00%	-
FAB P Åkanten	Sweden	56.10%	56.10%	-	100.00%	100.00%	-
FAB P Porthälla	Sweden	56.10%	56.10%	-	100.00%	100.00%	-
FAB Lackeraren Borlänge	Sweden	56.10%	56.10%	-	100.00%	100.00%	-
FAB Centrum Västerort	Sweden	56.10%	56.10%	-	100.00%	100.00%	-
Klépierre Gayrimenkul Yönetimi ve Yatirim Ticaret AS	Turkey	100.00%	100.00%	-	100.00%	100.00%	-
Miratur Turizm Insaat ve Ticaret AS	Turkey	100.00%	100.00%	-	100.00%	100.00%	-
Tan Gayrimenkul Yatirim Insaat Turizm Pazarlama ve Ticaret AS	Turkey	51.00%	51.00%		51.00%	51.00%	
SERVICE PROVIDERS – INTERNATIONAL				-			-
Klépierre Mall Management II GmbH	Germany	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Mall Management I GmbH	Germany	100.00%	100.00%	-	100.00%	100.00%	-
Projekt Arnekenstrasse Verwaltung GmbH	Germany	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Management Belgique SA	Belgium	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Finance Belgique SA	Belgium	100.00%	100.00%	-	100.00%	100.00%	-
Steen & Strøm CenterService A/S	Denmark	56.10%	56.10%	-	100.00%	100.00%	-
Steen & Strøm Danemark A/S	Denmark	56.10%	56.10%	-	100.00%	100.00%	-
Klépierre Management Espana SL	Spain	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Management Hellas AE	Greece	100.00%	100.00%	-	100.00%	100.00%	-
KFI Hungary KFT	Hungary	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Management Italia S.r.l	Italy	100.00%	100.00%	-	100.00%	100.00%	-

List of consolidated companies Fully consolidated companies	Country	% interest 12/31/2019	% interest 12/31/2018	% interest Change	% control 12/31/2019	% control 12/31/2018	% control Change
Klépierre Finance Italia S.r.l	Italy	100.00%	100.00%	-	100.00%	100.00%	-
Steen & Strøm Senterservice AS	Norway	56.10%	56.10%	-	100.00%	100.00%	-
Klépierre Vastgoed Ontwikkeling B.V.	Netherlands	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Management Polska Sp. z o.o.	Poland	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Management Portugal SA	Portugal	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Management Ceska Républika S.R.O.	Czech Republic	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Energy CZ S.R.O.	Czech Republic	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Management Slovensko S.R.O.	Slovakia	100.00%	100.00%	-	100.00%	100.00%	-
Steen & Strøm Sverige AB	Sweden	56.10%	56.10%	-	100.00%	100.00%	-

List of consolidated companies Equity-accounted companies: joint control	Country	% interest 12/31/2019	% interest 12/31/2018	% interest Change	% control 12/31/2019	% control 12/31/2018	% control Change
Cécobil SCS	France	50.00%	50.00%	-	50.00%	50.00%	-
Du Bassin Nord SCI	France	50.00%	50.00%	-	50.00%	50.00%	-
Le Havre Vauban SNC	France	50.00%	50.00%	-	50.00%	50.00%	-
Le Havre Lafayette SNC	France	50.00%	50.00%	-	50.00%	50.00%	-
Girardin SCI	France	33.40%	33.40%	-	33.40%	33.40%	-
Girardin 2 SCI(1)	France	33.40%	0,00%	33.40%	33.40%	0,00%	33.40%
Société Immobilière de la Pommeraie SC	France	50.00%	50.00%	-	50.00%	50.00%	-
Parc de Coquelles SNC	France	50.00%	50.00%	-	50.00%	50.00%	-
Kleprim's SCI	France	50.00%	50.00%	-	50.00%	50.00%	-
Celsius Le Murier SNC	France	40.00%	40.00%	-	40.00%	40.00%	-
Celsius Haven SNC	France	40.00%	40.00%	-	40.00%	40.00%	-
Clivia S.p.A	Italy	50.00%	50.00%	-	50.00%	50.00%	-
Galleria Commerciale Il Destriero S.p.A	Italy	50.00%	50.00%	-	50.00%	50.00%	-
CCDF S.p.A	Italy	49.00%	49.00%	-	49.00%	49.00%	-
Galleria Commerciale Porta di Roma S.p.A	Italy	50.00%	50.00%	-	50.00%	50.00%	-
Galleria Commerciale 9 S.r.l	Italy	50.00%	50.00%	-	50.00%	50.00%	-
Italian Shopping Centre Investment S.r.l	Italy	50.00%	50.00%	-	50.00%	50.00%	-
Holding Klege S.r.l	Luxembourg	50.00%	50.00%	-	50.00%	50.00%	-
Hovlandparken AS	Norway	28.05%	28.05%	-	50.00%	50.00%	-
Metro Senter ANS	Norway	28.05%	28.05%	-	50.00%	50.00%	-
Økern Sentrum ANS	Norway	28.05%	28.05%	-	50.00%	50.00%	-
Økern Eiendom ANS	Norway	28.05%	28.05%	-	50.00%	50.00%	-
Metro Shopping AS	Norway	28.05%	28.05%	-	50.00%	50.00%	-
Hovlandparken DA	Norway	28.05%	28.05%	-	50.00%	50.00%	-
Økern Sentrum AS	Norway	28.05%	28.05%	-	50.00%	50.00%	-
Nordal ANS	Norway	28.05%	28.05%	-	50.00%	50.00%	-
Klege Portugal SA	Portugal	50.00%	50.00%	-	50.00%	50.00%	-

(1) Shell company.

List of consolidated companies Equity-accounted companies: significant influence	Country	% interest 12/31/2019	% interest 12/31/2018	% interest Change	% control 12/31/2019	% control 12/31/2018	% control Change
La Rocade SCI	France	38.00%	38.00%	-	38.00%	38.00%	-
La Rocade Ouest SCI	France	36.73%	36.73%	-	36.73%	36.73%	-
Du Plateau SCI	France	19.65%	19.65%	-	30.00%	30.00%	-
Achères 2000 SCI	France	30.00%	30.00%	-	30.00%	30.00%	-
Le Champ de Maïs SC	France	40.00%	40.00%	-	40.00%	40.00%	-
Société du bois des fenêtres SARL	France	20.00%	20.00%	-	20.00%	20.00%	-
Step In SAS	France	24.46%	24.46%	-	24.46%	24.46%	-
Secar SC	France	10.00%	0,00%	10.00%	10.00%	0,00%	10.00%
Akmerkez Gayrimenkul Yatirim Ortakligi AS	Turkey	46.92%	46.92%	-	46.92%	46.92%	-

List of deconsolidated companies at 12/31/2019	Country	% interest 12/31/2019	% interest 12/31/2018	% control 12/31/2019	% control 12/31/2018	Comments
Klépierre Praha S.R.O.	Czech Republic	0.00%	100.00%	0.00%	100.00%	Disposed
Klécar Europe Sud SCS	France	0.00%	100.00%	0.00%	100.00%	Merged
Klépierre Athinon AE	Greece	0.00%	100.00%	0.00%	100.00%	Liquidated
SA Duna Plaza ZRT	Hungary	0.00%	100.00%	0.00%	100.00%	Disposed
Sarl GYR 2002 KFT	Hungary	0.00%	100.00%	0.00%	100.00%	Disposed
Miskolc 2002 KFT	Hungary	0.00%	100.00%	0.00%	100.00%	Disposed
Klépierre Corvin KFT	Hungary	0.00%	100.00%	0.00%	100.00%	Disposed
Corvin Vision KFT	Hungary	0.00%	66.67%	0.00%	66.67%	Disposed
Klépierre Management Magyarorszag KFT	Hungary	0.00%	100.00%	0.00%	100.00%	Disposed
Klépierre Trading KFT	Hungary	0.00%	100.00%	0.00%	100.00%	Disposed
Klefin Italia S.p.A	Italy	0.00%	100.00%	0.00%	100.00%	Merged
KLP Polska Sp. z o.o. Movement SKA w likwidacji	Poland	0.00%	100.00%	0.00%	100.00%	Liquidated
Fastighets Västra Götaland AB	Sweden	0.00%	56.10%	0.00%	100.00%	Liquidated

3.2 STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

This is a translation into English of the Statutory Auditors' report on the consolidated financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.

This Statutory Auditors' report includes information required by European regulation and French law, such as information about the appointment of the Statutory Auditors or verification of the information concerning the Group presented in the management report and other documents provided to shareholders.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Annual General Meeting of Klépierre

Opinion

In compliance with the engagement entrusted to us by your Annual General Meeting, we have audited the accompanying consolidated financial statements of Klépierre for the year ended December 31, 2019.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2019 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for Opinion

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from January 1, 2019 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 or in the French Code of Ethics (*Code de déontologie*) for Statutory Auditors.

Justification of Assessments – Key Audit Matters

In accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

Measurement of investment properties at fair value

Risk identified	Our response
As at December 31, 2019, as mentioned in Note 5.4.4 to the consolidated financial statements, the Group's investment properties, which are recognized at fair value, amount to €21,307 million and investments in equity-accounted companies relating to investment properties recognized at fair value amount to €1,388 million. The fair values used by management are based on independent appraisals. These fair values incorporate many assumptions/estimates in particular projected rent increases, capitalization and discount rates, expected market rent levels, as well as recent transactions. For development assets, other factors are considered, such as projected development costs, rental stage of completion and the risks incurred until projects are completed. Determining the fair value of investment properties requires significant judgment. Therefore, given the materiality of the item in the consolidated financial statements taken as a whole and the judgment used in determining the fair value, the valuation of investment property is considered as a key audit matter. Please refer to Note 5.4 to the consolidated financial statements.	We obtained an understanding of management's controls over data used for valuations as well as the controls on values' changes in comparison with prior periods and we tested the efficiency of the controls we considered the most relevant. We assessed the competence and independence of the independent appraisers. With experts in real estate appraisal included in the audit team, we participated in meetings with independent experts, in order to understand the methodology adopted and the main assumptions used underlying the valuation of investment properties, and especially among these, market trends on expected rents, recent transactions, market yields and for development assets, future development costs. We reconciled the valuations of the independent appraisers with the consolidated financial statements. We carried out specific procedures on investment properties whose valuation and variations were significant, as well as those whose assumptions and variations were not consistent with market data. In this context, we appreciated with specialists in real estate appraisal included in the audit team the main parameters used by experts, such as projected rent increases, capitalization and discount rates and expected market rent levels. Interviews with management were conducted when necessary. Moreover, we performed analytical procedures by comparing the valuations with prior periods, as well as the underlying assumptions of yields with the relevant market data. We also assessed the appropriateness of the investment properties at fair value information in the notes to the consolidated financial statements.

Specific verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations of the information pertaining to the Group presented in the Executive Board's management report.

We have no matters to report as to their fair presentation and their consistency with the consolidated financial statements.

We attest that the consolidated non-financial statement required by article L. 225-102-1 of the French Commercial Code (*Code de commerce*) is included in the management report, being specified that, in accordance with article L. 823-10 of this Code, we have verified neither the fair presentation nor the consistency with the consolidated financial statements of the information contained therein.

Report on Other Legal and Regulatory Requirements

Appointment of the Statutory Auditors

We were appointed as Statutory Auditors of Klépierre by your Annual General Meeting held on June 28, 2006 for DELOITTE & ASSOCIÉS and on April 19, 2016 for ERNST & YOUNG Audit.

As at December 31, 2019, DELOITTE & ASSOCIÉS was in the fourteenth year of total uninterrupted engagement and ERNST & YOUNG Audit in the fourth year.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements were approved by the Executive Board.

Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Objectives and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As specified in Article L. 823-10-1 of the French Commercial Code *(Code de commerce)*, our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the Statutory Auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements;
- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the Statutory Auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein;
- Evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation;
- Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The Statutory Auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

Report to the Audit Committee

We submit to the Audit Committee a report which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L. 822-10 to L. 822-14 of the French Commercial Code *(Code de commerce)* and in the French Code of Ethics *(code de déontologie)* for Statutory Auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris-La Défense, March 6, 2020

The Statutory Auditors
French original signed by

DELOITTE & ASSOCIÉS
Damien LEURENT
Laure SILVESTRE-SIAZ

ERNST & YOUNG Audit
Bernard HELLER

3.3 COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

3.3.1 Balance Sheet

3.3.1.1 Assets

In thousands of euros	Notes	12/31/2019 Gross	12/31/2019 Depreciation, amortization and impairment	12/31/2019 Net	12/31/2018 Net
NON-CURRENT ASSETS					
Intangible assets	**3.1**	**193,354**	**193,354**	**-**	**-**
Property, plant and equipment	**3.1**	**435,219**	**136,038**	**299,180**	**305,558**
Land		85,035	14,910	70,125	69,795
Buildings and fixtures		268,326	120,954	147,372	154,745
Technical installations, plant and equipment		19	19	-	1
Other		78,862	155	78,707	78,762
Property, plant and equipment in progress		2,976	-	2,976	2,256
Advances and prepayments		-	-	-	-
Financial assets	**3.2**	**15,153,753**	**1,340,170**	**13,813,583**	**14,597,424**
Investments	3.2.1	9,947,394	1,309,405	8,637,989	8,954,329
Advances to equity investments	3.2.2	4,808,661	30,586	4,778,075	5,124,703
Other long-term investments		179	179	-	-
Other financial assets	3.2.3	397,520	-	397,520	518,392
Total I		**15,782,325**	**1,669,562**	**14,112,763**	**14,902,982**
CURRENT ASSETS					
Advances and prepayments to suppliers		**8,446**	**-**	**8,446**	**20,287**
Receivables	**3.3**	**27,722**	**3,173**	**24,549**	**35,641**
Trade accounts and notes receivable		20,058	3,173	16,885	7,694
Other		7,664	-	7,664	27,947
Marketable securities	**3.4**	**60,403**	**7**	**60,396**	**75,785**
Cash and cash equivalents		**367,012**	**-**	**367,012**	**41,920**
Prepaid expenses	**3.5**	**98**	**-**	**98**	**145**
Total II		**463,682**	**3,180**	**460,502**	**173,778**
Deferred expenses (III)	3.5	16,814	-	16,814	18,132
Loan issue premiums (IV)	3.5	20,648	-	20,648	16,153
Currency translation adjustment – assets (V)		-	-	-	-
GRAND TOTAL (I+II+III+IV+V)		**16,283,469**	**1,672,743**	**14,610,727**	**15,111,046**

3.3.1.2 Shareholders' equity and liabilities

In thousands of euros	Notes	12/31/2019	12/31/2018
SHAREHOLDERS' EQUITY	**4.1**		
Share capital (of which paid-up: 423,730)		423,730	440,098
Additional paid-in capital (from share issues, mergers and contributions)		5,124,259	5,650,010
Merger surplus		-	124,589
Share cancellation premium		-	18,557
Revaluation reserve		-	-
Legal reserve		44,010	44,010
Other reserves		-	-
Retained earnings		26,132	26,757
Net income		**317,739**	**350,224**
Regulated provisions		-	-
Total I		**5,935,870**	**6,654,244**
PROVISIONS FOR CONTINGENCIES AND LOSSES	**4.2**	**19,202**	**75,789**
Provision for contingencies		19,202	75,428
Provision for losses		-	361
Total II		**19,202**	**75,789**
LIABILITIES			
Borrowings	**4.3**	**8,613,094**	**8,310,178**
Bonds		6,057,238	5,732,276
Bank loans and borrowings		4,031	7,967
Other loans and borrowings		2,551,824	2,569,935
Due on trade receivables		**361**	**780**
Operating payables		**21,383**	**43,182**
Trade payables	4.4	15,330	37,205
Accrued taxes and payroll costs	4.5	6,053	5,977
Other payables	**4.6**	**5,160**	**8,110**
Prepaid income	**4.7**	**8,570**	**11,677**
Total III		**8,648,568**	**8,373,927**
Currency translation adjustment – liabilities (IV)	4.8	7,087	7,087
GRAND TOTAL (I+II+III+IV)		**14,610,727**	**15,111,046**

3.3.2 Income statement

In thousands of euros	Notes		12/31/2019	12/31/2018
OPERATING INCOME				
Rental income			36,906	34,635
> Property rentals			27,488	26,845
> Costs recharged to tenants			9,418	7,790
Fees			609	1,203
Reversals of depreciation, impairment, provisions, and expense transfers			8,565	6,718
Other income			3,065	1,407
		Total I	**49,145**	**43,962**
OPERATING EXPENSES				
Purchases and external charges			(22,465)	(25,862)
Taxes other than on income			(7,516)	(4,136)
Wages and salaries			(2,839)	(2,709)
Payroll taxes			(1,288)	(1,960)
Depreciation, amortization, impairment and provisions				
> Depreciation and amortization of non-current assets and deferred expenses			(8,895)	(8,799)
> Impairment of non-current assets			(1,442)	(1,993)
> Impairment of current assets			(670)	(583)
> Provision for contingencies and losses			(1,636)	(2,410)
Other expenses			(2,199)	(1,502)
		Total II	**(48,951)**	**(49,954)**
Net operating income (I+II)	5.1		**195**	**(5,992)**
SHARE OF INCOME FROM JOINT OPERATIONS	5.2			
Profits allocated or losses transferred		**III**	**127,727**	**193,636**
Losses incurred or profits transferred		**IV**	**(23,495)**	**(21,927)**
FINANCIAL INCOME	5.3.1			
From investments in subsidiaries and affiliates			796,623	553,307
From other marketable securities and receivables on non-current assets			-	-
Other interest income			23,203	8,604
Reversals of provisions and expense transfers			92,657	112,057
Foreign exchange gains			3,187	4,610
Net income from disposals of marketable securities			-	-
		Total V	**915,670**	**678,579**
FINANCIAL EXPENSES	5.3.2			
Depreciation, amortization and impairment			(542,181)	(318,839)
Interest expense			(151,565)	(174,138)
Foreign exchange losses			(542)	(1,660)
Net expenses on disposals of marketable securities			-	(9)
		Total VI	**(694,288)**	**(494,646)**
Net financial income (V+VI)			**221,382**	**183,933**
Net income from ordinary operations before tax (I+II+III+IV+V+VI)			**325,810**	**349,650**
NON-RECURRING INCOME				
On management transactions			-	-
On capital transactions			4,070	1,012
Reversals of provisions and expense transfers			10,987	-
		Total VII	**15,057**	**1,012**
NON-RECURRING EXPENSES				
On management transactions			-	(476)
On capital transactions			(21,127)	(2,599)
Depreciation, amortization, impairment and provisions			-	-
		Total VIII	**(21,127)**	**(3,075)**
Net non-recurring income/(loss) (VII-VIII)	5.4		**(6,070)**	**(2,063)**
EMPLOYEE PROFIT-SHARING (IX)		**IX**	**-**	**-**
INCOME TAX (X)	5.5	**X**	**(2,000)**	**2,636**
Total income (I+III+V+VII)			**1,107,600**	**917,189**
Total expenses (II+IV+VI+VIII+IX+X)			**(789,861)**	**(566,965)**
NET INCOME			**317,739**	**350,224**

3.3.3 Notes to the company financial statements

NOTE 1 SIGNIFICANT EVENTS

Klépierre is a French joint-stock corporation *(société anonyme)* listed on Euronext Paris (compartment A). The Company's registered office is located at 26 boulevard des Capucines, 75009, Paris. The financial statements were prepared in thousands of euros, and were approved and authorized for publication by the Executive Board on January 29, 2020.

1.1 Dividend

On April 16, 2019, the General Meeting of Shareholders approved the proposed payment of a €2.10 per share cash dividend in respect of the 2018 fiscal year. The total dividend approved by Klépierre shareholders amounted to €619.5 million (excluding dividends paid on treasury shares).

On March 11, 2019, a €1.05 per share interim dividend was paid to shareholders, for a total amount of €311.6 million excluding taxes and fees. The balance of €307.9 million was paid on July 10, 2019.

1.2 Treasury share transactions

On February 6, 2019, Klépierre SA announced a new share buyback program of up to €400 million. As of December 31, 2019, the Group had repurchased 9,584,166 shares for an aggregate amount of €299.8 million.

In addition, on February 20, June 20 and December 17, 2019, Klépierre SA canceled a total of 11,691,968 shares purchased under the March 13, 2017 share buyback program for an aggregate amount of €416.6 million.

1.3 Changes in net debt and liquidity positions

Klépierre SA boosted its liquidity position during the year as a result of the following initiatives:

- €600 million worth of new 11-year notes were issued during the year (settlement on July 1, 2019) bearing a 0.625% coupon. The purpose of this new bond was to pre-finance the redemption of the shortest bonds maturing in 2019 and 2020;
- 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 and 2025 for an aggregate amount of €1.2 billion.

1.4 Acquisitions of shares and corporate reorganization

On December 13, 2019, Klépierre SA acquired 10% of the share capital of Secar SC, owner of the Belle Épine shopping center in Thiais (France) for €80.2 million.

On March 11, 2019, Klécar Europe Sud SCS was merged into Klépierre SA. The merger was carried out under the simplified regime provided for in Article 210-A of the French Tax Code *(Code général des impôts)* at net book value, effective retroactively for tax and accounting purposes as of January 1, 2019. The transaction gave rise to a €28 million technical loss, reflecting unrealized capital gains on equity investments, that was allocated in full to the equity investments initially held by Klécar Europe Sud SCS.

NOTE 2 SIGNIFICANT ACCOUNTING PRINCIPLES

2.1 Application of accounting policies

The Company financial statements for the year ended December 31, 2019 were prepared in accordance with the French Commercial Code *(Code de commerce)*, the French General Chart of Accounts *(Plan comptable général)* in force, French law and French generally accepted accounting principles.

Generally accepted accounting principles were applied in accordance with the principle of prudence, the accrual basis of accounting and on a going concern basis.

2.2 Changes in accounting rules and methods

There were no changes to accounting methods or estimates during the year, except for the application of new recognition rules for mergers and demergers without share transactions.

In Regulation no. 2019-06 of November 8, 2019, the French accounting standard setter (*Autorité des normes comptables* – ANC) sets out the accounting treatment for mergers and demergers without share transactions, where the parent company holds the entire share capital of the merged entity. In the financial statements of the parent company holding the entire share capital of the merged entity, the gross book value of the merged entity (together with any accumulated impairment) is added to the gross book value of the parent entity.

This new regulation applied in the 2019 financial statements concerned the merger of Klefin Italia SPA into Corio Italia Srl. The gross book value of Klefin Italia SPA shares (€125.6 million) was added to the gross book value of Corio Italia Srl shares (note 3.2.1).

2.3 Measurement methods

The Company applies the historical cost convention to measure and recognize assets. Property, plant and equipment and intangible assets are recognized as assets when both of the following conditions have been met:

- It is probable that the future economic benefits associated with the item will flow to the entity;
- Their cost or value can be measured reliably.

At the recognition date, asset values are measured either at acquisition cost or cost of construction.

2.3.1 Intangible assets

Intangible assets primarily comprise technical losses allocated to "Business goodwill", which is tested for impairment if there is an indication of a loss of value.

2.3.2 Property, plant and equipment

Property, plant and equipment mainly include real estate assets held by the Company (principally shopping centers and adjacent land).

Gross value of property, plant and equipment

Real estate assets are recorded on the balance sheet at acquisition cost, contribution value or cost of construction or restructuring, based on the manner in which they are acquired. Gross value includes directly attributable acquisition costs (transfer taxes, fees, commissions, legal and administrative fees). Interest expense relating specifically to the development of property, plant and equipment is capitalized in the acquisition cost.

In accordance with Regulation no. 2014-03 issued by the French accounting standard setter (ANC), and based on the French Federation of Real Estate Companies' (*Fédération des Sociétés Immobilières et Foncières* – FSIF) studies, the gross value of real estate assets (other than land) is allocated to four separate components, based on the following percentages:

Components	Shopping center properties
Structures	50%
Facades	15%
General and technical installations	25%
Fittings	10%

As these scales were based on assumed "as new" values, a multiplier was applied at first time adoption depending on the age of the individual asset components. The same method has been applied to all subsequently acquired or contributed real estate assets.

Depreciation

Real estate assets are depreciated on a straight-line basis over the useful life of each component. Land is not depreciated. Based on the French Federation of Real Estate Companies' studies, depreciation periods are determined so as to obtain a nil residual value on maturity of the depreciation schedule. The depreciation periods are as follows:

Components	Depreciation periode (straight-line basis)
Structures	35 to 50 years
Facades	25 years
General and technical installations	20 years
Fittings	10 to 15 years

Impairment of real estate assets

When the carrying amount of real estate assets exceeds estimated present value, an impairment loss is recognized to write down the carrying amount to present value. Present value corresponds to fair value or value in use. Impairment is first recognized against non-depreciable components. Where applicable, any technical losses allocated for accounting purposes to the related components are taken into consideration.

The fair value of real estate assets corresponds to the market value excluding transfer taxes at the reporting date, as determined by independent real estate appraisers or internally, with the exception of assets acquired within the past six months, where fair value is presumed to be the acquisition cost. The fair value of assets covered by an agreement to sell *(promesse de vente)* is appraised at the selling price net of disposal costs.

Since these are by nature estimates, the proceeds arising from disposals on certain real estate assets may differ from the appraised value, even where it occurs within a few months of the reporting date.

Eviction compensation

When lessors terminate leases prior to the expiration date, they may be required to pay eviction compensation to the lessee.

Where eviction compensation is paid as a result of renovation, refurbishment or restructuring works on a property requiring the prior removal of tenants, the cost is included in total construction costs.

Expenditure that does not meet the combined criteria applicable to the definition and recognition of assets and cannot be included in the acquisition or production cost, and must be recognized as an expense.

2.3.3 Non-current financial assets

Non-current financial assets mainly comprise:

> Equity investments held by Klépierre SA in companies directly or indirectly holding real estate assets;

> Advances to equity investments;

> Treasury shares recognized.

In accordance with ANC Regulation no. 2015-06, since January 1, 2016, this item also includes merger losses and share cancellation premiums arising on unrealized gains on shares.

Equity investments

Equity investments are recognized on the balance sheet at cost, contribution value or subscription value. Acquisition costs are expensed as incurred and are not included in the carrying amount of the shares on the balance sheet.

When the realisable value is lower than the acquisition cost plus the technical losses allocated for accounting purposes to equity investments, an impairment loss is booked first against the merger loss and subsequently against the equity investment. The carrying amount of equity investments corresponds to value in use, determined on a multi-criteria basis taking into account the subsidiaries' net asset value and profitability outlook.

The net asset value of real estate companies is estimated based on external appraisals conducted by independent real estate appraisers, internal appraisals, or based on the value of sale commitments.

The carrying amount of management company shares is remeasured at each reporting date by an independent appraiser using the discounted future cash flows method.

Any technical losses allocated for accounting purposes to equity investments are included in the carrying amount of these assets for the purposes of impairment testing. Impairment is first recognized against technical losses.

Advances to equity investments

Advances to equity investments held by Klépierre SA are recognized at face value, and may be written down in the event that there is a risk of non-recovery. The Company takes account of the characteristics of the advance granted, the ability of the subsidiary to reimburse the advance, and its future prospects as appropriate. Advances to equity investments are written down only where the corresponding shares have already been written down in full.

Treasury shares

Treasury shares acquired in view of their subsequent cancellation or to be transferred as part of an external growth transaction are recognized at cost under non-current financial assets.

In accordance with the accounting rules in force, treasury shares acquired for cancellation are not subject to impairment.

Treasury shares held in connection with external growth transactions are impaired if the average share price for the last month of the fiscal year is lower than the acquisition value.

2.3.4 Receivables

Receivables are recognized at face value.

An allowance is recognized against trade receivables where there is a risk of non-recovery, assessed on a multi-criteria basis taking into account the age of the receivables, their nature, the status of any ongoing recovery procedures, and the quality of any guarantees held. The amount of the allowance is calculated after deduction of any deposits. Note 2.3.8 sets out the accounting treatment applied to receivables denominated in foreign currency.

Other receivables include balancing payments on swaps and deferred premiums paid further to the cancellation or restructuring of derivative hedging instruments (for further information, see the section on the accounting treatment of hedging transactions).

2.3.5 Marketable securities

Marketable securities are recognized at cost net of provisions. Marketable securities comprise term deposits and treasury shares other than those classified as non-current financial assets. They are held mainly to cover performance share plans or under the liquidity agreement.

Treasury shares are written down when their carrying amount exceeds fair value, determined based on the average stock market price for the last month of the fiscal year.

2.3.6 Deferred expenses – bond issue costs

Bond issue costs and premiums, and commissions and fees relating to bank loans are recognized under assets and taken to income on a straight-line basis over the term of the underlying agreement.

2.3.7 Borrowings, financial instruments and hedging transactions

Borrowings

Borrowings and other financial liabilities are recognized at their reimbursement face value, including accrued interest not yet due. Note 2.3.8 sets out the accounting treatment applied to borrowings denominated in foreign currency.

Derivative instruments – hedging transactions

Klépierre SA subscribes to various derivative contracts such as interest rate and currency swaps and interest rate caps to reduce the exposure of the Company's earnings, cash flows and equity to interest rate and currency fluctuations.

Klépierre SA applies the principles of hedge accounting set out in the French General Chart of Accounts (Articles 628-6 to 628-17) and ANC Regulation no. 2015-05 relating to forward financial instruments and hedging transactions.

Hedging costs (option premiums, balancing payments and other costs) are recognized to match the gains and losses on the hedged item.

Gains and losses arising on hedging transactions are recognized in the income statement to match the recognition of income and expenses of the hedged item. Gains and losses on forward financial instruments (swaps) contracted for the purpose of hedging exposure to changes in interest rates are taken to income at a rate that matches the recognition of the interest expense on the hedged borrowings.

Gains and losses on hedging instruments are classified in the same way as the hedged item and under the same income statement classification (operating or financial income and expenses).

Unrealized gains and losses on hedging transactions arising on the difference between the estimated market value of hedging agreements and their carrying amount at the reporting date are only recognized where doing so ensures matching treatment with the hedged item.

The value in use of an investment in a foreign operation may be hedged up to the equivalent value of the carrying amount in foreign currency. The impact of hedging is taken into account in the calculation of impairment losses on shares.

Gains and losses on foreign exchange derivatives arranged in connection with the hedging of foreign currency loans are taken to income over the hedging period to match gains and losses on the hedged item.

Derivative instruments – transactions not meeting the qualifying criteria for hedging

Transactions that do not qualify for hedge accounting are treated for accounting purposes as "isolated open positions", in accordance with Article no. 628-18 of the French General Chart of Accounts.

Gains and losses arising on these transactions are immediately recognized in the income statement, in financial income and expenses.

Any unrealized gains and losses arising on the difference between the estimated market value of the agreements and their carrying amount at the reporting date are recognized in financial income and expenses, with a contra-entry to provisions. Pursuant to the prudence principle, unrealized gains are not taken to income regardless of the market on which the instrument is traded.

Interest income and expense on these transactions is recognized in financial income and expenses.

2.3.8 Currency translation adjustments – transactions denominated in foreign currency

Receivables and payables denominated in foreign currency are translated at the period end and recognized in local currency based on the latest exchange rate published by Banque de France.

If the application of the exchange rate on the reporting date changes the previously-recognized local currency amounts, any translation differences are recorded under currency translation adjustments.

Unrealized gains ("Currency translation adjustment – liabilities") are not recognized in income but are recorded under liabilities, whereas a provision for contingencies ("Currency translation adjustment – assets") is set aside for unrealized losses to the extent of the unhedged risk.

Payments related to these receivables and payables are compared to the original historical values and give rise to the recognition of foreign exchange gains and losses. These gains and losses are not offset.

2.3.9 Operating income and expenses

Operating income and expenses mainly comprise rents and rebilled expenses. Rents are recognized on a straight-line basis over the term of the lease. Building expenses are rebilled to tenants on payment.

Step-up rents and rent-free periods

Step-up rents and rent-free periods are recognized over the reference period as an adjustment to rental income for each period. The reference period adopted is the first non-cancelable lease term.

Early termination penalties

Tenants who terminate leases prior to the contractual expiration date are liable to pay early termination penalties, which are credited to income for the period in which they are recognized.

Key money

Key money paid by tenants is recognized over the non-cancelable lease term.

Letting fees

Letting, re-letting and renewal fees are recognized as expenses for the fiscal year.

Recognition of income from fixed assets passed on to tenants

Income from fixed assets passed on to tenants is recognized over the firm period of the lease to the extent that the annual amount exceeds €0.4 million per property.

2.3.10 Employee benefits

In accordance with Recommendation no. 2013-02 of November 7, 2013, pension obligations are provided for in full (preferred method) and are valued in accordance with the recommended method in IAS 19 (revised). This is the same accounting treatment that is applied in the consolidated financial statements.

2.3.11 Mergers and similar transactions

Gains and losses arising on merger transactions are determined as the difference between the net financial position of the merged entity and the carrying amount of the shares in the balance sheet of the parent entity.

Technical surpluses

Any gains from these transactions are recognized in financial income to the extent of the share in the merged entity's accumulated retained earnings since the acquisition of its shares. Any surpluses are taken to equity.

Technical losses

Losses arising on mergers that cannot be justified by unrealized gains that are not recognized in the financial statements of the merged entity are recognized in financial income and expenses. Technical losses corresponding to unrealized and unrecognized gains (generally the case for mergers of entities under joint control carried out at book value) are recognized under other property, plant and equipment, intangible assets, non-current financial assets or in a current asset account based on the classification of the unrealized gains on the underlying transferred assets. Technical losses are subject to the same depreciation, amortization and impairment rules as the underlying asset to which they are allocated.

Starting January 1, 2019, the company applies the new regulation no. 2019-06 of November 8, 2019 of the French accounting standard setter (*Autorité des normes comptables* – ANC) (note 2.2).

2.3.12 Tax regime adopted by the Company

Having elected to apply the regime provided for by Article 11 of the French Finance Act of December 30, 2002 ("SIIC" regime applicable to listed real estate companies), Klépierre SA is exempt from income tax on the income stemming from its non-taxable sector activities. In return for tax exemption, Klépierre SA observes the following distribution obligations:

> Distribution of 95% of profits from building lease transactions prior to the end of the fiscal year following the year in which they were made;

> Distribution of 70% of capital gains made on the sale of buildings, investments in companies covered by the provisions of Article 8 of the French Tax Code and with a purpose identical to that of a SIIC or shareholdings in subsidiaries subject to corporate income tax that have elected for the SIIC regime prior to the end of the second fiscal year following the year in which the gains were generated;

> Distribution of all dividends received from subsidiaries having elected for the SIIC regime during the fiscal year following the year in which the dividends were received.

Taxable and exempt income is determined in accordance with the applicable regulations:

> Direct allocation of income and expenses, wherever possible;

> Allocation of overheads pro rata to the income of each sector;

> Allocation of financial expenses pro rata to the gross non-current assets of each sector.

NOTE 3 NOTES TO BALANCE SHEET ASSETS

3.1 Property, plant and equipment and intangible assets

3.1.1 Gross non-current assets

In thousands of euros	Gross amount at 12/31/2018	Acquisitions, new businesses and contributions	Reductions by disposals, retirement of assets	Inter-item transfers	Gross amount at 12/31/2019
INTANGIBLE ASSETS					
Technical merger loss	**184,564**	**-**	**-**	**-**	**184,564**
Other	**21,656**	**-**	**(12,866)**	**-**	**8,790**
Total	206,220	-	(12,866)	-	193,353
PROPERTY, PLANT AND EQUIPMENT					
Land	**85,035**	**-**	**-**	**-**	**85,035**
Structures	**140,962**	**-**	**-**	**3**	**140,965**
Facades, cladding and roofing	**35,673**	**-**	**-**	**211**	**35,884**
General and technical installations	**60,480**	**-**	**-**	**161**	**60,641**
Fittings	**29,483**	**-**	**-**	**1,355**	**30,838**
Property, plant and equipment in progress	**2,256**	**2,449**	**-**	**(1,729)**	**2,976**
Other property, plant and equipment	**83,365**	**-**	**(4,485)**	**-**	**78,880**
> Technical loss on land	76,447	-	-	-	76,447
> Technical loss on structures	2,399	-	-	-	2,399
> Other	4,519	-	(4,485)	-	34
Total	437,254	2,449	(4,485)	-	435,218
TOTAL GROSS NON-CURRENT ASSETS	**643,474**	**2,449**	**(17,351)**	**-**	**628,572**

Technical merger losses allocated to land and structures

Transaction	Date	Underlying assets transferred in the merger or transfer of assets and liabilities	Gross amount
Merger Centre Jaude	06/08/2015	Real estate asset (Centre Jaude shopping center)	46,342
Merger Carré Jaude 2	07/31/2015	Real estate asset (Carré Jaude 2 shopping center)	1,459
Merger Corio SAS	03/13/2017	Real estate asset (Caen Côte de Nacre shopping center)	27,083
Merger Corio SAS	03/13/2017	Real estate asset (Saint-Étienne Centre Deux shopping center)	3,963
TOTAL			**78,847**

Other intangible assets correspond mainly to the unallocated portion of the technical loss from the merger of Corio NV for a gross amount of €184.6 million. This technical loss was written down in full at the end of the 2015 fiscal year.

Property, plant and equipment in progress mainly corresponds to investment expense related to work on the Clermont Jaude, Tourville la Rivière and Metz Saint-Jacques shopping centers.

3.1.2 Depreciation, amortization and impairment

In thousands of euros	Depreciation and amortization at 12/31/2018	Additions	Disposals	Inter-item transfers	Depreciation and amortization at 12/31/2019
INTANGIBLE ASSETS					
Technical merger loss	**184,564**	**-**	**-**	**-**	**184,564**
Other	**21,656**	**-**	**(12,866)**	**-**	**8,789**
Total	**206,220**	**-**	**(12,866)**	**-**	**193,353**
PROPERTY, PLANT AND EQUIPMENT					
Structures	**48,000**	**2,982**	**-**	**-**	**50,982**
Facades, cladding and roofing	**15,521**	**1,286**	**-**	**-**	**16,807**
General and technical installations	**29,372**	**2,537**	**-**	**-**	**31,909**
Fittings	**13,612**	**1,741**	**-**	**-**	**15,353**
Other property, plant and equipment	**4,604**	**55**	**(4,485)**	**-**	**175**
> Technical loss on land	-	-	-	-	-
> Technical loss on structures	100	55	-	-	155
> Other	4,504	-	(4,485)	-	19
Total	**111,109**	**8,601**	**(4,485)**	**-**	**115,225**
TOTAL DEPRECIATION AND AMORTIZATION	**317,329**	**8,601**	**(17,351)**	**-**	**308,579**

In thousands of euros	Impairment at 12/31/2018	Additions	Reversals	Inter-item transfers	Impairment at 12/31/2019
PROPERTY, PLANT AND EQUIPMENT					
Land	15,240	886	(1,216)	-	14,910
Structures	5,347	556	-	-	5,903
TOTAL IMPAIRMENT	**20,587**	**1,442**	**(1,216)**	**-**	**20,813**
TOTAL DEPRECIATION AND IMPAIRMENT	**337,916**	**10,043**	**(18,567)**	**-**	**329,392**

Year-on-year changes in property, plant and equipment mainly reflect the €0.5 million impairment of the Metz Saint-Jacques shopping center and the €0.7 million write down of a plot of land at Tourville-la-Rivière, as well as a €1.1 million impairment reversal on a plot of land in Cholet. Obsolete software that had been amortized in full was retired from the balance sheet.

3.1.3 Net non-current assets

In thousands of euros	Net amount at 12/31/2018	Increases net of depreciation, amortization and impairment	Decreases net of reversals	Inter-item transfers	Net amount at 12/31/2019
INTANGIBLE ASSETS					
Technical merger loss	**-**	**-**	**-**	**-**	**-**
Other	**-**	**-**	**-**	**-**	**-**
Total	**-**	**-**	**-**	**-**	**-**
PROPERTY, PLANT AND EQUIPMENT					
Land	**69,795**	**(886)**	**1,216**	**-**	**70,125**
Structures	**87,615**	**(3,538)**	**-**	**3**	**84,080**
Facades, cladding and roofing	**20,152**	**(1,286)**	**-**	**211**	**19,077**
General and technical installations	**31,108**	**(2,537)**	**-**	**161**	**28,732**
Fittings	**15,871**	**(1,741)**	**-**	**1,355**	**15,485**
Property, plant and equipment in progress	**2,256**	**2,449**	**-**	**(1,729)**	**2,976**
Other property, plant and equipment	**78,761**	**(55)**	**-**	**-**	**78,705**
> Technical loss on land	76,447	-	-	-	76,447
> Technical loss on structures	2,299	(55)	-	-	2,244
> Other	15	-	-	-	15
Total	**305,558**	**(7,594)**	**1,216**	**-**	**299,180**
TOTAL NET NON-CURRENT ASSETS	**305,558**	**(7,594)**	**1,216**	**-**	**299,180**

3.2 Non-current financial assets

3.2.1 Equity investments

In thousands of euros	
GROSS EQUITY INVESTMENTS AT BEGINNING OF YEAR	**9,753,245**
Acquisitions of shares	**278,820**
> Received in consideration of equity investments	-
> Purchases, capital increases and contributions	278,820
Decreases in shares	**(21,318)**
> Decreases, capital reductions and contributions	(21,318)
Disposals and transfers of shares	**(91,389)**
> Cancellation of shares	(83,290)
> Sales of shares	(8,099)
Technical losses on equity investments	**28,036**
GROSS EQUITY INVESTMENTS AT END OF YEAR	**9,947,394**

Acquisitions of shares mainly correspond to:

- Capital increases at Klépierre Grand Littoral SAS for €155 million and Klé1 SAS for €16 million;
- Acquisition of shares in Secar SC for €80.2 million;
- The value of shares in companies transferred by Klécar Europe Sud SCS for €26.3 million, including €16.7 million for Klécar Foncier Iberica SL and €6.7 million for Klépierre Athinon SA.

Decreases in shares mainly correspond to the capital decrease at Klémurs SAS for €21.3 million.

Disposals and transfers of shares mainly correspond to:

- The cancellation of shares following the merger of all assets and liabilities of Klécar Europe Sud SCS into Klépierre SA for €76.6 million;
- The cancellation of shares following the liquidation of Klépierre Athinon SA for €6.7 million;
- The disposal of shares in Hungary-based Klépierre Management Magyarorszag Kft, for €7.9 million.

The technical loss arising on the merger of Klécar Europe Sud SCS was allocated to the shares of Klécar Foncier Iberica SL in an amount of €28 million, recognized in "Technical loss on equity investments".

During the period Klefin Italia SPA was merged into Corio Italia Srl, this merger was carried out without exchange of shares. As it was a merger without exchange of shares, the gross book value of Klefin Italia SPA shares (€125.6 million) was added to the gross book value of Corio Italia Srl shares.

Impairment of equity investments

In thousands of euros	Impairment at 12/31/2018	Additions	Reversals	Mergers	Impairment at 12/31/2019
Non-current financial assets					
Investments	798,916	521,076	(19,668)	9,081	1,309,405
TOTAL IMPAIRMENT	**798,916**	**521,076**	**(19,668)**	**9,081**	**1,309,405**

Impairment of equity investments mainly corresponds to:

- Impairment losses recognized during the year concerning:
  - Klépierre Nederland BV for €292.6 million,
  - Klépierre Grand Littoral SAS for €89.4 million,
  - Klécar Foncier Iberica SL for €41.4 million,
  - Klépierre Berlin GmbH for €18.8 million,
  - Corio Real Estate SL for €18.2 million,
  - Akmerkez Gayrimenkul for €17.1 million,
  - Centre Bourse SNC for €9 million,
  - Klépierre Massalia SAS for €6.2 million,
  - Reluxco International SA for €4.2 million,
  - Principe Pio Gestion SA for €3.3 million,
  - Plateau des Haies SNC for €3.3 million,
  - Mob SCI for €4.1 million,
  - Klépierre Échirolles SNC for €2.6 million,
  - Klépierre Management Portugal SA for €2.5 million,
  - Centre Deux SNC for €2.3 million,
  - Maya SNC for €2.1 million.
- Reversals of impairment losses on the shares of:
  - Klécar Foncier España SL for €5.8 million,
  - Klépierre Berlin Leasing GmbH for €3 million,
  - Klé Projet 1 SAS for €2.8 million.
- Impairment of equity investments recognized at the time of the merger with Klécar Europe Sud SCS mainly concerns Klépierre Athinon SA for €6.7 million (reversed on liquidation of the company during the year) and Klépierre Foncier Macedonia SA for €2 million.

Financial information on subsidiaries and investments

Financial information on subsidiaries and investments *In thousands of euros*	**Share capital**	**Shareholders equity other than share capital and net income**	**% interest**	**Net income at year end**	**Pre-tax revenues**	**Gross book value**	**Net book value**	**Guarantees and sureties given**	**Loans and advances granted**	**Dividends received**
1. SUBSIDIARIES MORE THAN 50% OWNED										
Ayam SNC	3	-	90	437	-	8,029	6,168	-	1,622	-
Bègles d'Arcins SCS	26,679	18,821	52	10,116	23,086	44,991	44,991	-	50,349	-
Bègles Papin SNC	765	6,871	100	417	2,026	7,636	7,636	-	12,677	-
Bresta I BV	23	12	100	(29)	-	21,088	6	-	-	-
Caétoile SNC	3	40,865	90	6,967	11,111	152,582	152,582	-	5,709	4,989
Capucine BV	39,494	340,928	100	54,754	-	515,979	515,979	-	-	-
Cécoville SAS	3,286	179,566	100	8,258	37,419	256,588	256,588	-	86,667	3,448
Centre Bourse SNC	3,813	-	100	691	3,800	47,419	13,852	-	31,293	-
Centre Deux SNC	3	31,675	90	4,003	7,840	82,913	72,229	-	-	2,644
Combault SNC	778	6,984	100	4,836	1,538	7,762	7,327	-	2,708	-
Corio et Cie SNC	503	10,128	100	1,255	-	40,205	40,205	-	-	-
Corio Italia SRL	62,390	54,814	100	(17,071)	-	1,144,425	1,144,425	-	1,122,061	-
Corio Real Estate España SL	54,437	13,402	100	5,175	18,024	262,059	164,344	-	40,716	19,279
Dense SNC	3	19,284	90	4,848	7,801	83,010	83,010	-	13,257	2,219
Financière Corio SAS	3	(360)	100	13	-	1,200	-	-	53,432	-
Foncière de Louvain-la-Neuve SA	12,062	(21,571)	100	4,107	-	12,061	12,061	-	47,437	-
Galerie du livre SAS	76	1,986	100	97	169	6,309	6,309	-	-	127
Galeria Commerciale Klépierre SRL	1,560	41,611	100	776	4,136	41,052	41,052	-	2,800	-
Galeries Drancéennes SNC	4	600	100	1,836	4,123	58,341	22,990	-	10,413	-
Le Havre Colbert SNC	80	9,947	100	743	1,503	10,026	10,026	-	3,406	-
Holding Gondomar 1 SAS	5,085	24,358	100	2,831	5,902	64,739	64,739	-	8,684	2,615
Holding Gondomar 3 SAS	835	6,432	100	495	-	8,021	8,021	-	-	523
Klé 1 SAS	8,785	36,102	100	9,107	133	98,166	98,166	-	52,000	2,552
Klecab SCI	450	1,350	100	133	452	1,800	1,800	-	1,633	-
Klé Projet 1 SAS	3,754	17,597	100	2,576	1,281	37,201	31,188	-	10,348	-
Kleber Odysseum SCI	743	77,273	100	5,029	-	78,016	78,016	-	40,187	-
Klécar Foncier España SL	250	1,710	100	6,429	13,393	192,735	160,983	9,422	39,226	5,478
Klécar France SNC	333,086	-	83	40,502	2,609	455,060	455,060	-	6,996	-
Klécar Foncier Iberica SL	251	50	100	662	320	46,316	4,067	-	-	185,500
Klécar Participations Italie SAS	20,456	2,073	83	114	-	17,587	17,587	-	57,746	1,881
Klémurs SAS	118,015	119,130	100	13,640	27,533	305,942	305,942	-	-	23,065
Klépierre Alpes SAS	153	46,026	100	8,751	19,371	232,597	232,597	-	37,021	2,193
Klepierre Beleggingen I BV	18	(2)	100	(28)	-	2,348	-	-	-	-
Klepierre Berlin GmbH	25	110,995	95	(5,569)	11,457	122,199	72,840	-	209,945	-
Klepierre Berlin leasing GmbH	25	3,115	100	152	5,888	4,447	3,036	-	14,399	-
Klépierre Conseil SAS	1,108	5,622	100	557	616	7,934	7,934	-	118	650
Klépierre Créteil SCI	21,073	28,979	100	(533)	5,041	75,624	52,221	-	27,222	-
Klépierre Échirolles SNC	3	(1,771)	100	(620)	177	6,566	3,979	-	15,130	-
Klépierre Foncier Macedonia SA	190	(14,044)	100	133	1,032	1,999	-	-	18,958	-
Klépierre Grand Littoral SAS	69,427	26,518	100	(37,757)	15,647	360,115	65,582	-	61,000	-
Klépierre Finance SAS	38	(809)	100	(354)	545	38	-	-	-	-
Klepierre Management Ceska Republika SRO	118	186	100	(497)	2,268	10,500	9,355	-	-	578
Klepierre Management Deutschland GmbH	25	(10,431)	100	1,402	10,638	25	25	-	12,859	-
Klepierre Management Espana SL	205	1,792	100	1,639	12,240	37,862	37,862	582	-	1,240
Klépierre Management Hellas SA	48	(23)	100	(180)	144	1,597	-	-	-	-
Klepierre Management Polska SPZOO	12	1,122	100	(63)	3,363	10,900	10,900	-	-	754
Klepierre Management Portugal SA	200	448	100	495	2,936	16,965	8,883	-	-	-
Klépierre Management SNC	1,682	11,131	100	5,493	100,486	136,473	136,473	1,208	-	-
Klépierre Massalia SAS	10,864	(315)	100	(6,118)	-	13,208	3,932	-	8,987	-
Klépierre NEA Efkarpia SA	90	(576)	100	35	173	240	-	-	1,657	-
Klépierre Nederland BV	136,182	1,267,138	100	21,184	-	1,888,564	1,548,890	350,000	448,308	326,175
Klépierre Nordica BV	377,640	310,068	100	60,173	-	675,657	675,657	-	-	-

Financial information on subsidiaries and investments *In thousands of euros*	**Share capital**	**Shareholders equity other than share capital and net income**	**% interest**	**Net income at year end**	**Pre-tax revenues**	**Gross book value**	**Net book value**	**Guarantees and sureties given**	**Loans and advances granted**	**Dividends received**
Klépierre Perivola Patras SA	674	(174)	100	157	780	675	675	-	4,005	-
Klépierre Plenilunio Socimi SA	5,000	42,659	100	14,957	26,071	234,433	234,433	-	86,026	9,185
Klépierre Procurement International SNC	3,693	-	100	(7,698)	(2,522)	3,693	3,517	-	-	-
Klépierre Vallecas SA	60	69,590	100	15,003	24,408	248,900	248,900	-	95,045	13,066
Klé start SAS	5	(866)	100	(10)	-	5	-	-	862	-
Les Portes de Chevreuse SNC	2	(17,081)	99	(281)	-	-	-	-	16,163	-
LP 7 SAS	45	67	100	(14)	-	380	113	-	-	-
Maya SNC	3	-	90	1,385	-	33,596	31,454	-	4,733	-
Mob SCI	-	(873)	100	40	108	4,104	-	-	-	-
Nancy Bonsecours SCI	3,054	3,053	100	(141)	-	6,565	6,329	-	1,728	-
Nueva Condo Murcia SLU	6,949	106,473	100	8,888	18,910	174,068	174,068	-	27,581	7,234
Pasteur SC	227	1,738	100	(5,554)	3,261	2,091	2,091	2,427	27,125	-
Portes de Claye SCI	56,262	170,318	55	(1,521)	16,268	124,619	124,619	-	-	-
Principe Pio Gestion SA	7,212	35,070	100	8,024	16,082	180,000	169,757	-	-	6,434
Progest SAS	7,703	25,462	100	16,981	1,072	116,055	116,055	-	24,318	3,110
Reluxco International SA	730	11,450	100	11,844	-	122,080	1,306	-	106,807	-
Sagep SAS	329	1,503	100	111	4,119	28,004	3,848	-	29,630	-
Saint Maximin Construction SCI	2	-	55	44	46	524	341	-	-	-
Sanoux SCI	14	(11,458)	75	1,031	7,532	-	-	-	-	-
SCOO SC	25,215	341,678	54	19,512	54,187	207,856	207,856	-	-	-
Sécovalde SCI	12,189	115,929	55	24,268	49,810	92,482	92,482	-	76,366	-
Soaval SCS	4,501	33,343	99	8,228	28,050	42,046	42,046	-	58,403	-
Sodévac SNC	2,918	26,245	100	2,675	6,378	29,163	29,163	-	4,282	-
Total I				**339,969**	**620,783**	**9,366,459**	**8,186,572**	**363,640**	**3,120,042**	**624,939**
2. INVESTMENTS BETWEEN 10% AND 50% OWNED										
Akmerkez Gayrimenkul Yatirim Ortakligi AS	5,575	20,691	47	11,332	-	234,605	110,102	-	-	6,601
Du Bassin Nord SCI	103,889	41,634	50	(19,518)	14,802	72,762	72,762	-	-	-
Cecobil SCS	5,122	10,165	50	9,491	18,338	7,642	7,642	-	15,005	-
Klepierre Köln Holding GmbH	25	2,848	10	(153)	-	2,703	1,691	-	-	
Forving SARL	11	28	26	(1)	-	682	379	-	-	-
Klepierre Brand Ventures SNC	330	-	49	2,629	11,578	490	154	-	-	-
Klepierre Management Slovensko SRO	7	25	15	59	269	4	4	-	-	15
Le Havre Lafayette SNC	525	9	50	2,457	5,728	1,702	1,702	-	6,304	-
Le Havre Vauban SNC	300	5	50	(1,703)	511	463	463	-	3,917	-
Odysseum Place de France SNC	97,712	-	50	10,001	21,991	49,004	49,004	4,074	45,025	-
Plateau des Haies SNC	3	-	12	34,969	680	3,253	-	-	-	-
Secar SC	9,150	-	10	29,829	50,332	80,212	80,212	-	3,085	-
Solorec SC	4,869	2,768	49	28,961	45,921	124,104	124,104	-	74,913	-
Ucgen bakim ve yonetim hizmetleri A	-	-	10	-	-	16	-	-	-	9
Total II				**108,351**	**170,152**	**577,642**	**448,219**	**4,074**	**148,249**	**6,626**
3. INVESTMENTS LESS THAN 10% OWNED										
Du Plateau SCI	-	-	4	2,328	3,053	895	895	-	-	-
Kle Arcades SC	10	-	-	152	366	-	-	-	-	-
Klepierre Gayrimenkul Yönetimi ve Yatrim Ticaret AS	84 776	(71,141)	1	(3,158)	16,595	760	683	-	-	-
La Rive SCI	2	2,950	2	3,843	4,680	709	709	-	-	-
La Rocade Ouest SCI	383	-	8	757	1,226	908	908	-	-	-
Miratur Turizm Insaat ve Ticaret AS	1 648	824	-	(95)	1,576	21	3	-	-	-
Valdebac SCI	1 324	11,916	-	222	250	-	-	-	-	-
Total III				**4,049**	**27,746**	**3,293**	**3,198**	**-**	**-**	**-**
GRAND TOTAL I + II + III				**452,369**	**818,681**	**9,947,394**	**8,637,989**	**367,713**	**3,268,291**	**631,565**

3.2.2 Advances to equity investments

In thousands of euros	12/31/2019	12/31/2018
Advances to equity investments	4,566,347	4,784,749
Accrued interest on advances	88,596	109,699
Share of net income and dividends	153,718	255,200
Impairment of advances to equity investments	(30,586)	(24,945)
TOTAL	**4,778,075**	**5,124,703**

Changes in advances to equity investments are mainly attributable to:

- Increases in advances for the following entities:
  - Klépierre Grand Littoral SAS for €61 million,
  - Corio Italia Srl for €50.4 million,
  - Solorec SC for €31.3 million,
  - Klépierre Foncier Macedonia SA for €19 million,
  - Secovalde SCI for €14.1 million,
  - Financière Corio SAS for €12.1 million,
  - Centre Bourse SNC for €10.1 million,
  - Klépierre Alpes SAS for €9.7 million,
  - Bègles Papin SCI for €8.4 million,
  - Klépierre Massalia SAS for €7.6 million,
  - Klépierre Berlin GmbH for €6.1 million;
- Decreases in the advances for the following entities:
  - Klépierre Nederland BV for €333.3 million,
  - Capucine BV for €83.4 million,
  - Reluxco International SA for €46 million,
  - Klépierre Plénilunio Socimi SA for €18.2 million,
  - Klépierre Corvin Kft further to its disposal, for €16.9 million.

Impairment of advances to equity investments chiefly concern Les Portes de Chevreuse SNC for €16.4 million and Klépierre Foncier Macedonia SA for €12.6 million.

3.2.3 Other non-current financial assets

In thousands of euros	12/31/2018	Increases	Decreases	12/31/2019
Treasury shares (buyback of shares in view of their subsequent cancellation)	500,000	299,842	(416,656)	383,186
Treasury shares (external growth transactions)	18,348	-	(4,014)	14,334
Deposits paid	44	-	(44)	-
TOTAL	**518,392**	**299,842**	**(420,714)**	**397,520**

Buybacks of shares in view of their subsequent cancellation amounted to €383 million at December 31, 2019. At the reporting date, no unrealized capital losses had been recorded on these shares.

Treasury shares acquired to be transferred to the seller as part of external growth transactions totaled €14.3 million.

3.3 Trade and other receivables

Receivables amounted to €24.5 million, including €16.9 million in trade receivables and €7.7 million in other receivables. The bulk of trade receivables are due in less than one year.

Other receivables break down as follows:

In thousands of euros	12/31/2019	12/31/2018
Tax receivables	**2,616**	**3,046**
> VAT	1,665	1,435
> Other taxes and duties	951	1,611
Deferral of payment on swaps	**3,115**	**52,794**
Other receivables	**1,933**	**3,091**
TOTAL	**7,664**	**27,947**

Other taxes and duties mainly relate to CICE tax credits for 2016, 2017 and 2018, in an amount of €0.9 million.

Other receivables mainly correspond to outstanding work to be rebilled to tenants with respect to the renovation of the Clermont Jaude Center.

Other receivables break down as follows by maturity:

In thousands of euros	Total	Less than one year	One to five years	More than five years
Tax receivables	**2,616**	**1,974**	**642**	**-**
> VAT	1,665	1,665	-	-
> Other taxes and duties	951	309	642	-
Deferral of payment on swaps	**3,115**	**3,115**	**-**	**-**
Other receivables	**1,933**	**1,933**	**-**	**-**
TOTAL	**7,664**	**7,022**	**642**	**-**

3.4 Marketable securities and treasury shares

Marketable securities amounted to €60 million, of which:

- €30.4 million in treasury shares held in connection with the liquidity agreement and performance share plans;
- €30 million in term deposits.

Information on treasury shares

At December 31, 2019, the Company held a total of 13,928,025 treasury shares (4.60% of shares in issue), with a carrying amount of €427.9 million (see notes 3.2.3 and 3.4).

These treasury shares are allocated as follows:

- 11,200 shares held to cover the 2016 performance share plan;
- 269,734 shares held to cover the 2017 performance share plan;
- 286,034 shares held to cover the 2018 performance share plan;
- 310,800 shares allocated on May 6 and October 31, 2019 to the 2019 performance share plan;
- 34,752 shares held to cover future performance share plans;
- 706,442 shares held to cover external growth transactions, recognized in non-current financial assets (see note 3.2.3);
- 12,309,063 shares acquired in view of their subsequent cancellation as part of the share buyback program, recognized in non-current financial assets (see note 3.2.3).

2,098,012 treasury shares held under the liquidity agreement were sold during 2019, resulting in a net profit of €1.4 million.

3.5 Prepaid expenses – deferred expenses

In thousands of euros	12/31/2019	12/31/2018
Prepaid expenses	**98**	**145**
Deferred expenses	**16,814**	**18,132**
> Bond issue costs	12,451	12,024
> Bank loan issue costs	4,363	6,109
Bond premiums	**20,648**	**16,153**
TOTAL	**37,560**	**34,430**

These refinancing transactions are described in note 4.3.

NOTE 4 NOTES TO BALANCE SHEET LIABILITIES

4.1 Shareholders' equity

In thousands of euros	12/31/2018	Appropriation of profit	Distribution	Other	12/31/2019
Share capital[a]	**440,098**	**-**	**-**	**(16,369)[b]**	**423,730**
Additional paid-in capital from share issues, mergers and contributions					
> Issue premiums	4,906,585	-	-	(400,287)[b]	4,506,298
> EOC issue premiums	174,012	-	-	-	174,012
> Contribution premiums	259,318	-	-	-	259,318
> Merger premiums	310,095	-	(125,464)	-	184,631
Technical merger surplus	124,589	-	(124,589)	-	-
Share cancellation premium	18,557	-	(18,557)	-	-
Legal reserve	44,010	-	-	-	44,010
Other reserves					
> Untaxed reserves	-	-	-	-	-
> Other reserves	-	-	-	-	-
Retained earnings	**26,757**	**350,224**	**(376,980)**	**26,132[c]**	**26,133**
Net income/(loss) for the year	**350,224**	**(350,224)**	**-**	**317,739**	**317,739**
TOTAL	**6,654,244**	**-**	**(645,590)**	**(72,785)**	**5,935,870**
(a) Composition of share capital					
Ordinary shares	*314,356,063*			*(11,691,968)*	*302,664,095*
Par value (in €)	*1.40*				*1.40*

(b) Capital decrease by the cancellation of 11,691,968 shares.
(c) The increase in retained earnings corresponds to the €26.1 million in dividends relating to allocated treasury shares.

On February 20, 2019, June 20, 2019 and December 17, 2019, the Company canceled a total of 11,691,968 shares acquired in 2017 and 2018 under the March 13, 2017 share buyback program (note 3.2.3). Pursuant to these transactions, the share capital was reduced to €423.7 million and issue premiums to €4,506.3 million.

In accordance with the resolutions approved by the General Meeting of Shareholders on April 16, 2019, the Company distributed a total amount of €645.6 million in the form of dividends (including dividends payable on treasury shares). The dividend distribution included €350.2 million in respect of 2018 net income, €26.8 million in retained earnings, €125.5 million in merger premiums, €124.6 million in merger surpluses and €18.6 million in share cancellation premiums.

Dividends payable on treasury shares were allocated to retained earnings in an amount of €26.1 million.

4.2 Provisions for contingencies and losses

In thousands of euros	12/31/2018	Additions	Reversals	Merger	12/31/2019
Other provisions for contingencies and losses	75,789	16,031	72,621	2	19,202
TOTAL	**75,789**	**16,031**	**72,621**	**2**	**19,202**

Additions for the period are mainly attributable to provisions for performance share plans in the amount of €13.4 million.

Reversals for the period mainly concern provisions set aside for negative equity of investments in respect of Klépierre Grand Littoral SAS for €45.2 million following its recapitalization, and for performance shares plans in an amount of €25.2 million.

4.3 Loans and borrowings

In thousands of euros	12/31/2019	12/31/2018
Bonds	**6,057,238**	**5,732,276**
> Principal	5,983,211	5,657,811
> Accrued interest[(a)]	74,027	74,465
Bank loans and borrowings	**4,031**	**7,967**
> Credit facilities	-	-
> Accrued interest on credit facilities	764	759
> Bank overdrafts	505	4,382
> Accrued interest on swaps	2,763	2,826
Other loans and borrowings	**2,551,824**	**2,569,935**
> Security deposits and guarantees received	5,137	5,138
> Cash pooling	1,021,628	1,042,576
> Accrued interest on cash pooling	549	295
> Commercial paper	1,500,000	1,500,000
> Share in net income	24,511	21,927
TOTAL	**8,613,094**	**8,310,178**

(a) Coupon payable annually depending on the due date of the loan.

Klépierre issued €600 million worth of new 11-year notes during the year (settlement on July 1, 2019) bearing a 0.625% coupon.

The purpose of this issuance was to pre-finance the redemption of the shortest bonds maturing in 2019, in an amount of €274.6 million, and to finance the reimbursement of the bonds maturing in 2020.

The maturity dates of borrowings were as follows as of December 31, 2019:

In thousands of euros	Total	Less than one year	One to five years	More than five years
Bonds	**6,057,238**	**624,027**	**2,328,211**	**3,105,000**
> Principal	5,983,211	550,000[(a)]	2,328,211[(b)]	3,105,000[(c)]
> Accrued interest	74,027	74,027	-	-
Bank loans and borrowings	**4,031**	**4,031**	**-**	**-**
> Credit facilities	-	-	-	-
> Accrued interest on credit facilities	764	764	-	-
> Bank overdrafts	505	505	-	-
> Accrued interest on swaps	2,763	2,763	-	-
Other loans and borrowings	**2,551,824**	**2,546,688**	**-**	**5,137**
> Security deposits and guarantees received	5,137	-	-	5,137
> Cash pooling	1,021,628	1,021,628	-	-
> Accrued interest on cash pooling	549	549	-	-
> Commercial paper	1,500,000	1,500,000	-	-
> Share in net income	24,511	24,511	-	-
TOTAL	**8,613,094**	**3,174,746**	**2,328,211**	**3,110,137**

(a) April 2020: €300,000,000, August 2020: €250,000,000.
(b) February 2021: €298,811,000, March 2021: €564,400,000, December 2022: €85,000,000, April 2023: €750,000,000, November 2024: €630,000,000.
(c) October 2025: €255,000,000, February 2026: €500,000,000, February 2027: €600,000,000, May 2027: €50,000,000, July 2030: €600,000,000, September 2031: €600,000,000, December 2032: €500,000,000.

4.4 Trade payables

On average, suppliers are paid within approximately 26 days of receipt of the related invoice.

In order to improve the readability of the balance sheet, advances and payments on invoices relating to charges on buildings are now presented as a deduction from trade payables.

4.5 Accrued taxes and payroll costs

In thousands of euros	12/31/2019	12/31/2018
Payroll and other	1,978	1,756
Other taxes	4,075	4,221
TOTAL	**6,053**	**5,977**

In 2019, "Other taxes" mainly correspond to income tax payables for €1.9 million and tax credits for €0.3 million, accrued payroll taxes in an amount of €1.1 million and output VAT for €0.8 million.

4.6 Other payables

In thousands of euros	12/31/2019	12/31/2018
Discounts granted to customers	175	396
Deferral of payment on swaps	15	27
Other	4,968	7,520
TOTAL	**5,158**	**7,943**

Most of these payables are due in less than one year.

"Other" mainly includes operating payables on service charges and payables on equity investments.

4.7 Prepaid income

In thousands of euros	12/31/2019	12/31/2018
Prepaid income	**8,570**	**11,677**
> Deferral of bond issue premiums	5,246	8,739
> Key money	277	425
> Other	3,047	2,512
TOTAL	**8,570**	**11,677**

Other prepaid income mainly corresponds to the recognition of deferred interest income on commercial paper for €1.6 million and the recognition of income from capital expenditure rebilled to tenants for €1.5 million.

4.8 Currency translation adjustment – liabilities

Currency translation adjustments recorded under liabilities correspond to the cumulative foreign exchange gains realized on currency swaps hedging USD exposure in connection with Akmerkez's Turkish assets for an amount of €7.1 million.

NOTE 5 NOTES TO INCOME STATEMENT ITEMS

5.1 Net operating income

Net operating income for 2019 climbed €6.2 million year on year to €0.2 million, attributable mainly to higher rental income and lower external purchases and expenses. In 2018, this item included upfront costs incurred on an abandoned acquisition opportunity.

5.2 Share of income from joint operations

This item amounted to €127.7 million in 2019, and mainly included:

- The Company's share of 2018 net income in Cécobil SCS, Soaval SCS and Bègles Arcins SCS for €18.4 million, which was distributed in accordance with the decisions of the shareholders of the limited partnerships;
- The Company's share of 2019 net income in Klécar France SNC for €33.6 million, Solorec SCI for €14.3 million, Secovalde SCI for €13.3 million, and SCOO SC for €10.4 million;
- The Company's share of the 2019 net losses recorded at Bassin Nord SCI, Klépierre Procurement International SNC and Pasteur SC.

5.3 Net financial income

The Company recorded net financial income of €221.4 million for the year ended December 31, 2019, compared to net financial income of €183.9 million for the year ended December 31, 2018.

5.3.1 Financial income

In thousands of euros	12/31/2019	12/31/2018
Income from equity investments	673,828	409,610
Interest on advances to associates	122,795	143,698
Bank interest on loans[(a)]	3,882	3,107
Interest on current accounts and deposits[(a)]	27	233
Other financial income	19,294	5,264
Reversal of financial provisions	89,987	109,017
Transferred financial expenses	2,670	3,040
Income from swaps not qualifying for hedge accounting[(a)]	2,616	2,915
Other foreign exchange gains	570	1,695
TOTAL FINANCIAL INCOME	**915,670**	**678,579**

(a) Gains and losses on swaps, borrowings and cash pools are netted.

Income from equity investments mainly corresponds to dividends in respect of 2018 received during the year from the following subsidiaries: Corio Real Estate SL, Klépierre Vallecas SA, Klépierre Plenilunio Socimi SA, SC Nueva Condo Murcia SL, Principe Pio Gestion SA, Klecar Foncier España SL, Caétoile SNC, Cécoville SAS and other miscellaneous subsidiaries. This item also includes distributions of premiums and reserves for €570.2 million.

Other financial income amounted to €19.3 million and mainly included provisions for rebilling performance share plans not yet vested to Group employees for €11.2 million, the deferral of issue premiums received on bonds for €3.5 million and financial guarantee fees for €1.7 million.

Reversals of financial provisions primarily correspond to reversals of provisions for equity investments in an amount of €68.1 million.

In 2019, transferred financial expenses comprise costs incurred in connection with the July 1, 2019 bond issue.

5.3.2 Financial expenses

In thousands of euros	12/31/2019	12/31/2018
Interest on bonds	133,427	134,660
Interest on current accounts and deposits [(a)]	1,430	2,188
Swap-related and other hedging instrument expenses[(a)]	7,595	22,381
Other financial expenses	9,113	14,910
Amortization of bond premiums	2,579	2,321
Amortization of loan issue costs	4,109	6,370
Additions to financial provision	535,493	310,148
Other foreign exchange losses	542	1,660
Net expense from disposals of marketable securities	-	9
TOTAL FINANCIAL EXPENSES	**694,288**	**494,646**

(a) Gains and losses on swaps, borrowings and cash pools are netted.

Interest on current accounts and deposits mainly corresponds to interest from cash pooling arrangements with Klépierre Finance SAS for a net amount of €1.4 million.

In 2019, the net expense on interest rate swaps and other hedging transactions corresponds to:

- The deferral of premiums and balancing payments on swaps and hedging instruments, representing a net expense of €30.4 million;
- Net gains of €22.8 million on interest rate swaps qualifying as hedges.

Other financial expenses mainly correspond to commissions on borrowings for €8.7 million.

Additions to financial provisions primarily correspond to provisions for equity investments in an amount of €522.9 million (see note 3.2.1).

5.4 Non-recurring income and expense

In thousands of euros	12/31/2019	12/31/2018
Gains and losses on disposals of equity investments	(14,961)	(77)
Gains and losses on disposals of treasury shares	(29)	(1,521)
Other non-recurring income and expenses	(2,067)	(465)
Reversals of provisions and impairment	10,448	-
Transferred non-recurring expenses	539	-
TOTAL	**(6,070)**	**(2,063)**

Gains and losses on disposals of equity investments includes the disposal of shares held in Klépierre Management Magyarorszag Kft and Klépierre Trading Kft, as well as the loss on liquidation of Klépierre Athinon SA, which was offset by the reversal of the corresponding provision (€6.7 million).

Other non-recurring expenses include mainly the costs of retiring software from the balance sheet for €3.4 million, offset by the reversal of the corresponding provision.

5.5 Income tax

In thousands of euros	12/31/2019	12/31/2018
Income tax and contributions	(2,000)	2,636
TOTAL	**(2,000)**	**2,636**

In 2019, taxable income generated in the non-SIIC sector gave rise to income tax expense of €1.9 million. The company has tax loss carryforwards, a portion of which were utilized during the period.

In 2018, this item included the additional 3% dividend tax refund (in respect of 2014) and corresponding interest.

NOTE 6 NOTES TO OFF-BALANCE SHEET COMMITMENTS

6.1 Reciprocal commitments relating to hedging instruments

As of December 31, 2019, Klépierre SA holds a portfolio of interest-rate hedging instruments to hedge a portion of current and future debt on the basis of the total funding requirements and corresponding terms set out in the Group's financing policy.

The fair value of derivative instruments is measured on the basis of data communicated by the company's partners as of December 31, 2019.

Changes in the value of swaps that do no qualify for hedge accounting are recognized in the balance sheet. No provisions for unrealized losses were recognized at December 31, 2019.

Interest rate derivatives

	12/31/2019	
Interest rate derivatives *In thousands of euros*	**Notionals by type of instrument**	**Fair values excluding accrued interest** *(net by type of instrument)*
Fixed payer swaps – hedging transactions	1,150,000	(2,512)
Fixed receiver swaps – hedging transactions	2,064,400	41,871
Swaps – not qualifying for hedge accounting ("isolated open position")	200,000	38
Swaptions	700,000	227
Caps	2,070,330	104

Impact on income

Interest booked *In thousands of euros*	12/31/2019	
	Income	**Expenses**
Fixed payer swaps – hedging transactions	1,033	4,255
Fixed receiver swaps – hedging transactions	30,118	4,064
Swaps – not qualifying for hedge accounting ("isolated open position")	7,769	5,153

6.2 Other commitments

In thousands of euros	12/31/2019	12/31/2018
COMMITMENTS GIVEN		
Financial guarantees given	373,172	373,819
Other commitments given	15,080	17,045
TOTAL	**388,252**	**390,864**
COMMITMENTS RECEIVED		
Deposits received from tenants	1,161	1,031
Financing commitments received from financial institutions	1,950,000	1,750,000
Commitments on sale of buildings	48,700	-
TOTAL	**1,999,861**	**1,751,031**

Financial guarantees given mainly concern a parent company guarantee granted to a bank in relation to a loan contracted by a subsidiary.

Shareholders' agreements in respect of Bègles Arcins SCS

This agreement was entered into between Klépierre and Assurécureuil Pierre 3 on September 2, 2003, and contains provisions relating to the governance of the company, and the customary protections in the event of proposed share sales, as well as a dispute resolution clause.

Shareholders' agreement between the Klépierre Group and the main shareholders of Akmerkez (Turkish listed company)

Entered into in 2005, this agreement contains provisions governing relations between shareholders, including the composition of the Board of Directors, particularly the number of representatives of each shareholder on the Board. It also contains provisions relating to the majority required to adopt decisions which must be submitted to the Board of Directors for approval.

Shareholders' agreement between Klépierre and Vendôme Commerces SCI in respect of Cécobil SCS

Entered into on October 25, 2007 following the conversion of Cécobil SCS into a limited partnership, this agreement contains the customary protections in the event of a proposed sale of shares to a third party (first refusal and full tag-along rights) and the change of control of a shareholder.

Klépierre is the successor to the rights and obligations of Kléber La Pérouse SNC in respect of this agreement, further to the transfer of all of its assets and liabilities to Klépierre on July 4, 2012.

Shareholders' agreements between Klépierre and Vendôme Commerces SCI in respect of Secovalde SCI and Valdebac SCI

Entered into on October 25, 2007, this agreement contains the customary protections in the event of a proposed sale of shares to a third party (first refusal and full tag-along rights) and the change of control of a shareholder.

The agreement was amended via addenda on December 29, 2008 and November 23, 2010, and is also applicable to Valdebac SCI since December 8, 2010, when more than 99.99% of the shares were transferred from Kléber La Pérouse SNC and Vendôme Commerces SCI to Secovalde SCI. Consequently, the shareholders' agreement exclusively concerning Valdebac SCI, entered into by Kléber La Pérouse SNC and Vendôme Commerces on June 21, 2010, was terminated on December 8, 2010.

Klépierre is the successor to the rights and obligations of Kléber La Pérouse SNC in respect of this agreement, further to the transfer of all of its assets and liabilities to Klépierre on July 4, 2012.

Shareholders' agreements between Klépierre, Finiper, Finiper Real Estate & Investment, Ipermontebello, Immobiliare Finiper and Cedro 99 in respect of Clivia

With regard to Clivia, the agreement dated December 14, 2007 initially concluded for a period of ten years was tacitly renewed for a further ten-year period. The agreement contains provisions for a right of first refusal in the event of a sale of shares to third parties and a tag-along right, as well as provisions relating to the governance of the company and to the majority required to approve certain company decisions.

Shareholders' agreements between Klépierre and Stichting Pensioenfonds ABP in respect of Swedish company Nordica Holdco AB, and Norwegian companies Storm Holding Norway AS and Steen & Strøm

Shares in Steen & Strøm were acquired via Storm Holding Norway AS, a company registered in Norway and wholly-owned by Nordica Holdco AB, a company registered in Sweden.

This agreement was entered into on July 25, 2008 and was amended on October 7, 2008. It contains the customary protections for non-controlling interests: qualified majority voting for certain decisions, call option in the event of deadlock and tag-along rights, as well as the following provisions:

> A one-year lock-up period applied to Steen & Strøm shares from the date of acquisition;

> Each party has a right of first offer on any shares which the other party wishes to transfer to a third party. However, if the shares are transferred by a party (other than Klépierre or one of its affiliates) to a Klépierre competitor (as defined in the agreement), the shares concerned will be subject to a right of first refusal and not a right of first offer;

> From the sixth year following acquisition, either party may request a meeting of shareholders to vote on the disposal of all the shares or assets of Steen & Strøm, or a market flotation of the Company. The vote will be subject to a two-thirds majority;

> Through deeds of adherence dated December 23, 2009, Storm ABP Holding BV and APG Strategic Real Estate Pool NV became party to the shareholders' agreement;

> Through a deed of adherence dated September 30, 2011, Stichting Depositary APG Real Estate Pool became party to the shareholders' agreement.

Shareholders' agreement between Klépierre and Torelli in respect of Holding Klege

Entered into on November 24, 2008, the agreement contains the customary provisions governing share capital transactions, decision-making and the right to information. Both parties have pre-emption rights in the event of a proposed sale of shares in the company to a third party.

Each partner has the right to appoint the same number of members to the Board of Directors. The Chairman is appointed for a period of twelve continuous months on an alternating basis with the partner. All decisions are adopted on simple majority.

Shareholders' agreement between Klépierre and Cardif Assurance Vie in respect of Portes de Claye SCI

Entered into on April 16, 2012, this agreement contains provisions governing relations between the company's shareholders.

It provides for the customary protections in the event of a proposed sale of shares to a third party:

> Reciprocal pre-emption right;

> Reciprocal full tag-along right;

> Full tag-along obligation for non-controlling shareholders in the event the controlling shareholder plans to sell its full equity stake.

It also gives non-controlling shareholders a right of first offer in the event of a sale of assets by the company.

Klécar France SNC became the successor to the rights and obligations of KC 2 SNC in respect of this agreement following the transfer of all of its assets and liabilities to Klécar France SNC on June 5, 2012.

Klépierre is the successor to the rights and obligations of Klécar France SNC in respect of this agreement following the transfer of its stake in Portes de Claye SCI to Klépierre.

Shareholders' agreement between Klépierre, Klépierre Massalia SAS and Lacydon SA in respect of Massalia Invest SCI and Massalia Shopping Mall SCI

Entered into on November 14, 2014, this agreement contains provisions governing relations between the shareholders of said companies, particularly with respect to the governance of Massalia Invest SCI and Massalia Shopping Mall SCI, the terms relating to the sale and divestment by shareholders of their investment in Massalia Invest SCI (right of first refusal, tag-along right, change of control clause, call option) and the conditions and main methods of funding of Massalia Invest SCI and Massalia Shopping Mall SCI.

An amendment dated September 27, 2017 modified the rules applicable to the management committee when voting on decisions relating to the shopping center's food superstore.

Shareholders' agreement between Klépierre and Allianz Levenversicherun Gs-Aktiengesellschaft in respect of Italian Shopping Centre Investment

Entered into on August 5, 2016, the agreement contains provisions governing the relationship between shareholders, including decisions which must be submitted to shareholders for approval. It includes a right of first offer and a deadlock clause.

Shareholders' agreement between Klépierre and Icade in respect of SCI du Bassin Nord

SCI du Bassin Nord is jointly and equally held by Klépierre SA and Icade, and is jointly managed. The co-managing directors' compensation is approved by collective decision of the shareholders, who can only withdraw totally or partially when unanimously authorized by the other shareholder.

Shareholders' agreement between Klépierre and Holprim's in respect of Klépri m's

Entered into on November 30, 2016, the agreement gives Kléprojet 1 exit rights if the conditions precedent are not met, as well as the customary protections in the event of a proposed sale of shares to a third party (first refusal and full-tag along rights), change of control of a shareholder and other provisions governing relations between shareholders.

Shareholders' agreement between Klépierre and Cardif, Union de Gestion Immobilière, in respect of Secar SC

Entered into on December 13, 2019, this agreement contains provisions relating to the governance of the company, and provides for the customary protections in the event of proposed share sales (first refusal, full tag-along rights, forced tag-along rights), and in particular in the event of the termination of the asset management mandate held by Klépierre Management.

NOTE 7 OTHER DISCLOSURES

7.1 Cash pooling

On November 30, 2000, Klépierre SA joined a cash pool managed by Klépierre Finance SAS. A new agreement was entered into for the cash pool on April 5, 2017.

At December 31, 2019, Klépierre SA's liability with respect to the cash pool with Klépierre Finance SAS amounted to €1,021.6 million.

7.2 Headcount

At December 31, 2019, the Company's headcount comprised the two members of the Executive Board.

7.3 Loans and guarantees in respect of Executive Board and Supervisory Board members

None.

7.4 Compensation paid to corporate officers and Supervisory Board members

Klépierre SA, the parent company of the Klépierre Group, is a French joint-stock corporation *(société anonyme)* with a dual governance structure comprising an Executive Board and a Supervisory Board.

Gross compensation paid to corporate officers for 2019 amounted to €2,713,609.

Compensation allocated to Supervisory Board members in respect of fiscal year 2019 totaled €684,554, including €98,120 corresponding to the gross annual amount allocated to the Chairman of the Supervisory Board.

7.5 Subsequent events

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

In January 2020, Klépierre SA repurchased 538,918 of its own shares for an amount of €17.8 million as part of the share buyback program.

NOTE 8 INFORMATION ON CONSOLIDATION AND TRANSACTIONS WITH RELATED PARTIES

Klépierre SA's company financial statements are fully consolidated by the Klépierre Group, of which it is the consolidating entity.

As of December 31, 2019, the Klépierre Group is accounted for under the equity method by Simon Property Group and APG, which at that date held 21.12% and 10.05% stakes, respectively, in Klépierre's share capital (including treasury shares).

Transactions with related parties are conducted at arm's length terms.

3.4 STATUTORY AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

This is a translation into English of the Statutory Auditors' report on the financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.
This Statutory Auditors' report includes information required by French law, such as information about the appointment of the Statutory Auditors or verification of the management report and other documents provided to shareholders.
This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To Annual General Meeting of Klépierre,

Opinion

In compliance with the engagement entrusted to us by your Annual General Meeting, we have audited the accompanying financial statements of Klépierre for the year ended December 31, 2019.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at December 31, 2019 and of the results of its operations for the year then ended in accordance with French accounting principles.

The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for opinion

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *«Statutory Auditors' Responsibilities for the Audit of the Financial Statements»* section of our report.

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from January 1, 2019 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 or in the French Code of Ethics (*Code de déontologie*) for Statutory Auditors.

Justification of assessments – Key audit matters

In accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the financial statements.

Impairment of equity investments

Risk identified	Our response
As at December 31, 2019, Klepierre holds equity investments for a net amount of €8,638 million after impairment of €1,309 million, in companies mainly owning shopping centers. As detailed in Note 2.3.3 of the financial statements, impairment tests for equity investments are based on revalued net assets. Revalued net assets are calculated by considering the historical asset value compared to the appraisal value of the underlying investment properties and adjusting accordingly. The valuations retained by management are determined principally by third-party appraisers, internal expert assessments or market sale transactions. Determining the fair value of investment properties requires significant judgement. Therefore, the impairment of equity investments is considered to be a key audit matter due to the significance of the item in the financial statements as a whole, combined with the judgement exercised in determining the net asset values.	We obtained an understanding of management's controls over revalued net assets. With respect to the valuation of the underlying assessing the revalued net asset amount, we considered management's controls on the data used for these valuations and the controls over the analysis of the changes of values compared with prior periods. We tested the effectiveness of the controls that we considered to be most relevant. We assessed the competence and independence of the third-party appraisers. We included our real estate valuation specialists at our meetings with the external appraisers to familiarize ourselves with the methodology applied, the main assumptions underlying their valuations of the investment properties and, in particular, market trends, recent market transactions and market yields. We performed specific procedures on the investment properties for which the valuation and value changes were significant, as well as those for which the assumptions and value changes observed were not consistent with market data. In this context, we assessed with our real estate appraisal specialists who are part to the audit team the main parameters selected by the third-party appraisers. When necessary, we held further discussions with management. Moreover, we performed analytical procedures by comparing to last year the valuations and the investment property assumptions underlying the net asset values. We compared the main assumptions used with relevant market data. We recomputed the revalued net asset amounts based on the valuation of the underlying investment properties, taking into account the related transfer taxes. We assessed the need to recognize impairment for the equity investments by comparing their carrying amount to the revalued net asset amounts.

Specific verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations.

Information given in the management report and in the other documents with respect to the financial position and the financial statements provided to the shareholders

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Executive Board and in the other documents with respect to the financial position and the financial statements provided to the shareholders.

We attest the fair presentation and the consistency with the financial statements of the information relating to payment deadlines mentioned in Article D.441-4 of the French Commercial Code (*Code de commerce*).

We attest that the non-financial statement required by Article L. 225-102-1 of the French Commercial Code (*Code de commerce*) is included in the information pertaining to the Group presented in the management report, it being specified that, in accordance with Article L. 823-10 of this code, we have verified neither the fair presentation nor the consistency with the financial statements of the information contained therein.

Report on corporate governance

We attest that the Supervisory Board's report on corporate governance sets out the information required by Articles L. 225-37-3 and L. 225-37-4 the French Commercial Code (*Code de commerce*).

Concerning the information given in accordance with the requirements of Article L. 225-37-3 of the French Commercial Code (*Code de commerce*) relating to remunerations and benefits received by or awarded to the members of Executive Board and of the Supervisory Board and any other commitments made in their favour, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your Company from controlled enterprises included in the scope of consolidation. Based on these procedures, we attest the accuracy and fair presentation of this information.

With respect to the information relating to items that your company considered likely to have an impact in the event of a takeover bid or exchange offer, provided pursuant to Article L. 225-37-5 of the French Commercial Code (*Code de commerce*), we have agreed this information to the source documents communicated to us. Based on these procedures, we have no observations to make on this information.

Other information

In accordance with French law, we have verified that the required information concerning the purchase of investments and controlling interests and the identity of the shareholders and holders of the voting rights has been properly disclosed in the management report.

Report on other legal and regulatory requirements

Appointment of the Statutory Auditors

We were appointed as Statutory Auditors of Klepierre by the annual general meeting held on April 19, 2016 for ERNST & YOUNG Audit and held on June 28, 2006 for Deloitte & Associés.

As at December 31, 2018, ERNST & YOUNG Audit was in the fourth year of total uninterrupted engagement and Deloitte & Associés in the fourteenth year.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with French accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The financial statements were approved by the Executive Board.

Statutory auditors' responsibilities for the audit of the financial statements

Objectives and audit approach

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in Article L. 823-10-1 of the French Commercial Code, our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the Statutory Auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the financial statements;
- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the Statutory Auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein;
- Evaluates the overall presentation of the financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation

Report to the Audit Committee

We submit a report to the Audit Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L. 822-10 to L. 822-14 of the French Commercial Code and in the French Code of Ethics (*code de déontologie*) for Statutory Auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris-La Défense, March 6, 2020

The Statutory Auditors
French original signed by

DELOITTE & ASSOCIÉS
Damien Leurent   Laure Silvestre-Siaz

ERNST & YOUNG Audit
Bernard Heller

3.5 REPORT OF THE SUPERVISORY BOARD TO THE ORDINARY AND EXTRAORDINARY GENERAL MEETING

Approval of the financial statements for the fiscal year ended December 31, 2019

Dear shareholders,

Pursuant to the provisions of Article L. 225-68 of the French Commercial Code (*Code de commerce*), the Supervisory Board is required to report to the General Meeting our observations on the financial statements as approved by the Executive Board, as well as on its report to you.

The Supervisory Board has been kept regularly informed by the Executive Board about the operations and business of the Company and its Group, and, in the performance of its duties, has carried out the necessary audits and controls. The Supervisory Board is assisted in its duties by its special committees, i.e., the Investment Committee, the Audit Committee, the Nomination and Compensation Committee and the Sustainable Development Committee.

We have no particular comments to make in respect of the Executive Board's report or of the company financial statements or the consolidated financial statements for the fiscal year ended December 31, 2019. We therefore invite you to approve these company financial statements and consolidated financial statements for the fiscal year ended December 31, 2019, in addition to all of the proposed resolutions.

We wish to thank the Executive Board and all the members of staff for their hard work and efforts during 2019.

The Supervisory Board

3.6 OTHER INFORMATION

3.6.1 Financial summary for the past five fiscal years (disclosed pursuant to Article R. 225-102 of the French Commercial Code)

In euros	12/31/2019	12/31/2018	12/31/2017	12/31/2016	12/31/2015
CAPITAL AT YEAR-END					
Share capital	423,729,733	440,098,488	440,098,488	440,098,488	440,098,488[a]
Number of existing ordinary shares	302,664,095	314,356,063	314,356,063	314,356,063	314,356,063[a]
TRANSACTIONS AND EARNINGS FOR THE FISCAL YEARS					
Pre-tax revenues	37,514,455	35,837,366	35,069,108	25,530,355	28,481,734
Earnings before tax, employee profit-sharing, depreciation and provisions	766,727,962	566,377,797	158,692,858	311,977,949	706,703,461
Corporate income tax	2,000,073	(2,636,003)	(18,142,909)	729,300	(127,285)
Earnings after tax, employee profit-sharing, depreciation and provisions	317,738,694	350,223,680	269,749,180	575,552,047	(110,885,971)
Dividends paid	665,861,009[b]	660,147,732	616,137,883	572,128,035	534,405,307
EARNINGS PER SHARE					
Earnings before tax, employee profit-sharing, depreciation and provisions	2.53	1.80	0.50	0.99	2.25
Earnings after tax, employee profit-sharing, depreciation and provisions	1.05	1.11	0,86	1.83	(0.35)
Net dividend per share	2.20[b]	2.10	1.96	1.82	1.70
PERSONNEL					
Average headcount during the fiscal year,	2.4	3.6	3.8	3.0	0.5
Total payroll and employee benefits	3,517,997	3,488,169	1,887,157	2,435,419	25601

(a) Capital increase following the exchange offer of January 8 and 16, 2015 made by Klépierre on Corio NV, followed by the crossborder merger of Corio NV by Klépierre dated March 31, 2015.
(b) Subject to shareholder approval at the General Meeting to be held on April 30, 2020, excluding future share cancellations.

3.6.2 Acquisition and movements in equity investments impacting the company financial statements of Klépierre SA

On December 13, 2019, Klépierre SA acquired 10% of the share capital of Secar SC, for an amount of €80.2 million.

3.6.3 Average supplier and customer payment periods (disclosed pursant to Article L. 441-6-1 of the French Commercial Code)

On average, suppliers are paid approximately 26 days from the receipt date.

As at December 31, 2019, Klepierre's suppliers balances stand at €5.3 million to be paid no later than January 27, 2020.

UNPAID AND DUE INVOICES RECEIVED AND ISSUED AT THE REPORTING DATE

	Article D. 441 I.-1°: Invoices received and due but not paid at the reporting date						Article D. 441 I.-2°: Unpaid invoices and due issued at the reporting date					
In euros	**0 day (optional)**	**1 to 30 days**	**31 to 60 days**	**61 to 90 days**	**91 days and more**	**Total (one day and more)**	**0 day (optional)**	**1 to 30 days**	**31 to 60 days**	**61 to 90 days**	**91 days and more**	**Total (one day and more)**
(A) BREAKDOWN OF DUE PAYMENTS												
Number of invoices concerned	**0**					**7**	**3**					**1,301**
Total amount of invoices concerned *(including VAT)*	**-**	2,963	960	0	0	**3 923**	**53,487**	138,428	111,474	82,430	4,366,604	**4,698,936**
Percentage of total purchases for the year *(including VAT)*	**0%**	0%	0%	0%	0%	**0%**						
Percentage of revenues for the year *(including VAT)*							**0.11%**	0.28%	0.23%	0.17%	8.97%	**9.65%**
(B) INVOICES EXCLUDED FROM (A) RELATING TO DISPUTED OR UNRECOGNISED DEBTS AND RECEIVABLES												
Number of invoices excluded	70						0					
Total amount of invoices excluded *(including VAT)*	858,479						0					
(C) REFERENCE PAYMENT TERMS USED (CONTRACTUAL OR LEGAL TERM – ARTICLE L. 441-6 OR ARTICLE L. 443-1 OF THE COMMERCIAL CODE												
Reference payment terms used to calculate payment delays	** Deadlines: 45 days*						** Deadlines: 45 days*					

3.6.4 Results of the share buyback program (disclosed pursuant to Article L. 225-211 of the French Commercial Code)

In number of treasury shares	**Liquidity**	**2011 plan**	**Future bonus shares**	**Bonus shares**	**External growth**	**Share buy-back program**	**Total**
POSITION AT 12/31/2018	**335,423**	**0**	**418,034**	**869,902**	**885,195**	**14,416,865**	**16,925,419**
Stock option and bonus share plan adjustements*		188,842	(56,593)	46,504	(178,753)		0
Options and allotment exercised during the year		(188,842)		(38,638)			(227,480)
Employee share purchase			(326,689)				(326,689)
Cancellation of shares						(11,691,968)	(11,691,968)
Purchases	1,762,589					9,584,166	11,346,755
Sales	(2,098,012)						(2,098,012)
POSITION AT 12/31/2019	**0**	**0**	**34 752**	**877 768**	**706 442**	**12 309 063**	**13 928 025**

** Number of beneficiaries updated to reflect employee turnover.*

During 2019, 11,346,755 shares were bought back at an average per-share price of €31.15 and 2,098,012 shares were sold at an average per-share price of €30.43. At December 31, 2019, Klépierre held 13,928,025 of its own shares (directly or indirectly) representing a total value of €427.9 million based on book value, and €19.5 million based on par value..


BURGER KING
PANDORA
designersmarket
MAC
FAST // SLOW //
100,00
150,00
125,00

4

SUSTAINABLE DEVELOPMENT

4.1 KLÉPIERRE'S SUSTAINABILITY STRATEGY AND MAIN ACHIEVEMENTS

4.1.1 Environmental and social context

Klépierre's business model (explained in section 1.7) covers the development, management and operation of shopping centers in 12 European markets. With a portfolio consisting of largely dominant assets in dynamic urban centers, the Group delivers value for its stakeholders through a proactive approach to shopping center management, its commitment to developing strong partnerships with its retailers, and its relentless focus on delivering compelling destinations.

The principle non-financial resources that Klépierre's business model relies upon include: human capital to deliver its strategy, technology for the maintenance and safe operation of the Group's assets; its marketing activities and engagement with visitors, innovation to evolve its service offer and anticipate consumer trends, and natural capital to power its properties and provide the raw materials for its development projects.

The availability of these resources, and their importance to the Group's strategy, has changed significantly in recent years, fueled by broader macro-trends that are not exclusive to the retail sector.

LONG-TERM TRENDS AFFECTING THE GROUP'S PRINCIPAL NON-FINANCIAL RESOURCES

CLIMATE	Consumers are more concerned than ever about where their products come from, and how they are produced, as sustainability considerations influence their purchasing decisions. In late 2018, Klépierre commissioned PricewaterhouseCoopers to conduct a study on the megatrends affecting the European shopping center industry. The study found that 77% of the near 1,800 European consumers surveyed favored shopping centers acting to minimize their environmental impact. In addition, grassroots movements such as the Global Carbon Strike have pushed climate change to the forefront of the political, social and business agenda. Its prominence in public discourse and impact on policy makers, investors and occupiers alike is materializing in the international and domestic policy arena with the emergence of regulation covering minimum energy efficiency standards and carbon emissions.
TALENTS	Global demand for talent and the move to a knowledge-based economy means that organizations must hire and retain the right people, and up-skill existing employees in new ways of working to retain their competitive advantage. In a marketplace where competition for the right skills is fierce, leading companies need to offer a dynamic and engaging work environment that places a premium on development and well-being. At the same time, organizations must demonstrate their sustainability credentials as employees look to work for companies that match their values.
INNOVATION TECHNOLOGY	Technology, the emergence of new consumption models and changing consumer expectations mean that successful retailers and shopping center owners must innovate to redefine the shopping experience. Consumers are looking for a more personal experience that goes beyond just shopping. Innovative features such as a compelling tenant mix featuring small and local retailers, attractive leisure facilities and experiences that blend the technological and physical space are vital to creating resilient assets where people can shop, relax and connect.

4.1.2 Approach to sustainability

Klépierre views its real estate investments as an inherently long-term undertaking. How its shopping centers are designed, constructed and managed has far reaching impacts on the environment and society over many decades of their operational life.

The size of the Group's portfolio, covering a total floor area of 5.4 million sq.m., more than 12,000 leases and over 1.1 billion visits annually, means its direct impacts on the consumption of natural resources and the people who use its buildings can be significant. It also has a much wider influence through the actions of its retailers and visitors, and its contribution to the social and economic fabric of its communities.

Understanding how these impacts evolve over time, and their relationship with the resources that Klépierre relies upon, is fundamental to delivering sustainable financial returns and creating value for the Group's stakeholders.

This long-term perspective is built into Klépierre's business model. The Group's approach is characterized by a commitment to both its physical assets and the communities in which they are located, and manifests itself through a strategy that prioritizes assets, people and territories.

Given the complex interaction between these impacts and resources, Klépierre's ability to thrive, and extract value from its portfolio is underpinned by its relationships with its key stakeholders. These include the national and international brands that occupy its properties (many of whom represent the dominant retailers in their segment), the millions of consumers who visit its shopping centers each year, its shareholders and debt providers; employees and local communities.

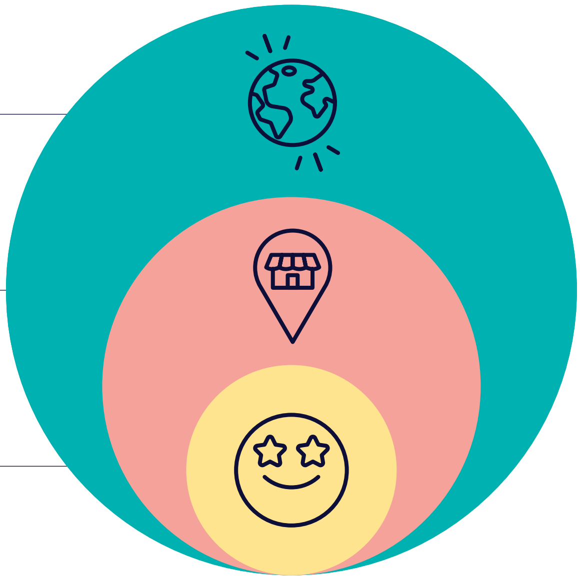
4.1.2.1 Sustainability strategy

Klépierre has long recognized the link between economic performance and social and environmental excellence. In 2002, the Group began to report non-financial data and information with its financial results, and published its first sustainability strategy ("Good Choices") in 2013 which tied together the Group's activities, predominantly in the environmental arena where it has historically been most active.

Since 2017, Act for Good® has built on these achievements by setting out Klépierre's strategy across three pillars that together reflect the Group's most material sustainability risks and opportunities within the context of its business model and operating environment. These were identified following a comprehensive materiality review that drew on the combined insights of the Group's principal stakeholders (see section 4.1.2.2). Along with Let's Play®, Clubstore®, and Retail First®, it is one of the key pillars of the Group's operating strategy, thereby ensuring that sustainability is deeply embedded in the Group's business activities.

With its focus on Planet, People and Territories, Act for Good® consolidates the Group's sustainability activities into these three pillars. Each pillar is broken down into specific quantified commitments with a five-year timeframe (2022), supplemented by long-term goals (2030) that seek to preserve and enrich the resources on which the Group depends, and harness its relationships with its stakeholders.

ACT FOR GOOD® WITH KLÉPIERRE



ACT FOR THE PLANET

Developing a portfolio of shopping centers that generate environmental benefits

ACT FOR TERRITORIES

Designing and operating our centers as "local hubs" that stimulate value creation

ACT FOR PEOPLE

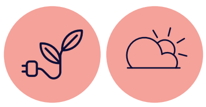
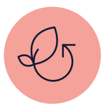
Empowering our communities in a sustainable way

4.1.2.1.1 Act for the Planet

Act for the Planet brings together the major environmental issues that Klépierre faces in carrying out its business activities. The Group's positive contribution to environmental matters – which has been acknowledged for many years – has encouraged it to set its goals even higher.

While Klépierre continues to target improvements to the environmental performance of its assets, for example by reducing its reliance on fossil fuels, this pillar challenges it to work more closely with its retailers and suppliers to deliver sustained and significant reductions with a focus on energy use and waste. Secondly, it provides a framework to tackle the emerging trends facing its business and society more widely by promoting a zero-carbon and zero-waste portfolio.

▸ VALUE CREATED

 CARBON ENERGY	Reduced consumption of natural resources Reduced dependency on fossil-fuel derived energy Contribution to a zero-carbon economy Lower operating costs and service charges
 WASTE	Contribution to circular economy
 DEVELOPMENTS	Improvements to the public realm including transport infrastructure and sustainable mobility

4.1.2.1.2 Act for Territories

Act for Territories responds to consumer demand for more new experiences and a shared sense of space and community. It challenges the Group to be more local and tap into consumer demand for sustainability.

This pillar capitalizes on the importance of the Group's local footprint – in the form of the shopping centers that it owns and manages – and provides visibility and amplifies the many community-based initiatives that are developed across Klépierre's portfolio.

VALUE CREATED

RETAILS	Strengthened relationships with retailers Knowledge sharing and support to meet changing consumer expectations Reduced risks and operating costs through joint action on social and environmental initiatives
LOCAL	Local economic development Facilitating youth employment Social inclusion and cultural promotion
COMMUNITIES	Increased exposure and fundraising opportunities Strengthened ties with local communities

4.1.2.1.3 Act for People

Act for People addresses the Group's visitors, retailers and employees (both in Klépierre's own operations and indirectly through its retailers and suppliers). This human focused pillar is directed at all the communities with which the Group interacts, with the aim of placing value creation at the center of its efforts.

Targets under this pillar cover the Group's relations with its principal stakeholders to build trust and transparency, and to deliver a positive and diverse working environment.

VALUE CREATED

VISITORS	Positive visitor experience increasing loyalty and sustaining operational results Innovative services and leisure facilities that meet visitor demand for new experiences
EMPLOYEES	Improved productivity and employee well-being Increased human capital development Access to a diverse talent pool Recruitment, compensation and career growth
RETAILS	Improved service quality benefiting retailers and visitors Innovative partnerships and knowledge sharing Reduction of reputational risks from the dissemination of responsible procurement practices

4.1.2.2 Co-construction with stakeholders

Act for Good® was developed following the most recent materiality review that was conducted in 2017. This consisted of a rigorous, multi-stakeholder engagement exercise involving a panel of Klépierre's main, representative internal and external stakeholders, including retailers, investors, human resources and CSR experts, scientists, NGOs and public authorities.
The panel assessed 38 pre-identified items based on their importance to Klépierre and ranked the top ten issues in terms of risks or opportunities for the Group. Following this assessment, the panel was asked to contribute to the definition of a new sustainability strategy that would achieve the following objectives:

> Meet the expectations of Klépierre's stakeholders;

> Ensure a positive correlation between sustainability activities and financial performance;

> Focus on key impact areas; and

> Reflect the Group's operating context and make it meaningful for employees.

Armed with this brief, the panel and Group representatives explored stakeholders' perceptions of the Group's sustainability activities and developed a framework strategy for consultation. Klépierre's Executive Board participated in these discussions and in the joint development of the Act for Good® strategy by sharing its vision and goals for Klépierre as well as by outlining its commitment to developing and rolling out the new strategy.
This collaboration made it possible to highlight four key themes for Klépierre, which became the major commitments underpinning Act for Good®: climate change, sustainable construction, health and well-being, and local value creation.
The draft new strategy was then discussed with all Country Directors, practice leaders as well as the internal CSR Committee, before being reviewed by the Klépierre Supervisory Board's Sustainable Development Committee.

4.1.3 Main non-financial risks and opportunities

Social, environmental, human rights and anti-corruption related risks affecting Klépierre's business model and core activities are reviewed on an annual basis as part of the Group's overall risk assessment. The Group's Risk Management Framework is described in detail in section 1.7 "Risk Management". This includes a description of the Group's main risk factors, impacts and mitigation measures, including the following material non-financial risks:

> Climate Change;

> Human Resources; and

> Health, Safety and Security.

The Group has identified eight additional non-financial risks and opportunities covering the scope of its environmental, social and governance impacts [(1)]. The issues were identified following the most recent materiality review conducted in 2017, the results of which also informed the development of the Group's Act for Good® sustainability strategy. This list is reviewed annually by the Corporate Social Responsibility (CSR) Committee drawing on internal and external research to ensure it continues to provide an accurate reflection of the most immediate non-financial risks and opportunities facing the Group's operations.

The tables on the following pages present the eight issues identified during this exercise. Issues are identified based on their importance to stakeholders and the gross risk/opportunity they present to Klépierre before accounting for the mitigation measures the Group has established. The tables provide further information on each risk, Klépierre's management approach and the key performance indicators it uses to track its progress.

(1) In view of the publication of French Act no. 2018-898 of October 23, 2018 on combatting tax fraud, the Group has not identified fraud as a material risk. For more information on the Group's management of risks associated with business ethics, please see section 4.4.4.1.

NON-FINANCIAL RISKS

Risk	Description	Stakeholders impacted	How Klépierre is mitigating the risk	Key performance indicators	Net risk profile	Where to find out more
Business ethics	Being involved in a case of corruption or money laundering could lead to reputational, judicial, financial or even operational risks such as the cessation of activity.	Suppliers, customers and business partners Shareholders and debt providers	The Klépierre Code of Professional Conduct and Anti-Corruption Code of Conduct underscore the Group's commitment to ethical conduct. They set out the standards of behavior which the Group commits to, and inform employees about what is expected of them.	Klépierre has established robust measures to ensure compliance with the Codes, including anonymous reporting procedures, risk-based training and an annual audit of purchasing ethics. In addition, the Group has set an ongoing target to promote business ethics among all of its employees and stakeholders.	Low/medium	Act for People, page 199
Customer health and safety	Klépierre's shopping centers are exposed to safety risks, principally building collapse and/or a fire, as well as failure to comply with safety measures or mandatory control procedures imposed by local or national governments. Safety risks could result in loss of business. They may also adversely affect the individual shopping center's image, and/or the reputation the Klépierre Group and incur costs for incident investigation and/or penalties.	Customers, visitors and suppliers	The Group has defined minimum operational requirements and annual audits and prevention plans to protect customer health and safety. These cover building, technical and behavioral aspects that minimize risks by applying best practices, and in some cases exceeding legal obligations.	Appropriate controls and procedures mitigate safety risks, with compliance tested on an ongoing basis. Uniform incident classification and reporting systems are in place across the portfolio to better monitor the safety and security of individuals and assets, thereby providing greater insight and understanding.	High	Act for People, page 191
Outsourcing and responsible purchasing	The performance of the Group's suppliers could have a reputational impact on Klépierre if the services procured were of a low quality or did not conform with regulations governing their use. Likewise, any instances of non-compliance with internationally accepted human rights through the activities of its supply chain could lead to reputational damage for the Group and damage its ability to attract new investors and employees.	Suppliers, customers and visitors	Klépierre's Responsible Procurement Charter establishes the standards the Group expects of its suppliers in relation to environmental and social aspects, including human rights.	Klépierre's purchasing team ensures effective management of operational risks linked to its supply chain. The Group has set 2022 targets to ensure that all service suppliers abide by the Responsible Procurement Charter, and that all are selected based on CSR criteria.	Medium	Act for Territories, page 184 Act for People, page 200
Portfolio climate resilience	Klépierre attaches great importance to the long-term quality of its infrastructure and its resilience to external impacts. This includes its exposure to climate risks.	Shareholders and debt providers, customers and visitors	In 2017, with the help of external experts, the Group conducted a study of its centers' exposure and vulnerability to climate risks. The study looked at closely-related hazards including an increase in average temperatures and an increase in the frequency and intensity of heat waves; cold waves; precipitation and droughts.	Klépierre has reviewed and updated its procedures for monitoring structural audits based on the study's findings. These include: Annual monitoring of all non-conformities and the implementation of associated corrective measures; and Establishment of a monthly budget review procedure to validate additional expenditure necessary to correct any non-conformities within the deadlines recommended by auditors.	Medium	Act for the Planet, page 175

▸ NON-FINANCIAL OPPORTUNITIES

Opportunity type	Description	Stakeholders impacted	How Klépierre is responding to the opportunity	Key performance indicators	Opportunity profile	Where to find out more
Local economic development	Klépierre and its tenants are reliant on prosperous and resilient communities in the catchment areas surrounding the Group's assets. Klépierre can make a positive contribution to local economic development – and thereby boost footfall, tenant sales and community engagement – by providing employment opportunities, both directly through the operation of shopping centers, and indirectly through the activities of its tenants and suppliers.	Customers, suppliers and communities	The most significant role Klépierre can play is supporting tenants to recruit locally and working with local partners including recruitment agencies to organize initiatives that bring retailers and job seekers together.	The Group has set 2022 targets to ensure that all service suppliers for the daily operations of its centers are "local," and that all of its shopping centers facilitate local employment by organizing job-seeking events or building partnerships.	Medium/high	Act for Territories, page 183
Partnership with retailers	The Group's primary customers are the international and national brands that together constitute its strategic partners. By working together, Klépierre and its partners can significantly amplify the positive impact of their respective sustainability activities and contribute to shared goals.	Customers, employees, visitors, communities	Klépierre has committed to work with its retailers across all three pillars of its Act for Good® strategy to deliver sustained and significant reductions with a focus on energy use, waste, local economic development and community engagement.	The Group has set 2022 targets for all its shopping centers to support an in-house solidarity event organized by a retailer, and to offer dedicated services to its retailers' employees.	Medium/high	Act for the Planet, page 169 Act for Territories, page 183 Act for People, page 189
Dialog with stakeholders	Klépierre is reliant on positive relationships with its key stakeholders to deliver its business objectives. Stakeholders include the Group's retail partners, shopping center visitors, shareholders and investors, employees and local communities.	Customers, visitors, communities, employees, shareholders and debt providers	Klépierre has embedded stakeholder engagement in its core business activities. The Group's relationships are enhanced and enriched by the Act for Good® strategy that aims to deliver value for the Group's stakeholders by integrating sustainability into the broader program of dialog.	Engagement with key stakeholders, specifically employees, retailers, visitors and communities is embedded in the Group's Act for Good® strategy and long-term commitments. For example, the Group has set targets to increase visitor satisfaction and involve local stakeholders in designing new developments.	High	Act for the Planet, page 169 Act for Territories, page 183 Act for People, page 189
Renewable energy	Klépierre has an opportunity to reduce its reliance on carbon intensive energy sources and positively differentiate its portfolio as a result of the use of zero-carbon energy sources. This helps to curb its greenhouse gas emissions and reduce exposure to future legislative or tax risks. It also provides an indicator of the strength of the Group's operational management and contributes significantly to its reputation among tenants, visitors and investors.	Customers, visitors, shareholders and debt providers	Klépierre is switching to "green" tariffs as it re-negotiates electricity contracts with its utility providers across Europe and is increasing the procurement of "green" gas where this is available. The risk of regulatory or tax changes is something Klépierre closely monitors through the industry bodies of which it is a member.	On top of its commitment to reduce its electricity consumption by 40% by 2022 (compared to 2013), the Group is targeting 100% renewable electricity supply for serviced area energy consumption by 2022. Additionally, the Group has established a target for its five largest shopping centers to be "carbon neutral" by 2022, and it aims to have its climate change strategy certified by the Science-Based Targets (SBT) initiative.	Medium	Act for the Planet, page 172
Circular economy	The refurbishment and expansion of shopping centers consumes natural resources and generates substantial volumes of waste. Besides reducing impacts on the environment, following a circular economy model can increase efficiency by extending the useful life of materials and resources, and can reduce costs.	Customers, suppliers and visitors	Klépierre has focused on limiting waste and controlling the consumption of natural resources in developments by applying the BREEAM certification standard and specifying products and materials that are durable, easy to maintain, recyclable and reusable. During the operations phase, the Group promotes effective waste management to ensure that its waste and that of its retailers is disposed of properly.	The Group has set a 2022 commitment to ensure that 100% of shopping centers' operational waste is diverted from landfill, and for all shopping centers to engage with retailers in a circular economy approach.	Low	Act for the Planet, page 175

4.1.4 2019 main achievements

Thanks to the active involvement of its teams, Klépierre has accelerated the implementation of its sustainability strategy with strong results in 2019. Accordingly, the Group is confident in its ability to achieve its ambitious long-term targets. The most significant 2019 achievements include:

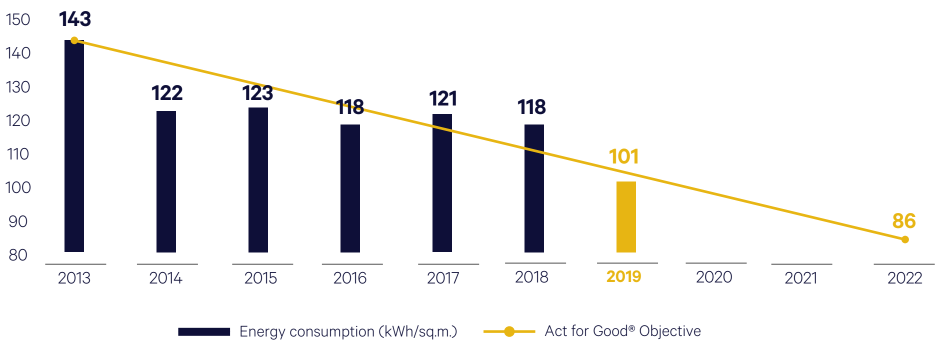
> A 14% reduction in serviced area energy intensity across the Group's shopping centers compared with 2018, bringing the long-term decrease to 29% compared with the 2013 baseline;

> A 34% reduction in the Group's direct greenhouse gas emissions intensity compared with 2018, bringing the long-term decrease to 72% compared with the 2013 baseline (Scopes 1 & 2, market-based approach);

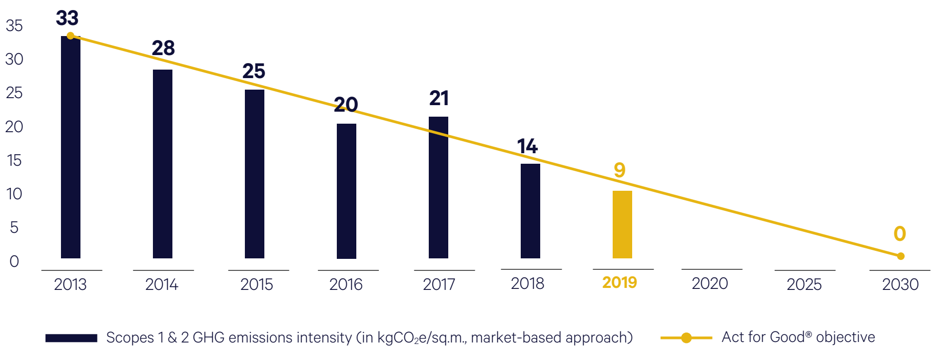
> BREEAM In-Use certification for 100% of its portfolio three years ahead of schedule; Klépierre's portfolio is the largest by value to be fully certified; and

> 98% access to training for Klépierre's staff.

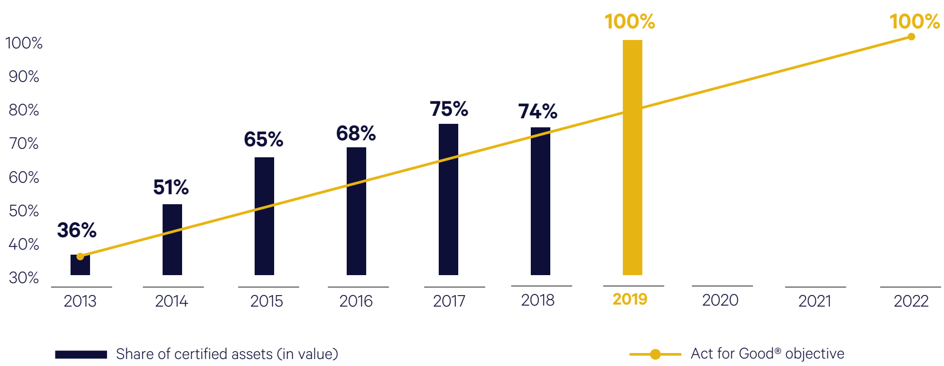
ENERGY INTENSITY FOR COMMON AND SERVICED AREAS SINCE 2013
(Reported scope)



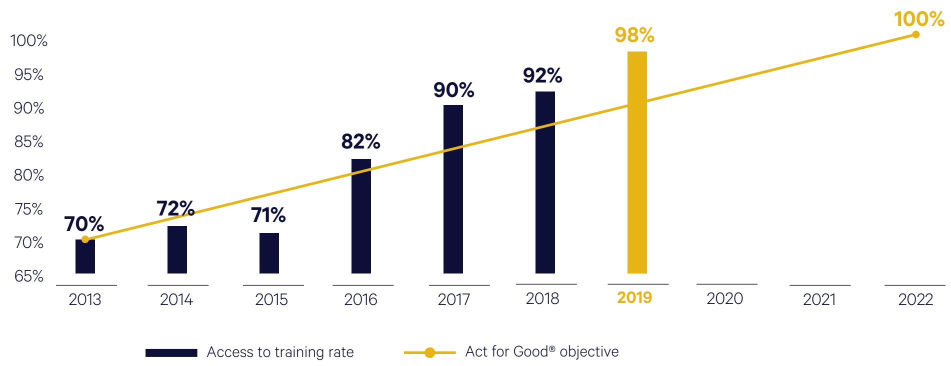
DIRECT GHG EMISSIONS INTENSITY (SCOPES 1 & 2) SINCE 2013
(Reported scope)



SHARE OF SHOPPING CENTERS WITH SUSTAINABLE CERTIFICATION SINCE 2013
(Reported scope)



RATE OF STAFF ACCESS TO TRAINING SINCE 2013



4.2 ACT FOR THE PLANET

Act for the Planet brings together the Group's environmental activities, building on its achievements since it published its original sustainability strategy in 2013, Good Choices. While Klépierre continues to target improvements to the performance of its shopping centers with a focus on energy, carbon and waste, this pillar challenges Klépierre to go further as it seeks to cement its position as a leader in its sector.

The Group's ambitions require it to work closely with its retailers to deliver a zero-carbon and zero-waste portfolio, sustain asset values by targeting green building certifications, and support visitors by encouraging more sustainable transport solutions.

During the year, Klépierre made significant progress towards these commitments. The Group remains on track to accomplish its long-term energy reduction target and achieved BREEAM In-Use certifications covering its entire portfolio. The Group has fostered a culture of constructive engagement among its key stakeholders, supported by robust internal reporting mechanisms to identify inefficiencies and put in place improvement plans. This approach is manifested in the successful BOOST interventions which have contributed to successive reductions in the Group's energy consumption, and have been extended to support the Group's target of eliminating waste to landfill.

ACT FOR THE PLANET

2022 COMMITMENT	2030 AMBITION
Act for a low-carbon future	**Be a recognized leader in environmental performance**
Contribute to a circular economy	**Create a zero-waste business in collaboration with our retailers**
Develop a 100% certified assets portfolio	**Turn promising assets into an efficient carbon-neutral property portfolio**
Innovate for sustainable mobility	**Support new trends in mobility to accelerate customers' switch to sustainable modes of transportation**

4.2.1 Act for a low-carbon future

There is scientific consensus that the planet's climate is changing considerably due to rising greenhouse gas emissions associated with human activity. The Intergovernmental Panel on Climate Change (IPCC) has made it clear that global warming must be limited to 1.5°C if the planet is to avoid the most catastrophic effects, but projections based on the current level of commitments put the planet on course to reach 3°C of warming.

In this context, Klépierre has both a responsibility to reduce its climate change impact and an opportunity to positively differentiate its business. The Group's strategy is threefold: reducing energy consumption, seeking alternatives to energy derived from fossil fuels, and building a resilient portfolio.

Striving to achieve greater levels of energy efficiency continues to be a priority for Klépierre. Not only does this help Klépierre curb its greenhouse gas emissions and reduce exposure to energy market risks, but it also provides an indicator of the strength of the Group's operational management and contributes significantly to cost control strategies for the Group and its retailers.

In 2019, the Group's total energy consumption was approximately 387 GWh, which generated a cost of around €41 million and contributed to emissions of around 34,743 metric tons of CO_2e. On a like-for-like basis, this equates to a 13.4% reduction in energy compared with 2018, enabling the Group to save €3.9 million in energy costs and the avoidance of 14,666 tons of greenhouse gas emissions.

The Group set stretching energy reduction targets in 2019, and is currently working with the Science Based Targets initiative (SBTi) to have its climate change strategy certified. This includes discussions on how to adapt previous SBTi standards for the real estate sector, and accommodate the specific roles and responsibilities within the Group's own business model. The Group aims to complete this process in 2020 with its Scope 1, 2 and 3 targets fully defined and approved.

SUMMARY OF PERFORMANCE AGAINST TARGETS

ACT FOR A LOW CARBON FUTURE

TARGET DESCRIPTION	2013	2018	2019	2022 TARGET
Reduction in energy consumption for common areas compared with 2013	143 kWh/sq.m	−17%	−29%	−40%
Percentage of electricity coming from renewable sources in the common areas	44%	73%	93%	100%
The five biggest shopping centers in our portfolio to be 'carbon neutral'	N/A	Ongoing	Ongoing	Carbon neutral
Certification of the Group's climate strategy by the Science Based Targets Initiative	N/A	Ongoing	Ongoing	Certification achieved

4.2.1.1 Energy[1]

4.2.1.1.1 Energy efficiency

Klépierre tracks the performance of its portfolio and individual assets in relation to energy efficiency, and has set a long-term target to reduce energy consumption (kWh per sq.m.) in shopping centers' common and serviced areas by 40% by 2022, compared to a 2013 baseline.

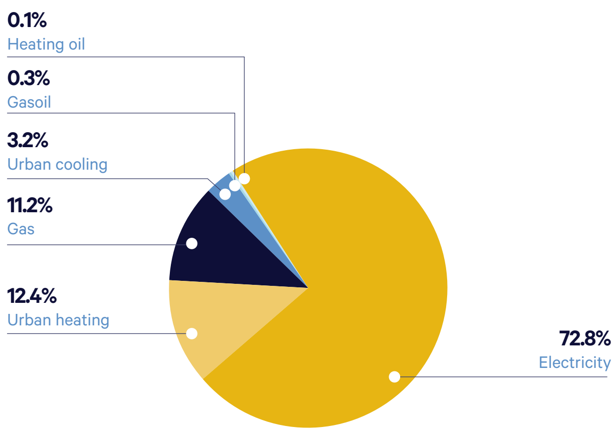
In 2019, real energy consumption across the Group's shopping centers decreased by 16.8% compared with 2018. This equates to a 29% reduction since 2013, bringing the average shopping center consumption down from 143 kWh/sq.m. to 101 kWh/sq.m. in 2019.

The majority (72.8%) of the Group's energy consumption is electricity that is used to power its centers' electrical and mechanical equipment. 11.7% comes from the on-site combustion of gas and fuel oil to generate heating and power generators, with the remaining 15.6% drawn externally from urban heating and cooling systems in some of its markets.

The improvements to Klépierre's energy efficiency can be attributed to an effective energy reduction strategy (see the following page) that combines monitoring, in-depth analysis of an individual shopping center's energy performance, the sharing of best practices and investments in energy efficient equipment.

ENERGY MIX IN COMMON AND SERVICED AREAS

(Reported scope)



(1) Unless specified otherwise, all 2019 energy consumption figures contained in this section apply to the following scope: 122 owned and managed shopping centers (excluding Hoog Catharijne (Utrecht, Netherlands)) + 10 managed-only shopping centers. The corresponding coverage rate amounts to 95.8% of owned and managed shopping centers

Energy reduction strategy

Klépierre's energy reduction strategy is founded on the deployment of energy management software supported by improvements in the recording and analysis of shopping center energy performance data.

The Group has been investing in real-time energy management systems that generate automatic consumption data. These systems use a range of meters to record the energy use of individual appliances, which is then reported in real-time at the shopping center, country and Group level. By the end of 2019, these systems covered 85% of the Group's portfolio.

Utilities consumption is monitored through "Deepki," a tool which allows for a standardized approach to monthly reporting of energy, water and waste data. Energy consumption is measured as Watt hours (Wh) divided by floor area (sq.m.) and benchmarked according to opening hours and other variables. This enables Klépierre to establish median shopping center performance, which is expressed as annual energy cost in euros.

Deepki allows the Group to analyze data at the shopping center and portfolio level, control climate factors and undertake a robust shopping center performance benchmarking assessment. By establishing 'clusters' of shopping centers that have similar variables such as retailer density, car park management, coverage of heating and cooling supply, surface area and inauguration and/or renovation dates, the Group has been able to identify the strongest and weakest performing assets in its portfolio and target energy management interventions accordingly.

Klépierre uses BOOST interventions for poorer performing assets identified according to their benchmark performance and/or on their weather-adjusted performance. The Group convenes specialist and on-site staff over two days to assess each shopping center's operations (looking at both common and retailers' areas) and consults with all relevant members of the shopping center team to develop an action plan that is practical and feasible. The team analyzes energy consumption and operational systems during opening hours, and when the center is closed, builds up a comprehensive understanding of each center's energy patterns. The findings are used to develop concrete action plans supported by tailored performance targets which are reviewed during monthly follow-up calls to track progress.

BOOST action plans prioritize no- or low-cost interventions. For shopping centers that have already implemented all identifiable operational measures to increase energy efficiency, investments are made to upgrade technical equipment such as heating, ventilation and air-conditioning (HVAC) components, retrofitting LED lighting and the roll-out of CO_2 sensors to reduce air flow and optimize the functioning of air-treatment plants.

BOOST inclusive approach of bringing together multiple stakeholders helps shopping center teams to understand and manage their assets better, and galvanizes greater support for the deployment of energy efficiency interventions such as changes to indoor lighting and temperature controls, or engagement with retailers if equipment such as lighting and air-conditioning systems are left on unnecessarily during closing hours.

By the end of 2019, over 50% of the Group's portfolio had undertaken a BOOST intervention into its energy performance. The results are significant, with some centers reporting reductions in energy consumption of up to 40% immediately following a BOOST intervention.

The Group has also increased engagement between technical directors and shopping center teams to instill greater focus on operational energy management. Monthly webinars for all shopping centers provide an opportunity to take stock of environmental performance data and highlight best practices. Individual shopping centers are encouraged to share successful initiatives that have helped them to reduce energy consumption. The meetings further encourage engagement within countries and between regions, while fostering a spirit of positive competition among shopping center teams.

Together with quarterly Act for Good® meetings, the monthly webinars are used to review performance against targets for each region, as well as individual shopping centers following BOOST interventions. This approach helps to ensure accountability among country managers, country function heads, shopping center managers, and shopping center technical managers for the performance of their assets.

Best practices are also promoted by a reference guide that summarizes efficiency improvements across the Group's portfolio and corresponding savings. These range from managing the temperature and operation schedules of HVAC system equipment, to purchasing new devices such as sensors and variable speed drives to better control energy consuming equipment.

The Deepki platform is linked to the Group's budget planning, so that capex approvals can be moderated according to whether shopping centers have been diligent in implementing all operational energy efficiency measures identified. Shopping centers are also required to integrate energy efficiency into their annual capex maintenance budgets to ensure than any investment will have a direct impact on the sustainability performance of each asset. Out of the Group's maintenance budget in 2020, €6.4 million (equivalent to approximately 14% of the total maintenance expenditure) is to be invested in equipment, further improving energy consumption.

Finally, energy efficiency is also an important consideration for the development of shopping center expansions and renovations. The Group targets BREEAM "Excellent" as a minimum performance standard which sets out expectations covering both energy performance and energy efficient design. These evaluate a range of energy-related management and operational impacts, from life-cycle assessments and construction practices, to energy monitoring, lighting and technical equipment specification. In addition, the Group looks to implement energy efficiency measures above and beyond the BREEAM requisites by focusing on local conditions, for example by giving special attention to building insulation and ventilation to reduce energy demands from heating and air-conditioning.

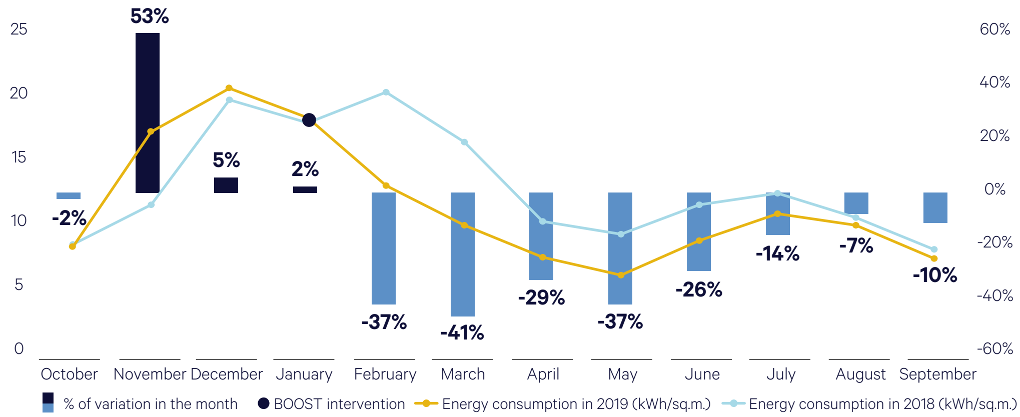
A PLAN TO BOOST ENERGY PERFORMANCE AT ONE OF KLÉPIERRE'S LARGEST CENTERS

In 2019, Klépierre earmarked one of its largest centers in France for a BOOST intervention following an analysis of its energy consumption. The center, located close to Paris, attracts nearly 20 million visits per year and recently underwent a significant expansion project.

Between 2017 and 2018, analysis of the center's energy performance revealed it was not performing as expected. Compared with similar properties in Klépierre's portfolio, consumption was higher than average and there were significant variations in its monthly energy use (including a 38% month-on-month increase between October and November 2018).

Beginning in January 2019, a cross-functional team including shopping center and Group technical directors convened to conduct a deeper assessment of the center's performance. The action plan identified a number of improvements to the operation of the center's cooling towers and HVAC equipment, as well as the building management system.

The results were immediate, with the center recording a 37% reduction in energy consumption in February alone. Furthermore, these achievements have been sustained with the center reporting a 30% reduction in energy consumption between February and October 2019 compared to the same period in 2018.



4.2.1.1.2 Renewable energy

Klépierre's long-term target is to ensure that 100% renewable electricity is used to power the common and serviced parts of its shopping centers by 2022. As the Group re-negotiates electricity contracts, it is progressively switching over to "green" tariffs, and by the end of 2019 the Group had reached approximately 93% of renewable electricity.

The increase in renewable electricity compared to 2018 (73%) follows the signing of new contracts with the Group's energy suppliers in Spain, Portugal and Italy. "Green gas" is also procured across the Group's operations in France and Belgium, and at individual centers such as La Romanina near Rome (Italy). Broken down by region, Scandinavia, Iberia, the Netherlands and Germany all procure 100% of their common and serviced parts electricity from renewable sources, and 100% of urban heating consumption in the Netherlands comes from renewable sources.

Additionally, Klépierre has installed renewable energy systems, which together, represent a generating capacity of 2.3 million kWh at six sites: Nave de Vero (Venice, Italy), Romagna Shopping Valley (Rimini, Italy), Hoog Catharijne (Utrecht, the Netherlands), Field's (Copenhagen, Denmark), Maremagnum (Barcelona, Spain) and Grand Portet (Toulouse, France). Feasibility studies are underway across the Group's portfolio to identify further opportunities, including its development portfolio. The new car park at Gran Reno in Bologna (Italy), for example, will feature roof-top solar panels that will generate an estimated 200 kWh annually and avoid an estimated 135 tons of greenhouse gas emissions.

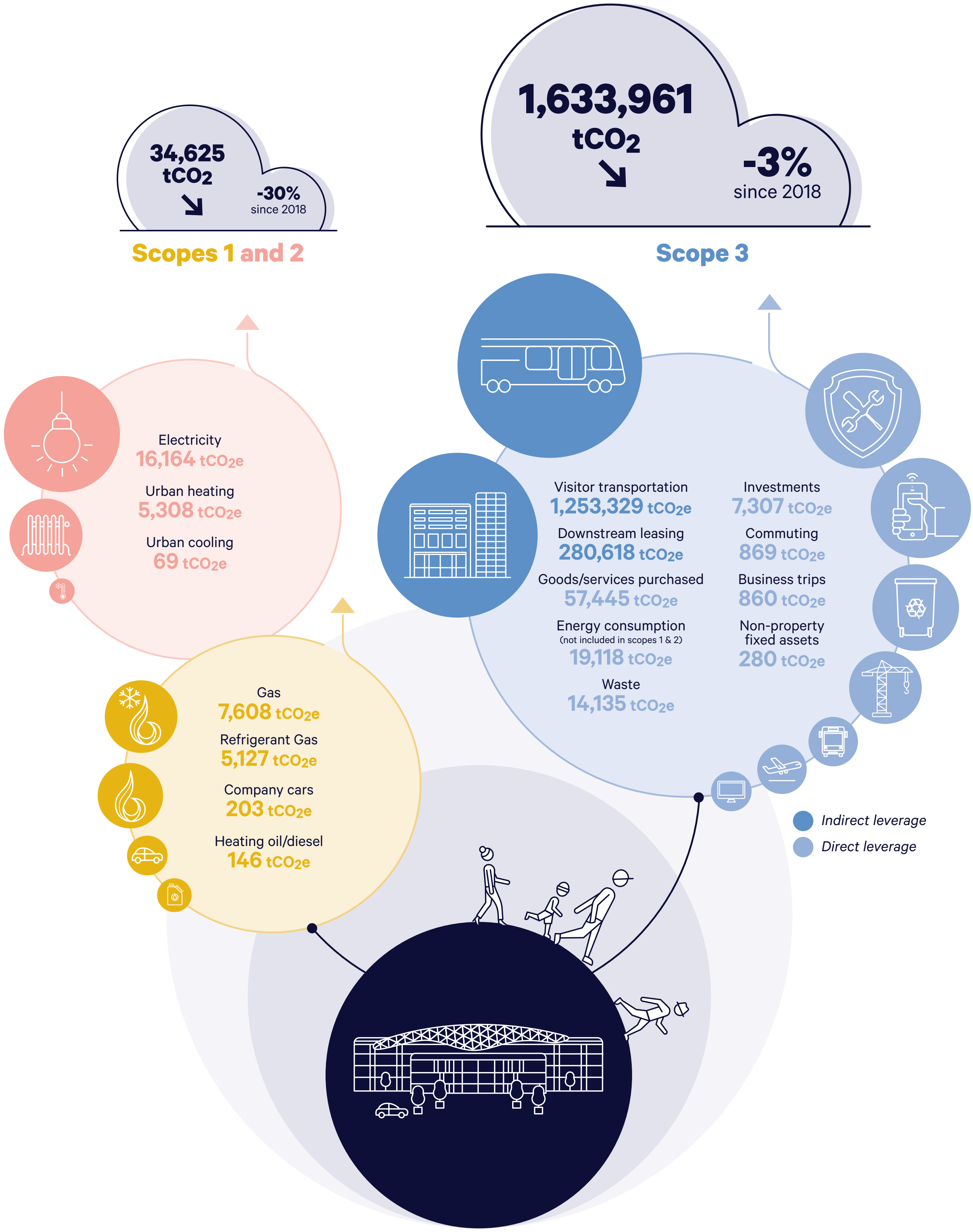
4.2.1.2 Climate change[(1)]

Klépierre tracks its direct and indirect greenhouse gas (GHG) emissions in accordance with Scopes 1 and 2 of the GHG Protocol, using both location- and market-based methods. Together, these account for 5% of the Group's total carbon footprint.

Beyond accounting for its Scope 1 and 2 GHG emissions, Klépierre seeks to measure the broader carbon footprint of its activities by calculating emissions associated with sources identified under Scope 3 of the GHG Protocol. The most significant of these (94%) relate to visitors' travel to and from its shopping centers and energy consumption by the Group's retailers.

(1) Unless specified otherwise, all 2019 GHG emissions figures contained in this section apply to the following scope: 122 owned and managed shopping centers (excluding Hoog Catharijne (Utrecht, Netherlands)) + 4 managed-only shopping centers (excluding Île Napoléon (Mulhouse-Illzach, France); Grand Quétigny (Quétigny, France); Saint-Jacques (Beaune, France); Aulnoy-lez-Valenciennes (Aulnoy-lez-Valenciennes, France); Océane (Gonfreville, France) and Nimes Étoile (Nîmes, France)). The corresponding coverage rate amounts to 95.8% of owned and managed shopping centers.

▸ **MARKET BASED LIKE-FOR-LIKE GHG EMISSIONS**



4.2.1.2.1 Direct GHG emissions performance

In 2019, Klépierre achieved a Scope 1 and 2 GHG emissions intensity from building energy consumption of 9 kgCO_2/sq.m. across its portfolio based on the market-based calculation method of the GHG protocol. This represents a 34% reduction compared with 2018, and an overall reduction of 72% since 2013.

The Group's performance reflects both the implementation of the energy management measures described in section 4.2.1.1.1 above, incremental increases in the proportion of renewable energy supplied through the national grid mixes in the countries where it operates, and purchases of electricity from renewable sources.

The market-based calculation method enables electricity purchased through renewable energy tariffs to be counted as zero emissions, and allows Klépierre to illustrate the impact of its efforts to switch to green energy tariffs in Belgium, France, Italy, Norway, Sweden, the Netherlands, Portugal and Spain.

The Group continues to pilot measures to make its five largest centers (by value) "carbon neutral" by 2022. The centers – Field's (Copenhagen, Denmark), Créteil Soleil (Greater Paris Area, France), Val d'Europe (Greater Paris Area, France), Porta di Roma (Rome, Italy) and Emporia (Malmö, Sweden) – represent a range of climatic conditions, energy mixes, and ages thereby providing a testing ground for different strategies as the Group expands its carbon neutral program to cover all assets in its portfolio.

Carbon emission forecasts have been conducted for each of these assets based on estimated reductions in line with the Act for Good® strategy, and taking into account actions already planned to reduce their emissions such as equipment upgrades and changes to the energy mix from renewable electricity purchases. Based on these forecasts, Klépierre has identified a range of further measures that can be taken to achieve a neutral status at these five largest centers.

Options under investigation include the installation of renewable energy infrastructure, shifting technical equipment from local gas to urban connections, and lastly, identifying local offsetting opportunities. Using this offsetting model, Klépierre's operations in Spain has established a carbon neutrality plan following the company's participation in a government-sponsored reforestation program (see case study).

ACHIEVING CARBON NEUTRALITY IN SPAIN

Spain became the first country in Klépierre's portfolio to establish a carbon neutrality plan following its support for an ambitious reforestation project pioneered by the Spanish Ministry of Agriculture, Fisheries and Food.

Under the plan, more than 4,470 trees including Scots Pine, Birch and Mountain Ash have been planted over three hectares in the province of Ávila following devastating forest fires that swept through much of the region in 2019, with a further 30 hectares planned to be replanted in the future. According to figures published by the Spanish Government, over 40 years the trees will absorb approximately 800 tons of CO_2, with the calculated aim of offsetting the annual Scope 1 and 2 emissions from six shopping centers (excluding Los Prados (Oviedo) and Gran Turia (Valencia)) and headquarters in the country. Within the first year of the project (2018) 145 tons of CO_2 were compensated, for which corresponded to 18% of the total Scope 1 and 2 emissions produced during the calendar year at these sites. This annually compensated percentage is expected to increase year after year as the trees mature and are capable of absorbing greater quantities of CO_2.

The initiative was made possible by the reductions in energy consumption these properties have achieved since 2013, which have contributed to an average 17% fall in their Scope 1 and 2 emissions over the same period. While the Group prioritizes improvements to energy performance as a first step in its carbon reduction strategy, it nonetheless supports offsetting projects such as this which fulfill a broader social role, and are located in the same territories as its assets.

4.2.1.2.2 Broader carbon footprint

The Corporate Value Chain Standard for Scope 3 emissions published by the GHG Protocol identifies 15 broad categories of Scope 3 emissions, covering both upstream and downstream activities such as purchased goods and services, transportation and product use.

Klépierre's accounting of its Scope 3 emissions is amongst the largest in its sector. The Group reports nine categories of Scope 3 emissions, divided between those the Group has direct leverage over, meaning they fall under its immediate sphere of influence such as waste, the purchase of goods and services and business travel, and those it has indirect leverage over. These represent the largest share of Klépierre's Scope 3 emissions, and are associated with its retailers' activities, and the impact associated with visitors' transport to and from its centers.

In 2019, retailers' energy consumption in Klépierre shopping centers accounted for 205,628 tons of CO_2e, equivalent to 13% of the Group's Scope 3 emissions (and 13% of the Group's total carbon footprint). This falls outside Klépierre's direct leverage as its relationship with retailers is influenced by operational and legal factors that are common to the shopping center industry. On the one hand, retailers' electricity is mostly sub-metered directly to each unit, meaning data collection and monitoring is not available without their permission, and secondly, in most countries where Klépierre operates, commercial leases provide no obligation for retailers to reduce their energy consumption, nor share information about their consumption with landlords.

Klépierre nonetheless engages with its retailers to support joint action on energy reduction initiatives. For example, at the Group level, the company engages with its strategic retailers to include commitments covering the energy monitoring and reduction clauses in its leases, and promotes opportunities to work together to support shared goals.

At the local level, the Group encourages shopping center teams to engage with retailers to help reduce energy consumption and associated GHG emissions. In Portugal for example, Parque Nascente (Gondormar (Porto)), Aqua Portimão (Portimão) and Espaço Giumarães (Guimarães) launched an engagement program that invited retailers to share energy saving ideas. More than 100 ideas were received and ranked according to three criteria: those that produce the biggest savings, the easiest to implement and the most creative. The winning ideas ranged from the installation of motion light sensors in technical and storage areas and WCs, to improved insulation on external doors, solar powered lights in outdoor areas and educational campaigns for retailers and visitors.

BOOST action plans and operational best practice guides are also shared with retailers to raise awareness and provide support on the steps they can take to improve energy efficiency in their stores, along with other environmental impacts including water consumption and waste management.

Furthermore, sustainability requirements are included in 100% of the signed standard lease contracts of the Group's retailers in France, Czech Republic, Germany, Italy, Poland and the Netherlands, and approximately 80% in Norway. Sustainability clauses have also been introduced for new leases in Sweden and Denmark since the end of 2019. The clauses cover requirements to share waste and utility data, integrate sustainability considerations into store fit-out and design to minimize waste and energy consumption, and a commitment to adhere to practices that are consistent with each center's environmental management system and building certification.

By far the largest contribution to the Group's carbon footprint is visitors' travel to and from its shopping centers. In 2019, this generated 1,253,329 tons of CO_2e, accounting for 80% of the Group's scope 3 emissions and 76% of its total carbon footprint (location-based method). In this context, and in keeping with national and local strategies to encourage sustainable urban travel, Klépierre has made sustainable mobility a priority and is already undertaking action on this front (see section 4.2.4.1 below).

4.2.1.2.3 Developing resilient assets

With the impacts of climate change already becoming manifest, and some degree of further global warming inevitable, Klépierre has been seeking to anticipate and prepare for the potential effects of extreme weather and increased regulation in relation to its assets.

The Group is decreasing its dependence on fossil fuels – achieving a 29% reduction in common and serviced areas energy consumption since 2013, and in increasing the proportion of energy procured from renewable sources to 75% – and participates in industry working groups in order to reduce risks associated with energy market volatility and changes to the regulatory regime.

The fact that the Group's assets are located in major European cities decreases their relative exposure to physical climate-change risks. Nonetheless, in 2017, the Group commissioned a specialized consultancy firm to conduct an extensive study of the climate change impacts that could affect its entire portfolio of shopping centers over the next 70 to 100 years. This included risks covering increased average temperatures and changes in the intensity or frequency of heatwaves, cold spells, intense rainfall and/or snowfall and droughts. While the findings revealed that no assets were exposed to significant physical risks, they have nonetheless informed the review of structural requirements for the Group's assets, and this has included the introduction of a mandatory requirement for an asset-level structural audit every five years, including additional components relating to climate change risks.

The Group is also using scenario planning to influence the design and specification of its development activity. Modelling software is being developed to predict how energy management systems and building materials can be designed and optimized given different climatic conditions, and thereby influence the operational performance of a shopping center.

As part of its existing activities, Klépierre is acting to protect its assets from higher heating and cooling requirements due to temperature change and ensure that the physical building fabric is designed to withstand the impact of extreme weather events. This is reflected both in relation to operational management (e.g., energy efficiency measures) and development and refurbishment (e.g., efficient, high-quality and locally-adapted design).

Several of the Group's assets feature green roofs and walls that help to reduce flood risks. Nový Smíchov in Prague (Czech Republic), for example, will feature a green wall that is being partially funded by the municipality due to the wider impact it will have on improved air quality and reduced noise pollution. At the same time, features such as green roofs can decrease heat gain to the mall, reducing the need for air-conditioning and thereby contributing to the Group's energy, carbon and green building targets.

4.2.2 Contribute to a circular economy and resource conservation

The operation, refurbishment and expansion of shopping centers consumes a significant amount of natural resources and generates substantial volumes of waste. In this way, conventional shopping center development and management follows the typical linear economy model whereby resources and products are sourced or made, used and then disposed without being recovered or replenished, and often in ways which pollute the natural environment.

A circular economy model, by contrast, is one which decouples economic activity from the consumption of finite resources, designs out waste and pollution, keeps products and materials in use and regenerates natural systems. Besides reducing impacts on the environment, following a circular economy model can increase efficiency by extending the useful life of materials and resources, and reduce costs.

As Klépierre integrates new models of product use and recycling, including closed-loop and circular economy principles into its business model, it is rethinking the management of waste and resource consumption associated with the operation of its shopping centers. Significantly, this extends to the Group's retailers where it has set a goal for all shopping centers to involve their retailers in a circular economy approach by 2022.

To date, Klépierre has focused on limiting waste and controlling the consumption of natural resources, including water, by applying the BREEAM certification standard and specifying products and materials which promote resource efficiency, are low emission, easy to maintain, recycle and reuse and have an eco-label and/or a lower environmental impact (such as PEFC™ or FSC-certified timber). At all stages of the building life cycle, preference is given to suppliers with certified environmental management systems.

Increasingly, the Group is working with its architects and designers to specify materials that contain recycled contents, and are easily recyclable themselves, in its development projects. The Group has subsequently embarked on partnerships with organizations such as

Cycle Up to promote the reuse of construction materials during the renovation of two assets in France: Créteil Soleil in Greater Paris and Grand Place in Grenoble. And in 2018, Le Prado shopping center in Marseille (France) was the first in the Group's portfolio to achieve Cradle to Cradle™ certification by prioritizing the use of recycled and/or recyclable construction materials and certified products in its construction.

The direct consumption of natural resources is most significant in the building management phase through the purchase of products and materials used in operational maintenance and cleaning. In 2019, Klépierre's operational shopping centers generated over 65,000 tons of waste, most significantly cardboard, food and organic waste and paper, and consumed more than 3.6 million cu.m. of water.

During the operations phase, shopping center staff are made aware of materials and products purchased, and a list of the least environmentally harmful products and materials is appended to the cleaning framework agreement. The Group has promoted effective waste management by offering tailored sorting solutions for retailers and visitors, and engaging with service providers responsible for removing and processing waste to ensure that it is disposed of properly. It also closely monitors the quantity of its water consumption and the quality of wastewater discharges.

SUMMARY OF PERFORMANCE AGAINST TARGETS

CONTRIBUTE TO A CIRCULAR ECONOMY

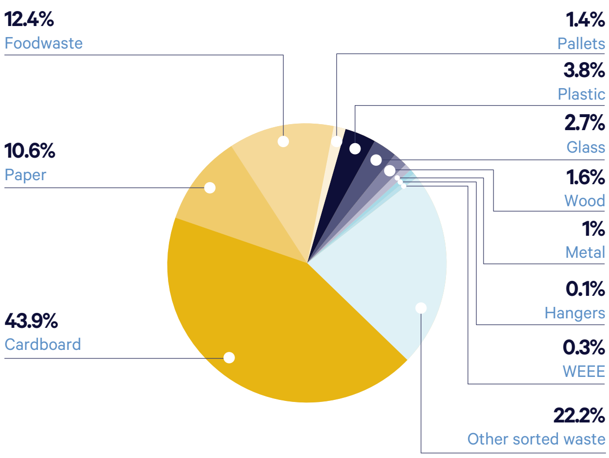
TARGET DESCRIPTION	2017	2018	2019	2022 TARGET
Percentage of waste diverted from landfill	69%	90%	93%	100%
Percentage of shopping centers that have involved retailers in a circular economy effort	N/A	44%	71%	100%

4.2.2.1 Waste management[1]

Klépierre has set a target to ensure that 100% of shopping centers' operational waste is diverted from landfill by 2022. In 2019, the Group adjusted the methodology used to calculate this target by excluding centers where the local municipality sends all collected waste to landfill by default, despite efforts to establish separate waste streams in these centers. Over the past six years, the proportion of waste recycled and recovered has increased from 59% in 2013 to 93% in 2019. This trend was sustained during 2019, with the like-for-like landfill diversion rate increasing by 2% in comparison with 2018.

The bulk of the waste generated in the Group's shopping centers (99.6%) is classed as non-hazardous waste and is made up of a range of recyclable waste streams which include cardboard, organic waste, paper, plastic, glass and wood. Hazardous waste, which accounts for just 0.4% of total waste production, is mostly comprised of used light bulbs and fluorescent tubes, electronic waste, electrical appliances and paint. These waste streams are separated on site and processed through special recovery channels.

BREAKDOWN OF SORTED WASTE BY TYPE *(by tonnage)*



(1) *Unless specified otherwise, all 2019 waste figures contained in this section apply to the following scope: 113 owned and managed shopping centers (excluding La Madeleine (Chartres, France); Shopville Gran Reno (Bologna, Italy); Victor Hugo (Valence, France); and Königsgalerie (Duisburg, Germany)); Saint-Christoly (Bordeaux, France); Alle Valli (Bergamo, Italy); Belforte (Varese, Italy); Champ de Mars (Angoulême, France); Grand Emilia (Modena, Italy); Cavallino (Lecce, Italy) + 9 managed-only shopping centers (excluding Nîmes Étoile (Nîmes, France)). This corresponds to a coverage rate of 95.5% of owned and managed shopping centers.*

The Group's strategy is to increase the proportion of waste that can be sorted on site, thereby reducing overall waste management costs. Most of its assets are equipped with multi-compartment waste bins to promote waste awareness and correct segregation by visitors, and retailers receive training on correct waste segregation and are provided with appropriate facilities.

Approximately 30 different types of waste can be sorted at the best-performing centers, and, where combined with proper incentives for employees, retailers and contractors, waste recovery rates of 100% have been achieved, as demonstrated by centers in Germany, the Netherlands and Scandinavia.

France achieved a waste recovery rate of 98% in 2019 making it one of the Group's top performing countries. Its achievements are partly due to a concerted effort to increase engagement with its waste contractors, and set key performance indicators supported by targets and training to increase the number of waste streams that can be sorted and collected. Documenting and sharing factors such as these with shopping center teams via monthly webinars constitutes an important part of the Group's strategy to increase recycling rates across the portfolio.

Each shopping center's waste data is entered and analyzed monthly through the Deepki platform. The use of Deepki helps the Group monitor waste flows using specific performance indicators, focusing on the types of waste being processed as well as waste disposal destinations, and enables the Group to set appropriate targets at the asset level.

In 2019 Klépierre expanded its effective BOOST interventions to cover waste management (see section 4.2.1.1.1 above), and by the end of 2019, these had been conducted at 11 assets across France, Spain, Italy and Scandinavia. Operating based on a similar format pioneered by the Group's energy audits, the program brings together shopping center teams, suppliers, waste contractors and Group or country-level technical experts to conduct a deep-dive analysis of individual shopping center's waste management practices over a 24-hour period. The timeframe allows teams to observe waste management practices during the shopping center's operating hours, focusing not only on the number of waste streams but also the facilities, processes and products in place to ensure they are operating effectively.

Following this period of observation, the team agree an action plan which can include a range of low-cost measures such as changes to the layout and design of waste substations and storage facilities, improved signage and guidance for retailers, changes to cleaning schedules to increase the number or frequency of visits to certain areas of the shopping center, and the introduction of new waste streams for waste contractors.

A DEEPER DIVE INTO WASTE MANAGEMENT IN MARSEILLE

Le Prado shopping center in Marseille (France) offers a range of shopping and food options set across 20,000 sq.m. and attracts around three million visits a year.

In autumn 2019, the center was selected for a BOOST intervention to identify why it was not achieving its expected waste separation and recycling rates. A cross-functional team including technical experts, the shopping center management team, service suppliers and the waste contractor gathered to observe the shopping center in operation over a 24-hour period.

An action plan was drawn up which involved monthly checks and extra training for waste contractors and cleaning teams on the separation of plastic, glass and organic waste. The impact has been significant, with the share of sorted waste increasing from 45% in October to 49% the following month. Additionally, thanks to a higher volume of waste sorted directly in the center, the proportion of waste recycled also increased from 24% to 34% over the same period (October to November).

4.2.2.2 Circular economy

The deployment of BOOST interventions has enabled Klépierre to increase its direct engagement with retailers, bringing it closer to its target of 100% of shopping centers involving their retailers in a circular economy approach.

As well as identifying specific training needs or improved communications, BOOST action plans provide a much deeper insight into the potential challenges faced by retailers that prevent 100% diversion rates. These may include the use of products or packaging which are not compatible with shopping centers' waste flows and that prevent the effective sorting of waste and/or cannot be recycled. In these cases, often the solution is to engage directly with the retailer's corporate headquarters and procurement departments to encourage them to seek alternative materials.

The Company is also piloting innovative approaches to embed circular economy principles into the daily management of its assets. For example, Klépierre was the first company in its sector to sign a Europe-wide partnership with the start-up "Too Good to Go", which uses a mobile app to facilitate the sale of unsold food on its last possible purchase day. Thirteen centers in France were involved in the initial pilot, and this had increased to 16 by the end of 2019. Klépierre continues to work with the organization to expand the service within its Scandinavian and Iberian portfolios, and will roll it out to other countries in 2020 starting with the Netherlands.

Klépierre's focus on the circular economy extends to its visitors. Continuing the success of its Act for Good® campaign that handed out more than 28,000 reusable bags to visitors across six shopping centers in 2018, this year 11 shopping centers went a step further by encouraging visitors to eliminate bags altogether. Every time a visitor refused to take a bag, the participating shopping center made a donation to a locally nominated charity. The initiative was widely supported by retailers to demonstrate their shared commitment to tackling waste and supporting more sustainable shopping experiences. For example, at Blagnac (Toulouse, France), the shopping center and ten local associations hosted workshops and exhibitions to raise visitors' awareness of environmental issues. Each time a visitor reused a bag, 50 cents were donated to the Zero Waste association. The initiative was supported by more than 54 retailers, and more than 3,000 bags were reused. Along similar lines, visitors to Forum Duisburg in Duisburg (Germany) were encouraged to exchange a plastic bag for a tote-bag containing sustainable gifts such as bookmarks, seed sachets and pencils as part of a week-long initiative that distributed 1,200 bags.

Among the broader range of initiatives designed to promote circular economy principles was a series of events focused on vintage clothing at Oslo City shopping center in Norway. The center hosted a used clothing market featuring a range of second-hand and vintage clothing, along with tips and advice on how to mix new and old fashions. At Hoog Catharijne (Utrecht, the Netherlands), visitors were greeted by an 11-meter long whale made from five tons of waste plastic collected from the Pacific Ocean. The whale – designed to appear as if it was leaping out of the canal in the center of the development – was intended to raise awareness of the problem of plastic waste in the world's oceans. Plastic pollution was also the focus of an exhibition organized by Montebello shopping center in Voghera (Italy) in partnership with WWF which focused on plastic waste in the Mediterranean.

4.2.2.3 Water use(1)

Although Klépierre has not identified water as a material environmental impact, the Group nonetheless measures its water consumption and applies best practices to ensure the most efficient use of this resource as part of its broader efforts to reduce its consumption of natural resources.

In 2019, 3.6 million cu.m. of water was consumed across Klépierre's shopping centers. This includes retailers' water consumption, as retailers' data is collected across all centers. On a like-for-like portfolio basis, water consumption intensity by building use (measured as liters/visit) was down 3.8% over the past 12 months, from 4.85 in 2018 to 4.66 in 2019. This evolution can be explained by better monitoring of leaks, best practice sharing, and the continued upgrading of equipment, fixtures and fittings as part of each shopping center's annual capex investment plan.

Water consumption data is recorded and analyzed monthly through the Deepki platform, which also allows for the benchmarking of shopping centers' water efficiency based on the analysis by type of center used for energy benchmarking. In the case of water, shopping centers are grouped according to similarities in relation to the proportion of greenery present, the characteristics of their cooling towers and the proportion of retailers' and operators' floor space dedicated to more water intensive services (e.g., restaurants and hair-dressers).

Water efficiency interventions are targeted at the three largest water consuming systems and activities in the Group's shopping centers (air-conditioning, toilets and cleaning), as well as the use of more drought-tolerant plant species in green areas and the recovery and reuse of rainwater where feasible. Investments in more efficient equipment, such as cooling towers, and low-flow sanitary fittings are made where and when replacements are required.

4.2.3 Develop a fully-certified portfolio

The appetite for certified "green" and "healthy" buildings is growing among investors, and numerous studies point to the economic benefits that these assets can yield in terms of retailer attraction and retention, rental income, occupier productivity and operational cost savings.

In the retail sector, green building certifications provide an opportunity for developers and owners to differentiate their products by demonstrating higher standards of environmental quality and implementing design features to sustain long-term asset values. What is more, studies show a correlation between sustainability features such as indoor air quality, greenery and daylight levels and increased dwell time, visitor loyalty and retailers' sales(2).

Klépierre favors the use of two green building certification standards, BREEAM New Construction for extensions and BREEAM In-Use for shopping centers in operation and undergoing renovation, and ISO 14001 certification for operational shopping centers' environmental management systems.

The Group has found these standards to be complementary: ISO 14001 provides a framework to target, deliver and monitor environmental improvements at each center, and establish procedures for continuous improvement; BREEAM standards, meanwhile, provide a consistent and comparable framework for assessing impacts and costs from a lifecycle perspective, and enhancing the environmental quality of the building and its socio-economic contribution to the local area. BREEAM gives retailers, visitors and investors the assurance that the project has been developed, and that it operated based on a robust process to minimize damage to ecosystems and natural resources while exploiting opportunities to create a better built environment for people and the planet.

In addition, Klépierre operates a portfolio-wide environmental management system covering 100% of the assets it owns and manages. This means that all assets establish environmental targets, implement actions and monitor their performance, with this process being supported and reviewed by dedicated specialists at national and Group levels.

(1) Unless specified otherwise, all the 2019 water figures contained in this section apply to the following scope: 121 owned and managed shopping centers (excluding Hoog Catharijne (Utrech, Netherlandst) and Il Destriero (Vittuone, Italy)) + 10 managed-only shopping centers. The corresponding coverage amounted to 95.4% of owned and managed shopping centers.

(2) See World Green Business Council, "Health, Well-being & Productivity in Retail: The Impact of Green Buildings on People and Profit" (February 2016), pages 22, 26 and 33.

SUMMARY OF PERFORMANCE AGAINST TARGETS

DEVELOP A FULLY CERTIFIED PORTFOLIO

TARGET DESCRIPTION	2017	2018	2019	2022 TARGET
Percentage of centers that have earned sustainable development certification (BREEAM In-Use, ISO 14001, etc.)	69%	74%	100%	100%
Percentage of development projects that have obtained BREEAM New Construction certification (with a minimum level of 'Excellent')	N/A	100%	100%	100%
Percentage of new developments using wood from a certified forest during construction	N/A	100%	100%	100%

4.2.3.1 Standing assets[1]

In 2019, the Group achieved its long-term target to certify all centers according to BREEAM In-Use. In addition, 40% of the Group's properties operate ISO 14001-certified environmental management systems. A further five shopping centers in Spain: La Gavia and Plenilunio (both located in Madrid), Maremagnum (Barcelona), Nueva Condomina (Murcia) and Santa Cruz de Tenerife (Tenerife) have obtained ISO 50001 certification recognizing their best-in-class approach to energy management.

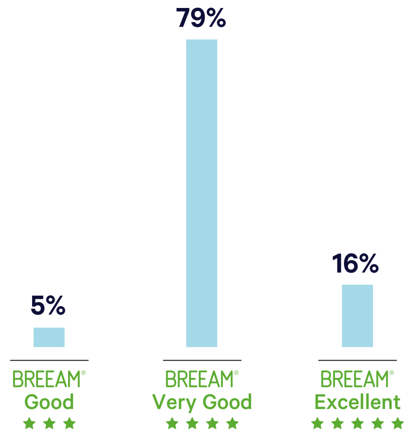
The certification of all the Group's assets three years ahead of schedule followed an intensive program of work during 2019. The Group now boasts as a minimum Part 1 BREEAM In-Use certifications covering asset performance for its total portfolio. Of these Part 1 certifications, 16% have been awarded a rating of Excellent, with the majority (79%) achieving Very Good and a further 5% achieving Good. In addition, 58% of centers have achieved Part 2 certifications that focus on building management.

By certifying the entire portfolio under BREEAM In-Use (Part 1), Klépierre is the second company in its sector - but the largest portfolio under management – to be covered by the BREEAM In-Use portfolio approach. Under this approach, BREEAM does not require every property to be reassessed every three years for the certificates to remain valid. Instead, Klépierre will adopt a sampling approach whereby a smaller group of properties that are representative of its wider portfolio will be submitted for an audit, with all certificates renewed on this basis, allowing the Group to reinvest and concentrate its efforts on asset optimization.

Aside from reaching its target three years early, the certification process benefits individual shopping centers and the Group more broadly: it establishes an objective measure of the quality of each center's procedures, encourages continuous improvement methodologies by setting out a clearly defined roadmap to maintain or achieve a higher certification, and promotes collaboration between teams and countries.

(1) Unless specified otherwise, all 2019 certification figures contained in this section apply to the following scope: 122 owned and managed shopping centers (excluding Danubia (Bratislava, Slovakia)) + 10 managed-only shopping centers + 4 owned-only shopping centers. The corresponding coverage rate amounted to 99.2% of owned and managed shopping centers.

▸ **SUSTAINABILITY CERTIFICATIONS OF ASSETS — BREAKDOWN BY BREEAM IN-USE LEVELS**
(reported scope)



Scope: 122 owned and managed shopping centers (excluding Danubia (Bratislava, Slovakia)) + 10 managed-only shopping centers + 4 owned-only shopping centers. Coverage rate: 99.2% of owned and managed shopping centers.

4.2.3.2 New construction and renovation

The Group's development activity focuses on its standing assets, where there are significant opportunities to unlock additional value through expansions and/or refurbishments. The Group's over-arching development strategy, which is tailored to the unique needs of each project, pursues four objectives:

> Better integrating the assets within, and adding greater value to the surrounding district;

> Positioning projects towards mixed use themes, while maintaining retail as the predominant activity;

> Extending existing assets when sufficient potential is identified; and

> Implementing the operational initiatives of the Group (Retail First®, Destination Food® and Clubstore®) to fine-tune the retail mix and introduce new retail, leisure and culinary concepts to enhance the Group's customer-centric approach.

The Group's Act for the Planet approach is deployed alongside these pillars through the application of the BREEAM standards for New Construction or Refurbishment and Fit-Out (as befits the project). BREEAM Excellent for New Construction, for example, sets out criteria that benefit the customer experience covering internal and external lighting levels, indoor air quality and acoustic performance. Requirements to improve accessibility to and from the site by providing alternative forms of transport promote integration with the broader community and the urban environment.

Following the BREEAM standard is therefore fundamentally important for the Group's developments, and BREEAM certification with "Excellent" as a minimum level is an integral requirement of the Group's Act for Good® Development Checklist that is applied to all projects which involve the creation of over 10,000 sq.m. of new development area. It also includes requirements for:

> All timber to be certified to PEFCTM or FSC standards;

> Undertaking community engagement at the initial stages of the project;

> Ensuring that the main contractor has committed to adhering to the sustainability standards set by Klépierre during the procurement and worksite phases; and

> Creating a biodiversity action plan.

In 2019, Klépierre achieved its target for all completed developments to achieve BREEAM New Construction "Excellent" certification. This included Créteil Soleil in Greater Paris (France) which received certification for the design phase following a 12,000-sq.m. extension of the shopping center that will add an additional 40 units and increase the existing 12-screen cinema to 18 screens (see case study).

The Group's other significant development project in 2019 – Gran Reno in Bologna (Italy) – involves a similar 16,000-sq.m. extension and wider refurbishment to the existing shopping center. For both works Klépierre has targeted BREEAM "Excellent" certification for New Construction and Refurbishment & Fit Out. The renovation includes the full insulation of the existing asset to reduce heat gain and loss, and a thermally efficient glass roof that will improve energy efficiency by reducing the need for indoor lighting.

CREATING A SUSTAINABLE RETAIL DESTINATION FOR THE FUTURE

Créteil Soleil has established itself as one of France's most visited destinations since its inauguration in 1974. The flagship center attracts close to 21 million visits annually, and is among the top five best performing shopping centers in the country.

In 2018, Klépierre embarked on a significant expansion and refurbishment of the property which has not been updated since it opened over 40 years ago. Once complete, the newly extended and refurbished center will blend sector-leading technology, architecture, retail and leisure facilities to create a compelling destination that will continue to reinforce Créteil Soleil's reputation as a one of Europe's leading shopping centers.

The expansion, completed in November 2019, encapsulates Klépierre's ambitious design standards and achieved BREEAM New Construction "Excellent" certification at the design stage. The center benefits from its prime location, bordering several municipalities across south-eastern Paris, with strong public transport links. The new extension maximizes these links, expanding the center directly to the neighboring metro station and providing direct access for visitors arriving by train, while also improving access to and from the car park. Visitors can now enter through a glass canopied wing that houses 15 new restaurants along a new "Food Avenue" of nearly 4,000 sq.m., as well as a space dedicated to events, a next generation cinema and exclusive retail brands.

The wider renovation – due for completion in 2020 – will include a complete update to the center's technical equipment as well as improvements to the look and feel of the property to improve its appearance and visitor comfort. The works are on track to achieve a BREEAM Refurbishment & Fit Out certification level of "Excellent" – influenced in part by the anticipated improvements to the center's energy performance as a result of the new technical installation – as well as Silver certification to the International WELL Building Institute's WELL Core and Shell standard, recognizing improvements to the center's indoor environmental quality.

In line with the Group's broader environmental objectives, the center has sought to protect biodiversity and enhance the ecological value of the broader site in line with BREEAM "Excellent" requirements. The development team worked with an external ecologist to design the center's green areas which included the revegetation of a large part of the roof and the development of a vegetable garden on an accessible terrace that will be used as an educational tool to engage visitors.

4.2.4 Innovate towards sustainable mobility

Air pollution is currently considered one of the greatest environmental risks to public health in Europe, and concerns about air quality, congestion and global warming are prompting national and local governments to develop plans to increase the use of more environmentally sustainable and healthier forms of mobility, including walking, cycling, the use of public transport and electric vehicles.

Ensuring accessibility by different modes of mobility is an integral part of Klépierre's strategy. Location, urban density and transport connectivity are key criteria which are reviewed as part of the Group's investment selection process. Across its operational portfolio, Klépierre is undertaking actions to diversify the transportation and mobility offer associated with its shopping malls.

The intentions behind this approach are four-fold: it supports the integration of its assets within the communities they serve, supplements efforts to increase footfall by enabling easy access by as many people as possible, it reduces pollution and GHG emissions associated with the use of motor vehicles and helps to future-proof the Group's assets in the context of the shift towards greater use of electric and automated vehicles, walking and cycling.

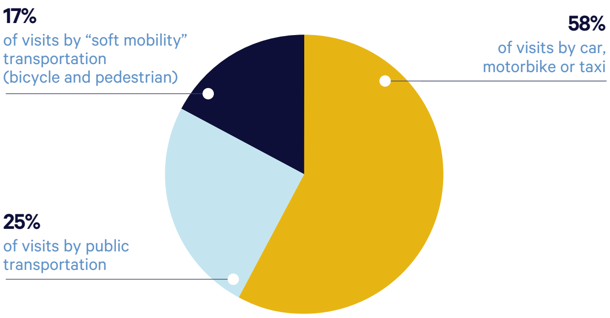
SUMMARY OF PERFORMANCE AGAINST TARGETS

INNOVATE FOR SUSTAINABLE MOBILITY

TARGET DESCRIPTION	2017	2018	2019	2022 TARGET
Percentage of centers accessible via public transportation	96%	97%	98%	100%
Percentage of centers equipped with charging stations for electric vehicles	55%	56%	60%	100%

4.2.4.1 Visitors' travel modes[1]

In 2019, 17% of visits to Klépierre's shopping centers were made by soft mobility (walking, cycling, etc.) or public transport. Over the past four years, the Group has seen a 3% increase in the use of public transportation which now accounts for 25% of visits.



Klépierre has set a target for 100% of its shopping centers to be accessible by public transportation and equipped with charging stations for electric vehicles by 2022. As of December 31, 2019, 98% of the Group's assets met this definition, meaning that at least one bus, train or tram stop was located less than 500 meters away from a mall entrance with services at least every 20 minutes.

99% of the Group's shopping centers are easily accessible by bicycle, including all of those located in Scandinavia, Germany and the Netherlands. Cycling is encouraged more broadly by promotional events and public awareness campaigns and the provision of bicycle rental services at some shopping centers.

2019 saw the Group expand its provision of charging stations for electric vehicles, with 65 shopping centers across France, Germany, Denmark, Italy, the Netherlands, Sweden, Norway, Portugal and Spain installing these facilities.

Electric vehicle charging stations are also installed as standard at the Group's development projects, including Créteil Soleil and Gran Reno. This means that 60% of the Group's assets (in value) now have electric vehicle charging points in place, including 98% and 97% of centers respectively in Scandinavia and the Netherlands, where the use of electric vehicles is most predominant.

The Group promotes initiatives to reduce private vehicle use to and from its shopping centers, such as car-sharing, renting and encouraging alternative forms of transport. A sample of other initiatives to promote more sustainable travel at various shopping centers includes:

> Dedicated parking spaces for carpooling (21% of centers);

> Private shuttle bus services (14% of centers); and

> Live displays of public transport timetables (18% of centers).

BRINGING NEW MOBILITY SOLUTIONS TO VISITORS AND COMMUNITIES

Klépierre and Renault have embarked on an ambitious partnership to offer innovative mobility services across the Group's shopping centers benefitting visitors and local communities.

The first, launched in June 2019 at three Klépierre shopping centers in France (Val d'Europe in the Greater Paris region, Blagnac in Toulouse and Bègles Rives d'Arcin in Bordeaux), features an innovative car-sharing service accessible via the Renault MOBILITY mobile application. The service has subsequently been rolled out across a number of the Group's shopping centers providing visitors and residents with a mix of traditional and electric vehicles that can be hired on a flexible, subscription-free basis for periods starting from an hour.

Other projects underway include the rollout of multi-purpose charging hubs for electric vehicles, known as "charging houses." Primarily intended for shopping center visitors during the day, and local residents in the evenings and at weekends, the hubs can be pre-booked in advance allowing visitors to plan their trips in advance. The hubs had been installed across 13 Klépierre shopping centers by the end of 2019 prior to a wider rollout across Europe, and will make a major contribution to the Group's goal to equip 100% of its centers with electric charging stations by 2022.

These services build on the complementary strengths of each company: Klépierre's local presence and parking infrastructure; and Renault's technological know-how. They are the first in a number of options being explored to expand the range of sustainable transport solutions to visitors and communities across France and Europe. In the longer term, Renault and Klépierre will be looking at how trends relating to car ownership, demographics and technology such as autonomous and connected cars will impact visitor services and transport infrastructure in around the Group's shopping centers.

4.2.4.2 Master planning transport solutions

Klépierre's development activity offers additional opportunities to promote sustainable mobility by integrating shopping centers successfully within neighborhood masterplans and engaging with local authorities and services to do so. Indeed, all assets which have been developed, extended or renovated by the Group since 2012 are served by public transport owing to such efforts.

The Group exploits all possible opportunities to connect with new and existing public transport infrastructure, cycling paths and pedestrian zones in its redevelopment activities. Créteil Soleil (Greater Paris, France), for example, is already well served by public transport and in 2019 almost 20% of visitors arrived by train or bus. The new extension enhances this further. Whereas previously visitors arriving at the adjacent Créteil metro station had to cross the shopping center car park, they can now enter the center directly from the station. At the same time, the car park has been remodeled to improve traffic flows and increase cycle access with expanded bicycle storage facilities.

Likewise, the extension of Gran Reno (Bologna, Italy) improves public access to the nearby Casalecchio Palasport rail station. Klépierre's plans include the construction of a pedestrian bridge connecting it with the shopping center, as well as improvements to the center's car park to reduce congestion and improve local traffic flows.

(1) *Unless indicated otherwise, all 2019 travel mode figures contained in this section apply to the following scope: 121 owned and managed shopping centers (excluding La Madeleine (Chartres, France) and Grand Littoral (Marseille, France)) + 7 managed-only centers (excluding Saint-Jacques (Beaune, France); Aulnoy-lez-Valenciennes (Aulnoy-lez-Valenciennes, France) and Océane (Gonfreville, France)). This corresponded to a coverage rate of 99% of owned and managed shopping centers.*

The Group takes a longer-term view as it seeks to future proof assets in light of evolving trends in mobility, urban transportation, logistics and supply chains. This includes studying the impact of changes in visitor transportation on shopping center design given factors such as the expected growth in autonomous cars, but also understanding how assets will need to adapt to retailers' changing needs given new retail and distribution models.

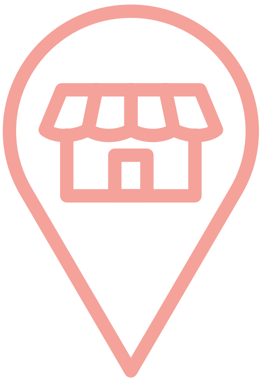
4.3 ACT FOR TERRITORIES

The Group's commitments under this pillar – tackling unemployment, supporting local economic development, encouraging better social outcomes and participating in the local community – make it possible to match local actions with the broader socio-economic context in which Klépierre operates. While Act for Territories provides a Group-wide structure for the plethora of initiatives that have developed across Klépierre's portfolio, it nonetheless recognizes that the Group's approach demands a local response that reflects the specific circumstances and priorities of individual catchment areas.

Klépierre continues to make good progress towards its 2022 targets. The number of initiatives across its portfolio has accelerated as individual shopping centers hone their focus on each of the Group's core commitments, and nurture the long-term relationships that are necessary to achieve Klépierre's ambitions.

Klépierre's efforts have been boosted by the compilation of a 'best practice guide' that showcases examples of successful initiatives from across the Group's portfolio. The guide helps shopping centers respond to each target within their local context. Reporting against each Act for Territories target is also included in the Group's quarterly performance reporting (described in section 4.5.3.2). Through this process, country heads, operations directors, marketing managers and shopping center teams share progress and lessons learned from the initiatives they have implemented.

ACT FOR TERRITORIES



2022 COMMITMENT	2030 AMBITION
Promote local employment around centers	
Participate in the local community	> **Make our centers a benchmark in local value creation**
Pursue our responsible citizenship	> **Incorporate social responsibility into our sphere of influence**
Involve local actors in development projects	> **Jointly develop the shopping centers of the future**

4.3.1 Promote local employment around our centers

As major economic hubs that attract many thousands of visitors daily, Klépierre's shopping centers make a significant contribution to local employment. Firstly, the Group generates employment in the construction sector when it launches new shopping center developments or redevelopments. The Group then recruits staff directly to fulfil shopping center management posts. Jobs are subsequently created by the suppliers it contracts to provide cleaning, security and maintenance functions, and its retailers who require personnel to run their shop units. Altogether, Klépierre's presence has a strong bearing on local economic development, as employment boosts household incomes and increases tax returns to regional and national governments.

SUMMARY OF PERFORMANCE AGAINST TARGETS

ENCOURAGE LOCAL EMPLOYMENT AROUND OUR CENTRES

TARGET DESCRIPTION	2017	2018	2019	2022 TARGET
Percentage of local service providers for operational management of the centers (security, maintenance, cleaning services)	40%	65%	78%	100%
Percentage of centers by value that have contributed to local employment	24%	48%	85%	100%

The Group's long-term ambition is to make its centers a benchmark in local value creation, and it has set out a long-term commitment to ensure that all shopping centers in its portfolio promote local employment. The Group's strategy to deliver this commitment is two-fold:

> Through its supply chain, by ensuring all service suppliers for the daily operations of its centers are recruited from the "local" community;

> Using its local networks to facilitate employment opportunities by working with tenants and employment agencies.

4.3.1.1 Increasing procurement from local suppliers

The Group's annual shopping center operating budget totaled around €350 million in 2019, which was mostly redistributed to locally-based service suppliers. Klépierre has committed to ensure 100% of its shopping centers use local service suppliers by 2022, and by the end of 2019, 78% of service suppliers met the Group's definition of local: regional and/or within 300 km from the shopping center, compared with 65% in 2018.

Procurement activities are managed at a country level and procurement teams are prioritizing suppliers that meet the Group's definition of local as contracts come up for renewal. Given service contracts typically cover a three-year period, progress remains underway in our largest markets. Yet significantly, Klépierre renewed its safety and security and cleaning contracts in 2019 to meet this definition across its French portfolio. The percentage of local supplies has also increased in Germany and Turkey. In other geographies where the Group has a smaller presence, such as the Netherlands, Iberia and Scandinavia, this target has already been achieved.

4.3.1.2 Partnerships to boost local employment

Most job opportunities generated through the Group's operations are created indirectly by its tenants who represent a broad spectrum of small businesses; national and international brands. Given that recruitment can be a resource-intensive process for both employers and job seekers, the most significant role Klépierre can play is to facilitate local employment opportunities using both its local presence and national scale to work with recruitment agencies to bring retailers and job seekers together.

Since 2017, the number of shopping centers facilitating local employment has increased significantly, with 118 centers organizing an initiative in 2019. The Group's long-term target for all centers to facilitate local employment is integrated into each shopping center's marketing plan, meaning responsibility rests with the Marketing Manager for each shopping center. This approach encourages marketing teams to think creatively about what initiatives can be organized that reflect both the needs of each center's retailers and the communities within their broader catchment areas.

While recognizing that local needs are best identified at a shopping center level, Klépierre promotes some initiatives at a regional level, such as organizing recruitment fairs, posting advertisements on shopping center websites and within the centers themselves, and by working with local and national recruitment organizations. In France for example, Klépierre hosts job fairs organized by the government employment agency Pôle emploi. These fairs bring retailers, other local businesses and job seekers together and allow them to connect directly. In 2019, Grand Littoral in Marseille (France) hosted a mobile careers advice truck as part of the National Ministry for Labor's "*Emplois Francs*" initiative which aims to provide employment opportunities for young people from disadvantaged backgrounds.

In Italy, an expo organized at Campania Centro Commerciale near Naples was one of several events organized by the shopping center that brought together local students to learn more about the job market and provide careers advice through a series of interactive presentations and activities. Several retailers have subsequently expressed an interest in meeting students at future events.

Set against the backdrop of persistently high youth unemployment in many of its operating countries, this partnership approach – working with careers agencies and local organizations to help young people enter the job market – is repeated across the Group's portfolio.

Similar events were organized at Saint-Jacques in Metz (France) which partnered with CriBij (youth information center) to help students find summer jobs during their holidays, allowing retailers to recruit additional staff during the busy summer months and giving students an opportunity to build their CV. At Porta di Roma (Italy) the center continued its successful partnership with Generation—a non-profit organization that supports companies in finding and training young people—to organize interviews for 50 young job seekers with shopping center tenants. At Nový Smíchov and Plzeň Plaza (Czech Republic), the shopping center teams organized their own job fairs to connect retailers and prospective employees. The events were attended by 18 retailers and attracted over 70 applications from job seekers.

4.3.2 Participate in the local economy

Klépierre positions its shopping centers as 'local hubs' at the heart of the communities they serve. They are dynamic places that bring together people from the immediate catchment area and further afield to gather, shop, meet and connect. Their outreach provides a significant opportunity for local organizations and charities to engage with the millions of visitors who pass through the Group's shopping centers daily.

The Group has a long-term commitment to make its centers a benchmark in local value creation. It encourages shopping center teams to strengthen their ties with local residents and organizations, and provide the best possible experience to visitors, thereby fostering mutually beneficial relationships, as well as increased footfall and customer loyalty.

SUMMARY OF PERFORMANCE AGAINST TARGETS

PARTICIPATION IN THE LOCAL ECONOMY

TARGET DESCRIPTION	2017	2018	2019	2022 TARGET
Percentage of centers that have made space available for a local initiative	60%	76%	97%	100%

To fulfil its commitment, the Group has set a long-term target for all centers to participate in the local economy by offering free space for use by local initiatives at least once a year. In 2019, 97% of the centers across Klépierre's portfolio met this target.

In parallel with Klépierre's approach to job creation, each shopping center has the freedom to select initiatives based on their local circumstances and community needs within an overarching framework that provides a consistent Group-wide approach. The framework provides guidance for shopping centers in identifying relevant initiatives and establishes comparable metrics that can be used to calculate the Group's overall value created, such as footfall and social media reach. The range of organizations supported cover emergency services and public safety bodies, to sports clubs, student bodies, local charitable organizations and arts associations.

By way of example, the regional marketing team in Scandinavia organized two events specifically aimed at young entrepreneurs: Emporia shopping center in Malmö (Sweden) hosted the 6th edition of a young entrepreneurs' fair which was attended by more than 1,200 exhibitors and attracted over 66,000 visitors in three days. A similar event at Kupolen shopping center (Borlänge, Norway) attracted more than 200 companies and 600 young students which led to a 35% increase in footfall over the same period in 2018, and generated significant press and social media coverage.

The focus on supporting local talent was also reflected in a recent "Let's discover Marseille!" event jointly organized by Bourse shopping center (Marseille, France) and the *Comité du Vieux-Marseille* which since 1911 has been working to preserve and promote Marseille's heritage. Visitors had the opportunity to meet more than 110 authors and learn more about their passion for the city and how it has inspired their work. At Saint-Jacques in Metz (France) the shopping center provided a 'pop-up' temporary space for local craftspeople to showcase and sell products and crafts.

A HELPING HAND FOR NEW BUSINESSES

Three young entrepreneurs have taken their first steps into the world of business thanks to an initiative jointly supported by Espace Coty (Le Havre, France) and the Mission Locale Le Havre.

A boutique store – located on the first floor of the shopping center – was a temporary home to three start-ups including a women's ready-to-wear fashion brand, a menswear brand and an organic homemade cereal brand as part of the Mission Locale's Lab'O initiative. Mission Locale provides careers and business advice for young school leavers across France. The Lab'O store – the first of its kind in France – was conceived as an incubator space to give young entrepreneurs aged 16 to 25 an introduction to the realities of running their own business while developing their commercial skills.

Open during normal mall hours between 9:30am and 8:00pm, the shop was run on a collaborative basis with the entrepreneurs stepping in to help each other. As well as practical experience, the entrepreneurs had access to professional mentoring, networking and training designed to develop their business plans and give them the confidence to set out on their own.

4.3.3 Pursue our responsible citizenship

As Klépierre uses its influence to generate positive economic benefits for communities, the Group has set a long-term ambition to boost the social impact of its operations as it pursues its commitment to be a responsible community member.

Furthermore, the Group is supporting its customers by recognizing their shared interest in reducing environmental impacts and making a positive social contribution to local areas. As the Group views its retailers as strategic partners, shopping center teams are encouraged to support retailers' sustainability activities, contributing to brand loyalty and increasing footfall.

SUMMARY OF PERFORMANCE AGAINST TARGETS

PURSUE A CORPORATE CITIZENSHIP INITIATIVE

TARGET DESCRIPTION	2017	2018	2019	2022 TARGET
Percentage of centers that have organized a drive (clothes, toys, furniture, etc.) for the benefit of a local charity	44%	61%	84%	100%
Percentage of centers that have supported a citizen's initiative organized by a retailer in the center	37%	53%	79%	100%

4.3.3.1 Promoting charitable giving among shopping center visitors

Klépierre aims for all its shopping centers to organize a clothing, toys and/or furniture drive for a charity by 2022. The Group remains firmly on track as 84% of shopping centers organized at least one such initiative in 2019.

The events provide an opportunity for centers to help local charitable organizations, and support visitors who are keen to donate their time, money and new or secondhand gifts to help those who are less fortunate. Christmas, for example, is traditionally the busiest time of the year for many of the Group's centers and the spirit of giving is celebrated with shopping centers including Forum Duisburg (Duisburg, Germany), Maremagnum (Barcelona, Spain) and Oslo City (Oslo, Norway) organizing gift collections to collect presents for children from disadvantaged backgrounds.

As consumer awareness around issues from climate change to plastic waste grows, more and more visitors are looking to learn how they can reduce their impact on the environment. The Group supports this trend, for example by organizing "vide dressing" events where visitors can buy and sell secondhand fashion and vintage clothing. At Les Passages (Greater Paris, France), visitors received the proceeds from sold items as a gift card to use in the center, and unsold items were donated to a local charity. Further afield, Lublin Plaza (Lublin, Poland) and Gulskogen shopping center (Drammen, Norway) partnered with New Life Aid and Bymisjonen respectively to collect used and unsold clothes from retailers and visitors for underprivileged families all over the world.

By encouraging consumers to recycle and reuse old belongings such as clothing, toys and furniture, the events are prompting visitors to consider the wider implications regarding waste, and the inherent value in their used or unwanted items.

4.3.3.2 Partnering with tenants to magnify their collective impact

As the Group's strategic partners on a local, national and international level, Klépierre works closely with its retailers on shared sustainability objectives to amplify their impact and strengthen cooperation.

The Group has set a target for all its centers to support an in-house solidarity event organized by a retailer. By the end of 2019, 79% of Klépierre's shopping centers had promoted at least one event by providing mall space and/or media coverage through the centers' websites and social media, as well as print and local media to increase awareness among visitors and the wider catchment area.

For example:

- Boulevard Berlin Shopping Center in Berlin (Germany) provided free space on a vacant shop facade for retailers to publicize their sustainability activities. Three retailers (Mey, S. Oliver and Coffee Fellows) used the opportunity to promote their sustainability achievements and campaigns to a much wider audience of shopping center visitors;
- Similar use of free space and social media was provided to support fashion retailer Promod's #fashionforhealth clothes drive across the Polish portfolio. For just over a week, visitors were encouraged to donate unwanted clothes to fund a mobile cancer screening laboratory to provide early diagnosis services for women across the country; and
- Alexandrium shopping center (Rotterdam, the Netherlands) is an active supporter and promoter of the supermarket chain Albert Heijn's community program. This includes monthly events to strengthen ties with the local community, such as a campaign against loneliness organized with the nearby retirement housing complex De Hoeksteen.

4.3.4 Involve local actors' development projects

The Group's development activities predominantly involve the expansion, repurposing and modernization of existing assets within its portfolio. Given the nature of the Group's properties as prime assets located in major urban centers throughout Europe, development activities inherently bring a unique set of challenges with potentially significant impacts on local communities, the urban environment and infrastructure.

Klépierre has set long-term commitments to not only minimize potentially adverse impacts on the environment and society, but also to deliver positive outcomes by developing properties that meet local needs.

Firstly, the Group aims to engage with local stakeholders to influence the design, purpose, facilities and retail mix of its shopping centers to ensure each one reflects the unique context of their respective catchment areas and creates a compelling commercial and leisure offer. Secondly, the Group has committed to taking positive steps to embed responsibility into its supply chain and protect and enhance biodiversity, further details concerning this can be found below in sections 4.3.4.2. and 4.3.4.3.

SUMMARY OF PERFORMANCE AGAINST TARGETS

INVOLVE LOCAL STAKEHOLDERS IN DESIGNING NEW DEVELOPMENTS

TARGET DESCRIPTION	2017*	2018	2019*	2022 TARGET
Percentage of development projects that have included local cooperation as part of the early planning process	N/A	100%	N/A	100%
Percentage of development projects certifying that suppliers sign a 'sustainability charter' governing construction site supply and management	N/A	100%	N/A	100%
Percentage of development projects that have implemented a biodiversity action plan	N/A	100%	N/A	100%

*2017 and 2019 are not applicable as no development projects were completed during the reporting year.

4.3.4.1 Local participation

Klépierre aims for its developments to follow a participatory process by integrating stakeholder views into the development and planning process. This enables the Group to secure local support and contributes to the commercial success of each project. The Group has set a long-term target to guarantee all development projects include a locally-agreed participatory initiative to ensure this commitment is embedded into the Group's development activities.

The Group complies with all legal planning and consultation requirements in each market where it is present, and goes a step further by actively seeking the views of the communities surrounding its projects. By encouraging local participation, seeking stakeholder input and consulting with residents from the outset, the Group gathers valuable feedback on the local commercial offer, leisure facilities and infrastructure to identify unique opportunities to introduce mutually beneficial outcomes into each project.

Klépierre has refined its approach by using the experiences gained from its development activity to ensure best practice is shared and a consistent standard is applied to new developments, while allowing enough flexibility to reflect the specific circumstances of each project. The approach blends structured engagement between development and shopping center management teams with local municipalities and residents at specific intervals, such as traffic impact studies, market research and surveys. In addition, shopping center managers regularly consult with community members in advance of proposed developments and also discuss local issues with them.

For example, for the Group's development projects either underway or completed in 2019, there was a monthly meeting between the project management team at Gran Reno in Bologna (Italy), the neighboring municipal authorities of Casalecchio, Zola Predosa, and the City of Bologna. The meetings were used as an opportunity to monitor progress and identify and solve any potential challenges concerning the expansion works. Créteil Soleil, shopping center has submitted several potential designs for its vegetable garden to the wider community for consultation and feedback (see case study in section 4.2.3.2).

4.3.4.2 Supplier participation

The Group's development activities can have significant indirect impacts through the actions of its suppliers. Throughout its supply chain – from the procurement of construction materials to site management – Klépierre's priority is to work with its suppliers to ensure the Group's sustainable procurement standards are adhered to and integrated into the procurement process.

The Group's long-term target is for all development suppliers to sign a 'sustainability charter' which covers both procurement and construction site management. The charter sets out Klépierre's expectations regarding materials selection, employment conditions and broader community impacts. By signing the charter, suppliers commit to minimizing the negative impacts of their activities such as air pollution, noise and waste management, and meeting required standards on working conditions and materials selection.

4.3.4.3 Biodiversity action plans

In the context of its urban portfolio setting, Klépierre takes active measures to protect and enhance biodiversity, not just during the operational phase of its shopping centers but also during the design and development of new projects, aligned to its long-term target for all development projects to implement a biodiversity plan.

As well as a mandatory requirement within Klépierre, and a legal obligation in some markets, taking steps to conserve and enhance biodiversity aligns with the Group's broader goals by supporting credits towards green building standards such as BREEAM New Construction.

Klépierre has accordingly developed a standardized approach to biodiversity enhancement that assesses the significant biodiversity impacts and mitigation measures aligned with BREEAM "Excellent" level requirements, while allowing enough flexibility to account for local conditions.

The Group's design and development teams regularly solicit the advice of ecologists during development projects for new assets or extensions of existing buildings to develop a greater understanding of the surrounding natural environment. Their advice guides the architects and developers to consider existing ecosystems and select the most appropriate plant species to preserve local flora and fauna. Green roofs are now a common feature across the portfolio, having been incorporated at the design stage of new projects.

By the end of 2019, both of the Group's current development projects (Créteil Soleil in Greater Paris, France, and Gran Reno in Bologna, Italy) had implemented initiatives to promote biodiversity as they target BREEAM "Excellent" level certification. At Créteil Soleil, these included seeking the advice of an ecologist when designing the center's green areas, the revegetation of a large part of the roof, and the development of a vegetable garden on an accessible terrace.

4.4 ACT FOR PEOPLE

Klépierre's commitments under Act for People span the Group's relationships with its key stakeholders: the tens of millions of people who visit its shopping centers annually, its employees, tenants, suppliers and business partners.

The Group's 2030 ambitions – to position its centers as top destinations in their communities; be recognized as an exemplary employer, promote ethical business practices and put charity at the heart of its strategy – are supported by 13 long-term targets that guide the Company's activities to 2022.

The Group continues its progress towards these targets: it has strengthened its visitor engagement, increasing the pace and frequency with which it can engage with its visitors while positioning its centers as community destinations that provide a compelling retail, leisure and food offer. In keeping with visitors' growing awareness of sustainability, and their willingness to embrace lifestyle changes, the Group is promoting health and well-being among all shopping center users, including its tenants. Klépierre's reputation in this area is enhanced by the many philanthropic activities that are supported across its portfolio.

Among its workforce, engagement, recruitment and retention are key priorities. Klépierre is focused on strengthening development pathways and supporting internal mobility as tools to boost engagement and retention. Its activities include building the Company's brand to ensure it continues to recruit the talent that it needs to deliver its strategy.

Progress in these areas has been supported by increasing coordination between countries. Best practices and key performance indicators are monitored across the Group's locations, and the Company is working to align its human resources (HR) practices to ensure employees share the same benefits. This proactive approach extends to the Group's suppliers and business partners as the Company promotes responsible business practices more broadly within its sphere of influence.

ACT FOR PEOPLE

2022 COMMITMENT	2030 AMBITION
Increase the satisfaction of visitors	Make our centers a top destination for local communities
Promote health and well-being in our centers	
Offer group employees a positive experience	Be recognized as an exemplary employer
Champion ethics in the local communities	Promote more ethical business practices
Be socially conscious	Put charity at the heart of our strategy

4.4.1 Increase visitor satisfaction

Shopping centers must offer more than just a shopping experience to remain relevant in today's increasingly competitive retail market. Consumer expectations are changing, fueled by advances in technology that offer new and innovative experiences. At the same time, there is a rapid change in social and environmental attitudes as concerns about climate change and waste climb up the social and political agenda.

Against this backdrop – and with the volume of online purchases continuing to grow – the traditional 'brick and mortar' retail model must evolve. Its success depends on the ability of retail property owners and operators to support innovation that provides new and compelling experiences; to foster a diverse mix of tenants; to provide a welcoming and safe environment that is highly accessible and encourages long dwell times, and to create a physical and emotional connection with the products and services it offers.

In practice, this means housing a range of international, local and niche brands and broadening the service offer to enrich the visitor experience such as family zones and children's plays areas; concerts and cultural events; healthcare facilities; high-quality dining and experiential entertainment that will attract and maintain higher footfall and increase visitor loyalty. Moreover, an increasing number of shopping center owners and retailers are offering omnichannel services, providing customers with a unified experience connecting multiple touchpoints and physical stores.

These industry insights are corroborated by the Group's own research which demonstrates the importance of convenience, accessibility, the tenant mix and a welcoming and safe environment as factors that influence visitor satisfaction. This is why Klépierre aims to position its shopping centers as top destinations by continually innovating its offer so that the shopping center experience is tailored to the needs of every visitor. Its success is contingent on engagement with retailers, as it is by developing a sound partnership with tenants – its first-tier customers – that Klépierre can most effectively cater to the evolving needs of individual people and the wider communities whom its shopping centers serve.

SUMMARY OF PERFORMANCE AGAINST TARGETS

CONTINUOUSLY INCREASE VISITOR SATISFACTION

TARGET DESCRIPTION	2017	2018	2019	2022 TARGET
Increase in the Group's Net Promoter Score (NPS)	Base year	+2 pts	+8 pts	+3 pts
Percentage of customers' social media questions answered less than an hour	28%	50%	68%	100%

4.4.1.1 A customer-centric approach

Clubstore® is Klépierre's comprehensive approach to creating a compelling customer experience that builds visitor loyalty and drives footfall in to the Group's shopping centers. The approach encompasses a holistic set of standards across 16 touchpoints that define Klépierre's customer journey.

The Clubstore® standards inform shopping center design, services and attitude, and are applied across all the Group's assets. They cover aspects ranging from digital connectivity and online or in-person services (such as pre-booking of tables in restaurants, matching service for lost items), to streamlined access and parking (indications to free spaces, carparks designed to make it easier to locate the vehicle), creating enticing mall entrances and interiors to indoor environments that appeal to all the senses.

All Klépierre employees who have direct contact with visitors have been trained in the Clubstore® Charter, and training on the Group's high standards of hospitality has been extended to its suppliers, including shopping center service providers. An internal platform is used to share best practice between employees and service providers to promote continual improvements in visitor hospitality, leading to increased visitor satisfaction.

The Group gathers feedback through visitor surveys (almost 400,000 in 2019) and online reviews to track customer preferences and collect feedback on individual shopping centers. In 2018, Klépierre launched Critizr, a multi-functional tool which enables it to collate and monitor visitor feedback from multiple social media and online channels including Google My Business, TripAdvisor and Facebook.

Critizr enables Klépierre to track the number of positive, neutral and negative comments, allowing it to obtain better quality data on visitors' needs and respond promptly and effectively. The tool also enables shopping centers to collect visitor feedback and conduct surveys through a variety of channels including emails, Facebook, wifi, QR codes and websites. Each shopping center has a target to collect at least 1,500 such surveys per year. Together with the ongoing rollout of customer feedback machines, currently installed in 95 centers across Klépierre's portfolio, these enabled the Group to increase the number of surveys performed to 384,000 in 2019 (2018: 128,000).

The surveys provide valuable information by capturing feedback about shopping centers' attractiveness, visitor profiles, retail preferences, modes of transportation and expectations about the kind of services and events visitors expect and would like to see more of. This allows the Group to fine-tune its offer accordingly and improve the consumer journey, providing a unique experience.

Klépierre also solicits regular feedback from visitors to measure the extent to which it is fulfilling the ambitions of the Clubstore® Charter. The Group uses the Net Promoter Score (NPS) as its main tool to measure overall visitor satisfaction rates. This is a more demanding measure as it is calculated based on visitors' responses in relation to the shopping center as a "detractor," "neutral" or "promoter" entity. In 2019, the Group achieved an 8-point increase in its average NPS score from 2018. This means the Group remains on track to achieve its long-term target for a 3-point increase against its 2017 benchmark by 2022.

The increase in visitor satisfaction can be attributed to the ongoing deployment of the Group's operational strategy – notably its Clubstore®, Let's Play®, Retail First and Act for Good® pillars. Complementary tools to increase visitor engagement, as well as sustained structural investments and tenant mix improvements have also contributed to these positive results. Indeed, NPS scores for individual shopping centers show a direct correlation between visitor satisfaction and asset profile in terms of age, facilities and general condition, with recently refurbished centers experiencing some of the highest NPS scores across the Group's portfolio.

The Clubstore® Charter strengthens synergies with other aspects of Klépierre's Act for Good® strategy by promoting features which demonstrate the Group's commitments to People, Territories® and the Planet. For example, integrating features such as dedicated electric vehicle charging stations, bicycle racks, renewable energy and rainwater harvesting systems, the use of natural materials and biophilic design elements serves to visibly bolster the Group's commitment to reducing its ecological footprint, and match visitors' increased concern about the environment and the impact of their own purchasing decisions.

Building on these synergies, local marketing teams are responsible for organizing Act for Good®-related marketing initiatives to strengthen the integration of sustainability into customer marketing. Act for Good® campaigns were carried out across the portfolio in 2019, building on the successful approach piloted in previous years. The events ranged from fundraising activities for local charitable organizations to environmental awareness campaigns such as at Val d'Europe in Greater Paris (France). Here, visitors were invited to "go slow" and enjoy a moment of relaxation among a peaceful setting modelled on Paris's famous public parks and gardens while learning about the steps they can take to protect the environment. In all, the campaigns proved highly successful, receiving widespread coverage on social media and attracting additional footfall.

4.4.1.2 Increasing engagement through social media

Klépierre has developed a strong social media presence with around 4.68 million combined Facebook and Instagram subscribers across its individual shopping center profiles. This provides another important tool for interacting with visitors, collecting feedback and gauging consumer trends. For example, information about a shopping center can be shared with service providers including security, cleaning, maintenance and visitor support teams, and due to the ability to collect this information in real-time, responses can be actioned immediately with shopping centers maintaining flexible, customized action plans.

This direct connection allows Klépierre to tailor its communications to the needs of each visitor; provide personalized support and obtain feedback that informs how to improve the visitor experience. The Group's long-term target is to respond to 100% of customer questions on social networks within one hour. To achieve this, Klépierre has initiated a customer care commitment available via Facebook - #JustAsk - selected based on visitor's stated preference for this communications platform. #JustAsk promises to answer all questions through Facebook Messenger within one hour during opening hours. The service, which is available at 94 shopping centers, has enabled Klépierre to increase the number of conversations it has with visitors threefold since it was piloted in 2016, as well as provide up-to-date information about shopping center brands, products, promotions, services and events.

Building on the success of #JustAsk, and to significantly increase its reach, Klépierre has been piloting the use of chatbot software that can provide information about shopping centers' practical aspects, news items and promotions in real time; 24 hours a day, seven days a week. The service offers greater personalization and interconnection with other digital tools, and the Group plans to roll out the service across its portfolio in 2020 as it tests and refines the software with its providers.

4.4.2 Shopping center health, safety and well-being

Klépierre's malls attract and retain around 1.1 billion visits across Europe each year. They also provide a workplace for tens of thousands of people.

First and foremost, Klépierre has a responsibility to ensure the safety of all shopping center users, guaranteeing that the risk of incidents and injuries is minimized and compliance with all applicable safety standards and regulations is fulfilled. But beyond risk management, health and well-being presents opportunities for the Group. By positioning its shopping centers as places where people can feel safe, relaxed and well, and by actively promoting health and well-being products, services and activities to visitors and staff, Klépierre can generate greater visitor attraction and retention.

Klépierre can also provide more comfortable work environments for its employees and tenants, and contribute to broader efforts to create a healthier society by exploiting its potential to communicate with millions of people.

Klépierre's health and safety strategy focuses on two areas of action. Firstly, it involves identifying risks and implementing robust risk control practices and staff training to maintain high health and safety standards within its shopping centers, as well as sharing its know-how with its partners and retailers. Secondly, it addresses the safeguarding of the public in the context of heightened security risks. The management of both action areas is overseen by the Group's Safety & Security Department, with support from the Internal Audit team.

Klépierre's approach to health and well-being promotion is fully integrated within the Act for Good® program and intersects with the Group's operational strategy in relation to customer service. It encompasses engagement with tenants and consumers to encourage healthier lifestyles.

SUMMARY OF PERFORMANCE AGAINST TARGETS

PROMOTE HEALTH AND WELL-BEING IN THE CENTERS

TARGET DESCRIPTION	2018	2019	2022 TARGET
Percentage of shopping centers promoting health and well-being	56%	89%	100%
Percentage of shopping centers offering dedicated services to the employees of their retailers	60%	87%	100%

4.4.2.1 Health and safety standards

Health and safety risk prevention is a top priority for Klépierre. Each shopping center takes responsibility for identifying, assessing and managing safety risks in accordance with the Group's policy and management systems, which are reviewed on an ongoing basis to ensure that they are efficient and effective across all countries and assets.

Fire, building collapse due to extreme weather or other unforeseen events, major pollution and public health risks constitute the highest priority health and safety risks in the Group's risk matrix. These risks are addressed through several procedures, including:

> Crisis management response testing, involving a simulation of an emergency scenario once or twice a year (with or without the presence of visitors) in every shopping center; including security threats such as civil unrest and terrorist risks (see section 4.4.2.2);

> Dedicated training on health and safety risks and prevention measures, covering aspects such as fire risk prevention, malicious act and terrorist threats, health and safety in the workplace and first aid. In 2019, 3,735 hours of health and safety, and risk prevention training were provided by the Group, involving 649 members of staff; and

> Ongoing monitoring by operational teams and periodic checks by the internal audit function to ensure that all relevant risk controls are in place. This includes the continuous monitoring of cooling equipment to guarantee the prevention of Legionella contaminations, and bacterial and/or viral propagation. Procedures for Legionella control were updated for 2019.

The Group organizes awareness-raising measures designed to minimize safety incidents occurring as a result of day-to-day activities, the most common of which are falls, slips and trips in mall areas and accidents during works undertaken at height by tenants' staff and/or suppliers within shop units. Incidents among visitors are monitored on a regular basis and reported at management level, with incident investigation and data analysis forming the basis of action plans to further improve risk prevention.

Although accidents in tenants' units fall outside the scope of Klépierre's responsibility, the Group does require tenants to submit plans for any works being undertaken and inspects shop units once these are completed. Based on these plans, Klépierre issues a permit that identifies the significant safety risks associated with the proposed works and recommended preventative measures. Works are inspected on a regular basis by the shopping center safety and technical management team. Additional permits are implemented for any "hot work"—such as welding or metal cutting—and these are inspected regularly and also two hours after the end of the works to prevent any potential fire spreading.

The Group's long-term objective is to reduce the rate of incidents involving falls, slips, trips and work at height to a minimum. To this end, during 2019 a cross-departmental team including the Group's Engineering & Sustainability and Safety & Security Departments, Internal Audit and IT cooperated on the specification and rollout of a Group-wide Health, Safety and Environment Compliance software to support the management and reporting of health and safety performance data at shopping center level. At the same time, the Group has increased its compliance checks, and safety and security reminders for all shopping center Technical Managers and Directors are given via monthly webinars. Health and safety topics have also been included in the yearly objectives for all supporting functions, including Country Directors, Operations Directors and Engineering & Sustainability departments at the country and shopping center level.

4.4.2.2 Security risk management

Klépierre has adopted a comprehensive security strategy and action plan to anticipate, mitigate and respond to the evolving security threats facing the Group's assets. This covers crime; anti-social behavior; civil unrest and terrorist risks.

The Group's strategy to enhance and strengthen its security preparedness focuses on the implementation of its Standard Operating Procedures (SOPs), dedicated training and employee engagement; investment in physical infrastructure, and partnerships with stakeholders including tenants, municipal authorities, civil protection organizations and emergency services.

Implementation of the strategy is overseen by the Group Physical Protection Manager whose role is to assist operational teams with all elements of the Group's SOPs, coordinate the Group's security preparedness and oversee the delivery of dedicated training for key employees and suppliers. Safety and security is also included as a standard agenda item for all team meetings at both management and shopping center level to ensure risks and mitigation measures are monitored and tracked.

The SOPs cover nine material intervention points including technical premises, control room and management office protection, terrorist attack response and ram car prevention. Since their launch in 2017, the SOPs have been rolled out across the Group's portfolio and all Country Managers, Shopping Center Managers and Technical Directors have been trained in their implementation.

All shopping centers are required to complete a self-assessment tool that provides an analysis of their level of security preparedness and compliance with the SOPs. This focuses not only on the technical and physical aspects of each center, but also the capabilities of its management and security teams, as well as the level of risk within the local context. The results are used to develop action plans that identify the steps necessary to ensure each center is fully compliant, reflecting both their strengths and the local situation.

Any investments in physical security infrastructure identified during the self-assessment are monitored closely by each business unit and the Group's security department. Significantly, the self-assessments are included in the annual scope of work conducted by the Group Internal Audit Department to ensure the self-assessment tool is being applied correctly and its recommendations are being acted on.

Through this process, the Group is progressively strengthening the capabilities of individual shopping center management teams to respond to security threats.

Visible measures such as the presence of security teams and physical infrastructure, training and awareness are necessary, but alone they are not sufficient to provide a level of security sought by the Group. They must form part of a holistic approach that involves the wider stakeholders surrounding the Group's assets. The strength of the Group's position is therefore reliant on anchoring its shopping centers within their unique geographic, demographic, legal and administrative context.

To this end, the Group fosters close cooperation with local governments, police and security forces, emergency services and tenant security teams to pool their respective resources. This "tactical bubble" enables potential threats to be identified and monitored and allows for a coordinated approach to prevent potential security threats materializing. With its local presence, the Group can also play a valuable role as an intermediary to facilitate coordination between its tenants and regional security forces.

The most visible demonstration of this partnership is the regular drills the Group organizes to test and refine its procedures. During 2019, these included large scale events at Príncipe Pío shopping center (Madrid, Spain), Boulevard Berlin shopping center (Berlin, Germany) and Nový Smíchov shopping center (Prague, Czech Republic) that involved 1,600 extras, police and emergency services. As well as testing the effectiveness of its procedures and their application, the drills provide an opportunity to train the Group's senior management and improve the centers' coordination with local and regional police authorities and emergency response teams.

During 2019, the Group launched an "intervention assistant service" tool to strengthen the Group's partnership approach. The tool improves the Group's interaction with local security and civil protection agencies by sharing shopping center information such as property maps, videos and photographs to improve response rates.

Through this form of "security symbiosis" – the active sharing of information and coordinating responses - the Group has enhanced its centers' ability to anticipate and respond to security risks, while at the same time positioning them as secure and friendly destinations where visitors can have a safe and relaxing time. The effectiveness of this system was most clearly demonstrated in France where Klépierre's centers avoided damage during the "gilets jaunes" protests that took place over much of the country in 2018 and 2019.

4.4.2.3 Promoting health and well-being for visitors and tenants

Klépierre seeks to promote health and well-being for the benefit of retailers and visitors through various touchpoints.

When developing and refurbishing its shopping centers, the Group sets high standards for health quality, such as the use of materials with low VOC content and effective ventilation systems, and encourages the integration of biophilic design features, such natural light and vegetation. Additional minimum standards covering internal and external lighting levels, indoor air quality and acoustic performance are followed as part of the Group's commitment to achieve BREEAM New Construction "Excellent" certification for all new developments in excess of 10,000 sq.m. GLA.

During the operations phase, a range of activities are undertaken in relation to visitors and tenants, from promoting regular sports activities to offering meetings with healthcare and nutrition professionals. Through these initiatives and others, Klépierre's shopping centers forge closer connections with their visitors and tenants.

As visitors seek more active and healthy lifestyles, The Group has set a target for 100% of shopping centers to promote health and well-being by 2022. Currently 89% of shopping centers have implemented this goal with a wide range of events hosted across the portfolio in 2019.

For example, the opening of the "The Summer Canopy" at Le Prado shopping center (Marseille, France) kicked off a series of activities including yoga and crossfit sessions that were attended by 350 visitors. Sport and fitness were also promoted at Marieberg Galleria and Kupolen (both in Sweden) who partnered with the National Sports Association (Örebro) to celebrate the National Day of Sports. More than 20 local sport associations participated, and visitors could try out different sporting activities. The event led to a 25% increase in footfall compared with the same period in 2018.

At Val Vibrata in Colonnella (Italy), the shopping center organized mini tennis lessons for children, and Metro shopping center near Oslo (Norway) celebrated the local ski club's 100th anniversary by jointly hosting a 100-meter roller-ski-race attended by World and Olympic champion skier Maiken Caspersent Falla, and 100-meter ski-sprint title holder Ludwig Sognen. The event led to a 26% increase in footfall compared with the same period in 2018.

With a focus on health prevention, visitors to Klépierre's Italian centers were invited to visit a dedicated Red Cross stand to learn about this organization's work and first aid training as part of a wider initiative involving more than 250 shopping centers across the country. Improving first aid response rates was also at the heart of an initiative sponsored by Grand Place in Grenoble (France) which promoted the SAUV Life mobile application to shopping center visitors. The app allows users to locate volunteers who know how to perform various first-aid procedures. When activated, volunteers in the immediate vicinity receive an alert and directions to the victim. Finally, Teras Park shopping center Denizli (Turkey), hosted a stand by the Provincial Health Directorate to inform visitors about the importance of early-cancer diagnosis and the measures that can be taken to reduce the risks of cancer.

Klépierre also aims for 100% of its malls to offer dedicated health and well-being-related services to retailers. Currently 87% of shopping centers have these services in place, ranging from sports and fitness sessions, to childcare services and lifestyle advice. For example, Centre Place d'Armes (Valenciennes, France) installed a free, secure bicycle and scooter storage facility for retailers' employees to support more sustainable and healthier commuting. Grand Place (Grenoble, France) partnered with Potager City to provide a fresh fruit and vegetable delivery service for the center's management team and tenants, and Marieberg Galleria (Örobro, Sweden) organized CPR training for tenants, which is crucial for increasing the survival rate for people suffering a heart attack.

BRINGING NEW HEALTHCARE SERVICES TO SHOPPING CENTER VISITORS

Espaço Guimarães in Guimarães (Portugal) significantly expanded the range of services available to visitors following the opening of a 4,000 sq.m. healthcare facility at the shopping center in 2019.
Situated across two floors, the center combines six units into a single facility that is open seven days a week and provides up to 30 medical services. The facility, which is operated by Trofa Saúde – one of the county's most recognized health companies - is the first of its kind to be introduced to the Group's portfolio.
The facility has attracted new visitors to the center and taps into consumer demand for shopping centers that offer new and varied services that combine convenience and choice to support modern lifestyles.
As well as cementing Espaço Guimarães reputation as a community hub, the facility brings new healthcare services to complement existing local resources.

4.4.3 Offer Group employees a positive experience

Klépierre has long acknowledged the link between a positive employee experience and business success. Attracting and retaining highly skilled employees, while ensuring their competencies remain relevant and up to date, is a continuous challenge in an environment where competition for skills and experience is fierce. Therefore, the Group commits to provide a quality workplace to breed engagement, innovation and creativity.

The Group has set four long-term targets that reflect its ambition to be recognized as an exemplary employer, covering talent management and development, quality of life at work and engagement with the Company.

As it works towards these targets, the Group is repositioning its HR function within the executive management team, reflecting its strategic role in supporting the Group's performance and the importance of providing an attractive offer to employees to boost appeal. These steps are being supported by the formation of a Group-wide HR Committee to share policies and best practices and establish common guidance across all Klépierre's operating countries. The Committee is attended by all HR leads in each country and provides an opportunity to discuss successful initiatives and share strategies as the Group aligns its approach and employee value proposition.

A Group-wide HR dashboard tracks the Group's performance against its Act for Good® targets, as well as country level performance indicators such as turnover to identify potential risks and put in place remediation plans that draw from the Group's collective experience.

SUMMARY OF PERFORMANCE AGAINST TARGETS

OFFER GROUP EMPLOYEES A POSITIVE EXPERIENCE

TARGET DESCRIPTION	2018	2019	2022 TARGET
Rate of access to training for Group employees	92%	98%	100%
Percentage of employees covered by work/life balance measures	96%	100%	100%
Percentage of young graduates who have been given the opportunity to receive personalized career guidance	100%	100%	100%
Percentage of employees contributing to co-building the Company's future	15%	36%	100%

4.4.3.1 Talent management

By the end of 2019, Klépierre directly employed 1,131 employees, among whom 1,094 were on permanent contracts. The continued investment that Klépierre has made in its workforce is reflected by the average length of service of the Group's employees (8.6 years). Considering the number of people who left the Company in 2019, Klépierre's turnover rate remained largely stable at 12% compared with 11.4% in 2018, which should be viewed within the context of a highly competitive job market.

TOTAL HEADCOUNT

Territory	2019	2018
France-Belgium	463	487
Italy	187	190
Scandinavia	143	148
Iberia	113	116
Central Europe & Other	115	162
Netherlands	58	58
Germany	52	52
GROUP TOTAL	**1,131**	**1,213**

For a narrative on our performance, please see section 4.4.3.1 of the 2019 Klépierre Universal Registration Document.

WORKFORCE AT YEAR-END, BY TYPE OF CONTRACT

	2019	2018
Permanent	1,094	1,164
Temporary	37	48
TOTAL	**1,131**	**1,213**

▸ **WORKFORCE AT YEAR-END, BY AGE**

	2019	2018
<30	13%	12%
30–39	33%	35%
40–49	33%	34%
≥50	21%	19%

4.4.3.1.1 Attraction

Klépierre's ability to attract and retain talented employees is key to its capacity to grow and thrive. By investing in a diverse workforce through recruitment and retention, the Group sustains a wellspring of knowledge and skills that remains one of the most important success factors for its business and employer brand.

In 2019, 207 new hires joined the Group with the majority being hired by the Group's branches in France and Scandinavia. Given the competition for talent, and the importance of growing its brand as an employer of choice, Klépierre has developed partnerships with leading business and engineering schools in France to identify and attract the top talent. The Group's HR team and representatives from across the business regularly attend their career fairs to connect directly with high-potential candidates, with the objective of hiring and training them on the job to circumvent the current talent shortage.

Klépierre offers students exciting internships, apprenticeships and permanent positions to build its talent pipeline. The Group also continues to provide International Work Experience Volunteer placements (VIEs), cooperating with the French Government agency Business France to create international assignments for European graduates. In 2019, 75% of VIE recruits were hired on permanent contracts at the end of their international assignments.

For the third successive year, Klépierre received the French "Happy Trainees" certification recognizing the quality of its training and career development pathways. The certification was based on the feedback of 63 interns employed by Klépierre in France between September 2018 and July 2019. Eighty-four percent of the interns participated in the survey, and Klépierre received a recommendation rate of 83%, far exceeding the 75% level required to obtain the certification. Klépierre achieved excellent scores for "Motivation" (87.4%) and "Career Development" (82.4%), demonstrating the important investment the Group made to its early recruitment policy and the interns' appreciation for their time at Klépierre, both in terms of training and management support.

Regarding senior positions, Klépierre mostly works with leading recruitment consulting firms when it looks to fill vacancies with candidates from outside of the Company. The Group also takes advantage of online tools such as the graduate recruitment platform "Jobteaser" to expand the reach of its recruitment activities.

In 2019, Klépierre ramped up its external communications to improve potential employees' awareness of the Company, its career opportunities and the broader employment offer. For example, the Group partnered the recruitment platform "Welcome to the Jungle" to increase its brand awareness among talented young people working in the marketing, technology and innovation sectors. The Klépierre profile page includes interviews with current employees detailing their experiences of working for the Company, along with a description of their roles to directly appeal to this target audience.

4.4.3.1.2 Onboarding

The Group's onboarding programs enable new employees to acquire essential knowledge about the Company's business lines and build their internal network. Onboarding programs are organized at both a Group and country level to provide new employees with a tailored introduction to the Company based on their role and location.

All new managers and graduates are invited to the Group-level onboarding program which includes presentations by members of the Executive Board and insights into the Group's organization, strategy and corporate culture. The program provides a valuable networking opportunity and supports internal mobility by introducing new joiners to the senior management team, as well as improving their understanding of the business. Importantly, this includes an introduction to the Group's various business lines and the roles and responsibilities of key people, including shopping center teams who represent its core function. 63 hires from 11 countries benefited from this initiative in 2019.

54 French new-joiners on permanent contracts also took advantage of the second, local-level onboarding program that includes an opportunity to meet local teams and visit shopping centers, with the aim of achieving a better understanding of the practical operational side of the business. The Group's target is to extend this local-level onboarding program across all branches and cover all new hires.

4.4.3.1.3 Learning and development

Klépierre promotes the learning and development of all its employees, both to build the technical and professional skills required by the Group to execute its business model and fulfil its objectives, and secondly to support employee engagement. The Group aims to achieve a 100% access rate to training as one of its four Act for People targets, and in 2019 achieved an access to training rate of 98%, up from 92% in 2018.

The Group's priority is to provide defined development pathways for its employees, mapping out the professional and soft skills that will support their career aspirations and internal mobility. The Group's focus covers both new joiners, experienced hires and existing long-term employees.

Klépierre University is the Group's main learning and development hub that supports the Group's HR ambitions across four main areas:

> Training new graduates with a general academic background in the Group's specific businesses;
> Helping the Group adapt to evolving business needs and market changes;
> Providing a wide range of training to all employees to favor cross-business and cross-country mobility; and
> Propagating a common corporate culture of innovation across all branches.

The University offers more than 150 courses to support these objectives, and more than 26,500 hours of training were delivered by the University in 2019 through a blended approach that mixed face-to-face and e-learning sessions.

Classroom sessions provide a valuable opportunity to mix teaching methods, such as interactive discussions and case studies delivered by subject matter experts, many of whom are Klépierre employees. In 2019, 32% of the Group's face-to-face hours were delivered by internal trainers reflecting the Group's technical expertise.

The Group has also undertaken several projects in 2019 to internationalize and digitalize its training offer as it seeks ensure that all employees have access to training. Importantly, the Group has extended its common international training catalog to complement its classroom offer and build up a core knowledge foundation for all employees, regardless of their location or business area. By the end of 2019, 67 courses were available through the Learn Up! digital training app. Of these, more than 26 are available in English.

Since its launch in 2018, Learn Up! has established itself as a core component of Klépierre's training offer by providing all employees a comprehensive suite of online training modules. During 2019, 778 employees (68%) completed over 1,900 hours of training using Learn Up! As well as increasing access to the Group's training offer, the ongoing digitalization of the training offer supports the Group's goal to personalize training paths in line with individuals' career aspirations, knowledge and specific needs. It also improves access; reduces training times and cost and makes training relevant and accessible by encouraging 'on-the-go' training.

Klépierre employees can now access training when and where they want, from any device (phones, tablets or laptops). This is especially useful to the 35% of employees based in more than 100 shopping centers.

4.4.3.1.4 Performance and development review

The Group's performance and development review process is delivered through two one-to-one meetings organized at different times of the year, one on performance and the other on career development. By providing separate meetings, the Group allows employees and their line managers to focus their discussions on these distinct, but commentary topics.

The performance review is mandatory for each employee. The meeting takes place between November and January and aims to assess the accomplishments of the past year and set personal objectives for the coming year. It also helps identify the resources and training needed for each employee to develop their skills in line with the Group's priorities.

An additional mid-year review is available at either the employee's and/or their manager's discretion, providing an opportunity to review performance and check progress against objectives. Despite its optional nature, 547 employees (48% of the workforce) took advantage of the mid-year review procedure in 2019, an increase from 32% last year partly thanks to greater awareness of the procedures.

All managers are expected to take responsibility for the development of their team members by offering feedback and support in setting out personalized improvement action plans. To this end, an optional career development review can be organized at the request of each employee. The meeting provides an opportunity for employees to discuss their career and mobility aspirations in the short- and medium to long-term, and identify training that may be needed to bridge any gap in their competencies. Employees are invited to self-evaluate their skills which encourages self-reflection and greater engagement in the process and its outcome.

The interview is optional, but the Group recommends that every employee has this discussion every two years, and up to once a year for junior employees under 30. Through this process, all Group employees are offered personalized career guidance meeting the Group's long-term target for 2022.

In 2019, 61% of graduates participated in the process compared with 33% in 2018, which demonstrates their interest to talk about career development early in their time with the Company. This growth follows heightened communications and outreach between the HR department and young graduates.

The Group is also aiming to increase career opportunities for more senior employees who represent 21% of its workforce as it seeks to retain their knowledge and skills. Options under review to achieve this include a "boost" program for long-serving employees to enrich their knowledge of the Group's strategy; establishing a mentoring program with new hires; and promoting internal mobility.

4.4.3.1.5 Internal mobility

For many young graduates, the opportunity to advance their careers, broaden their skills and experience new cultures is increasingly important in determining their career choices. The Group is excellently positioned to offer these opportunities through its international footprint. Employee mobility, both within functions and between businesses, is promoted accordingly to support the Group's succession planning, recruitment and retention objectives. Klépierre promotes job opportunities to employees with potential in order to develop their specialist expertise; take on new responsibilities, consolidate their leadership by managing cross-functional projects, and enhance their ability to grow in a multicultural environment.

Most positions in the Company are eligible for internal promotion, and the Group's HR practices – such as development interviews and training and development programs – are designed to support this. Local initiatives are also rolled out to foster internal mobility, including a newsletter listing all available positions (accompanied by employee testimonials promoting their business line) which is sent out in France.

The Group favors internal candidates over external hires, and in 2019, 21% of job positions were filled internally.

International mobility and promotions are actively encouraged. HR teams from across the Group coordinate and guide employees throughout the whole mobility process, starting with the identification and matching of job opportunities with individual employee's mobility objectives, through to the point when the employee effectively moves into the new position. The process is supported by the Group's competitive compensation and benefits program. For executive-level promotions, a support team and mentor program are in place to assist employees in managing the transition and responsibilities that executive positions entail.

4.4.3.2 Diversity

More than 31 nationalities are represented throughout the Group, making Klépierre an inherently diverse organization. The property industry nonetheless faces diversity challenges, particularly regarding gender balance at top management levels.

Klépierre is committed to promoting greater diversity in its workforce, and across the wider industry, with a focus on gender, age and disability. As a proof of this long-standing commitment, the Klépierre Diversity Charter (signed in 2010), demonstrates its will to promote equal opportunities for all employees and prohibits discrimination based on age, disability, family status, race, religion or gender.

In France, a collective agreement on Professional Equality between Women and Men was signed in 2017, covering 40% of the Group's workforce and detailing specific measures in the areas of remuneration, recruitment, mobility and training. As the Group harmonizes its HR practices across all its operating countries, this will include the development of standard practices and procedures covering diversity reporting and promotion including a Group-wide diversity policy.

PROPORTION OF WOMEN IN THE WORKFORCE

	2019	2018
Executive Management	18%	17%
Managers	39%	39%
ALL EMPLOYEES	**59%**	**60%**

Women make up 59% of the Group's total workforce but remain under-represented at management level. Acknowledging the need to improve, Klépierre is exploring measures to increase the recruitment and promotion of women into management positions such as analysis and correction of pay gaps, and the identification of female high potentials to support succession planning.

In 2019 the Company completed its first equal pay index as required by French legislation. With an index score of 75/100, Klépierre is compliant with its legal obligations in France in terms of equal pay, but intends to raise this score by ensuring more stringent controls over the absence of gender biases in pay raises and promotions.

The Group also recognizes the need to go further, and gender equality is more generally supported by recruitment, training, career development and mobility opportunities, as well as regular process assessments.

4.4.3.3 Quality of life at work

The mutual benefits of a high-quality workplace are increasingly acknowledged as a growing body of research shows a positive correlation between healthy workplaces, employee well-being and productivity.

4.4.3.3.1 Health, safety and well-being at work

Occupational health and safety is a central component of Klépierre's commitment to enhance employees' working life, and the Group promotes health and safety training, awareness raising and well-being initiatives to improve the quality of its workplaces and spaces.

Given the nature of its workforce, and the type of work undertaken, serious health and safety incidents such as fatalities are extremely rare. Instead, occupational health and safety issues such as psychosocial risks are among the most significant incidents contributing to employee absence. As such, the management of psychosocial risks such as stress is a priority for Klépierre. The Group provides mental health and well-being risk training to its managers and to all employees which is administered by Klépierre University and delivered through online modules and face-to-face sessions. The Group also provides a free and anonymous psychological assistance helpline available to all French and Belgian employees in partnership with Axis Mundi. A similar assistance program is in place in Turkey.

In addition, operating countries offer a range of well-being initiatives designed to promote physical and mental well-being. They include fruit baskets and yoga classes at the French head office, and a physiotherapy service is available to all head office employees in Spain and Portugal.

A WEEK TO RECHARGE THE MIND AND BODY

Klépierre marked National Quality of Life at Work week with a series of events designed to boost employees' physical and mental well-being.

The events, hosted at its headquarters in Paris, ranged from massages and yoga courses to interactive workshops on health and nutrition. A series of "lunch and learn" training sessions were organized to help employees manage shared challenges, such as prioritizing competing requests for their time and improving productivity.

In 2019, 33% of the French and Belgian workforce (constituting 155 people) attended a face-to-face learning session on how to balance private and professional lives. The week was also attended by Axis Mundi who were on hand to introduce their services and provide consultations with their team of psychologists.

Feedback was overwhelmingly positive and Klépierre is exploring the feasibility of rolling out some of the initiatives more broadly so a wider spectrum of employees in other locations can benefit, including the Group's shopping center teams. Options under consideration include integrating the 'lunch and learn' training sessions into personal development plans throughout the year.

4.4.3.3.3 Benefits and work-life balance

Klépierre's benefits and work-life programs are largely managed at a country level and designed to reflect local needs and practices. While each country is responsible for the development their own benefits program, the Group nonetheless ensures that certain benefits are available to all employees, thereby meeting its long-term target for all employees to be covered by work-life balance measures.

Providing a competitive benefits and compensation program supports the Group's recruitment activities and helps to improve retention and engagement levels. Compensation is only one element, and the Group aims to offer a range of non-financial benefits that collectively provide a rewarding work environment and lessen the challenge employees face in managing work-life commitments.

While the extent and range of the benefits and work-life balance measures differs across the Group, flexible work arrangements are offered in Italy, Germany, the Netherlands, Scandinavia and Poland. Additional parental leave and part time working opportunities are available in France and Sweden, and Klépierre offers a benefits allowance in Italy and Spain that employees can put towards health and well-being activities.

In 2019, homeworking opportunities were offered to HQ employees in France as part of a pilot program to help people balance work and home commitments. The program –originally launched in 2018 – is available to employees who meet the pre-requisite conditions (including internet connectivity at home, confidentiality and phone availability during agreed working hours).

The pilot was extended, at the end of which the program was implemented internationally. The Company also applies a 'right to log off' policy outside of working hours following a collective bargaining agreement enacted in France in 2017.

Significantly, in France, Klépierre launched its first employee share plan scheme to boost participation and engagement with the Group's long-term performance. Employees were given the opportunity to invest part or all their profit sharing in Klépierre shares for a five-year period with Klépierre matching employees' investments up to a certain amount. The shares were offered at a 20% discount, and close to 82% of eligible employees participated in the opportunity to invest all or part of their profits scheme.

The Group is increasing coordination between different operating countries with a view to assessing the feasibility of developing a common Group-wide program whereby all employees have access to the same range of benefits.

4.4.3.4 Co-design of the Company's future

Klépierre believes an effective working environment is founded on trust and inclusivity. Its approach to employee engagement seeks to provide employees with the opportunity to make a positive contribution to the Group's success. Accordingly, it has set a long-term target for all employees to contribute to co-building the Company's future.

4.4.3.4.1 Long term and direct social dialogue

Klépierre promotes transparent and direct communications between all management levels and encourages employees to actively participate by making their views heard.

In France, Klépierre's representative body – the Social and Economic Committee (CSE) – is made up of 26 members and discusses, with the Group's management, issues such as gender diversity, compensation and benefits and working conditions. Klépierre's Chairman of the Executive Board attends the Committee's meetings on a regular basis to ensure continuity with the Group's strategy.

Following the signing of several collective agreements in 2018, during 2019 some negotiations were led covering profit sharing and homeworking, specifically in relation to the pilot study that concluded at the end of the year. These negotiations will continue into 2020 and the scope of discussions will also include a new agreement on Sunday working and public holidays, as well as updates to existing agreements on disabilities and gender diversity.

Aside from these channels, the Group's internal social network, "Workplace by Facebook" connects virtually all Klépierre's employees. Everyone is encouraged to join, and the social network has established itself as the go-to place to share individual and collective initiatives, experiences, achievements and new ideas.

The Group's most recent You&Klépierre employee survey was conducted in 2016. The Group has used the subsequent years to address the most important measures identified during the survey, in particular raising employees' awareness of Klépierre's long-term commitments and the role each employee can play to achieve them. Specific improvement actions have also been implemented focusing on two areas: improving internal communications at Group level (including between branches and the headquarters, and between line managers and employees) and accelerating the Group's talent management policy.

Small-scale "Let's Chat" breakfast meetings with the Chief Executive Officer are organized and provide an opportunity to exchange direct feedback about the Group's strategy and the state of the industry. This emphasis on two-way dialogue is further promoted through the performance reviews and development interviews that encourage employees and line managers to talk frankly about their objectives and share their opinions.

Encouraging these types of interactions and empowering all employees to feel like they can make an active contribution to the development of the Company will remain priorities going forward. The next survey, due in 2020, will be used to track the effectiveness of these programs and identify priorities for the Group's HR function, at both a Group and country level to support of the Group's long-term target.

4.4.3.4.2 Fostering employee innovation

Innovation is essential to the Group's success, supporting its targets covering all pillars of the Act for Good® strategy. By encouraging the exchange of ideas, Klépierre positions itself as a leader in the retail real estate sector.

Internal innovation is led by a network of 28 ambassadors from 10 different branches with more than 100 Klépierre talents contributing to it – representing virtually all the Group's business lines – and divided into seven project groups tackling some of the most pressing issues encountered by the Group: outstanding customer/retailer care, smart buildings, city connection and mobility; new ways of working and more. These 28 ambassadors are part the Group-wide "Klépierre ID" open innovation platform that aims to create value for the business by responding to fast-evolving technological, social and environmental factors that are transforming the industry.

The innovation and implementation proposals delivered by these seven project groups are regularly assessed by the Steering Committee, attended by members of the Corporate Management Team. More than 50 proposals have been piloted over the past year, with 13 currently rolled out such as in-mall analytics to better understand customers' journeys through shopping centers, the electric car charging station and short-term car rental partnership with Renault, the Cycle Up recycling platform, the Learn Up! mobile first learning hub and many others.

Encouraging innovation was a core objective of the recent managers' convention held in Madrid in 2019. The event brought together 142 of the Group's managers for two days of workshops, presentations and Q&A sessions with the CEO. As well as providing an update on the

Group's strategy and performance, attendees were split into teams that mixed senior and junior managers from different locations and business units to encourage networking and encourage new thinking. The teams attended workshops covering themes such as agility, diversity, new ways of working, digitalization and engagement and were challenged to explore how Klépierre can respond to these trends. The feedback received has been presented to the Executive Board and Corporate Management Team, and a number of the new ideas generated during the workshops have been taken forward for further development during 2020.

4.4.4 Champion ethics in the local communities

The Group's relationships with its service providers and suppliers are governed by a concern for probity and integrity. Klépierre endeavors to extend its principles of responsibility through its value chain, which is crucial to the safety and quality of the shopping experience offered to customers, both retailers and visitors (see section 4.4.4.2 below).

The main principles are covered in two documents: The Responsible Procurement Charter, which is distributed to external partners, and the Code of Professional Conduct, aimed at Klépierre personnel.

Klépierre's Code of Professional Conduct sets out the Group's commitment to ethics and human rights, is available online at the corporate website and has been distributed to all Group personnel.

It informs employees about what is expected of them, and in turn, what they are entitled to expect from Klépierre. It is applied on the basis that national laws take priority when they impose regulations that are stricter than the Code and, conversely, that the Code's stipulations take priority if they are more stringent than national regulations, providing that national regulations are nonetheless respected.

The rules of conduct outlined by the Code cover the following aspects:

- Respect for the law and local customs;
- Customer service;
- Confidentiality and observance of professional secrecy;
- Financial and media communication;
- Delegations of authority and signatures;
- Protection and utilization of Company assets;
- Whistleblowing;
- Health and safety;
- Prevention of acts of discrimination and harassment, and respect for privacy;
- Environmental responsibility.

Human rights standards are also supported by strict national and European regulations. All Klépierre employees, and indeed all of the Group's first-tier suppliers and service providers, are based in countries that have ratified the eight fundamental conventions of the International Labor Organization (ILO) including: the elimination of discrimination in the workplace, respect for freedom of association and the right to collective bargaining, the elimination of any form of forced or compulsory labor and the abolition of child labor.

Klépierre became a signatory to the United Nations Global Compact in 2012, and the Group conducts an annual review of human rights risks, policies, monitoring and reporting procedures across all countries where it operates using the UN Global Compact's analysis tool.

SUMMARY OF PERFORMANCE AGAINST TARGETS

SPREAD ETHICS IN OUR COMMUNITIES

TARGET DESCRIPTION	2018	2019	2022 TARGET
Percentage of internal stakeholders who have been made aware of ethical business practices	100%	100%	100%
Percentage of external stakeholders who have been made aware of ethical business practices	58%	63%	100%
Percentage of service suppliers selected based on CSR critera	100%*	100%*	100%

Calculated on the scope managed by the Group Procurement Department i.e., 35% of Klépierre (key suppliers). Next year will be dedicated to broadening this scope.

4.4.4.1 Key business ethics standards

4.4.4.1.1 Corruption

France's "Sapin II" law stipulates that large companies must establish an anti-corruption program to identify and mitigate the related risks. This includes obligations to draw up a risk map, a dedicated code of conduct, an internal whistleblowing system, third-party due diligence, accounting controls, a compliance training program, a disciplinary mechanism and internal evaluation controls.

The Anti-corruption Code of Conduct sets out the Group's expectations regarding the giving and receiving of gifts and invitations, conflicts of interest, facilitation payments, patronage and sponsorship and lobbying activities. It is signed by all participants in tender processes in France organized to select supplier panels at the national or international level.

Whistleblowers can use two separate channels to raise alerts. Internally, based on a confidential reporting procedure, or externally, using an independent specialist service provider to act as an intermediary with Klépierre. Whistleblowers can choose to raise an alert anonymously or publicly, provided that local regulations allow it.

In January 2019, the Group's CEO distributed the Anti-corruption Code of Conduct by email in both English and French, to all internal and external Group employees and partners, ensuring that everyone is aware of Klépierre's policy on ethics. It is also available in Spanish, Italian, German and Polish, meaning it is accessible to the Group's employees.

Additionally, during 2019, the Group developed its first e-leaning training app on anti-corruption issues. The module was completed in 2019 by several key function holders, and in 2020 will be mandatory for all Klépierre employees. It aims to strengthen the internal approach to the prevention of corruption, and to continue to raise awareness among all internal stakeholders.

4.4.4.1.2 Money laundering and terrorism financing

In order to ensure compliance with both the anti-corruption aspects of the "Sapin II" law, and with the French transposition of the 4th European Directive on money laundering and terrorist financing, the Compliance team has drawn up a set of specific "Know Your Business Partner" procedures, applicable primarily to business relationships with retailers, but also to buyers and sellers of assets, key suppliers and service providers, and intermediaries recruited in the scope of development transactions.

In 2013, the Group equipped itself with an electronic tool to assess the probity risk of third parties through a database containing lists of sanctions, convictions, politically exposed persons and negative press articles. In 2019, the Group also acquired an electronic tool to facilitate identifying beneficial owners and external stakeholders.

These processes enabled Klépierre to raise awareness of business ethics with 63% of its external stakeholders in 2019, bringing it within reach of the target set for 2022: raise awareness of business ethics with all internal (employees) and external stakeholders (retailers, suppliers, service providers, buyers and sellers of assets).

4.4.4.1.3 Insider trading

As previously mentioned, the Code of Professional Conduct sets out the Group's procedures with regard to insider trading and insider information.

In addition, the Insider Information Committee meets on a regular basis – as well as on an ad hoc basis where required – to assess whether business developments such as acquisition or disposal transactions could be considered insider information using guidance published by the French financial markets authority (Autorité des marchés financiers – AMF).

However, the Group also goes beyond the minimum legal requirements as defined by the AMF: all key function holders (members of the Corporate Management Team, Executive Board, Supervisory Board and Board Committees) receive a quarterly email informing them of when blackout periods, during which the buying and selling of Klépierre shares is forbidden, start and end.

4.4.4.2 Responsible purchasing

Klépierre purchases goods and services from approximately 14,000 suppliers across the 12 countries it operates in. They range from small local businesses, to the large regional, national and international companies who together constitute Klépierre's first-tier supply chain. This is characterized by five major service categories, which together represent approximately 90% of the Group's operating budget. They include: utilities (energy and water); general operations; cleaning; maintenance; and safety and security. Overall, the provision of services across these main categories is closely controlled.

The Company views its major suppliers as partners, and its relationship with them is built on trust and mutual respect. The Group is proud of its reputation for maintaining on-time payments to service providers and endeavoring to develop long-term relationships which extend beyond the bounds of each formal contractual agreement. As an example, the annual "partners' day" brings together the Group's key suppliers to meet Klépierre's senior management at the Company's headquarters to share challenges and identify opportunities to work on shared objectives.

Klépierre's procurement activities are overseen by a central procurement team in France which evaluates and monitors the Group's top 120 suppliers (representing 42% the Company's supply chain by spend) and provides support and advice for country-level procurement teams to ensure the consistent application of the Group's standards and procedures.

Within this context, most of the Group's procurement activities are administered locally with country procurement teams managing the procurement process on behalf of their shopping centers and according to the specific context, such as prioritizing local businesses to support Group's long-term targets (see Act for Territories). Decision-making is supported by mixed disciplinary teams, and overseen by Country Heads, Operational and Procurement Departments.

For technical services, the Group prefers to select suppliers with management systems certified to ISO 9001 or 14001 as an indicator of responsible business practices. Across Europe, 78% of applicable suppliers are certificated against at least one of these standards. For all key suppliers, the Group uses an assessment matrix that evaluates a potential suppliers' policies and practices against several requirements, including social and environmental practices as a prerequisite for further engagement

In 2019, Klépierre dedicated around €465 million worth to services and supplies for the operational management of its shopping centers. As these operating expenses are mostly passed on to tenants through the service charge, they are subject to extensive scrutiny by retailers. The Group continually seeks to save costs on behalf of its tenants, for example by consolidating energy and waste management contracts on a regional and/or national level. The Group also operates a stringent selection and approval processes; the signing of framework agreements and continuous on-site monitoring ensures that risks in relation to operating expenses are identified and minimized. The financial sustainability of suppliers is considered as part of this process, and the proportion of suppliers' total revenue that is derived from business with Klépierre should not exceed 22%.

Purchasing teams pay close attention to corporate responsibility and business ethics aspects. Firstly, they follow two fundamental principles: neutrality, to ensure fair, ethical, objective and transparent processes; and the consideration of the life-cycle cost of purchased products. Secondly, they have progressively incorporated the Group's social and environmental commitments into contractual agreements.

Published in 2019, Klépierre's Responsible Procurement Charter sets out the standards which the Group expects of its suppliers in relation to environmental and social aspects. More specifically, the Charter sets out requirements in relation to human rights; ethics; security; energy performance; waste management; sustainable behavior; local development and building certifications, and it requires a signature of formal commitment from all Klépierre's service providers. The charter has been signed by the Group's top 120 suppliers and shared with each operating company for wider distribution.

4.4.5 Be socially conscious

Providing employees with the opportunity to support local charities can make a positive contribution to engagement and satisfaction levels, while at the same time strengthening the Group's ties with its communities. As such, Klépierre encourages its employees to play an active part in their communities and has set a long-term commitment for all employees to have the opportunity to support a charitable organization.

SUMMARY OF PERFORMANCE AGAINST TARGETS

BE SOCIALLY CONSCIOUS

TARGET DESCRIPTION	2018	2019	2022 TARGET
Percentage of employees who have been given the opportunity to participate in a charity program	61%	90%	100%
Sign Group partnerships with NGOs dedicated to employability and/or family	Ongoing	Ongoing	Partnerships signed

By the end of 2019, approximately 90% of the Group's employees had donated their time to support local charitable organizations, bringing the Group closer to its target of 100% by 2022.

As Klépierre works towards its target to sign a Group-level partnership with an NGO dedicated to employability and family, individual shopping centers continue to take the lead in supporting families and young people in their catchment areas. In 2019, 90% of the Group's properties organized at least one philanthropic activity, and shopping centers are encouraged to identify long-term partnerships with community organizations that enable them to leverage their key strengths and scale up their support.

At Creteil Soleil in Greater Paris (France) for example, the shopping center partners with local high schools to provide a scholarship program for athletically and academically gifted children from disadvantaged backgrounds. As well as the financial support, the center provides ongoing support with their studies and career prospects, for example by helping to identify internship opportunities. More than 30 high school students have benefited from the program that was first launched in 2012.

The program has inspired a similar scholarship program that was launched by La Gavia in Vallecas, Madrid (Spain) in 2019. Up to two young adults will benefit from funding that will support vocational training and access to careers opportunities with the center's tenants. The program continues La Gavia's active track record in providing support for local families, children and other disadvantaged community members through initiatives such as food collections, summer camps, access to IT facilities and an annual Christmas show and present giving.

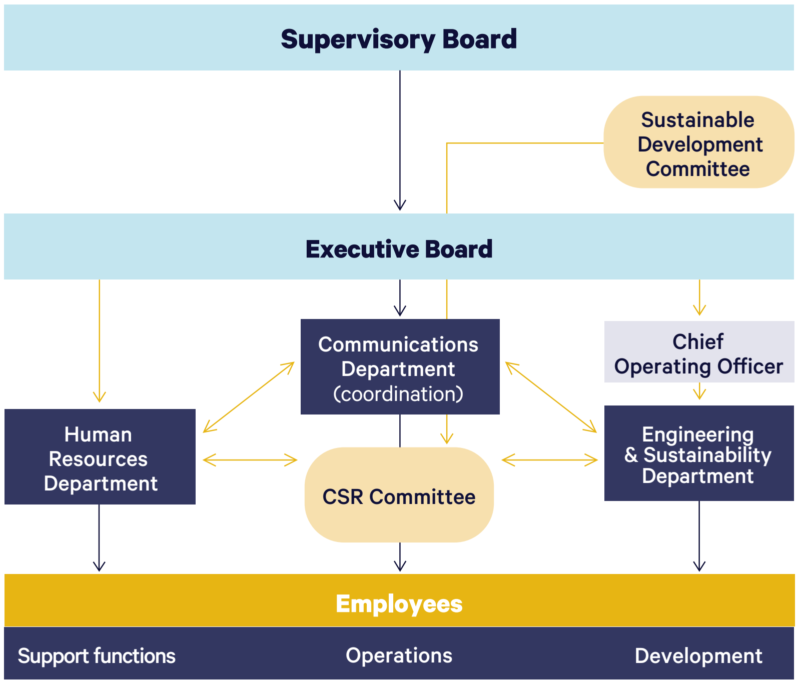
4.5 SUSTAINABILITY GOVERNANCE

Klépierre's sustainability strategy is firmly rooted in the Group's management structures. The commitments are implemented across all countries and supported by dedicated tools to monitor and track performance. Sustainability is also applied in the various external initiatives in which the Group participates.

The Group distinguishes between sustainability as it relates to the overall framework, objectives and governance of its non-financial impacts, and its approach to CSR which covers the detailed implementation of its program of action and targets under each Act for Good® pillar.

4.5.1 Organization

Sustainability governance is well established and rooted in Klépierre's corporate operations and governance structure.



The Supervisory Board has overall supervision of the Group's sustainability performance. The Board is supported by the Sustainable Development Committee which reports to the Board and reviews the Group's processes and performance with regards to sustainability.

The Committee is composed of four Board members and is chaired by Steven Fivel, General Counsel and Corporate Secretary of Simon Property Group, Klépierre's leading shareholder. It met three times in 2019.

The CSR Committee supports Klépierre's Executive Board in the implementation of the Group's sustainability strategy. The Committee is responsible for setting targets and approving action plans and reports to the Board on the results achieved. Its members include members of the Management Board, the Engineering & Sustainability, Human Resources and Communications Departments, as well as other relevant functions (including operations and development). The Committee met four times in 2019 and works in close collaboration with the following Group-level departments:

- The Engineering & Sustainability Department, which brings together employees responsible for technical engineering in the centers, operational investments and sustainable development. Within this department there is a Sustainability team comprising three employees. The Department reports to the Chief Operating Officer and oversees all technical challenges facing the operation of the Group's shopping centers as well as ensuring the implementation and circulation of the Group's environmental and societal policy across its portfolio;
- The Human Resources Department, which oversees the Group's Human Resources strategy including talent management, skills development and performance challenges in line with the Group's values and social commitments; and
- The Communication Department, which ensures the effective implementation of the strategy with Country Departments and works in close collaboration with Engineering & Sustainability Department as well as the Human Resources Department.

Setting country-level goals and implementing actions

Responsibility for implementing Act for Good® commitments forms part of the objectives for members of the Executive Board, country managers, country heads, country technical directors and officers at regional and shopping center levels. Moreover, key Act for Good® commitments are incorporated into the performance share allocation plan criteria for the Group's main managers.

Country management and operational departments implement the Group's goals and policies that are appropriate to their local context across Klépierre's 12 markets. Each country then determines its annual action plan – in terms of investment and management – for all the technical and sustainable development issues regarding its performance level, and set tailored targets for individual assets with the support of the Engineering & Sustainability Department. They are supported by best practice guides which help define the appropriate actions a country can take based on actions already implemented across the Group across each Act for Good® pillar.

These action plans are then discussed at a special annual meeting that brings together the whole European network, before being presented to the Group's Chief Operating Officer.

A network of approximately 30 employee representatives covering all Klépierre subsidiaries has responsibility for carrying out local actions and reporting on best practices. These representatives work in close contact with head office teams including the Engineering & Sustainability Department through regular monthly meetings. These meetings make it possible to accelerate the rollout of approved actions, increase information-sharing and build stronger cross-functional teams. In addition to these monthly meetings, all representatives meet in person twice a year for two days of discussions, strategy setting and inter-country collaborative work.

Finally, the Group's Act for Good® approach is systematically addressed in all communications intended for all employees. The Group's Executive Board thus shares its vision, its ambition and its requirements in these areas in a clear and decisive manner.

4.5.2 Sustainability policies

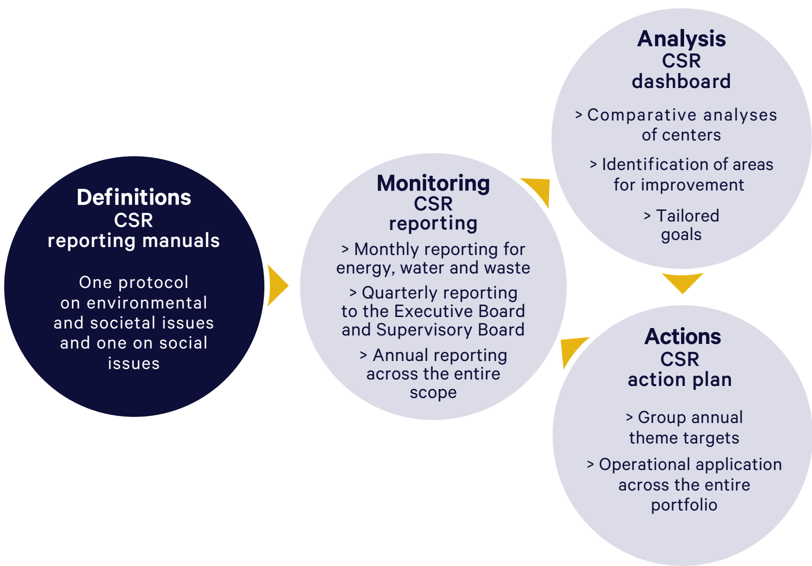
The Group's strategy is supported by the following policies that guide the actions and standards it expects its employees to follow in their business dealings.

- Social dialog policy;
- Human Resources policy;
- Employee career development policy;
- Healthcare and well-being policy;
- Talent management policy;
- Recruitment policy;
- Intern recruitment policy; and
- Diversity policy.

4.5.3 Management system and tools

The Group uses a suite of tools and processes to integrate environmental and societal issues into its operational procedures. These tools cover all the Group's operations to provide a uniform approach and are organized into four groups for greater clarity internally:

1. Definitions;
2. Monitoring;
3. Analysis;
4. Actions.



4.5.3.1 Definitions: CSR reporting manuals

The Group has established standard definitions for the environmental, social and societal impacts that all shopping centers and Group operations are expected to monitor.

The definitions are grouped into two reporting protocols:

> One on social aspects, which is sent to Human Resources Managers in each country, and which includes both quantitative and qualitative data; and

> The other on environmental and societal aspects, which is communicated to each country and to each asset, and which contains approximately 120 data points to be collected for each shopping center in the portfolio.

These documents are updated annually to reflect developments in the business activities of the Group, and changes to regulation in each of the Group's operating countries.

4.5.3.2 Monitoring: CSR reporting

4.5.3.2.1 Internal reporting

Klépierre monitors environmental, social and societal data covering 96% of its portfolio of owned shopping centers by value and of all its staff, against the defined impacts and key performance indicators (for full details on reporting scope, please refer to section 4.6).

Center Managers and Technical Directors monitor utilities consumptions (energy and water) and waste production at least once a month. 85% of centers are also equipped with energy measurement systems that enable automated reporting (by directly hooking up to utility suppliers, for example) and provide real-time analyses of the actual performance of assets. Performance data is collected and analyzed using Deepki, a tool which allows for a standardized approach to monthly reporting of energy, water and waste data. Using Deepki, the Group can analyze data at shopping center and portfolio level; control for climate factors, and undertake a robust shopping center performance benchmarking assessment.

Social data in relation to the Group's Act for People activities are monitored using an information system shared with all Group Human Resources teams, thereby enabling standardized and structured management of the data based on a single repository. The Group's progress against its Act for Territories activities is monitored on a country and shopping center basis during quarterly meetings (see below) which are supported by regular communications between relevant teams and the Group's Engineering & Sustainability Department.

Both data sets and supporting qualitative information are compiled and reported quarterly to the Executive Board and to the Supervisory Board's Sustainable Development Committee.

Quarterly meetings attended by Country Directors, Technical and Marketing Directors, Human Resources Directors and Heads of Operations are organized to share progress against each Act for Good® pillar and monitor key performance indicators. The meetings also serve to identify areas where individual countries and/or shopping centers may need additional support, and this is aided by the best practice guides referred to above (see 'Setting country-level goals and implementing actions' under section 4.5.1).

4.5.3.2.2 External reporting

The Group reports performance against its Act for Good® commitments, key performance indicators, non-financial risks and opportunities annually through its universal registration document. The report is prepared in accordance with the provisions of Article R. 225-105 of the French Commercial Code.

Klépierre also chooses to report is environmental, social and governance performance using voluntary reporting standards including the EPRA Sustainability Best Practice Recommendations (sBPR) and the Global Reporting Initiative Reporting Standards. A separate report presenting the Group's performance against the 3rd edition of the EPRA sBPR is available to download from the CSR section of the Klépierre website (www.klepierre.com/en/csr/results/).

Although the report is not prepared in accordance with the GRI Standards, a cross-reference table with the relevant GRI Standards covered by the contents of this report is available in section 4.6.3.

4.5.3.3 Analysis: CSR dashboard

Shopping center, country and Group performance dashboards provide a clear view of the Group's environmental, social and societal impacts, making it possible to identify areas for improvement, best practices and thereby improve operational oversight. The performance dashboards are presented and discussed at the quarterly meetings and annually with all the Country departments.

Deepki allows Klépierre to consolidate the main technical and environmental key performance indicators for each center monthly and analyze their performance against other centers in its portfolio that are comparable from a technical perspective. This is based on key variables such as retailer density; car park management; coverage of heating and cooling supply; surface area and inauguration and/or renovation. This allows the Group to identify the strongest and weakest performing assets in its portfolio and target energy management interventions accordingly.

4.5.3.4 Actions: CSR action plan

The detailed performance analysis described above makes it possible for the Engineering & Sustainability Department and Group Human Resources Department to identify areas for improvement at all levels, and in particular at the beginning of the year:

> Shared Group goals; each country then implements them within its own organization, in line with the most suitable local processes and regularly reports on them during the year;

> Proposed individual goals for shopping centers; these are discussed with each country department for possible readjustment considering local conditions. Once jointly approved, these goals are implemented in each center. Progress is monitored monthly.

All these goals are first approved by the internal CSR Committee chaired by the Executive Board.

One of the key strategies Klépierre has pursued on this front are BOOST action plans which have significantly improved energy and waste management practices at poorer performing assets. These are undertaken through a rigorous process overseen by the Group's Engineering & Sustainability Department: the Group convenes on-site staff and external specialists including representatives from waste management contractors, cleaning suppliers and energy consultants for two-day long workshops to assess each shopping center's operations and consult with all relevant members of the shopping center team to develop a plan of action that is practical and feasible. This inclusive approach helps on-site staff to understand and manage their asset better and galvanizes greater support for the deployment of energy efficiency and waste reduction interventions.

For shopping centers that have already implemented all identifiable operational measures to increase energy efficiency and reduce waste, investments are made to upgrade technical equipment and facilities. The Deepki platform is linked to the Group's budget planning, so that CAPEX approvals can be moderated according to whether shopping centers have been diligent in implementing all operational measures identified.

4.5.4 Industry initiatives and charters supported by Klépierre

Klépierre is an active member of the following national and international trade associations that the Group considers strategic for its business. In several of them, it holds a position on the governance body and/or sits on their key committees, including those dealing with sustainable development issues.

European Public Real Estate Association (EPRA)

EPRA's members include more than 200 European listed real estate companies. EPRA publishes the EPRA Sustainability Best Practice Recommendations (sBPR) that aim to establish a standardized approach to reporting on the environmental and social impacts that are material for publicly traded real estate companies. Klépierre is a member of the Sustainability Committee.

French Council of Shopping Centers (CNCC)

CNCC promotes and represents the shopping center industry in France. Klépierre is involved in the Sustainable Development Commission which is tasked with the oversight, sharing of best practice and coordination of industry players.

French Real Estate Association (FSIF)

FSIF promotes and represents the shared business interests of French real estate companies, including sustainability through awards and member discussions.

Global Real Estate Sustainability Benchmark (GRESB)

GRESB's primary purpose is to assess the environmental and social performance of private and publicly listed real estate companies and funds. Klépierre has participated in this benchmark since its beginning and is also a member.

United Nations Global Compact

As signatory to the United Nations Global Compact since 2012, Klépierre makes an annual Communication on Progress summarizing its commitment to implementing the 10 universal principles promoted by the Global Compact (covering human rights, labor standards, the environment and the fight against corruption). In 2017, the Group reached the "advanced" level in this improvement process, thus affirming the maturity of its commitment and accomplishments.

Charter for energy efficiency of tertiary buildings

The Charter provides a framework for real estate companies to improve the energy efficiency of their portfolios and anticipate future regulatory obligations related to tertiary buildings' energy performance. The Group has been a signatory since November 2013 and signed up again in 2017 following publication of the new version of the charter.

Diversity Charter

The Charter commits signatories to promote diversity in their workplaces and confirm their commitment to non-discrimination and equal opportunities. Klépierre has been a signatory since 2010.

Charter for Parenthood

Enacted by the French Monitoring Agency for Parenthood in the Workplace (OPE), this Charter promotes better work-life balance and has three objectives: to bring about a change in attitudes towards working parents, to create a favorable environment for working parents; and respect the principle of non-discrimination in career development for such employees. The Group has been a signatory since 2009.

The Palladio Foundation

Klépierre is a founding member of the Palladio Foundation. The Palladio Foundation was created in 2008 (under the aegis of Fondation de France) to promote sustainable urban development with a focus on construction and buildings. It is a unique organization that brings together all sectors involved the building and development of towns and cities to make urban environments as human and livable as possible.

Association pour le développement du Bâtiment Bas Carbone (BBCA)

BBCA's goal is to reduce the carbon footprint of buildings, and to promote approaches that help develop low carbon buildings. It has developed a certification program that was published in 2016.

4.6 SUMMARY OF PERFORMANCE AGAINST LONG-TERM COMMITMENTS, METHODOLOGY AND CONCORDANCE TABLES

4.6.1 Supplemental data

4.6.1.1 Summary performance against 2022 Act for Good® commitments

ACT FOR THE PLANET

	2013 baseline	2018	2019	2022 commitment
ACT FOR A LOW-CARBON FUTURE				
Reduction in energy consumption for common and serviced areas compared with 2013	143 kWh/sq.m.	(17%)	(29%)	(40%)
Percentage of electricity coming from renewable sources in common and serviced areas	44%	73%	93%	100%
The five biggest shopping centers in our portfolio to be 'carbon neutral'	N/A	Ongoing	Ongoing	Carbon neutral
Certification of the Group's climate strategy by the Science Based Targets Initiative	N/A	Ongoing	Ongoing	Certification achieved
CONTRIBUTE TO A CIRCULAR ECONOMY				
Percentage of waste diverted from landfill	59%	90%	93%	100%
Percentage of centers that have involved retailers in a circular economy effort	N/A	45%	71%	100%
DEVELOP A FULLY CERTIFIED PORTFOLIO				
Percentage of centers that have earned sustainable development certification (BREEAM In-Use, ISO 14001, etc.)	38%	74%	100%	100%
Percentage of development projects that have obtained BREEAM New Construction certification (with a minimum level of "Excellent")	N/A	100%	100%	100%
Percentage of new developments using wood from a certified forest during construction	N/A	100%	100%	100%
INNOVATE FOR SUSTAINABLE MOBILITY				
Percentage of centers accessible via public transportation	97%	97%	98%	100%
Percentage of centers equipped with charging stations for electric vehicles	N/A	56%	60%	100%

ACT FOR TERRITORIES

	2018	2019	2022 commitment
ENCOURAGE LOCAL EMPLOYMENT AROUND OUR CENTERS			
Percentage of local service providers for operational management of the centers (security, maintenance, cleaning services)	65%	78%	100%
Percentage of centers by value that have contributed to local employment	48%	85%	100%
PARTICIPATION IN THE LOCAL COMMUNITY			
Percentage of centers that have made space available for a local initiative	76%	97%	100%
PURSUE A CORPORATE CITIZENSHIP INITIATIVE			
Percentage of centers that have organized a drive (clothes, toys, furniture, etc.) for the benefit of a local charity	61%	84%	100%
Percentage of centers that have supported a citizen's initiative organized by a retailer in the center	53%	79%	100%
INVOLVE LOCAL STAKEHOLDERS IN DESIGNING NEW DEVELOPMENTS			
Percentage of development projects that have included local cooperation as part of the early planning process	100%	N/A(a)	100%
Percentage of development projects certifying that suppliers sign a "sustainability charter" governing construction site supply and management	100%	N/A(a)	100%
Percentage of development projects that have implemented a biodiversity action plan	100%	N/A(a)	100%

(a) No development projects were completed during the year.

▸ **ACT FOR PEOPLE**

	2018	2019	2022 commitment
CONTINUOUSLY INCREASE VISITOR SATISFACTION			
Increase in the Group's Net Promoter Score (NPS)	+2 pts	+8 pts	+3 pts
Percentage of customer questions asked on social media handled in under one hour	50%	68%	100%
PROMOTE HEALTH AND WELL-BEING IN THE CENTERS			
Percentage of centers promoting health and well-being	56%	89%	100%
Percentage of shopping centers offering dedicated services to the employees of their retailers	60%	87%	100%
OFFER GROUP EMPLOYEES A POSITIVE EXPERIENCE			
Rate of access to training for Group employees	92%	98%	100%
Percentage of employees concerned by measures aimed at achieving work/life balance	96%	100%[(b)]	100%
Percentage of recent graduates who have benefited from personalized career path support	100%	100%	100%
Percentage of employees who have contributed to the co-construction of the Group's future	15%	36%	100%
SPREAD ETHICS IN OUR COMMUNITIES			
Percentage of internal stakeholders who have been made aware of ethical business practices	100%	100%	100%
Percentage of external stakeholders who have been made aware of ethical business practices	58%	63%	100%
Percentage of service suppliers selected based on CSR criteria	100%[(c)]	100%[(c)]	100%
BE SOCIALLY CONSCIOUS			
Percentage of employees who have been given the opportunity to participate in a charity program	61%	90%	100%
Sign Group partnerships with NGOs dedicated to employability and/or family	Not yet at Group level	Not yet at Group level	Signature

(b) 99.8%.
(c) Calculated on the scope managed by the Group Procurement Department i.e., 35% of Klépierre (key suppliers). Next year will be dedicated to broadening this scope.

4.6.2 Methodological note

Group CSR reporting is one of the key methods of monitoring, organizing and overseeing Klépierre's CSR initiatives. Klépierre uses a comprehensive management system to quantify and pinpoint the main environmental, societal and social impacts of the Group and its activities.

The key reporting principles are as follows:

> Relevance: material sources of impacts and opportunities for each topic are considered;

> Representativeness: selected indicators are representative of the Group's sites and activities;

> Consistency: a guarantee that data comparisons by region and period are relevant;

> Transparency: assumptions and calculation methods are clearly defined; and

> Accuracy and reliability: records are kept at site level and at the various consolidation sub-groups, to ensure traceability.

4.6.2.1 Methodological note for environmental and societal indicators

4.6.2.1.1 Key industry indicators and benchmarks

Definitions of key indicators

A reporting protocol for environmental and societal indicators has been circulated Group-wide since 2006 to ensure the consistency and reliability of the CSR reporting procedure and the qualitative and quantitative data published by the Group. It acts as a reference framework for all participants in the reporting process. The protocol is updated each year to ensure that it is as relevant as possible to Klépierre's CSR commitments and strategy, and to take account of feedback received following each reporting period, of regulatory changes and of evolving industry practices and standards.

Above all, it sets out the method for collecting and calculating the data underlying the indicators, including definitions, scopes, units, formulas, contributors involved, data entry processes, etc.

Units of measurement

> Portfolio coverage rates are mostly expressed as percentages of the value of the underlying assets (as opposed to the number of assets, for example) in order to better reflect their contribution to the Group's overall portfolio.

> Energy, carbon and water data are presented both in gross terms (kWh, tCO_2e, cu.m) for the purposes of assessing volumes, and as ratios (gross value divided by floor area or footfall) in order to discern the performance of assets on each of the given topics.

Additional clarifications

> Energy efficiency and greenhouse gas emissions of serviced areas and shared equipment: consumption intensity and energy performance indicators expressed in kWh or kWh/sq.m. reflect the heating and air conditioning consumption of serviced areas which include the common areas of the shopping centers and the private areas (shops, storage rooms, etc.) that are connected to shared equipment without a sub-metering system.

> Greenhouse gas emissions are presented using "location-based" and "market-based" methods. For location-based data, emissions factors used in the calculations are sourced from the French Environment and Energy Management Agency's (ADEME) *Bilans* GES database (average national factors). For market-based data, emissions factors are sourced directly from each energy supplier.

> For energy and water consumption, the Group uses meter reading data (as opposed to invoices) to ensure shorter data collection lead times and greater relevance.

- Where Klépierre neither owns nor manages head office buildings it occupies, the related consumption data are not included in this report.
- Water consumption corresponds to drinking water consumption for the entire building in question (both common and private areas), exclusive of water used for heat pumps,
- Development projects included in the 2019 reporting scope correspond to projects delivered during the course of the year, except for carbon data, for which emissions relating to project construction are spread over the years of the corresponding work.
- All key indicators are calculated based on actual and exhaustive data. For certain missing data, Klépierre has provided estimates detailed in the charts or tables concerned.

Industry frameworks

The environmental and societal management system takes into account the recommendations included in the four leading industry and/or international frameworks, namely:

- Global Reporting Initiative (GRI) Standards;
- European Public Real Estate Association (EPRA), Sustainability Best Practices Recommendations;
- French Council of Shopping Centers (*Conseil national des centres commerciaux – CNCC*) – CSR industry reporting guide/Non-financial performance statement; and
- United Nations (UN) Sustainable Development Goals (SDGs).

Cross-reference tables with the non-financial information presented by Klépierre in this document covering the CNCC non-financial performance statement, the GRI Standards and UN SDGs are provided in section 4.6.3.

A separate report presenting the Group's performance against the 3rd edition of the EPRA sBPR is available to download from the CSR section of the Klépierre website (www.klepierre.com/en/csr/results/).

4.6.2.1.2 Reporting scope

2019 reporting scope and coverage rate

Acquisitions, disposals and developments (extensions and/or new constructions) may alter the reporting scope and distort period-on-period comparisons for the various indicators.

So as to provide data that is both exhaustive and comparable, Klépierre distinguishes between "reported" and "like-for-like" scopes for most of its indicators.

In addition, the notion of operational management, which is specific to the shopping center industry, is used to determine which assets are included in the scope.

The Group's scope aggregates assets owned and managed by Klépierre, and assets managed but not owned by the Group (where data are available), in order to reflect its activities as accurately as possible. Assets owned but not managed by Klépierre are not included in the Group's reporting scope.

Reported scope

The reported scope is used to assess the CSR impact of the property portfolio over a calendar year. It reflects the impacts of management, renovation and arbitrage policies (acquisitions and disposals). In 2019, it includes:

- All shopping centers owned and managed by Klépierre; and
- Shopping centers not owned by Klépierre but managed by the Group on behalf of third parties, for which operational data are available (10 shopping centers in France in 2019: Mérignac Soleil in Mérignac, Art de Vivre in Éragny, Beaulieu in Nantes, Nîmes Étoile in Nîmes, Belle Épine in Thiais, Aulnoy-lez-Valenciennes in Aulnoy-lez-Valenciennes, Saint-Jacques in Beaune, Océane in Gonfreville, Île Napoléon in Illzach-Mulhouse, and Grand Quétigny in Quétigny).

Shopping centers acquired and managed by the Group are included in the scope as from the first full year following the acquisition. Real estate development projects are not included in the reporting scope during development or construction, but as from the first full year following completion. Additionally, certain centers under redevelopment, extension and/or renovation may be excluded from the reported scope. As an illustration, Hoog Catharijne (Utrecht, the Netherlands) was excluded from this year's energy calculations due to the fact that work is still ongoing and would distort results accordingly.

This configuration may vary slightly for assets managed on behalf of third parties. Depending on the situation, Klépierre may have full management of electricity, for example, but be charged by a third party (hypermarket, etc.) for fuel usage. Waste may also be collected by a third party (such as a local authority) on a flat rate basis, for example. Some of these configurations may hinder the collection of reliable quantitative data and lead the Group to exclude the corresponding shopping centers from the reported scope for certain items. Typically, only centers that Klépierre manages outright and has full control over energy, water and waste consumption data are included in the reported scope, which explains the difference in coverage rates between the various indicators.

Coverage rates are expressed in terms of the total value of owned and managed shopping centers (since values for shopping centers owned but not managed are unavailable).

The 2019 reported scope represented 96% of the Group's total shopping center portfolio value as of December 31, 2019, which comprises all owned shopping centers. The remaining 4% represents shopping centers which Klépierre does not manage.

Like-for-like scope

The like-for-like scope is used to assess changes in performance across an identical scope on a comparable basis, and reflects the Group's ability to manage and optimize its asset portfolio. It excludes the impact of acquisitions and disposals and includes all shopping centers owned and managed for at least 24 months. However, it excludes shopping centers acquired or completed during the year as well as those not managed for the entire period.

The 2019 like-for-like scope represents 95% of the Group's portfolio as of December 31, 2019.

Lastly, where assets are excluded from the scope of a given indicator, they are indicated in the footnotes to the tables and charts in this chapter.

Reporting periods

Klépierre uses two different reporting periods, depending on the indicator. This arises from the Group's determination to minimize the use of estimates and to collect and consolidate real data.

In order to reflect actual data promptly within the short reporting time frame, the Group decided to use a rolling one-year measurement period for consumption indicators.

For all energy, climate change, waste, water and transportation indicators, the reporting period corresponds to a rolling 12 months from October 1 of the prior year, to September 30 of the current year (i.e., October 1, 2018 to September 30, 2019 for the 2019 reporting scope). Social impact indicators, such as NPS data, suppliers and initiatives carried out by centers, are also included within this period.

All other indicators (including building certifications, human resources data, etc.) are calculated based on the calendar year, i.e., from January 1, 2019 to December 31, 2019 for the 2019 reporting scope.

4.6.2.1.3 Data collection process

Data collection tool

In 2017, the Group began rolling out an online data collection tool to its entire reporting scope aimed at automating and improving the reliability of data collection for the environmental and societal impacts of its activities. Now deployed for all assets, the online tool is accessible remotely and in real time by all teams on-site in the shopping centers, as well as by the headquarters of the national subsidiaries and by Klépierre's Corporate teams.

The tool was selected for its ability to meet the reporting requirements of the Group's annual publications process, as well as – and especially – for its functionality in terms of the daily monitoring of the buildings owned and/or managed by the Group.

Collection frequency

Consumption and billing data for energy, waste and water are collected on a monthly basis for all assets. Data for certain additional indicators are collected annually, in particular for the production of the universal registration document.

4.6.2.2 Methodological note for social indicators

4.6.2.2.1 Period and reporting scope

For all social indicators, the reporting period is the calendar year, from January 1 to December 31 of the year under review.

The data collection and reporting scope covers all Group subsidiaries as of December 31, 2019, in which the employees hold employment contracts with the Group.

Changes in scope arise from acquisitions of new entities and disposals of existing entities. Employees within these entities are included in or removed from the Klépierre reporting scope with effect from the month following the transaction date.

4.6.2.2.2 Definitions and clarifications

Workforce: total number of employees at December 31 on open-ended and temporary contracts, regardless of the number of hours worked or duration of employment during the year.

Average workforce: average number of employees as of the end of each month during the year.

Average gross wages: sum of contractual fixed annual salaries of employees in the Group as of December 31, on a full-time equivalent basis excluding variable compensation, divided by the workforce as of December 31 (excluding Executive Board members).

4.6.2.3 Audit by the independent third-party verifier

Over the last nine years, Klépierre has been committed to ever greater transparency and accordingly, all of its non-financial information is independently verified.

This external audit is carried out each year, based on the Group's regulatory obligations and industry best practices.

4.6.3 Cross-reference tables

The following tables propose an analysis of the cross-referencing between the information published by Klépierre in this document and the main (European and Global) reporting standards for non-financial operations: the Global Reporting Initiative GRI Standards and the United Nations Sustainable Development Goals.

A separate report presenting the Group's performance against the 3rd edition of the EPRA sBPR is available to download from the CSR section of the Klépierre website (www.klepierre.com/en/csr/results/).

Non-financial statement

Topics	Universal Registration Document
Description of the business model	1.1.2
Description of the principal non-financial risks relating to the Company's business	4.1.2
Description of the policies to identify, prevent and mitigate non-financial risks and their outcomes, including key indicators	4.1.2/4.6.1.1
Respect for human rights	4.4.4
Anti-corruption measures	4.4.4
Climate change (contribution and adjustments)	4.2.1
Circular economy	4.2.2
Food waste	4.2.2.1/4.2.2.2
Collective bargaining agreements and their impacts	4.4.3
Measures taken to combat discrimination and promote diversity	4.4.3
Societal commitments	4.3/4.4

Global Reporting Initiative GRI Standards (2016)

GRI Standard	GRI Standard no.	Universal Registration Document
Economic	**200**	
Economic performance	201	2.1/2.8
Market Presence	202	1.1.1
Indirect Economic Impacts	203	1.1.2
Procurement Practices	204	4.4.4.3
Anti-corruption	205	4.4.4
Anti-competitive Behavior	206	4.4.4
Environmental	**300**	
Materials	301	4.2.3
Energy	302	4.2.1.1
Water	303	4.2.2.3
Biodiversity	304	4.3.4.3
Emissions	305	4.2.1.2
Effluents and Waste	306	4.2.2.3/4.2.2.1
Environmental Compliance	307	4.1.3/4.5
Supplier Environmental Assessment	308	4.4.4.3
Social	**400**	
Employment	401	4.4.3
Labor/Management Relations	402	4.4.3
Occupational Health and Safety	403	4.4.3.3
Training and Education	404	4.4.3.1
Diversity and Equal Opportunity	405	4.4.3.2
Non-discrimination	406	4.4.3.2/4.4.4
Freedom of Association and Collective Bargaining	407	4.4.3.4
Child Labor	408	4.4.4
Forced or Compulsory Labor	409	4.4.4
Security Practices	410	4.4.2.2
Rights of Indigenous Peoples	411	
Human Rights Assessment	412	4.4.4
Local Communities	413	4.3.4
Supplier Social Assessment	414	4.4.4.3
Public Policy	415	
Customer Health Safety	416	4.4.2
Marketing and Labeling	417	
Customer Privacy	418	
Socioeconomic Compliance	419	

United Nations Sustainable Development Goals

In 2015, all United Nations Member States adopted all 17 Sustainable Development Goals, which provide a blueprint for a better and more sustainable future for all. They address the global challenges we face: climate change, poverty, inequality, prosperity, peace and justice. These goals are interconnected and are addressed to citizens, States and companies.

Through our new CSR policy Act for Good® with Klépierre, we want to reiterate our commitment to participating in this shift. According to our three-tier approach: Act for the Planet, Act for Territories and Act for People, we focus our efforts on goals which tie in to this vision.

Goal	Sustainable Development Goal 3: Good Health and Well-being	Sustainable Development Goal 4: Quality education	Sustainable Development Goal 5: Gender Equality	Sustainable Development Goal 6: Clean Water and Sanitation	Sustainable Development Goal 7: Affordable and Clean Energy
Act for the Planet				4.2.2.3	4.2.1.1
Act for Territories					
Act for People	4.4.2/4.4.3	4.4.3	4.4.3		

Goal	Sustainable Development Goal 8: Decent Work and Economic Growth	Sustainable Development Goal 9: Industry, Innovation and Infrastructure	Sustainable Development Goal 10: Reduced Inequalities	Sustainable Development Goal 11: Sustainable Cities and Communities	Sustainable Development Goal 12: Responsible Consumption and Production
Act for the Planet		4.2.3		4.2	4.2
Act for Territories	4.3.1			4.3.4	
Act for People	4.4.3		4.4.3.2		

Goal	Sustainable Development Goal 13: Climate Action	Sustainable Development Goal 15: Life on Land	Sustainable Development Goal 16: Peace, Justice and Strong Institutions	Sustainable Development Goal 17: Partnership for the Goals
Act for the Planet	4.2.1	4.2		
Act for Territories				4.3.2 / 4.3.3
Act for People			4.4.4	4.4.4 / 4.4.5

4.6.4 Independent third party's report on consolidated non-financial statement

This is a free translation into English of the original report issued in the French language and it is provided solely for the convenience of English speaking users. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

To the General Assembly,

In our quality as an independent verifier, accredited by the COFRAC under the number n° 3-1681 (scope of accreditation available on the website www.cofrac.fr), and as a member of the network of one of the statutory auditors of your entity Klépierre (hereafter "entity"), we present our report on the consolidated non-financial statement established for the year ended on the 31 12 2019 (hereafter referred to as the "Statement"), included in the management report pursuant to the requirements of articles L. 225 102-1, R. 225-105 and R. 225-105-1 of the French Commercial Code *(Code de commerce)*.

The entity's responsibility

The supervisory board is responsible for preparing the Statement, including a presentation of the business model, a description of the principal non-financial risks, a presentation of the policies implemented considering those risks and the outcomes of said policies, including key performance indicators.

The Statement has been prepared in accordance with the entity's procedures (hereinafter the "Guidelines"), the main elements of which are presented in the Statement and are available on request from the entity's head office.

Independence and quality control

Our independence is defined by the requirements of article L. 822-11-3 of the French Commercial Code and the French Code of Ethics (*Code de déontologie*) of our profession. In addition, we have implemented a system of quality control including documented policies and procedures regarding compliance with applicable legal and regulatory requirements, the ethical requirements and French professional guidance.

Responsibility of the independent third party

On the basis of our work, our responsibility is to provide a report expressing a limited assurance conclusion on:

> the compliance of the Statement with the requirements of article R. 225-105 of the French Commercial Code;

> the fairness of the information provided in accordance with article R. 225 105 I, 3° and II of the French Commercial Code, i.e., the outcomes, including key performance indicators, and the measures implemented considering the principal risks (hereinafter the "Information").

However, it is not our responsibility to comment on the entity's compliance with other applicable legal and regulatory requirements, in particular the French duty of care law and anti-corruption and tax avoidance legislation nor on the compliance of products and services with the applicable regulations.

Nature and scope of the work

The work described below was performed in accordance with the provisions of articles A. 225-1 et seq. of the French Commercial Code, as well as with the professional guidance of the French Institute of Statutory Auditors ("CNCC") applicable to such engagements and with ISAE 3000[(1)].

> we obtained an understanding of all the consolidated entities' activities and the description of the principal risks associated;

> we assessed the suitability of the criteria of the Guidelines with respect to their relevance, completeness, reliability, neutrality and understandability, with due consideration of industry best practices, where appropriate;

> we verified that the Statement includes each category of social and environmental information set out in article L. 225 102 1 III as well as information regarding compliance with human rights and anti-corruption and tax avoidance legislation;

> we verified that the Statement provides the information required under article R. 225-105 II of the French Commercial Code, where relevant with respect to the principal risks, and includes, where applicable, an explanation for the absence of the information required under article L. 225-102-1 III, paragraph 2 of the French Commercial Code;

> we verified that the Statement presents the business model and a description of principal risks associated with all the consolidated entities' activities, including where relevant and proportionate, the risks associated with their business relationships, their products or services, as well as their policies, measures and the outcomes thereof, including key performance indicators associated to the principal risks;

> we referred to documentary sources and conducted interviews to

- assess the process used to identify and confirm the principal risks as well as the consistency of the outcomes, including the key performance indicators used, with respect to the principal risks and the policies presented, and

(1) ISAE 3000 – Assurance engagements other than audits or reviews of historical financial information.

- corroborate the qualitative information (measures and outcomes) that we considered to be the most important presented in Appendix 1; concerning certain risks (ethics, responsible purchasing) our work was carried out on the consolidating entity, for the others risks, our work was carried out on the consolidating entity and on a selection of entities : Belle-Epine, Metro Senter, Oslo City, Novy Smichov, Milanofiori and Parque Nascente;

> we verified that the Statement covers the scope of consolidation, i.e. all the consolidated entities in accordance with article L. 233-16 of the French Commercial Code;

> we obtained an understanding of internal control and risk management procedures the entity has put in place and assessed the data collection process to ensure the completeness and fairness of the Information;

> for the key performance indicators and other quantitative outcomes that we considered to be the most important presented in Appendix 1, we implemented:

- analytical procedures to verify the proper consolidation of the data collected and the consistency of any changes in those data;
- tests of details, using sampling techniques, in order to verify the proper application of the definitions and procedures and reconcile the data with the supporting documents. This work was carried out on a selection of contributing entities and covers between 7 % and 10 % of the consolidated data relating to the key performance indicators and outcomes selected for these tests (10 % of energy consumption,7 % of water consumption, 8 % of waste production, 9% of the workforce);

> we assessed the overall consistency of the Statement based on our knowledge of all the consolidated entities.

We believe that the work carried out, based on our professional judgement, is sufficient to provide a basis for our limited assurance conclusion; a higher level of assurance would have required us to carry out more extensive procedures.

Means and resources

Our verification work mobilized the skills of five people and took place between September 2019 and March 2020 on a total duration of intervention of about nine weeks.

We conducted three interviews with the persons responsible for the preparation of the Statement.

Conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the consolidated non-financial statement is not presented in accordance with the applicable regulatory requirements and that the Information, taken as a whole, is not presented fairly in accordance with the Guidelines, in all material respects.

Paris-La Défense, March the 6th 2020

French original signed by:

Independent third party
EY & Associés

Éric Duvaud
Partner, Sustainable Development

Jean-François Bélorgey
Partner

Appendix 1: most important information

Social Information	
Quantitative Information (including key performance indicators)	**Qualitative Information (actions or results)**
> Total workforce > Turnover (%) > Absenteeism (%) > Access to training (%) and average number of training hours per employee > Share of women in the Group and in each level of management	> Employment (attractiveness, retention), > Organization of work (organization, absenteeism), > Health and well-being of employees > Social relations (social dialogue, collective agreements), training, > Equal treatment (equality between men and women, fight against discrimination)
Environmental Information	
Quantitative Information (including key performance indicators)	**Qualitative Information (actions or results)**
> Primary energy consumption and CO2 emissions per m² > The percentage of reduction in energy consumption in common areas compared to 2013 > Share of renewable energy in common areas > Group CO2 emissions (scopes 1 and 2 as well as the evaluation made for scope 3) > Share of waste not landfilled > Share of waste recovered > Water consumption per m² > Share of BREEAM In Use certified centers > Share of centers accessible by public transport and equipped with charging points for electric vehicles	> Improvement of energy performance > Improvement of technical equipment > Use of less-emitting energies > A reduction in the direct footprint > Limitation of the exposure to climate change > Implementation of sorting solutions and waste recovery > Promotion of the circular economy with retailers > Strengthening of green value and environmental quality (quality, labels and certifications)
Societal Information	
Quantitative Information (including key performance indicators)	**Qualitative Information (actions or results)**
> Share of centers that promoted local employment > The visitors' satisfaction rate (Net Promoter Score) > Share of centers that promoted health and well-being > Share of service suppliers selected based on CSR criteria	> Promotion of local employment around the centers > Dialogue with retailers and visitors > Visitor satisfaction and implementation of well-being and comfort measures > Promotion of safety and security in shopping centers


PRÍNCIPE PÍO
SHOPPING CENTER
PRÍNCIPE PÍO
ZARA
UNITED COLORS OF BENETTON.
H&M
Bershka
MANGO
PRÍNCIPE PÍO
LET'S PLAY
KFC
MEGA BOX
TIGELLA

5

CORPORATE GOVERNANCE REPORT

Pursuant to Article L. 225-68 of the French Commercial Code (*Code de commerce*), the Supervisory Board has decided to present to the General Meeting of April 30, 2020 this corporate governance report, which includes the information referred to in Articles L. 225-37-3 to L. 225-37-5, L. 225-82-2, L. 225-100 II and L. 225-100 III of the French Commercial Code ("**Required Information**"), and the Supervisory Board's observations on the report of the Executive Board and on the financial statements for the fiscal year.

The report is based on the preparatory work and due diligence carried out by the Legal Department, which reviewed the legislation applicable to the drafting of the report and approached the various members of the Supervisory Board and the Executive Board to verify that the information presented herein is comprehensive and accurate.

The table below sets out the Required Information and specifies the sections of the Company's Universal Registration Document in which this information is presented.

Required Information	References
Compensation	
Presentation of total compensation and benefits in kind paid to each corporate officer during the fiscal year or allocated to them in respect of that year	Section 5.2.2 "Compensation of the Chairman and members of the Supervisory Board and the Chairman and members of the Executive Board for fiscal year 2019"
Relative proportion of fixed and variable compensation	
Use of the possibility to request the repayment of variable compensation	
Presentation of all commitments made by Klépierre in favor of its corporate officers, including components of compensation, compensation or benefits due or conditionally due on taking up, termination or change of function, or following the exercise of such rights, in particular pension obligations and other lifetime benefits, the methods for determining these commitments and estimates of the amount that may be paid in their respect	
Presentation of any compensation paid or allotted by an undertaking within the scope of consolidation	
Presentation of executive corporate officer compensation in relation to the average compensation, on a full time equivalent basis, of employees other than corporate officers	
Presentation of executive corporate officer compensation in relation to the median compensation, on a full time equivalent basis, of employees other than corporate officers	
Presentation of the year-on-year change in Klépierre's performance-based compensation, the average compensation on a full time equivalent basis of employees other than corporate officers, and the average of the aforementioned ratios over the last five years	
How the total compensation complies with the compensation policy adopted, including how it contributes to the long-term performance and how the performance criteria were applied	
Consideration of the vote of the April 16, 2019 General Meeting	
Description of any discrepancies with or departure from the compensation policy	
Governance	
Application of a Corporate Governance Code	Section 5.1 "Management and oversight of the Company"
Provisions of the Corporate Governance Code not applied along with the reasons for non-application	
Location at which the Corporate Governance Code can be consulted	
List of all offices and positions held in any company by Supervisory Board members during the fiscal year	Section 5.1.1.1 "Composition of the Supervisory Board"
List of all offices and positions held in any company by Executive Board members during the fiscal year	Section 5.1.3.1 "Composition of the Executive Board"
List of agreements signed, directly or by proxy, between, on the one hand, a corporate officer or a shareholder owning more than 10% of the voting rights of a company and, on the other, a second company over which the first exercises control within the meaning of Article L. 233-3 of the French Commercial Code, with the exception of agreements relating to ordinary transactions concluded under arm's length conditions	Section 6.1.4.3 "Related-party agreements"
Description of the procedure put in place by Klépierre to determine on a regular basis whether agreements relating to ordinary transactions concluded under arm's length conditions fulfill said conditions.	Section 6.1.4.3 "Related-party agreements"
Explanation of the choice of one of the two general management methods stipulated in Article L. 225-51-1 of the French Commercial Code	Section 5.1 "Management and oversight of the Company"
Composition, conditions of preparation and organization of the work of the Supervisory Board	Section 5.1.1.2 "Operating methods of the Supervisory Board" Section 5.1.1.3 "Work of the Supervisory Board in fiscal year 2019"
Description of the diversity policy applied to members of the Supervisors Board with regard to criteria such as age, gender, qualifications and professional experience, and a description of the objectives of this policy, the ways in which it is implemented and the results achieved in the last fiscal year	Section 5.1.1.1 "Composition of the Supervisory Board"
Information on how Klépierre seeks to ensure gender balance within its executive bodies and details on diversity in the top 10% of senior responsibility positions	Section 5.1.3.2 "Gender equality in senior management"
Limitations placed by the Supervisory Board on the Executive Board's powers	Section 5.1.1.2 "Operating methods of the Supervisory Board", sub-section "Role of the Supervisory Board"
Other	
Special arrangements regarding shareholder attendance at the General Meeting or provisions of the bylaws to this effect	Title V ("General Meetings") of the Company's bylaws (available online at http://www.klepierre.com/en)
Table summarizing the delegations in force that have been approved by the General Meeting of Shareholders in the area of capital increases, by application of Articles L. 225-129-1 and L. 225-129-2 of the French Commercial Code, and showing the use made of these delegations during the fiscal year	Section 6.1.1.2 "Delegations of authority and authorizations granted to Klépierre's Executive Board"
Information on factors that may have an impact in the event of a takeover bid or public exchange offer	Note 8.2 "Liquidity risk" to the consolidated financial statements Section 6.1.1 "General information on the share capital" Section 6.1.2 "Changes in the share capital – Breakdown of the share capital and voting rights"
Supervisory Board's observations on the report of the Executive Board and the financial statements for the fiscal year	Section 3.5 "Report of the Supervisory Board to the Ordinary and Extraordinary General Meeting"

5.1 MANAGEMENT AND OVERSIGHT OF THE COMPANY

The Company refers to the Corporate Governance Code for Listed Companies published by the French association of private sector businesses (*Association française des entreprises privées* – AFEP) and the French employers' association (*Mouvement des entreprises de France* – MEDEF) ("**the AFEP-MEDEF Code**"), which may be consulted on the AFEP website at the following address: www.afep.com. Klépierre complies in full with the recommendations of said Code.

Since July 21, 1998, the Company has been a joint-stock corporation (*société anonyme*) with an Executive Board and Supervisory Board. This general management method was adopted as it allows for a clear separation between the Company's management bodies and the bodies that oversee them. This choice has made it possible to retain a proactive and effective structure together with a flexible and rapid mode of operation for the executive bodies, while respecting the prerogatives of the Supervisory Board, whose balanced composition safeguards the independence of control and the balance of powers.

5.1.1 Supervisory Board

The Supervisory Board is responsible for ongoing oversight over the management of the Company by the Executive Board, and especially for the company and consolidated financial statements adopted by the Executive Board.

5.1.1.1 Composition of the Supervisory Board

Provisions of the bylaws and rules of procedure of the Supervisory Board applicable to the composition of the Supervisory Board

With regard to the composition of the Supervisory Board, the Company's bylaws and the rules of procedure of the Supervisory Board establish the following principles:

> Composition of the Supervisory Board: 3 to 12 members;

> Term of office: 3 years;

> Minimum number of Klépierre shares to be held by each Supervisory Board member: 60 shares.

The Supervisory Board elects a Chairman and a Vice Chairman from among its members.

Current composition

As of the filing date of this document, the Supervisory Board had the following members:

Name	Main function	Nationality	Age	Independence	Other appointments in other listed companies[(a)]	Committee membership: Investment	Committee membership: Audit	Committee membership: Nomination and Compensation	Committee membership: Sustainable Development	Term of appointment	Years of Board membership[(b)]
David Simon, Chairman of the Board	Chairman of the Board and Chief Executive Officer of Simon Property Group, Inc.	US	58		1	X Chairman				2021 GM	8
John Carrafiell	Managing Partner of BentallGreenOak	US	54	X	1		X Chairman			2021 GM	5
Béatrice de Clermont-Tonnerre	Senior Advisor, member of the Executive Committee of Kayrros	French	47	X	0		X		X	2022 GM	4
Steven Fivel	General Counsel of Simon Property Group, Inc.	US	59		0	X		X	X Chairman	2021 GM	8
Robert Fowlds	Senior Advisor in real estate and finance	UK	58		2	X				2021 GM	2
Stanley Shashoua	Investments Director of Simon Property Group, Inc.	US	49		0	X	X		X	2020 GM	5
Catherine Simoni	Former Director for France and Belgium of the European real estate funds of the Carlyle group	French	55	X	0	X		X Chairwoman		2020 GM	7
Rose-Marie Van Lerberghe, Vice Chairwoman of the Board	Director of CNP Assurances and Bouygues	French	73	X	2			X	X	2022 GM	8
Florence Von Erb	Representative of Afammer (NGO) at the United Nations and former Managing Director of Adair Capital	French	60	X	1		X		X	2020 GM	4

(a) Offices held within the Company are not taken into consideration in this calculation.
(b) As of April 30, 2020, the date of the next General Meeting of Shareholders.

57
Average age of Supervisory Board members as of December 31, 2019

5
Independent Supervisory Board members

4
Female Supervisory Board members

5
Non-French Supervisory Board members

Biographies of Supervisory Board members

DAVID SIMON

Chairman of the Supervisory Board
Chairman of the Investment Committee

Aged 58

BS degree from Indiana University and MBA from Columbia University's Graduate School of Busines

US national

CAREER

David Simon is Chairman of the Board and Chief Executive Officer of Simon Property Group, Inc., which he joined in 1990. In 1993, he led the efforts to take Simon Property Group public, and became CEO in 1995. Before joining Simon Property Group, he was a Vice President of Wasserstein Perella & Co., a Wall Street firm specializing in mergers and acquisitions and leveraged buyouts. He is a former member and former Chairman of the National Association of Real Estate Investment Trusts (NAREIT) Board of Governors and a former trustee of the International Council of Shopping Centers (ICSC).

OFFICES AND POSITIONS HELD AS OF DECEMBER 31, 2019

Klépierre
> Chairman of the Supervisory Board
> Chairman of the Investment Committee

Outside Klépierre
> Director, Chairman of the Board and Chief Executive Officer:
- Simon Property Group, Inc. (US-listed company)

OFFICES AND POSITIONS THAT EXPIRED IN THE LAST FIVE FISCAL YEARS

Klépierre
> None

Outside Klépierre
> Director, Chairman of the Board and Chief Executive Officer:
- Simon Property Group (Delaware), Inc.
- The Retail Property Trust
- M.S. Management Associates, Inc.

> Chairman of the Board and Chief Executive Officer:
- Simon Management Associates, LLC
- CPG Holdings, LLC

Attendance rate in 2019
> On the Board: 100%
> On the Investment Committee: 100%

Business address
26, boulevard des Capucines, 75009 Paris (France)

Number of Klépierre shares
62

First appointed to Klépierre's Supervisory Board on
March 14, 2012

JOHN CARRAFIELL

Chairman of the Audit Committee

Aged 54
BA degree from Yale University
US national

CAREER

From 1987 to 2009, John Carrafiell held various roles at Morgan Stanley, as Head of Real Estate Europe from 1995, Managing Director from 1999, Global Co-Head of Real Estate from 2005, member of the Global Investment Banking Division Operating and Management Committee from 2006 to 2007, and Global Co-Head and Co-CEO of Real Estate Investing from 2007. In 2009, he founded Alpha Real Estate Advisors (UK) and acted as Managing Partner of that company until 2010, at which point he co-founded GreenOak Real Estate. In 2019, GreenOak merged with Bentall Kennedy to form BentallGreenOak – a global real estate asset management firm, managing USD 48 billion in assets. He is currently a Senior Managing Partner of BentallGreenOak.

OFFICES AND POSITIONS HELD AS OF DECEMBER 31, 2019

Klépierre
> Chairman of the Audit Committee

Outside Klépierre
> Chairman:
- Chelsea & Westminster Hospital NHS Foundation Trust Development Board (United Kingdom)
- The Anna Freud National Centre for Children and Families Development Board (United Kingdom)
- The Yale University School of Architecture Dean's Council (United States)

> Member of the Board of Directors (and Real Estate Investment Committee):
- Shurgard (Belgium-listed company)

OFFICES AND POSITIONS THAT EXPIRED IN THE LAST FIVE FISCAL YEARS

Klépierre
> None

Outside Klépierre
> Supervisory Board Member:
- Corio NV (Netherlands)

Attendance rate in 2019
> On the Board: 100%
> On the Audit Committee: 100%

Business address
26, boulevard
des Capucines,
75009 Paris
(France)

Number of Klépierre shares
60

First appointed to Klépierre's Supervisory Board on
December 11, 2014
(with effect from
January 15, 2015)

BÉATRICE DE CLERMONT-TONNERRE

Member of the Sustainable Development Committee
Member of the Audit Committee

Aged 47

Graduate of Institut d'études politiques de Paris (Public Service Section) and ESSEC (École supérieure des sciences économiques et commerciales) Business School (MBA)

French national

CAREER

Béatrice de Clermont-Tonnerre is currently Senior Advisor, member of the Executive Committee of Kayrros. She was previously Director of Artificial Intelligence Partnerships at Google, after having headed up the southern Europe Sell Side division for five years. Prior to Google, she was Senior VP, Business Development at Lagardère (2008-2013) and Head of Interactive TV and co-Head of Programming at Canalsatellite – Groupe Canal+ (2001-2005). She began her career as a radio journalist before joining the Strategy Department of Lagardère in 1995 as an analyst in the High Technologies division, covering aerospace and telecoms.

OFFICES AND POSITIONS HELD AS OF DECEMBER 31, 2019

Klépierre
> Member of the Sustainable Development Committee
> Member of the Audit Committee

Outside Klépierre
> None

OFFICES AND POSITIONS THAT EXPIRED IN THE LAST FIVE FISCAL YEARS

Klépierre
> None

Outside Klépierre
> Vice Chairwoman of the Board of Directors, Hurriyet (term expired in June 2018)
> Board member of LaCie

Attendance rate in 2019
> On the Board: 100%
> On the Sustainable Development Committee: 100%
> On the Audit Committee: 50% (attended one of two Audit Committee meetings held since her appointment to the Committee)

Business address
26, boulevard des Capucines, 75009 Paris (France)

Number of Klépierre shares
60

First appointed to Klépierre's Supervisory Board on
April 19, 2016

STEVEN FIVEL

Chairman of the Sustainable Development Committee
Member of the Nomination and Compensation Committee
Member of the Investment Committee

Aged 59

BS degree in accounting from Indiana University and doctorate in law (JD) from the John Marshall Law School, Chicago

US national

CAREER

Steven Fivel began his career as Deputy Attorney General at the Office of the Attorney General of the State of Indiana. From 1988, he worked as an attorney handling shopping center finance transactions, real estate development and re-development transactions, joint ventures and corporate transactions. In 1997, he joined BrightPoint and occupied the functions of Executive Vice President, General Counsel and Secretary. In March 2011, he joined Simon Property Group as Assistant General Counsel and Assistant Secretary, leading Development and Operations, the Legal Department, and Operations within the Tax Department. Steven Fivel was appointed General Counsel and Secretary of Simon Property Group on January 1, 2017.

OFFICES AND POSITIONS HELD AS OF DECEMBER 31, 2019

Klépierre
> Chairman of the Sustainable Development Committee
> Member of the Nomination and Compensation Committee
> Member of the Investment Committee

Outside Klépierre
> Member of the Board of Directors:
  – Simon Global Development BV

OFFICES AND POSITIONS THAT EXPIRED IN THE LAST FIVE FISCAL YEARS

Klépierre
> Chairman of the Supervisory Board of Klémurs

Outside Klépierre
> None

Attendance rate in 2019
> On the Board: 100%
> On the Sustainable Development Committee: 100%
> On the Nomination and Compensation Committee: 100%
> On the Investment Committee: 100%

Business address
26, boulevard des Capucines, 75009 Paris (France)

Number of Klépierre shares
62

First appointed to Klépierre's Supervisory Board on
March 14, 2012

ROBERT FOWLDS

Member of the Investment Committee

Aged 58

BS degree in Real Estate Management from the University of Reading and MBA in Finance from Cass Business School, member of the Royal Institution of Chartered Surveyors

US national

CAREER

Robert Fowlds has been a Senior Advisor in real estate and finance since 2016. Previously, he was Managing Director, Head of Real Estate Investment Banking for the United Kingdom and Ireland at JP Morgan Cazenove, where he supervised a large team with expertise in capital markets, mergers and acquisitions, advisory and debt markets, before becoming Vice Chairman in 2013. Between 1987 and 2006, he held various positions in financial institutions such as Merrill Lynch, Kleinwort Benson Securities, Crédit Lyonnais Secs and Morgan Grenfell. He is also a director of UK Commercial Property REIT (listed fund), as well as LondonMetric plc (listed company).

OFFICES AND POSITIONS HELD AS OF DECEMBER 31, 2019

Klépierre
> Member of the Investment Committee

Outside Klépierre
> Member of the Board of Directors:
- UK Commercial Property REIT (UK-listed fund)
- LondonMetric PLC (UK-listed company)

OFFICES AND POSITIONS THAT EXPIRED IN THE LAST FIVE FISCAL YEARS

Klépierre
> None

Outside Klépierre
> Managing Director – J.P. Morgan Cazenove

Attendance rate in 2019
> On the Board: 100%
> On the Investment Committee: 100%

Business address
26, boulevard des Capucines, 75009 Paris (France)

Number of Klépierre shares
100

First appointed to Klépierre's Supervisory Board on
April 24, 2018

STANLEY SHASHOUA

Member of the Investment Committee
Member of the Audit Committee
Member of the Sustainable Development Committee

Aged 49

BA degree in International Relations from Brown University and MBA in Finance from The Wharton School

US national

CAREER

Stanley Shashoua is Investments Director at Simon Property Group. Previously, he was Managing Partner at LionArc Capital LLC, a private investment fund, which has invested in and managed real estate and private equity transactions for a total amount of over USD 500 million since 2007. Prior to joining LionArc Capital LLC, Stanley Shashoua was a Partner at HRO Asset Management LLC, where he was in charge of the acquisition and management of properties on behalf of institutional clients, managing transactions representing over USD 1 billion and comprising over 278,700 sq.m. He was also Vice President at Dresdner Kleinwort Wasserstein.

OFFICES AND POSITIONS HELD AS OF DECEMBER 31, 2019

Klépierre

> Member of the Investment Committee
> Member of the Audit Committee
> Member of the Sustainable Development Committee

Outside Klépierre

> Member of the Board of Directors:
  – Simon Canada Management Limited (Canada)
  – Mitsubishi Estate Simon Co. Ltd. (Japan)
  – Shinsegae Simon Co. Inc. (South Korea)
  – Genting Simon Sdn Bhd (Malaysia)
  – Premium Outlets de Mexico, S. de RL de CV (Mexico)
  – CPGOM Partners de Mexico, S. de RL de CV (Mexico)
  – Outlet Services HoldCo Ltd (Jersey)
> Managing Partner:
  – Outlet Site JV Sarl (Luxembourg)
  – HBS Global Properties LLC (USA)
  – Aero Opco LLC (USA)

OFFICES AND POSITIONS THAT EXPIRED IN THE LAST FIVE FISCAL YEARS

Klépierre

> None

Outside Klépierre

> None

Attendance rate in 2019

> On the Board: 100%
> On the Investment Committee: 100%
> On the Audit Committee: 100%
> On the Sustainable Development Committee: 100%

Business address
26, boulevard des Capucines, 75009 Paris (France)

Number of Klépierre shares
60

First appointed to Klépierre's Supervisory Board on
April 14, 2015

CATHERINE SIMONI

Chairwoman of the Nomination and Compensation Committee
Member of the Investment Committee

Aged 55
Engineering degree from the University of Nice (France)
French national

CAREER

For 14 years, Catherine Simoni was Director for France and Belgium of the European real estate fund of the Carlyle group, which she left in December 2014. She was previously a Director at SARI Développement, the development division of Nexity, where she was responsible for implementing business plans on several major French office developments, including leasing and sales. Prior to this, Catherine Simoni was a Manager at Robert & Finestate, a subsidiary of J.E. Robert Company, where she worked on transactions in real estate and real estate-backed loan portfolios in France, Spain, Belgium and Italy.

OFFICES AND POSITIONS HELD AS OF DECEMBER 31, 2019

Klépierre
> Chairwoman of the Nomination and Compensation Committee
> Member of the Investment Committee

Outside Klépierre
> None

OFFICES AND POSITIONS THAT EXPIRED IN THE LAST FIVE FISCAL YEARS

Klépierre
> None

Outside Klépierre
> Managing Director France – Carlyle group

Attendance rate in 2019
> On the Board: 100%
> On the Investment Committee: 100%
> On the Nomination and Compensation Committee: 100%

Business address
26, boulevard des Capucines, 75009 Paris (France)

Number of Klépierre shares
60

First appointed to Klépierre's Supervisory Board on
December 20, 2012

ROSE-MARIE VAN LERBERGHE

Vice Chairwoman of the Supervisory Board
Member of the Sustainable Development Committee
Member of the Nomination and Compensation Committee

Aged 73

Graduate of ENA (École nationale d'administration), Institut d'études politiques of Paris and École normale supérieure, teaching qualification (philosophy) and undergraduate degree in history

French national

CAREER

Rose-Marie Van Lerberghe began her career as an Inspector at IGAS (General Inspectorate, Social Affairs) before becoming Assistant Director for the defense and promotion of jobs at the French Labor Ministry. In 1986, she joined the Danone group, where she was group Director of Human Resources. In 1996, she became Executive Director in charge of employment and professional training at the French Ministry of Labor and Solidarity. She then became Executive Director of the Paris hospital trust (APHP). From 2006 to 2011, she was Chairwoman of the Executive Board of Korian. From January 2010 to January 2014, she was a member of the French High Council of the Judiciary (Conseil supérieur de la magistrature). She is currently a member of the Council of the Order of the Legion of Honor.

OFFICES AND POSITIONS HELD AS OF DECEMBER 31, 2019

Klépierre
- Vice Chairwoman of the Supervisory Board
- Member of the Sustainable Development Committee
- Member of the Nomination and Compensation Committee

Outside Klépierre
- Member of the Board of Directors:
  - Bouygues (listed company)
  - CNP Assurances (listed company)
  - Fondation Hôpital Saint-Joseph
- Chairwoman of the Board of Directors:
  - *Orchestre des Champs-Élysées* led by Philippe Herreweghe

OFFICES AND POSITIONS THAT EXPIRED IN THE LAST FIVE FISCAL YEARS

Klépierre
- None

Outside Klépierre
- Chairwoman of the Board of Directors:
  - Fondation Institut Pasteur
- Member of the Board of Directors:
  - Casino, Guichard-Perrachon

Attendance rate in 2019
- On the Board: 100%
- On the Nomination and Compensation Committee: 100%
- On the Sustainable Development Committee: 100%

Business address
26, boulevard
des Capucines,
75009 Paris
(France)

Number of Klépierre shares
100

First appointed to Klépierre's Supervisory Board on
April 12, 2012

FLORENCE VON ERB

Member of the Audit Committee
Member of the Sustainable Development Committee

Aged 60
Graduate of HEC Paris, specializing in finance
French national

CAREER

Florence Von Erb began her finance career working in JP Morgan's Paris, London and New York offices, where she specialized in international securities markets. She held positions in the firm's Treasury Department, Merchant Bank division, Latin America Debt Restructuring Unit and Equity Derivatives Group. In 2000, she joined Adair Capital, a New York-based investment management firm, where she served as Managing Director. She switched her focus to the not-for-profit world in 2004 when she became President and United Nations Representative of Make Mothers Matter International. In 2006, she co-founded Sure We Can Inc. Since 2014, she has been an active member of the UN NGO Social Development Committee and the Commission on the Status of Women, as well as serving as an Independent Director of Ipsos SA.

OFFICES AND POSITIONS HELD AS OF DECEMBER 31, 2019

Klépierre
> Member of the Audit Committee
> Member of the Sustainable Development Committee

Outside Klépierre
> Member of the Board of Directors:
- Ipsos (listed company)
- Ipsos Foundation

OFFICES AND POSITIONS THAT EXPIRED IN THE LAST FIVE FISCAL YEARS

Klépierre
> None

Outside Klépierre
> Chairwoman:
- Make Mothers Matter International

> Co-founder:
- Sure We Can Inc.

> Member of the Board of Directors:
- Fourpoints

Attendance rate in 2019
> On the Board: 100%
> On the Sustainable Development Committee: 100%
> On the Audit Committee: 100%

Business address
26, boulevard des Capucines, 75009 Paris (France)

Number of Klépierre shares
150

First appointed to Klépierre's Supervisory Board on
February 17, 2016

Diversity policy

The Board's diversity policy takes into account:

- Balanced representation of independent and non-independent members;
- Varied and complementary skills as reflected by the skills matrix presented below;
- Gender balance;
- A strong international profile.

The diversity of the Board's composition is one of its strengths, and the Board ensures that its composition remains balanced at each appointment or re-appointment.

Balanced composition

At the date of filing of this document, the Supervisory Board comprised nine members, namely:

- Three members appointed on the proposal of Simon Property Group: David Simon (Chairman of the Supervisory Board), Steven Fivel and Stanley Shashoua;
- One member appointed on the proposal of APG: Robert Fowlds;
- Five independent members (listed below).

The Supervisory Board regularly reflects on the desirable balance of its composition and that of the Board Committees in order to guarantee shareholders and the market that its duties are carried out with the necessary independence and objectivity, in line with the Group's challenges and strategy. When reviewing its composition and proposals for appointment or re-appointment submitted to the General Meeting, it regularly examines the individual situation of each member, particularly:

- The skills and experience they contribute to the work of the Board and the Committees;
- Their availability and attendance at meetings, as well as their commitment;
- Their situation as regards any conflicts of interest;
- Their contribution to the diversity of the Board in terms of qualifications, age, gender, nationality, length of time on the Board and professional experience.

Taking into account the elements set out below and the diversity criteria, the Supervisory Board considers that its current composition is satisfactory and that its members are active and assiduously attend meetings. Nevertheless, it remains open to any possible improvements that might be in the interest of the Company or its development.

Varied and complementary skills on the Supervisory Board

The Supervisory Board believes that the skills of the members of the Board are varied and complementary, with some members of the Board having strategic skills and others financial or more specific competences (financial communication, human resources and legal expertise, knowledge of the real estate or commercial sector – particularly digital – or management experience). Due to the diverse and complementary experience and expertise of the Supervisory Board members, they quickly gain a detailed understanding of Klépierre's development challenges and ensure that the decision-making process is efficient.

The skills matrix of the various members of the Board as of December 31, 2019, as reviewed by the Nomination and Compensation Committee, is shown below.

Name	International experience	Real estate sector	Finance	Retail	Managerial experience	Human resources and governance	Digital
David Simon	X	X	X	X	X	X	
John Carrafiell	X	X	X		X	X	
Béatrice de Clermont-Tonnerre	X		X		X		X
Steven Fivel	X	X	X		X	X	
Robert Fowlds	X	X	X		X		
Stanley Shashoua	X	X	X	X	X		
Catherine Simoni	X	X			X	X	
Rose-Marie Van Lerberghe			X		X	X	
Florence Von Erb	X		X		X		

Gender balance

The Supervisory Board comprises nine members, four of whom (i.e., 44.45%) are women, a ratio exceeding the minimum 40% stipulated in the French Commercial Code and the recommendations of the AFEP-MEDEF Code. This diversity is also evident in the composition of its Committees.

Strongly international profile

With regard to the operating methods of the corporate bodies, the Company not only looks at the application of the AFEP-MEDEF Code, but also seeks to reflect the international environment in which the Group conducts its business. The Supervisory Board therefore consists of three different nationalities (US, British and French) and has five non-French members (David Simon, John Carrafiell, Steven Fivel, Robert Fowlds and Stanley Shashoua).

Majority of independent members

Summary of the procedure for qualifying as an independent member of the Supervisory Board

The Supervisory Board has adopted in full the definition of independence contained in the AFEP-MEDEF Code to determine member independence.

The status as independent member of the Supervisory Board is reviewed annually by the Nomination and Compensation Committee on the basis of an analysis of the responses of Supervisory Board members to an individual independence questionnaire sent to them in advance. The findings of the Nomination and Compensation Committee's review are then communicated to the Supervisory Board, which subsequently reviews the situation of each member of the Supervisory Board.

The conclusions of the Supervisory Board's review are presented each year to the shareholders in the universal registration document.

Conclusions of the review concerning the criterion of business relationships between Klépierre and the members of the Supervisory Board

The business relationship review consists of two steps. First, the Nomination and Compensation Committee and then the Supervisory Board review the various relationships in question to ascertain whether or not they constitute business relationships. Where this is the case, to assess whether a given relationship is significant or not, a second, more in-depth review is carried out based on qualitative criteria (context, history and organization of the relationship, respective powers of the parties) and quantitative criteria (materiality of the relationship for the parties).

At the date of filing of this document, the reviews carried out revealed that none of the members of the Supervisory Board had any business relationships with Klépierre.

Conclusions of the review of all the independence criteria

The following table shows the findings of the annual review of the independence classification of members of the Supervisory Board, conducted on December 12, 2019:

	Criteria							
Name	**Position as Group employee or corporate officer within the last five years**	**Cross-directorships**	**Significant business relationship**	**Close family ties with a corporate officer**	**Statutory Auditor to Klépierre Group entity within the last five years**	**Member of the Supervisory Board for more than 12 years**	**Recipient of variable compensation in cash or shares or of any compensation linked to Klépierre's performance**	**Member representing major Klépierre shareholders**
D. Simon *Not independent*	No	No	No	No	No	No	No	Yes
R.-M. Van Lerberghe *Independent*	No	No	No	No	No	No	No	No
J. Carrafiell *Independent*	No	No	No	No	No	No	No	No
B. de Clermont-Tonnerre *Independent*	No	No	No	No	No	No	No	No
S. Fivel *Not independent*	No	No	No	No	No	No	No	Yes
R. Fowlds *Not independent*	No	No	No	No	No	No	No	Yes
S. Shashoua *Not independent*	No	No	No	No	No	No	No	Yes
C. Simoni *Independent*	No	No	No	No	No	No	No	No
F. Von Erb *Independent*	No	No	No	No	No	No	No	No

Further to its review, the Supervisory Board concluded that five members (i.e., 55.6%) are independent.

Following the recommendation of the French financial markets authority (*Autorité des marchés financiers* – AMF), a table showing the list of the Supervisory Board members considered independent, as at the date of this document, with regard to the Supervisory Board's assessment and the AFEP-MEDEF Code is presented below.

	Independence of Board members with regard to	
	the Supervisory Board's assessment	the AFEP-MEDEF Code
David Simon	No	No
John Carrafiell	Yes	Yes
Béatrice de Clermont-Tonnerre	Yes	Yes
Steven Fivel	No	No
Robert Fowlds	No	No
Stanley Shashoua	No	No
Catherine Simoni	Yes	Yes
Rose-Marie Van Lerberghe	Yes	Yes
Florence Von Erb	Yes	Yes

In accordance with the recommendations of the AFEP-MEDEF Code, the proportion of independent members in the relevant committees is as follows:

> 75% for the Audit Committee (including the Chairman);

> 66.7% for the Nomination and Compensation Committee.

Changes in the composition of the Supervisory Board during fiscal years 2019 and 2020

Changes in 2019

	Departures/appointments/re-appointments in fiscal year 2019
David Simon, Chairman	N/A
John Carrafiell	N/A
Béatrice de Clermont-Tonnerre	Re-appointed for a period of three years by the General Meeting of Shareholders of April 16, 2019
Robert Fowlds	N/A
Steven Fivel	N/A
Stanley Shashoua	N/A
Catherine Simoni	N/A
Rose-Marie Van Lerberghe	Re-appointed for a period of three years by the General Meeting of Shareholders of April 16, 2019
Florence Von Erb	N/A

Terms of office expiring in 2020

With their terms of office due to expire at the end of the General Meeting of April 30, 2020, Catherine Simoni, Florence Von Erb and Stanley Shashoua are seeking to be re-appointed. After reviewing the individual situation of each of these three members and given their skills, the quality of their contribution to the Supervisory Board's work, their solid understanding of the Group's challenges and their regular attendance at meetings of the Board and the Committees of which they are members, both the Nomination and Compensation Committee and the Supervisory Board are in favor of re-appointing the three members for an additional three-year term, as follows:

> **Catherine Simoni:** The April 30, 2020 General Meeting is asked to re-appoint Catherine Simoni as a member of the Supervisory Board. She would also continue to sit on the Nomination and Compensation Committee (of which she is the Chair) and the Investment Committee.

> **Florence Von Erb:** The April 30, 2020 General Meeting is asked to re-appoint Florence Von Erb as a member of the Supervisory Board. She would also continue to sit on the Audit and Sustainable Development Committees.

> **Stanley Shashoua:** The April 30, 2020 General Meeting is asked to re-appoint Stanley Shashoua as a member of the Supervisory Board for a period of three years. He would also continue to sit on the Audit, Investment and Sustainable Development Committees.

The table below summarizes the planned changes to the membership of the Supervisory Board for 2020:

Date	Departures	Appointments	Re-appointments
April 30, 2020	None	None	Stanley Shashoua Catherine Simoni Florence Von Erb

Subject to the approval of the General Meeting to be held on April 30, 2020 of these re-appointments, the Supervisory Board will continue to be composed as follows:

	Composition after the 2020 General Meeting of Shareholders
Percentage of independent members	55.56%
Percentage of female members	44.45%
Percentage of non-French members	55.56%

Conflicts of interest – Convictions for fraud

The rules of procedure of the Supervisory Board state that the members must inform the Board of any conflict of interest, potential or otherwise, in respect of the Company and abstain from voting on the corresponding decisions.

Members of the Supervisory Board regularly receive a questionnaire setting out multiple possible examples of conflicts of interest, inviting them to declare any situations that might represent a potential conflict of interest with respect to Klépierre.

No conflict of interest, even potential, has been brought to the attention of the Supervisory Board. Moreover, the Board concluded, further to an analysis carried out in December 2019, that none of its members were in a situation of conflict of interest, potential or otherwise, and that none had any direct or indirect business relationships with Klépierre.

Executive Board members must consult the Supervisory Board before accepting any new appointments in a listed company, it being specified that no individual member of the Executive Board may hold more than two offices in listed companies, including non-French companies, outside the Group.

As of the filing date of this document and to the knowledge of the Company, there were no conflicts of interest between the duties toward Klépierre of any members of the Executive Board or of the Supervisory Board and their private interests and/or other duties. Furthermore:

> There are no family ties between members of the Executive Board and/or members of the Supervisory Board;

> None of the members of the Executive Board and/or members of the Supervisory Board have been convicted for fraud in the last five years;

> None of the members have been subject to bankruptcy, receivership, liquidation or court-ordered administration proceedings in the last five years;

> No conviction and/or official public sanction has been handed down against any member of the Executive or Supervisory Boards;

> No member has been automatically disqualified by a court from acting as a member of an administrative, executive or supervisory body of an issuer or from managing or running the affairs of an issuer in the last five years.

No arrangement or agreement has been entered into by Klépierre with its main shareholders, or with its clients, suppliers or other third parties, pursuant to which a Supervisory Board or Executive Board member was selected as a member of a governing, management or supervisory body, or as a member of general management.

Prevention of insider trading/Stock market compliance

As a listed company, Klépierre abides by the rules concerning insider trading. To prevent the risk of insider trading, Klépierre has adopted a Stock Market Code of Conduct, which is updated regularly.

The main objectives of the Code of Conduct are to:

> Define inside information and the general rules applicable to its use;

> Identify the people concerned by inside information;

> Detail the specific rules applying to persons holding inside information;

> List the applicable penalties in the event of a breach of the requirements regarding the holding of inside information.

The Code of Conduct applies to corporate officers (the Chairman of the Executive Board and the members of the Executive Board and Supervisory Board) and persons of similar status, and more generally to permanent insiders, as well as persons holding inside information who are subject to closed periods and employees who may have access to inside information on Klépierre or Klépierre securities.

Under the terms of the Code of Conduct, corporate officers and persons of similar status and any persons with close personal ties to corporate officers and persons of similar status have an obligation to disclose any transactions they make involving securities issued by the Company.

Senior executives and other persons holding inside information who are subject to closed periods are prohibited from conducting any personal transactions in Klépierre securities during the following periods:

> For 30 calendar days before the publication of the press release announcing the annual financial statements;

> For 30 calendar days before the publication of the press release announcing the interim financial statements;

> For 15 calendar days before the publication of the quarterly information with respect to the first and third fiscal quarters.

This restriction applies until the day after the publication of the quarterly, interim or annual information concerned.

Employees may be identified as occasional insiders and as such be temporarily covered by the same ban during periods in which transactions may influence Klépierre's share price.

Furthermore, beneficiaries of performance shares must comply with certain sale restrictions at the end of the lock-up period, under the conditions provided for in Article L. 225-197-1 of the French Commercial Code.

In addition to the Code of Conduct, the Group has also drawn up supporting procedures and practical information sheets, which are communicated to all Klépierre senior executives and employees.

An Inside Information Committee was set up in 2017, comprising the Executive Board members, the Group Chief Legal Officer and the Group Head of Internal Audit & Control. The role of the Committee is to decide whether to classify information as "inside", to closely monitor information that may potentially be classified as "inside", and to draw up the list of insiders in each case so that they may be reminded of their obligations.

5.1.1.2 Operating methods of the Supervisory Board

The Supervisory Board of the Company has rules of procedure governing the organization of its meetings, its powers and the distribution of compensation among members. The rules of procedure of the Supervisory Board may be consulted on the Company's website: www.klepierre.com.

Role of the Supervisory Board

The Supervisory Board exercises ongoing oversight over the management of the Company by the Executive Board.

At any time of the year, it may carry out any such verifications and inspections as it may deem appropriate, and may obtain any documents it may deem useful to carry out its duties.

The Supervisory Board:

> Appoints and dismisses Executive Board members by a two-thirds majority and sets their compensation;

> Appoints and dismisses the Chairman of the Executive Board and, as applicable, one or more Managing Directors, selected from among the Executive Board members;

> Receives a report from the Executive Board on the business of the Company each time it deems it necessary and otherwise at least once per quarter;

> Verifies and inspects the company financial statements and, where applicable, the consolidated financial statements prepared by the Executive Board and presented within three months of the fiscal year end, together with a written report on the Company's position and its business during the past fiscal year;

> Presents to the General Meeting called to approve the company financial statements and, where applicable, the consolidated financial statements, its observations on the Executive Board's report and on the financial statements for the fiscal year;

> Convenes the General Meeting of Shareholders, if necessary, and determines its agenda;

> Decides to transfer the registered office to any location within the same French *departément* or a neighboring *departément*, subject to ratification by the subsequent Ordinary General Meeting;

> Authorizes related-party agreements, in accordance with Article L. 225-86 of the French Commercial Code;

> Authorizes the sale of immovable property as well as the full or partial sale of interests and use of the Company's properties as collateral. The Supervisory Board may, up to an amount it sets for individual transactions, authorize the Executive Board to carry out the transactions referred to above; where a transaction exceeds the threshold, specific authorization from the Supervisory Board is required.

The Chairman of the Supervisory Board grants the Executive Board prior consent to the appointment of any permanent representatives of the Company on the board of directors or supervisory boards of any other French listed company, save where said company is a member of the Klépierre Group.

The Supervisory Board may decide to create ad hoc committees tasked with studying matters submitted to them by the Board or its Chairman.

The Supervisory Board draws up rules of procedure governing the ways in which it exercises its powers and grants authorizations to its Chairman. These include limitations on the Executive Board's powers by means of thresholds, beyond which advance authorization by the Supervisory Board is required for certain important decisions, pursuant to Article 16 of the bylaws. To this end:

> The Supervisory Board gives to the Executive Board its prior consent on the proposed allocation of profits or losses for the past fiscal year;

> The following decisions of the Executive Board are subject to the prior authorization of the Supervisory Board:

- Transactions likely to affect the strategy of the Company and Group, and to modify their financial structure and their scope of activity,
- The issue of securities, of any nature whatsoever, likely to entail a modification in the share capital,
- The following transactions to the extent that they each exceed €8,000,000 or its equivalent in any other currency:
  - The direct or indirect acquisition or sale of any assets (including immovable property and holdings), with the exception of all transactions between Klépierre Group entities,
  - In the event of a dispute, the signing of any agreements and settlements, and the acceptance of any arrangement.

The Supervisory Board alone has the authority to amend its rules of procedure.

Meetings of the Supervisory Board

The Supervisory Board meets as often as the interests of the Company require, and at least four times a year, either at the registered office or in any other location. It is convened by the Chairman and examines any item included in the agenda by the Chairman or by a simple majority of the Supervisory Board.

Meetings may be called by the Secretary of the Board in writing or verbally.

The Chairman of the Supervisory Board must call a Board meeting within 15 days if at least one member of the Executive Board or one-third of the members of the Supervisory Board present a reasoned request to that effect. If the request goes unaddressed, those who submitted it may call the meeting themselves and determine the agenda.

In practice, the Chairman generally strives to leave a period of seven days between the notice of meeting and the meeting date. The Chairman also strives to take into account the agenda constraints of members of the Supervisory Board so as to ensure the attendance of the largest number of members at each meeting. When a meeting is convened, a folder containing all of the supporting documentation for the agenda is provided to the Board members on a secure electronic Board meeting platform.

For the Supervisory Board to deliberate validly, at least half of its members must be present.

Members of the Supervisory Board may attend the Board meetings via videoconference or by any other means of telecommunication that allows them to be identified and ensures that they can participate effectively, except for meetings relating to the verification and review of the company and consolidated financial statements, where the physical presence of at least half the members is legally required.

Meetings of the Supervisory Board are held in English and/or French, with a simultaneous translation into French and English available at the request of any member.

Decisions are made based on a majority of votes cast by members present or represented. If votes are evenly split, the Chairman of the meeting holds the casting vote.

A register of attendance signed by the members of the Supervisory Board attending the meeting, in their name or for the other members of the Supervisory Board that they represent, is kept at the registered office. A Supervisory Board member may give proxy by letter to another member of the Supervisory Board to represent him or her at a meeting of the Board. No member of the Supervisory Board may, during the same meeting, hold more than one such proxy. Proxies given by letter or by fax must be appended to the register of attendance.

A copy or an extract of the minutes of a meeting of the Supervisory Board constitutes proof of the number of members of the Supervisory Board in office as well as their attendance or representation at the meeting.

The members of the Supervisory Board, and any person attending the meetings of the Supervisory Board, are bound by confidentiality obligations with regard to deliberations of the Board concerning confidential information or information presented as such by the Chairman.

Meetings of the Supervisory Board without the executive corporate officers in attendance

Given the Company's dual board structure, executive corporate officers are not members of the Supervisory Board, but are regularly invited to take part in the Board's meetings to discuss operational issues and other matters relating to the Group's activities. In addition, the Supervisory Board may meet without the executive corporate officers in attendance, particularly when the meeting agenda pertains to the performance or compensation of executive corporate officers.

Discussions and informal contact between the members of the Supervisory Board, to which the Executive Board members are not party, may also take place on an ad hoc basis over the year.

Dialogue with shareholders

In accordance with the provisions of the AFEP-MEDEF Code, the members of the Supervisory Board may also be required to communicate directly with the Company's shareholders in order to explain the positions taken by the Supervisory Board in their areas of expertise.

Assessment of the Supervisory Board

The Board periodically assesses its composition, organization and procedures, as well as those of its Committees. The Board reviews these matters once a year and carries out a formal assessment every three years.

The conclusions of these assessments are reported on in the universal registration document, so that shareholders are kept informed each year of the content of the assessments and any follow-up (see below, "2019 Assessment of the Supervisory Board").

Training of Supervisory Board members

On appointment and throughout their term of office, Supervisory Board members may receive training on specific aspects of the Company, its activities and business lines.

A program primarily aimed at new Supervisory Board members but which is also open to existing members wishing to participate, is deployed when members first take office, with the purpose of meeting the following objectives:

- Introducing them to the Group as a whole;
- Familiarizing them with the Group's specific business lines (development, construction, leasing or marketing, etc.);
- Familiarizing them with the Group's organization;
- Facilitating access to useful information for the smooth exercise of their duties.

This program primarily entails site visits and exchanges with different operational staff. New Board members are also given training on Diligent Board Books, to familiarize them with the Board's governance management tool.

On appointment and at their request, Audit Committee members also receive information on specific accounting, financial or operational aspects of the Company's business.

In terms of ongoing training, during their term of office any Supervisory Board member who so wishes is entitled to:

- Legal training to enable them to clearly ascertain the general and specific rights and obligations incumbent upon them, including those resulting from legal or regulatory texts, the bylaws, rules of procedure and any other legally binding text;
- Visits to one or more property assets (selected from among the most representative assets in the property portfolio), accompanied by an operational staff member, in order to gain insight into the Company's business lines.

A virtual library (available on the Diligent Board Books platform) of relevant publications on compensation and governance is made available to members of the Nomination and Compensation Committee and is updated regularly, providing members with access to reports and news from the AMF, the French association of private sector businesses (AFEP) and the French employers' association (MEDEF), the French high committee for corporate governance, and the OECD, as well as the voting policies of the main proxy advisors and investors, benchmarks, and various studies by experts and specialists.

Role of the Chairman of the Supervisory Board

In addition to the duties assigned to him/her by law, the Chairman of the Board oversees the proper operation of the Board. In particular, the Chairman of the Board ensures that there is a culture of openness and transparency within the Board, so that its discussions are insightful and well-informed. The Chairman ensures that Board members receive adequate information in advance of each Board meeting so that the discussions and resolutions are effective. The Chairman also regularly ensures that Board members receive appropriate training to enable them to carry out their duties.

The Chairman of the Board discusses the Group's strategic and/or sensitive goals with Executive Board members, particularly those relating to the Group's orientation and organization (from both an operational standpoint and in terms of performance and objectives, especially in the environmental sphere), along with significant external growth projects, major financial transactions and the Group's financial information. If certain decisions require prior authorization by the Board, the Chairman may be called upon to assist the Executive Board in its preparatory work on these various projects. As in previous years, the Chairman was called upon in 2019 to share his insight into the sector, experience and vision in the service of the Executive Board.

In some circumstances, the Chairman may from time to time be required to represent the Group in contacts with its tenants, major shareholders, service providers or partners.

In accordance with the bylaws, in the absence of the Chairman, the Vice Chairman chairs the meetings of the Supervisory Board and General Meetings.

5.1.1.3 Work of the Supervisory Board in fiscal year 2019

The Committee met seven times in fiscal year 2019, with an average attendance rate of 100%. The attendance rate broken down by Supervisory Board member is presented below:

	Individual attendance rate at Supervisory Board meetings
David Simon, Chairman of the Board	100%
John Carrafiell	100%
Béatrice de Clermont-Tonnerre	100%
Robert Fowlds	100%
Steven Fivel	100%
Stanley Shashoua	100%
Catherine Simoni	100%
Rose-Marie Van Lerberghe, Vice Chairwoman	100%
Florence Von Erb	100%

At Board meetings, the Committee Chairmen presented the analyses and recommendations from the Committees on topics that fall within their remit.

The main issues discussed by the Supervisory Board at these meetings in 2019 were as follows:

Topics	Items on the agenda
Financial policy, reporting on the budget and accounting, dividend	> Review of the Audit Committee's work > Company and consolidated financial statements as of December 31, 2018 and related documents > Interim consolidated financial statements as of June 30, 2019 and related documents > Executive Board quarterly business reviews > Reviews of the 2019 budget > Approval of the 2020 budget > Review of the Group's financial position (net asset value, debt) > Appropriation of profit proposed at the 2019 General Meeting > Management accounting budget and forecast documentation > Review of all statutory Executive Board reports
Strategy	> Review of Klépierre's share price performance
Investments/divestments and authorizations given to the Executive Board	> Review of the Investment Committee's work > Investments, developments and disposals in France and abroad > Financing > Related-party agreements > Guarantees and endorsements
Governance	> Review of the Nomination and Compensation Committee's work > Review of the composition of the Supervisory Board and its Committees > Proposals for re-appointment of members of the Supervisory Board > Appointment of the Executive Board members and its Chairman > Annual review of the operating methods of the Board and its Committees, and formal assessment > Adoption of the annual report on corporate governance > Preparation for the Annual General Meeting called to approve the financial statements for the year ended December 31, 2018
Compensation policy and talent review	> Review of the policy on equality in terms of career advancement and pay for all employees and between men and women > Review of the situation and compensation of Executive Board members > Review of the severance package in the event of the forced departure from Klépierre of Jean-Marc Jestin or Jean-Michel Gault (proposal for more stringent performance conditions) > Definition of the compensation policy for the coming year > Release of the 2019 performance share plan
Other	> Approval of the tax representation agreement of Simon Global Development BV by Klépierre SA in France

2019 assessment of the Supervisory Board

The Board re-examines its operating methods each year and conducts formal assessments of its methods and those of its Committees at least every three years. As required by the AFEP-MEDEF Code, this involves reviewing the operating methods of the Board, verifying that important matters are properly prepared and discussed, and evaluating the contribution of each member to the Board's work.

The Nomination and Compensation Committee launched a formal assessment in late 2019 by way of a questionnaire sent to the members of the Supervisory Board. With over 25 questions, the questionnaire aimed to assess whether the operating methods of the Supervisory Board and the Committees are effective, meetings are appropriately prepared and access to information is satisfactory. Each member's contribution is also subject to a specific assessment.

All Board members replied to the questionnaire. They indicated that 78% of Board members believe that the Supervisory Board is "highly effective" in performing its duties and 22% that it is "quite effective".

To meet the expectations expressed by certain Supervisory Board members with regard to the Group's strategy, the Board recommended that the Sustainable Development Committee continue reviewing operational initiatives implemented by the Klépierre Group to roll out its strategy (particularly Shop. Meet. Connect., Retail First, Let's Play, Club Store and Act for Good) and that it reports on the matter on a regular basis. The rules of procedure of the Sustainable Development Committee were therefore changed to reflect this.

The Board also reviewed the activity report prepared by the Nomination and Compensation Committee presenting the work carried out by the Board and its Committees in 2019. During this meeting, the members noted that the discussions of the Board and the Committees were of high quality and took place in an open, calm environment that allowed each member to express his/her point of view. The Chairman of the Board expressed his satisfaction with the quality of the work carried out by the Board Committees and the precision with which each Committee Chairman reported on this work to the Board. The Chairman also commended the attendance rate of various members, which reflects their commitment to the work of Klépierre's governance bodies.

5.1.2 Board Committees

To assist it in carrying out its duties, the Supervisory Board has set up Board Committees whose reports are sent to the Supervisory Board before its meetings. Within its area of expertise, each Committee issues proposals, recommendations and opinions, where required, and reports on its duties to the Supervisory Board.

The Committees are as follows:

- The Investment Committee;
- The Audit Committee;
- The Nomination and Compensation Committee;
- The Sustainable Development Committee.

5.1.2.1 Investment Committee

Composition of the Investment Committee

This Committee has at least three members chosen by the Supervisory Board from among its members.

The following table shows the composition of the Committee as of the date of this document, and all changes to the membership of the Committee over the fiscal year:

Name	Changes during the fiscal year
David Simon, Chairman	None
Robert Fowlds	None
Steven Fivel	None
Stanley Shashoua	None
Catherine Simoni	Appointed on April 16, 2019

Role and operating methods of the Investment Committee

The role and operating methods of the Investment Committee are described in the rules of procedure (available online at http://www.klepierre.com/en).

Work of the Investment Committee

In 2019, the Investment Committee met five times, with an average attendance rate of 100%. The main issues discussed at these meetings in 2019 were as follows:

Topics	Items on the agenda
Investments	> Review of various acquisition opportunities and recommendations in this regard > Analysis of planned extensions and refurbishments (such as the Gran Reno project in Italy) and recommendations in this regard > Redevelopment work and recommendations in this regard
Divestments	> Review of various divestments (notably in Hungary, Portugal, France and the Netherlands) and recommendations in this regard
General review and oversight	> Information on all investment and divestment transactions involving shopping centers carried out by third parties in Europe > Oversight of transactions approved by the Supervisory Board

5.1.2.2 Audit Committee

Composition of the Audit Committee

This Committee has at least three and no more than five members chosen by the Supervisory Board from among its members.

The following table shows the composition of the Committee as of the date of this document, and all changes to the membership of the Committee over the fiscal year:

Name	Changes during the fiscal year
John Carrafiell, Chairman	None
Stanley Shashoua	None
Rose-Marie Van Lerberghe	No longer a member since April 16, 2019
Béatrice de Clermont-Tonnerre	Appointed on April 16, 2019
Florence Von Erb	None

The proportion of independent members was 75%, including the Chairman.

In accordance with the report of the AMF working group on audit committees, the Supervisory Board has determined criteria for assessing whether a person is skilled in particular financial and/or accounting matters, particularly with regard to listed companies. To this end, the Board takes into account candidates' professional experience and/or academic training.

In light of their professional experience in particular, all members of the Audit Committee are considered by the Board to have specific competence in financial matters.

Role and operating methods of the Audit Committee

The role and operating methods of the Audit Committee are described in the rules of procedure (available online at http://www.klepierre.com/en).

Work of the Audit Committee

In 2019, the Audit Committee met three times, with an average attendance rate of 92%. The main issues discussed at these meetings in 2019 were as follows:

Topics	Items on the agenda
Financial policy and reporting on budget and accounting	> Review of the company and annual and interim consolidated financial statements, review of material subsequent events and their impact, and review of off-balance sheet commitments and risks > Review of the main litigation and disputes to ensure that they are appropriately recorded in the accounts > Summary of the real estate valuation campaign > Monitoring of key performance indicators and covenants > Dividend policy (interim dividend) > Engagements of the Statutory Auditors and review of the fee proposal for fiscal year 2020 > Review of the statutory audit conclusions issued by the Statutory Auditors and their statement of independence > Regular updates on changes in accounting standards and tax legislation > Regular updates on changes in the legal and regulatory environment
Audit, internal control and risk management	> Review of 2019 internal control action plan (risk management, audit and internal control, ethics and compliance) > Review of the Statutory Auditors' conclusions on the 2019 internal audit > Approval of the 2020 action plan
Specific items	> Annual assessment of the operating methods of the Audit Committee > Review of the internal procedure with regard to ordinary agreements entered into by Klépierre SA (pursuant to the French law of May 22, 2019 on corporate growth and transformation [the "PACTE Law"]) and the internal charter relating to the classification of agreements

5.1.2.3 Nomination and Compensation Committee

Composition of the Nomination and Compensation Committee

The Committee comprises at least two members chosen by the Board from among its members.

The following table shows the composition of the Committee as of the date of this document, and all changes to the membership of the Committee over the fiscal year:

Name	Changes during the fiscal year
Catherine Simoni, Chairman	None
Steven Fivel	None
Rose-Marie Van Lerberghe	Re-appointed for a period of three years by the General Meeting of Shareholders of April 16, 2019

The proportion of independent members is 66.67%.

Role and operating methods of the Nomination and Compensation Committee

The role and operating methods of the Nomination and Compensation Committee are described in the rules of procedure (available online at http://www.klepierre.com/en).

Work of the Nomination and Compensation Committee

In 2019, the Nomination and Compensation Committee met five times, with an average attendance rate of 100%. Its work focused mainly on the following topics:

Topics	Items on the agenda
Governance	> Membership of the Supervisory Board and Board Committees > Appointment of the Executive Board members and its Chairman > Review of the independence of the members of the Supervisory Board and of any business relationships (update of independence status) > Assessment of the operating methods of the Supervisory Board (update of the satisfaction questionnaire) > Update of the rules of procedure of the Nomination and Compensation Committee, the Investment Committee and the Sustainable Development Committee > Update of the succession plan of Klépierre's executive corporate officers and key senior executives > Review of the 2019 general meetings season and monitoring of relevant regulatory changes > Preparation of a procedure for selecting candidates for membership of the Executive Board with the aim of achieving gender equality > Preliminary thoughts on Klépierre's potential mission statement
Compensation	> Review of the situation of members of the Executive Board and setting their compensation > Review of the severance package in the event of the forced departure from Klépierre of Jean-Marc Jestin or Jean-Michel Gault (proposal for more stringent performance conditions) > Definition of the compensation policy > Review of a 2019 bonus share allotment plan > Review of the final vesting rates of performance shares for plans whose vesting period has expired
Other	> Update of the Committee's 2019-2020 road map

Succession plan

Klépierre's succession plan applies to both Group's executive corporate officers and key senior executives. It was drawn up by the Human Resources Department (for key senior executives), under the supervision of the Executive Board and the Legal Department. The senior executives concerned were also involved in preparing their own succession plan.

The Nomination and Compensation Committee is closely involved in preparing and monitoring the succession plan and finished its review in December 2019 as part of its annual review.

The succession plan details the roles and responsibilities of the Nomination and Compensation Committee and Supervisory Board in the event that a vacancy arises, notably on the Executive Board. It covers a number of time frames:

- Short-term succession, in the event of an unplanned vacancy (e.g., impediment, resignation or death);
- Medium- or long-term succession (e.g., retirement or end of term of office).

The plan also includes a procedure for identifying and provides support for high-potential talent within the Group, as well as organizing dedicated training to foster the development of this talent.

The Group also has a procedure for selecting candidates for membership of the Executive Board with the aim of achieving gender equality, and an emergency procedure in the event of an unplanned vacancy on the Executive Board.

5.1.2.4 Sustainable Development Committee

Composition of the Sustainable Development Committee

The Committee comprises at least two members chosen by the Board from among its members. The following table shows the composition of the Committee as of the date of this document, and all changes to the membership of the Committee over the fiscal year:

Name	Changes during the fiscal year
Steven Fivel, Chairman	None
Béatrice de Clermont-Tonnerre	Re-appointed for a period of three years by the General Meeting of Shareholders of April 16, 2019
Stanley Shashoua	None
Rose-Marie Van Lerberghe	Appointed on April 16, 2019
Florence Von Erb	Appointed on April 16, 2019

Role and operating methods of the Sustainable Development Committee

The role and operating methods of the Sustainable Development Committee are described in the rules of procedure (available online at http://www.klepierre.com/en).

Work of the Sustainable Development Committee

In 2019, the Sustainable Development Committee met three times, with an average attendance rate of 100%.

The main issues discussed by the Sustainable Development Committee at these meetings were as follows:

- The Group's CSR performance: monitoring performance in terms of energy, water and waste management and implementing new reporting and CSR performance management tools;
- The results of the first year of the Act for Good® plan.

5.1.3 Executive Board

The Executive Board is Klépierre's collective decision-making body. It is responsible for managing the Group's business so that it meets the financial targets that are set, and is also in charge of strategy and any changes therein as defined in tandem with the Supervisory Board. The Executive Board members are collectively responsible for Klépierre's management.

5.1.3.1 Composition of the Executive Board

The Executive Board is appointed by the Supervisory Board for three years. Executive Board members may be removed, in accordance with the law and the Company's bylaws, by the Supervisory Board or by the General Meeting of Shareholders.

The Supervisory Board appoints one of the Executive Board members as its Chairman. The Chairman carries out his or her duties throughout his or her term as a member of the Executive Board. The Chairman of the Executive Board represents the Company in its relations with third parties.

Current composition

As of the filing date of this document, the Executive Board comprised the following two members:

> Jean-Marc Jestin, Chairman of the Executive Board; and

> Jean-Michel Gault, Deputy CEO and Executive Board member.

Biographies of current Executive Board members[1]

JEAN-MARC JESTIN

Chairman of the Executive Board

Aged 51
Graduate of HEC
French national

CAREER
Jean-Marc Jestin has been Chairman of the Klépierre Executive Board since November 7, 2016, after serving as Chief Operating Officer and member of the Klépierre Executive Board since October 18, 2012. Previously, Jean-Marc Jestin held a number of positions in real estate companies. He was Chief Financial Officer and then Chief Operating Officer of the pan-European platform Simon Ivanhoe from 1999 to 2007. He then joined the Unibail-Rodamco International teams, acting as Deputy Chief Investment Officer in charge of acquisitions, sales and M&A transactions. Jean-Marc Jestin started his career in 1991 at Arthur Andersen in an audit role where he contributed to the development of the real estate practice.

> Date of first appointment as a member of the Executive Board: October 18, 2012
> Date of first appointment as Chairman of the Executive Board: November 7, 2016
> Term of appointment: June 22, 2019 – June 21, 2022

OFFICES AND POSITIONS HELD AS OF DECEMBER 31, 2019
Klépierre
> Positions held in several subsidiaries[(a)]
Outside Klépierre
> None

OFFICES AND POSITIONS THAT EXPIRED IN THE LAST FIVE FISCAL YEARS
> None

Business address
26, boulevard des Capucines, 75009 Paris (France)

Number of Klépierre shares
85,096

(a) No compensation is paid or due under the appointments exercised at the level of the Group's subsidiaries.

(1) In accordance with Annex I of Delegated Regulation (EU) no. 2019/280, this section does not include Klépierre subsidiaries in which the corporate officers are also members of a governing, management or supervisory body, or have been in the last five years.

JEAN-MICHEL GAULT

Executive Board member

Aged 59

Graduate of École supérieure de commerce de Bordeaux

French national

Business address
26, boulevard des Capucines, 75009 Paris (France)

Number of Klépierre shares
71,706

CAREER

Jean-Michel Gault has served as Deputy CEO of Klépierre since January 1, 2009. He has been an Executive Board member since June 1, 2005. Jean-Michel Gault joined Klépierre in 1998 as Chief Financial Officer, after a ten-year career in the Paribas group. In 2009, his role was expanded to include the Office Property division. In this role, he supervised Klépierre's merger with Compagnie Foncière for which he was acting as Chief Financial Officer within the Real Estate Investment division of Paribas. Previously, he was Head of Financial Services and then appointed Chief Financial Officer at Cogedim, which was a subsidiary of Paribas at that time. Jean-Michel Gault began his career with GTM International (Vinci group) as a financial controller.

> Date of first appointment: June 1, 2005
> Term of appointment: June 22, 2019 – June 21, 2022

OFFICES AND POSITIONS HELD AS OF DECEMBER 31, 2019

Klépierre

> Positions held in several subsidiaries[a]

Outside Klépierre

> None

OFFICES AND POSITIONS THAT EXPIRED IN THE LAST FIVE FISCAL YEARS

> None

(a) No compensation is paid or due under the appointments exercised at the level of the Group's subsidiaries.

5.1.3.2 Operating methods of the Executive Board

Role of the Executive Board

Appointed by the Supervisory Board, the Executive Board is vested with the most extensive powers to act on Klépierre's behalf in all circumstances.

It exercises these powers within the limits of the corporate purpose, subject to those powers expressly attributed by law and the bylaws to the Supervisory Board or General Meetings of Shareholders.

In particular, the Executive Board is tasked with:

> Presenting a report on the Company's business to the Supervisory Board at least once each quarter;

> Presenting the company and consolidated financial statements to the Supervisory Board for verification and review within three months of each reporting date; and

> Communicating management budget and forecast documentation as well as a summary report.

Meetings of the Executive Board

The Executive Board meets as often as the Company's interests require.

At least half of the Executive Board members must be present for proceedings to be considered valid. Decisions are adopted by the majority of votes of members present and represented. In practice, decisions were unanimous in the two-member Executive Board.

Management team

The Executive Board is backed by a Corporate Management Team (CMT) which meets every two weeks to:

> Assist the Executive Board in preparing and organizing meetings of the Supervisory Board and its Committees;

> Discuss all transactions and operations relating to the Group's organization;

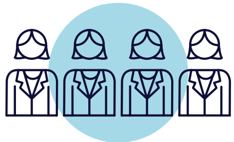
> Encourage discussions between operating departments and corporate functions, for example in terms of operations, finance, information systems, legal affairs and human resources.

The Corporate Management Team comprises the following members:

- Chief Legal Officer;
- Chief Operating Officer;
- Group Head of Leasing;
- Deputy Chief Financial Officer;
- Chief Development Officer;
- Chief Investment Officer;
- Chief Communications Officer;
- Managing Director of the French shopping centers.

43.5

Average age of CMT members as of December 31, 2019



25%

Percentage of female CMT members

To strengthen the collaborative working methods within the Group, the Chief Operating Officer regularly brings together all country managers and corporate operating teams under the aegis of the Group Operations Management Team (GOMT). The GOMT is a platform for sharing Group best practices and discussing the key priorities from the standpoints of strategy, operational organization, asset management, marketing, leasing, maintenance, and safety and security. GOMT meetings are also an opportunity to discuss country operating performances and to provide progress reports on development projects.

Gender equality in senior management

The real estate sector has traditionally been a male-dominated one in France, and for many years the proportion of women in senior management roles at Klépierre was low. The Group takes decisions which help it to achieve better gender equality – not only within its management team but in positions of senior responsibility in general.

Executive Board

Pursuant to Article L. 225-58 of the French Commercial Code as amended by the “PACTE Law”, Klépierre has established an internal procedure for selecting Executive Board members with the aim of achieving gender equality. The procedure, which was prepared by the Nomination and Compensation Committee with support from the Executive Board and the Group’s Legal Department, was approved by the Supervisory Board on February 4, 2020. It details the actions to be taken to ensure that at least one man and one woman are included among Executive Board candidates submitted to the Supervisory Board.

Management team

In 2018, the Executive Board changed the composition of the Corporate Management Team to reflect the growing importance of customer-facing roles amid fast-paced changes in business and evolving consumption patterns. The Group’s strategy aims to enhance the appeal of its shopping centers with regard both to its banners and to consumers. This strategy is based on a series of structured operating initiatives such as Retail First® to optimize the commercial offering, Let’s Play® to create an entertaining retail experience in the Group's shopping centers, and Clubstore® to improve the customer journey.

At the date of this document, the proportion of women in the management team is 25%.

Positions of senior responsibility

In all, 10% of the positions within Klépierre are classified as positions of senior responsibility (i.e., 114 positions in total). As of December 31, 2019, 29 (25.44%) of these positions were held by women.

Klépierre looks primarily to fill positions internally, including senior management positions. Further increasing the proportion of women in senior management roles within the Group requires establishing a pool of high-performing female employees in its businesses and at levels of the organization that give access to positions of senior responsibility.

In the agreement on gender equality in the workplace in France (which accounts for over 40% of the Group’s total headcount), signed with social partners on July 31, 2017, the Group therefore undertook to increase the proportion of women in its core businesses of asset management, marketing and leasing, and shopping center management.

In addition to these efforts expected to have benefits in the long term, in 2019 the Group put in place a groupwide action plan with the aim of boosting the number of women in the top 10% positions of senior responsibility in the near term. This action plan is based on:

- Systematically analyzing and rectifying any observed gender pay gap for equivalent positions as part of the annual review of compensation (the Group has observed no significant pay gaps in France since 2015);
- Organizing an annual review of female talent to effectively identify high-potential employees (second- and third-tier positions below the CMT and GOMT) looking to progress in their careers, and offer them professional opportunities or targeted development measures.

5.1.3.3 Work of the Executive Board in fiscal year 2019

The Executive Board met formally 46 times in 2019. The main issues discussed at these meetings and the main tasks performed in 2019 were as follows:

Topics	Items on the agenda
Investments/divestments and implementation of strategy	> Review of plans for development, investments, divestments, extensions, refurbishments and restructuring > Intragroup financial structuring transactions
Group financial policy, performance and reporting	> Preparation and approval of the company and consolidated financial statements for the fiscal year ended December 31, 2018 and the interim financial statements for first-half 2019 > Quarterly management reports > Budget preparation > Group dividend policy and decisions related to payment of an interim dividend > Share buyback and cancellation program > Intragroup restructuring transactions > Restructuring of the Group's revolving credit facilities > Interest rate hedging policy > Issue of warranties, endorsements and guarantees
Internal control and risk management	> Preparation of the audit plan > Executive Board decisions systematically take risks into consideration and are regularly audited
Governance and ethics	> Management of the list of insiders and preparation of meetings of the Inside Information Committee
Compensation and human resources	> Annual talent and compensation review > Allotment of performance shares > Implementation of an employee share ownership plan > Continuation of the policy commitments on gender equality in the workplace
Shareholder relations	> Communication with investors and roadshows > Organization of an Investor Day > Preparation for and convening of the General Meeting of Shareholders > Preparation of the registration document

5.2 COMPENSATION OF CORPORATE OFFICERS

5.2.1 Compensation policy for corporate officers

This section is subject to the approval of the Ordinary and Extraordinary General Meeting of April 30, 2020 sought by way of resolutions 10 to 12.

The Company complies in full with the recommendations of the AFEP-MEDEF Code on compensation.

5.2.1.1 Basic principles for setting the compensation policy

The Supervisory Board sets the compensation policy, acting on the recommendation of the Nomination and Compensation Committee and taking into account the principles of the AFEP-MEDEF Code, namely comprehensiveness, balance between the compensation components, comparability, consistency, understandability of the rules, and proportionality.

In Klépierre's corporate interest and to support its long-term viability, the Supervisory Board sets a compensation policy for Executive Board members and, where applicable, Supervisory Board members with the following goals in mind:

- Attract and retain the best talent;
- Set a balanced compensation structure that takes into account areas of responsibility;
- Set a performance-based compensation policy related mainly to the commercial strategy, in line with the interests of Klépierre and of its shareholders;
- Consider the compensation and employment conditions applicable to Klépierre employees;
- Consider Klépierre's CSR objectives to promote long-term growth.

Compensation must attract and retain the best talent

Appropriate compensation, both fixed and variable, is essential to attract, retain and motivate the best talent and ensure the Company's growth and oversight. The compensation offered should therefore be competitive and in line with market practices for comparable companies. To this end, in compliance with the principle of comparability recommended by the AFEP-MEDEF Code, the Nomination and Compensation Committee validates its approach using studies conducted by various independent specialists based on panels of companies of a similar size and/or operating in the same business sector as Klépierre, and with comparable international exposure.

Compensation must be balanced and take into account areas of responsibility

Compensation paid to Supervisory Board members includes a fixed amount and a predominantly variable amount based on actual attendance at meetings of the Supervisory Board or Committees on which they sit.

Regarding Executive Board members, the Supervisory Board ensures that compensation is balanced (fixed, short-term variable and long-term variable components), with each component representing about one-third of total compensation for the year.

In accordance with section 25.1.2 of the AFEP-MEDEF Code, the compensation of corporate officers is based on work performed, responsibility assumed and the duties entrusted to the executive corporate officers.

Compensation must be performance-based and related mainly to the commercial strategy, in line with the interests of Klépierre and of its shareholders

In its compensation policy and in accordance with section 25.3.3 of the AFEP-MEDEF Code, the Company ensures that executive corporate officer compensation is aligned with the interests of Klépierre and its shareholders.

The compensation policy is primarily designed to reward the performance of executive corporate officers, which allows the interests of executive corporate officers to be aligned with those of Klépierre and its shareholders. Accordingly, the vast majority of the executive corporate officer compensation package is subject to performance conditions, concerning both the short-term variable portion and the allotment of performance shares. This makes it possible to evaluate how executive corporate officers create value over a number of time frames.

The performance criteria used to determine the compensation of corporate officers are financial, operating and non-financial. In particular, they are based on the achievement of targets related to Klépierre's commercial strategy. Certain criteria are applied to multiple Executive Board members because they reflect the Company's performance under the leadership of those executives. Other criteria are specific to individual Executive Board members, and are determined based on their areas of responsibility.

The criteria are reviewed regularly by the Nomination and Compensation Committee, as well as by the Supervisory Board, to ensure that they continue to reflect the Company's strategy and current position, with the aim of eliminating obsolete or ineffective criteria while simultaneously achieving the stability essential to long-term performance assessment.

Compensation must take into account the compensation and employment conditions applicable to Klépierre employees

The compensation policy for corporate officers is determined taking into account the compensation and employment conditions applicable to Klépierre employees. Useful information on the Group's compensation policy is regularly provided to the Nomination and Compensation Committee.

For Executive Board members for example, the Supervisory Board ensures that their compensation structure is consistent with that of the Group's senior managers, i.e., that it comprises both fixed components and short- and long-term variable components. The performance conditions applicable to long-term incentives are the same for all beneficiaries.

Besides compensation conditions, the Supervisory Board also includes criteria related to employment conditions for the Group's employees in the objectives underpinning the variable compensation payable to Executive Board members. The short-term variable compensation objectives assessed include initiatives promoting diversity and talent development, while the long-term variable compensation objectives assessed include Group employees' access to training.

Compensation must take into account Klépierre's CSR objectives to promote long-term growth

Both short- and long-term variable components are subject to non-financial criteria regarding CSR issues. These criteria are determined in line with the Group's targets in order to promote sustainable, environmentally-friendly development over the long term.

5.2.1.2 Decision-making process for setting, revising and implementing the compensation policy

At the beginning of each year, the Nomination and Compensation Committee conducts a general review of the different components of compensation. Based on the Nomination and Compensation Committee's work, the Supervisory Board then sets the compensation policy to be put to the vote at Klépierre's General Meeting.

The same process applies if the compensation policy is revised.

Supervisory Board

In accordance with Article 17, paragraph 1 of the Company's bylaws, the General Meeting sets the total amount allotted to the Supervisory Board members for their work during the fiscal year. The total approved by the Ordinary and Extraordinary General Meeting of April 19, 2016 was €700,000. This amount is maintained for subsequent fiscal years unless modified by the General Meeting.

At the beginning of each year, acting on the recommendation of the Nomination and Compensation Committee, the Supervisory Board allots the previous year's compensation among its members, taking into account the offices held by each member within the Board and its various Committees as well as their actual presence at Board and Committee meetings during the year.

Executive Board

The table below presents the steps and timeline for setting the compensation of Executive Board members.

Post-General Meeting of prior year to February of current year	
Nomination and Compensation Committee	1. The Nomination and Compensation Committee analyzes the applicable governance rules and any changes. It receives relevant information from the Group's Legal Department and minutes of meetings between the Legal Department, Communications Department and investors during annual governance roadshows. 2. In accordance with the comparability principle set out in the AFEP-MEDEF Code, the Committee is committed to regularly studying the practices of companies comparable in size and activities to Klépierre to verify (i) the appropriateness corporate officers' compensation with regard to the Group's size and their experience, as well as (ii) the competitiveness of the compensation offered by Klépierre versus the benchmark. On that basis, the Committee then reviews the following information before issuing recommendations about the compensation policy to the Supervisory Board:. > **Overall structure of corporate officers' compensation**: the Committee reviews and assesses its appropriateness each year, taking into account all components of compensation, including any severance pay. > **Annual fixed compensation**: the Committee evaluates its amount each year, taking into account events affecting the Company and other compensation components. > **Short-term variable compensation:** - The Committee sets the amount of short-term variable compensation due in respect of the prior year on the basis of performance criteria established at the beginning of the prior year. The Committee holds a specific meeting to assess the achievement of qualitative targets during the previous year. - It then makes proposals for the performance criteria applicable to the short-term variable compensation in respect of the current year. > **Long-term incentive plans:** - The Committee discusses the general policy for the allotment of performance shares each year and ensures that there is a sufficiently large group of beneficiaries within the Group. For information, in 2019 these allotments covered 9% of employees. - The Committee then proposes performance criteria applicable to all performance shares allotted within the Group for the current year, based on ambitious targets assessed over a three-year period. There are currently four types of criteria which are used to (i) assess shareholder returns based on stock market performance and dividends received, (ii) compare this return with that of Klépierre's competitors, (iii) evaluate the Company's operating performance in terms of the change in net rental income, and (iv) measure the achievement of the Group's CSR commitments. - Lastly, the Committee determines the number of performance shares to be allotted to the Chairman and members of the Executive Board for the current year. > **Benefits in kind**: the Committee reviews and values the various benefits in kind granted and includes them in its assessment of Executive Board compensation.
From February of current year	
Supervisory Board	On the basis of the Nomination and Compensation Committee's work and recommendations: > The Supervisory Board sets the current year's compensation policy. > The amount of **short-term variable compensation payable to the Chairman and members of the Executive Board in respect of the prior year** is set by the Supervisory Board based on its assessment of their performance. The quantitative criteria are assessed on the basis of the consolidated financial statements as approved by the Supervisory Board. The qualitative criteria are assessed on the basis of the Nomination and Compensation Committee's report. > As regards **long-term incentive plans that have matured**, the Board takes due note of the performance levels achieved. As the criteria are quantitative, the assessment is based on the achievement scale applicable to the relevant plans.
April of current year	
General Meeting of Shareholders	The compensation policy for the current year is submitted to the vote of the General Meeting (*ex ante* say on pay). The compensation and benefits paid during or allotted for the previous year (i) to all corporate officers as a whole and (ii) to each executive corporate officer are also submitted to the vote (*ex-post* say on pay).
Post-General Meeting of Shareholders of current year	
Nomination and Compensation Committee then Supervisory Board	The Nomination and Compensation Committee, and then the Supervisory Board based on the Committee's work, prepare a report for the General Meeting (including analysis of results of the vote on the resolutions and analysis of comments from investors and proxy advisors).
Executive Board	The Executive Board allots the performance shares to all beneficiaries in respect of the current year, within the limits agreed by the Supervisory Board and in accordance with the compensation policy approved by the General Meeting.

The Nomination and Compensation Committee relies on the following resources when setting the compensation policy:

> **Use of reputed independent specialized consultants**, in particular to perform benchmark studies (which are regularly reviewed by the Nomination and Compensation Committee to ensure that they are appropriate);

> **Meetings with the Group's Legal and Human Resources Departments**, for example to obtain information about the compensation and employment terms of the Group's employees;

> **Meetings with investors and proxy advisors**.

To avoid conflicts of interest and in accordance with AFEP-MEDEF Code recommendations:

> Executive Board members do not attend Nomination and Compensation Committee meetings;

> Executive Board members are not present during the Supervisory Board's deliberations on their compensation.

In addition, as required by the Supervisory Board's rules of procedure, Executive Board members must consult the Supervisory Board before accepting any new appointments in a listed company, it being specified that no individual member of the Executive Board may hold more than two offices in listed companies, including non-French companies, outside the Group.

5.2.1.3 Components of corporate officers' compensation

5.2.1.3.1 Components of Supervisory Board compensation

Taking into account the fact that the number of Supervisory Board members was reduced to nine following the General Meeting of April 18, 2017, the utilization in fiscal year 2020 of the fixed annual budget of €700,000 is not expected to exceed €688,000:

The annual amount is allotted based on the offices held by each member within the Board and its various Committees, as well as their actual presence at Board and Committee meetings during the year, as follows:

Office	Compensation	Total
Chair (Board and Committees) or Vice Chair	€22,000 per office, to be allotted among the relevant Board members for service as Chairman of the Supervisory Board, Vice Chair of the Supervisory Board, Chairman of the Audit Committee, Chairman of the Investment Committee, Chair of the Nomination and Compensation Committee and Chairman of the Sustainable Development Committee	€132,000
Supervisory Board member	Fixed portion: €12,000 per Board member	€108,000
	Variable portion: Amount based on actual attendance at Board meetings	€224,000
Committee members	Fixed portion: N/A Variable portion: Amount based on actual attendance at the relevant Committee meetings	€224,000
TOTAL		**€688,000**

Supervisory Board members may also be reimbursed for all reasonable costs and expenses arising from the exercise of their duties, subject to providing the necessary supporting documentation.

No other components of compensation are awarded to Supervisory Board members, and no agreements (employment or service agreements) have been entered into by Supervisory Board members with Klépierre.

5.2.1.3.2 Components of Executive Board members' compensation

Overview of Executive Board member compensation structure and changes

Fixed compensation	Short-term variable compensation	Long-term incentives			
Fixed compensation Benefits in kind	Quantitative criteria (up to 80% of fixed compensation) + Qualitative criteria (up to 50% of fixed compensation)	Absolute performance: Klépierre TSR	Relative performance: versus a panel of comparable companies (TSR)	Internal performance: average change in shopping center like-for-like net rental income	CSR performance
		10%	30%	40%	20%
		Performance assessed over three years, followed by a two-year lock-up period			
		Shareholding obligation			

Component	Comments	Change in 2020 versus 2019[(b)]
Fixed compensation	The fixed compensation of Executive Board members must remain unchanged until the end of their term of office. For information, over the past few years, the Supervisory Board has been gradually raising the fixed compensation of Executive Board members to ensure that it remains competitive and appropriate.	**No change**
Variable compensation	The criteria used to set variable compensation remain appropriate. Variable compensation is mainly determined using (i) a criterion based on the Group's performance, measured through a target net current cash flow per share, one of the key indicators used by the Group in its communications with the markets, and (ii) a qualitative component that measures individual performance based on the specific objectives set for each member, it being specified that management objectives have been introduced (diversity and talent management).	**No change**
Long-term incentives	Vesting of performance shares is subject to service and performance conditions assessed over a three-year period: > Financial performance: TSR of the Klépierre share; > Financial performance: performance of the Klépierre share relative to a panel of comparable companies[(a)]; > Operating performance: average change in shopping center like-for-like net rental income; > CSR performance: achievement of objectives relating to social and environmental matters.	**No change**

(a) URW, CityCon OYS, Eurocommercial Properties, Deutsche Euroshop, Wereldhave NV, Mercialys, Vatned Retail NV, Immobiliare Grande Dis, Atrium European Real Estate, Carmila.
(b) The General Meeting of April 16, 2019 approved the components of compensation paid or allotted for fiscal year 2018 to Jean-Marc Jestin (by 95.50% of votes cast) and to Jean-Michel Gault (by 96.96% of votes cast).

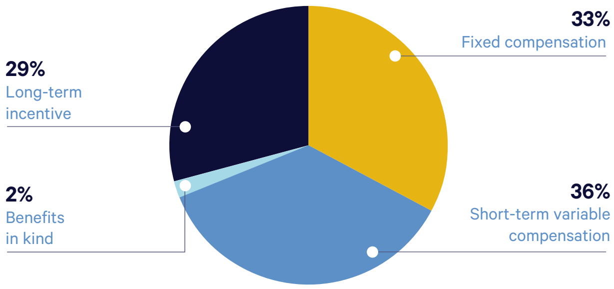
Components of the Chairman of the Executive Board's compensation

Jean-Marc Jestin is currently Chairman of the Executive Board. He was appointed on April 16, 2019 for a term of three years effective from June 22, 2019.

Should a new Chairman of the Executive Board be appointed, the principles and criteria provided for in the last compensation policy approved by the General Meeting would also apply to him. In such cases, acting on the recommendation of the Nomination and Compensation Committee, the Supervisory Board will, in light of existing practices and based on the situation of the executive concerned, determine the different components of compensation, which shall not exceed those set out in said policy. The Supervisory Board may decide exceptionally to award an on-boarding package as a recruitment incentive for a new executive joining from another group. The payment of this package, which may take different forms, is designed to offset the loss of benefits to which executives may have been entitled in their previous position. In compliance with section 25.4 of the AFEP-MEDEF Code, in the event that such a package is granted, it must be explained and the amount made public at the time it is set, even where payment is made in installments or deferred.

The compensation of Jean-Marc Jestin breaks down as follows[(1)]:

▸ JEAN-MARC JESTIN



The Chairman of the Executive Board's compensation includes the following components:

a) Fixed annual compensation

The Chairman of the Executive Board's fixed annual compensation remains unchanged in 2020 at €750,000.

b) Short-term variable compensation

Short-term variable compensation rewards executive performance for the prior year and aims to establish a link between the interests of executives and the Group's operational strategy over the period in question pursuant to section 25.3.2 of the AFEP-MEDEF Code.

This compensation is subject to achievement of clear and ambitious targets, which are decided at the beginning of the year in question by the Supervisory Board, acting on the recommendation of the Nomination and Compensation Committee (details and weighting of the qualitative targets are communicated to the Chairman of the Executive Board at the beginning of the year but are not made public at this stage for confidentiality reasons – they are, however, published at a later stage).

The results are assessed after the end of the fiscal year based on the consolidated financial statements for that year and the evaluation of the performance of the Chairman of the Executive Board by the Supervisory Board.

(1) Calculation for fiscal year 2019.

Short-term variable compensation of the Chairman of the Executive Board is determined based on the following two types of components:

Quantitative component

Weighting	Description	Comments
The quantitative portion of variable compensation is capped at 80% of fixed annual compensation. In addition, a performance floor has been set at more than 97% of the target. Achieving the target net current cash flow per share announced by Klépierre as guidance to the market grants entitlement to 55% of the fixed annual compensation.	The quantitative component measures Klépierre's performance in relation to a target net current cash flow per share. The net current cash flow per share target for fiscal year 2020 is €2.90.	This financial indicator is particularly relevant for a real estate company such as Klépierre as it enables the following to be measured: > Changes in income based on organic and external growth; > Cost management efficiency (operating and financial costs); > Tax exposure of recurring operations. It is one of the key indicators that Klépierre discloses to the market every six months. Net current cash flow per share growth and its regularity are fundamental inputs in the valuation of the Klépierre share price. The quantitative component is applied identically to all Executive Board members because it measures their performance as an executive team with collective responsibility.

Qualitative component

Weighting	Description	Comments
The qualitative portion of variable compensation is capped at 50% of fixed annual compensation.	The qualitative portion of variable compensation is measured by applying several criteria and for 2020 is based around the following topics: > Strategy implemented to enhance the quality of the portfolio (developments/investments/disposals); > Corporate social responsibility[a]; > Promotion of Klépierre's image; > Management (actions to increase diversity in the workforce, with a particular emphasis on achieving gender balance; promoting talent development and; preparing succession plans for the key positions within the Group).	The qualitative component measures the individual performance of the Chairman of the Executive Board based on specific targets for the relevant year. These specific targets are decided by the Supervisory Board for the year concerned according to the priorities set by the Board, acting on the recommendation of the Nomination and Compensation Committee, and are communicated to the Chairman of the Executive Board.

(a) The criteria applied are different from those used to assess the condition related to Klépierre's CSR performance for the purpose of the long-term variable compensation.

The overall short-term variable compensation paid to the Chairman of the Executive Board is capped at 130% of his fixed annual compensation.

In accordance with Article L. 225-100-III, paragraph 2 of the French Commercial Code, the annual variable compensation due in respect of fiscal year 2020 will be paid after the Ordinary General Meeting to be called in 2021 to approve the 2020 financial statements is contingent on its approval by that Meeting.

c) Long-term variable compensation

The General Meeting of April 16, 2019 renewed the authorization for Klépierre to allot performance shares to the corporate officers and senior managers for a further three years.

The rules of the plan to be implemented in 2020 will include a three-year vesting period (save for specific cases of early vesting)[1], subject to a service condition and four performance conditions, followed by a two-year holding period.

The performance conditions are based on financial, non-financial and operating targets that contribute to the goals of the compensation policy:

> Conditions that encourage the achievement of the Group's operating and financial targets and thus drive greater value creation for shareholders. They therefore promote the alignment of the beneficiaries' interests with those of the Company and of its shareholders.

> Varied and demanding conditions, which differ from those applicable to short-term variable compensation and which are for the most part assessed based on financial and quantitative criteria along with criteria linked to the environmental or social issues facing the Group.

> Conditions based on Klépierre's performance, improvements in which depend on the work put in by the teams and their results, based on an approach designed to create value over the long term.

(1) Including in the event of the death or disability of the beneficiary, transactions resulting in a change in control, and delisting.

The conditions underlying the performance shares are detailed in the table below:

Service condition				
The beneficiary must remain within the Group until the end of the vesting period. Should the beneficiary leave before expiration of the term for assessing the performance share performance criteria, the decision to maintain performance share entitlements is subject to the decision of the Board and must be justified. With respect to the Chairman of the Executive Board, the Supervisory Board may only authorize a partial waiver of the service condition, such that performance shares vest pro rata to members' service to the Group, and performance conditions will continue to apply until the end of the vesting period.				
Four performance conditions				
Performance assessed	**Indicator**	**Calculation method**	**Weighting**	**Justification of choice**
Absolute performance	Total Shareholder Return (TSR, change in share price plus dividend) of the Klépierre share.	Calculated based on the average share price over the 40 trading days preceding the anniversary date (as compared with the average share price over the 40 trading days preceding the allotment date). The achievement scale is presented on page 247.	10% of the total allotment	This condition measures the returns for shareholders based on stock market performance and dividends received. Its weighting must nevertheless be limited insofar as it is mainly depends on Klépierre's share price performance, which is not solely influenced by the Company's intrinsic operating performance, but is also impacted by macroeconomic trends that may be unrelated to the Company's business.
Relative performance	TSR of the FTSE EPRA/NAREIT Eurozone index composed of companies in the same sector as Klépierre, i.e., retail real estate. The equally weighted index comprises the following securities: URW, CityCon OYJ, Eurocommercial Properties, Deutsche Euroshop, Wereldhave N.V., Mercialys, Vastned Retail N.V., Immobiliare Grande Dis, Atrium European Real Estate and Carmila.	Comparison of Klépierre's TSR with that of the index. The achievement scale is presented on page 247..	30% of the total allotment	This criteria compares Klépierre's TSR with that of companies whose primary business activity is operating shopping centers and are therefore faced with comparable issues and economic cycles.
Internal performance	Change over three years in net rental income.	Calculation of the average annual change in shopping center like-for-like net rental income, as reported by the Group in its annual consolidated financial statements over the last three fiscal years preceding the reference date. The achievement scale is presented on page 247.	40% of the total allotment	This is an operating criterion directly linked to the business of the Company. It is effective for assessing the Company's business growth and the teams' efforts to drive like-for-like rental income and therefore maximize returns from the Group's real estate portfolio. Growth in like-for-like net rental income includes: > Increases in minimum guaranteed rents when the lease is renewed, which reflect the Group's capacity to host the most attractive retailers in its centers and to optimize the rental value of available space; > Reductions in the vacancy rate; and > Optimal management of shopping center costs.
CSR performance	(i) GRESB rating: Klépierre must rank in the top five in its category and have a "5-star" rating, which is awarded only to the top performers. (ii) Level of achievement of certain targets in the five-year CSR road map.	The achievement of objectives is assessed annually by an independent third party (Ernst & Young). The achievement scale is presented on page 247.	20% of the total allotment	This criterion reflects Klépierre's desire to unite its employees and executives around corporate social responsibility issues in line with Klépierre's five-year CSR road map.

The number of performance shares that may fully vest to the beneficiaries concerned is calculated using the following achievement scale:

Performance assessed	Performance	% of shares delivered[(a)]	Assessment of the requirements for the chosen performance conditions
Absolute performance	≤16.5%	0%	The percentage of shares allotted is zero where the increase in TSR is less than or equal to 16.5%. Achievement of the maximum target implies TSR growth of 30% or more. Exceeding the 30% threshold does not result in the allotment of additional shares, which is capped at 10% of the initial number of shares allotted.
	20%	33.3%	
	22.5%	50%	
	25%	66.7%	
	27.5%	83.3%	
	≥30%	100%	
Relative performance	Index -1%	0%	If the Klépierre share's performance is equal to the index, only 33.33% of the shares will be allotted. To achieve the maximum target, the share must outperform the index by 3%. Exceeding the 3% threshold does not result in the allotment of additional shares, which is capped at 30% of the initial number of shares allotted.
	Index	33.3%	
	Index +1%	50%	
	Index +2%	66.7%	
	Index +3%	100%	
Internal performance	<1%	0%	If the growth in net rental income over three years is equal to 1%, only 30% of the shares will be allotted. To achieve the maximum target, the increase must be greater than or equal to 3%. Exceeding the 3% threshold does not result in the allotment of additional shares, which is capped at 40% of the initial number of shares allotted. This is a very ambitious growth target considering that the Group renews an average of only 8% of its leases each year. The level of ambition of this target can be measured in light of the historical performance of Klépierre and of its main competitors. Based on Klépierre's results since 2010[(d)], the performance criterion has been met in only five fiscal years, i.e., in every other year over the 2010 to 2019 period (2010 being the first year the three-year average was calculated). As regards the results of Klépierre's main competitors since 2012, only around 20% reported average growth in like-for-like net rental income[(e)] in excess of 3% for the 2012-2019 period.
	1%	30%	
	≥3%	100%	
CSR performance	GRESB rating: Klépierre must rank in the top five and have a "5-star" rating;	8%	GRESB (Global Real Estate Sustainable Benchmark) is an organization that assesses the ESG performance of real estate companies. The objective is to rank among the top five companies in its category[(f)] and to obtain the highest "5-star" rating. Klépierre has defined an ambitious CSR strategy and set a number of priorities to achieve as part of a five-year road map, described in more detail in chapter 4 of this document. The shares vest only if the conditions are fulfilled. No shares are allotted if performance is below the target.
	Reduction in the Group's energy consumption Target[(c)]: 40% reduction	3%	
	Shopping centers obtaining sustainable development certification Target[(c)]: 100% of shopping centers	3%	
	Shopping centers contributing to local employment Target[(c)]: 100% of shopping centers having implemented at least one initiative during the year to promote local employment[(b)]	3%	
	Employees receiving training Target[(c)]: 100% of employees	3%	

(a) If the result obtained is between two thresholds, the number of performance shares vested is calculated on a linear basis.
(b) Including the organization of an employment forum, partnerships with a local employment organization, partnership with an association supporting employment/integration, publication of jobs available at the center on the center's website and/or through posting, etc.
(c) The targets will be adjusted in future performance share plans based on those set in the CSR road map.
(d) For the years prior to 2013, the Company calculated growth in like-for-like rental income on the basis of its gross rental income only. In addition, for purposes of comparability, the calculations were made over the entire period by retaining just the shopping center portfolio which represents, since 2013, more than 95% of the value of the property portfolio.
(e) Based on reported like-for-like net rental income, using shopping center portfolios for which data are available.
(f) The category (European Listed Real Estate Company) had 13 members in 2019.

Specific rules applicable to corporate officers

Caps on allotments

The General Meeting of April 16, 2019 capped the number of shares that may be allotted at 0.5% of the share capital for a period of 38 months and, within this limit, capped the number of shares that may be allotted to the Chairman and members of the Executive Board at 0.2% of the share capital.

In accordance with the compensation policy approved by the Supervisory Board, annual allotments made to the Chairman and members of the Executive Board may not represent more than 125% of the previous year's short-term compensation[(1)] for Executive Board members.

Holding obligation

Pursuant to Article L. 225-197-1 of the French Commercial Code as set out in the AFEP-MEDEF Code, the Supervisory Board set the holding obligation for the Chairman and members of the Executive Board as follows: they are required to hold in registered form a number of shares equivalent to 50% of the gain on vested shares net of tax and expenses as calculated on delivery of the shares, until the end of their term of office. The Chairman and Executive Board members are encouraged to hold a large and increasing number of shares.

(1) Calculated as follows: annual fixed compensation + target quantitative portion of short-term variable compensation + maximum qualitative portion of short-term variable compensation

In accordance with the AFEP-MEDEF Code, this amount will be reviewed and set by the Supervisory Board in light of the situation of each executive corporate officer periodically, and at least each time they are re-appointed. Because of the stringent holding obligations, the Supervisory Board does not require the Chairman or members of the Executive Board to buy shares using their own capital on delivery of the performance shares.

Other restrictions

In accordance with the AFEP-MEDEF Code, the Chairman and members of the Executive Board undertake not to enter into hedging transactions until the end of the lock-up period imposed by the performance share plans.

d) Other components of compensation

Employment contract and severance package

The Chairman of the Executive Board does not have an employment contract.

On April 16, 2019, the Supervisory Board authorized the implementation of a severance package in the event of Jean-Marc Jestin's forced departure from Klépierre. It will be subject to the ratification of Klépierre's General Meeting of April 30, 2020 (5th resolution).

The severance package will be paid in all cases of forced departure regardless of the method (removal, request for resignation, etc.), except in the event of serious or gross misconduct and in the event of non-re-appointment as Executive Board member at the end of his term of office. In accordance with the AFEP-MEDEF Code, no severance will be owed if the beneficiary is entitled to claim full retirement benefits within six months of termination.

In the event of Jean-Marc Jestin's forced departure, he may be entitled to receive under the package a severance payment in an initial amount of one year's annual compensation, calculated by reference to the most recent (gross) fixed and short-term variable compensation paid as at the date of termination, it being specified that this initial amount may increase on a linear basis according to Jean-Marc Jestin's length of service as a corporate officer (on a basis of one month for each additional year of service with effect from January 1, 2017) and up to a maximum of two years' compensation, in accordance with the AFEP-MEDEF Code. Thus, at January 1, 2020, the severance payment would be equal to 15 months based on the latest (gross) fixed and short-term variable compensation.

In terms of performance conditions, the severance package may only be paid in the event that:

- In the two fiscal years preceding the year of termination of his term of office, Jean-Marc Jestin received or is entitled to receive overall annual variable compensation (quantitative plus qualitative) representing an amount equal to at least 100% of his fixed compensation (the maximum being 130%); and
- The quantitative portion of the short-term annual variable compensation must, as a minimum, have been paid in an amount equal to the target in said two fiscal years. For information, the net current cash flow per share target for fiscal year 2020 (giving rise to quantitative variable compensation of 55%) is €2.90.

These conditions are directly related to the achievement of the short-term compensation objectives applicable to the Chairman of the Executive Board and are therefore among the basic principles of the compensation policy applicable to the Chairman, taking into account performance related to the Group's commercial strategy.

Extraordinary compensation

Extraordinary compensation does not form part of the general compensation policy and may only be awarded in very specific circumstances, in accordance with section 25.3.4 of the AFEP-MEDEF Code. In accordance with Article L. 225-82-2 of the French Commercial Code, if the decision were made to award this type of compensation, payment would in any event be subject to prior approval by the General Meeting.

For 2020, no extraordinary compensation will be paid to the Chairman of the Executive Board.

Other benefits

The Chairman of the Executive Board has:

- A company car;
- The same occupational insurance and healthcare benefits plan as other Group employees in France. The amount of annual contributions paid by the Company for this purpose is not material, amounting to €3,337;
- Unemployment insurance subscribed with GSC.

No loans or guarantees have been granted to him by Klépierre.

Compensation in respect of Board memberships

The Chairman of the Executive Board does not receive any compensation for his offices in the various Group companies.

Deferred variable compensation or multi-annual variable compensation

Klépierre's compensation policy does not include the payment of any deferred variable compensation or multi-annual variable compensation. Consequently, there are no arrangements for such payments.

Defined benefit or defined contribution pension plan

There are no defined benefit or defined contribution pension plans. The Chairman of the Executive Board qualifies for the same compulsory private sector supplementary pension plan as other Group managers.

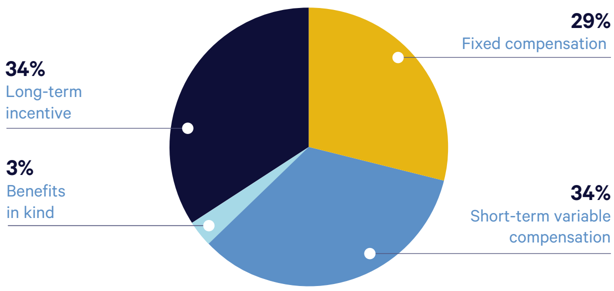
Components of Executive Board members' compensation

Apart from the Chairman, Jean-Michel Gault, Deputy Chief Executive Officer is currently the only member of the Executive Board. He was appointed on April 16, 2019 for a term of three years effective from June 22, 2019.

Should a new Executive Board member be appointed, the principles and criteria provided for in the last compensation policy approved by the General Meeting would also apply to him. In such cases, acting on the recommendation of the Nomination and Compensation Committee, the Supervisory Board will, in light of existing practices and based on the situation of the executive concerned, determine the different components of compensation, which shall not exceed those set out in said policy. The Supervisory Board may decide exceptionally to award a new corporate officer with an on-boarding package as a recruitment incentive for a new executive joining from another group. The payment of this package, which may take different forms, is designed to offset the loss of benefits to which executives may have been entitled in their previous position. In compliance with section 25.4 of the AFEP-MEDEF Code, in the event that such a package is granted, it must be explained and the amount made public at the time it is set, even where payment is made in installments or deferred.

The compensation of Jean-Michel Gault breaks down as follows[1]:

▸ **JEAN-MICHEL GAULT**



The compensation of the Executive Board members includes the following components:

a) Fixed annual compensation

The Executive Board member's fixed annual compensation remains unchanged in 2020 at €480,000.

b) Short-term variable compensation

The principles described in section 5.2.1.3.2 ("Components of the Chairman of the Executive Board's compensation", "Short-term variable compensation") also apply to the Executive Board member.

Short-term variable compensation for the Executive Board member is determined based on the following two types of components:

Quantitative component

Weighting	Description	Comments
The quantitative portion of variable compensation is capped at 80% of fixed annual compensation. In addition, a performance floor has been set at more than 97% of the target. Achieving the target net current cash flow per share announced by Klépierre as guidance to the market grants entitlement to 55% of the fixed annual compensation.	The quantitative component measures Klépierre's performance in relation to a target net current cash flow per share. The net current cash flow per share target for fiscal year 2020 is €2.90.	This financial indicator is particularly relevant for a real estate company such as Klépierre as it enables the following to be measured: > Changes in income based on organic and external growth; > Cost management efficiency (operating and financial costs); > Tax exposure of recurring operations. It is one of the key indicators that Klépierre discloses to the market every six months. Net current cash flow per share growth and its regularity are fundamental inputs in the valuation of the Klépierre share price. The quantitative component is applied identically to all Executive Board members because it measures their performance as an executive team with collective responsibility.

Qualitative component

Weighting	Description	Comments
The qualitative portion of variable compensation is capped at 50% of fixed annual compensation.	The qualitative portion of variable compensation is measured by applying several criteria and for 2020 is based around the following topics: > Management of financial transactions and improvement in the Group's profitability; > Risk management; > Promotion of Klépierre's image.	The qualitative component measures the individual performance of each Executive Board member based on specific targets, attributed to each of the Executive Board members on the basis of their particular scope of responsibility for the relevant year. These specific targets are decided by the Supervisory Board for the year concerned according to the priorities set by the Board, acting on the recommendation of the Nomination and Compensation Committee, and are communicated to Executive Board members.

The overall short-term variable compensation paid to the Executive Board member is capped at 130% of his fixed annual compensation.

In accordance with Article L. 225-100-III, paragraph 2 of the French Commercial Code, the annual variable compensation due in respect of fiscal year 2020 will be paid after the Ordinary General Meeting to be called in 2021 to approve the 2020 financial statements is contingent on its approval by that Meeting.

c) Long-term variable compensation

The principles and methods described in section 5.2.1.3.2 ("Components of the Chairman of the Executive Board's compensation", "Long-term variable compensation") also apply to the Executive Board member.

d) Other components of compensation

Employment contract and severance package

Should a Group employee be appointed as an Executive Board member, the Supervisory Board may, based on the situation of the executive concerned, either request the termination of the employment contract without compensation or maintain but suspend the employment contract.

In the latter case, and in order to limit the financial risk arising from the termination of an employment contract, said contract would be amended to include the employee's agreement to forgo any severance pay exceeding the total amount of their last two years' fixed and variable compensation.

Furthermore, the Supervisory Board may, in the event of forced-departure, authorize a severance package along the same lines as those applicable to the Chairman of the Executive Board and Executive Board members.

(1) *Calculation for fiscal year 2019.*

Jean-Michel Gault's situation

Jean-Michel Gault has had an indefinite employment contract with the Klépierre Group since August 1, 1998. Pursuant to the national collective bargaining agreement for the real estate industry, the applicable notice period is three months. This employment contract, which has been suspended since July 1, 2016, was amended on November 21, 2017 in order to (i) insert therein Jean-Michel Gault's agreement to waive any severance pay exceeding two years of the last fixed and variable compensation received as a member of the Executive Board (including in respect of the termination of his employment contract) and (ii) to implement a non-statutory package in the event of his forced departure. These amendments were approved by Klépierre's General Meeting of Shareholders of April 24, 2018 (5th resolution).

The waiver referred to above allows the Company to contain the financial risk linked to any termination of the latter's employment contract, by limiting the severance to two years under all circumstances. Signing this amendment did not lead to any payment in favor of Jean-Michel Gault.

On April 16, 2019, the Supervisory Board authorized the implementation of a severance package in the event of Jean-Michel Gault's forced departure from Klépierre. It will be subject to the ratification of Klépierre's General Meeting of April 30, 2020 (6th resolution).

The severance package will be paid in all cases of forced departure regardless of the method (removal, request for resignation, etc.), except in the event of serious or gross misconduct and in the event of non-re-appointment as Executive Board member at the end of his term of office. In accordance with the AFEP-MEDEF Code, no severance will be owed if the beneficiary is entitled to claim full retirement benefits within six months of termination.

In the event of Jean-Michel Gault's forced departure, the amount of the severance payment under this package will be limited to two years of the (gross) fixed and short-term variable compensation received for his corporate office over the 12 months preceding his departure, less any amount paid for any statutory severance or due under a collective bargaining agreement that Jean-Michel Gault may otherwise receive under his employment contract. For information, at January 1, 2020, the severance payment would be equal to 24 months based on the latest (gross) fixed and short-term variable compensation, including the payment to which Jean-Michel Gault may be entitled under the collective bargaining agreement in the event of the termination of his employment contract, which amounts to €709,892, i.e., 7.7 months of his fixed and variable compensation for fiscal year 2019.

The payment of the non-statutory severance is also subject to the achievement of the same performance conditions as applicable to the Chairman of the Executive Board.

These conditions are directly related to the achievement of the short-term compensation objectives applicable to the Deputy Chief Executive Officer and Executive Board member, and are therefore among the basic principles of the compensation policy applicable to the Deputy Chief Executive Officer, taking into account performance related to the Group's commercial strategy.

Extraordinary compensation

Extraordinary compensation does not form part of the general compensation policy and may only be awarded in very specific circumstances, in accordance with section 25.3.4 of the AFEP-MEDEF Code. In accordance with Article L. 225-82-2 of the French Commercial Code, if the decision were made to award this type of compensation, payment would in any event be subject to prior approval by the General Meeting.

For 2020, no extraordinary compensation will be paid to the Executive Board member.

Other benefits

The Executive Board member has:

- A company car;
- The same occupational insurance and healthcare benefits plan as other Group employees in France. The amount of annual contributions paid by the Company for this purpose is not material, amounting to €3,317;
- Unemployment insurance subscribed with GSC.

No loans or guarantees have been granted to him by Klépierre.

Compensation in respect of Board memberships

The Executive Board member does not receive any compensation for his directorships in the various Group companies.

Deferred variable compensation or multi-annual variable compensation

Klépierre's compensation policy does not include the payment of any deferred variable compensation or multi-annual variable compensation. Consequently, there are no arrangements for such payments.

Special defined benefit or defined contribution pension plan

There are no defined benefit or defined contribution pension plans. The Executive Board member qualifies for the same compulsory private sector supplementary pension plan as other Group managers. In addition, Jean-Michel Gault is eligible for a supplementary pension plan for senior executives of Compagnie Bancaire. This plan has been capped and closed to new beneficiaries since December 31, 2000. As indicated on page 261, this amount is capped at €7,122.

5.2.2 Compensation of the Chairman and members of the Supervisory Board and the Chairman and members of the Executive Board for fiscal year 2019

5.2.2.1 Compensation of the Chairman of the Supervisory Board and members of the Supervisory Board

The compensation of the Chairman and members of the Supervisory Board presented below was set by the Supervisory Board, acting on the recommendation of the Nomination and Compensation Committee pursuant to the compensation policy approved by the General Meeting of April 16, 2019 (9th resolution) by 99.97% of the votes cast.

This policy complies with the basic principles described in section 5.2.1.1, as it helps to promote long-term growth.

In accordance with the rules for allotting compensation to Supervisory Board members described in section 5.2.3.1, the total amount of annual compensation paid or awarded in fiscal year 2019 in respect of their corporate office was €684,555.

The compensation of Supervisory Board members was structured as shown in the table below:

	Gross amounts paid in fiscal year 2019 (in respect of fiscal year 2018)					Gross amounts allotted in respect of fiscal year 2019 (to be paid in 2020)				
In euros	**Position as Chair**	**Fixed portion**	**Variable portion**	**Other**	**Total**	**Position as Chair**	**Fixed portion**	**Variable portion**	**Other**	**Total**
CHAIRMAN OF THE SUPERVISORY BOARD										
David Simon	44,000	12,000	41,800	–	97,800	44,000	12,000	42,120	–	98,120
OTHER SUPERVISORY BOARD MEMBERS										
John Carrafiell	22,000	12,000	36,678	–	70,678	22,000	12,000	35,227	–	69,227
Béatrice de Clermont-Tonnerre	–	12,000	36,678	–	48,678	–	12,000	38,674	–	50,674
Jeroen Drost[(a)]	–	3,715	13,639	–	17,354	–	–	–	–	–
Steven Fivel	22,000	12,000	72,047	–	106,047	22,000	12,000	69,689	–	103,689
Stanley Shashoua	–	12,000	68,117	–	80,117	–	12,000	62,797	–	74,797
Catherine Simoni	22,000	12,000	52,398	–	86,398	22,000	12,000	59,350	–	93,350
Rose-Marie Van Lerberghe	22,000	12,000	49,660	–	83,660	22,000	12,000	52,458	–	86,458
Florence Von Erb	–	12,000	36,678	–	48,678	–	12,000	42,120	–	54,120
Robert Fowlds[(b)]	–	8,285	28,973	–	37,258	–	12,000	42,120	–	54,120
TOTAL	**132,000**	**108,000**	**436,668**	**–**	**676,668**	**132,000**	**108,000**	**444,555**	**–**	**684,555**

(a) End of term: April 24, 2018.
(b) Appointed on April 24, 2018.

Comparative analysis of the total compensation of the Chairman and members of the Supervisory Board and that of Klépierre employees[(1)]

Klépierre referred to the AFEP-MEDEF guidelines for the comparative analysis of the total compensation of the Chairman of the Supervisory Board and that of Klépierre employees.

The relationship between the Chairman of the Supervisory Board's compensation and the average and median compensation, on a full-time equivalent basis, of Klépierre employees (the "**average ratio**" and "**median ratio**", respectively) was as follows:

> 2019 average ratio: 1.19;

> 2019 median ratio: 1.56.

The following table sets out the year-on-year change in the compensation of the Chairman and members of the Supervisory Board, Klépierre's performance, the average compensation, on a full-time equivalent basis, of Klépierre employees, and the average and median ratios over the last five years:

	2015	2016	2017	2018	2019
Change in the total compensation of the Chairman of the Supervisory Board	+8.64%	+28.08%	+34.75%	–3.32%	+0.33%
Change in the total compensation of members of the Supervisory Board (excluding the Chairman)	+38.40%	+33.55%	+24.20%	+2.49%	+1.31%
Change in the average compensation of Klépierre employees	+8.22%	–4.02%	+1.95%	–1.33%	+0.91%
Average ratio	0.69	0.93	1.22	1.20	1.19
Median ratio	0.93	1.21	1.58	1.54	1.56
Change in Klépierre performance (net current cash flow per share)	+4.83%	+6.45%	+7.36%	+6.85%	+6.42%

(1) Since Klépierre SA has no employees, the scope applied corresponds to Klépierre Management, which employs all of the Group's France-based personnel.

5.2.2.2 Compensation of the Chairman of the Executive Board

Summary tables based on the AMF and AFEP-MEDEF Code recommendations are presented on page 262 *et seq.* of this Universal Registration Document.

The compensation of the Chairman of the Executive Board presented below was set by the Supervisory Board, acting on the recommendation of the Nomination and Compensation Committee pursuant to the compensation policy approved by the General Meeting of April 16, 2019 (10th resolution) by 96.24% of the votes cast.

This policy complies with the basic principles described in section 5.2.1.1, as it helps to promote long-term growth. These principles were devised after taking into account the vote of the April 16, 2019 General Meeting in its 7th resolution (approved by 95.50% of votes cast).

Fixed compensation

The Chairman of the Executive Board received fixed annual compensation of €750,000 in 2019. For information, his fixed annual compensation in 2018 was €650,000.

The increase awarded between 2018 and 2019 completes, until 2022, the process of aligning his fixed compensation to the market initiated in 2015. After recognizing the lack of competitiveness of the Klépierre Chairman of the Executive Board's fixed compensation compared to that offered in comparable companies, in 2015 Klépierre announced its objective of restoring the fixed annual compensation of Executive Board members to a level that is appropriate as regards their experience and scope of responsibilities as well as market practice, in order to bring it close to the median of the panels of companies comparable in size and activities to Klépierre based on the studies conducted by Towers Watson. The Supervisory Board's approach and its reasons are described in Klépierre's 2018 registration document, pages 249 *et seq.*

Short-term variable compensation

Short-term variable compensation paid in fiscal year 2019 (in respect of fiscal year 2018) approved by the General Meeting of April 16, 2019

On the basis of the Nomination and Compensation Committee's work, the Supervisory Board meeting of February 5, 2019 decided that:

> The variable portion of 2018 compensation due for achieving the quantitative target would amount to 80% of the fixed annual compensation; and

> The variable portion of 2018 compensation due for achieving the qualitative targets would amount to 49% of the fixed annual compensation;

representing a total of €838,500.

Details of the achievement rates for the quantitative and qualitative criteria are presented on pages 256 and 257 of Klépierre's 2018 registration document. This compensation was approved by the General Meeting of April 16, 2019 (7th resolution).

Short-term variable compensation allotted in respect of fiscal year 2019 submitted for approval at the General Meeting of April 30, 2020

The short-term variable compensation in respect of fiscal year 2019 will be set by the Supervisory Board on February 4, 2020, acting on the proposal of the Nomination and Compensation Committee pursuant to the compensation policy approved by the General Meeting of April 16, 2019 (10th resolution).

It should be noted that, in accordance with the recommendations of the AFEP-MEDEF Code, Jean-Marc Jestin was not present during the deliberations of the Supervisory Board regarding his compensation.

▸ QUANTITATIVE COMPONENT, CAPPED AT 80% OF FIXED ANNUAL COMPENSATION (REPRESENTING 61.5% OF THE MAXIMUM TOTAL SHORT-TERM VARIABLE COMPENSATION)

Subject area of target	Target			Achievement for fiscal year 2019
Financial indicator	Net current cash flow per share target	Thresholds reached	The quantitative component is based on the target announced to the markets in February 2019 of €2.73 per share. In addition, a performance floor was set at a minimum of 97% of the target.	€2.82
		As a % of fixed salary	From 0% to 80%	80%
2019 QUANTITATIVE TOTAL *(as a % of fixed compensation)*				**80%**

▸ QUALITATIVE COMPONENT, CAPPED AT 50% OF FIXED ANNUAL COMPENSATION (REPRESENTING 38.5% OF THE MAXIMUM TOTAL SHORT-TERM VARIABLE COMPENSATION)

Subject area of target	Target	Main achievements	Achievement for fiscal year 2019
Strategy (weighting: 30%)	Execution of real estate development projects and meeting the objectives set by the Investment Committee	> With respect to the projects initiated prior to 2019, the objectives set by the Investment Committee were met or exceeded > With respect to the projects initiated during 2019, the objectives set by the Investment Committee were met	After examining the main achievements, the Supervisory Board decided, acting on the recommendation of the Nomination and Compensation Committee, that the achievement level was 100% corresponding to **15%** of Jean-Marc Jestin's fixed compensation.
	Improvement in the quality of Klépierre's property portfolio	> Successful continuation of the Group's non-strategic asset disposal strategy > Acquisition of a minority stake in the Belle Épine shopping center, one of the top ten prime assets in France > Strengthening of Klépierre's position in relation to its main Italian assets > Implementation of a refurbishment policy for strategic assets	
Corporate social responsibility (weighting: 40%)	Consideration of social, environmental and economic matters in the Group's activities	> Accelerated implementation of Act for Good® (the Group's five-year CSR plan) covering energy, waste, mobility, local employment and health/well-being, with numerous concrete achievements	After examining the main achievements, the Supervisory Board decided, acting on the recommendation of the Nomination and Compensation Committee, that the achievement level was 100% corresponding to **20%** of Jean-Marc Jestin's fixed compensation.
	Maintaining Klépierre's classification in the main global benchmark non-financial indexes	> GRESB (Global Real Estate Sustainability Benchmark): winner of the Green Star award in the European Listed Real Estate Company category with a score of 93/100 (an 8-pt improvement compared to 2018) > MSCI: upgrade to an AA rating (Klépierre's best score yet) > EPRA: winner of the Gold Award in recognition of the quality of the Group's financial and sustainable development reporting	
Company image (weighting: 30%)	Promoting Klépierre's image through specific social initiatives	> Roll out of new measures to increase employee engagement: for example, the launch of the first Klépierre employee share ownership plan, ongoing initiatives that promote quality of life at work and work-life balance (in particular, expansion of the homeworking pilot and the organization of a quality of life at work week including a series of events and workshops), the introduction of quarterly "Meet & Eat" sessions dedicated to Klépierre employees, the implementation of a new on-boarding program for new hires, international working group activities to inspire "new ways of working" and the launch of a new internal indicator aimed at measuring employee satisfaction at Klépierre > Strengthening of Klépierre's employer brand: web platform exposure (Seekube, Welcome to the jungle), Choosemycompany's "Happy Trainees" certification for the third consecutive year	After examining the main achievements, the Supervisory Board decided, acting on the recommendation of the Nomination and Compensation Committee, that the achievement level was 100% corresponding to **15%** of Jean-Marc Jestin's fixed compensation.
	Promoting Klépierre's image through targeted marketing initiatives	> Enhanced events strategy to keep increasing footfall during key periods and visit frequency > Launch of the new Let's Play advertising campaign > Accelerated digital transformation and raising online visibility > Stronger focus on customer feedback > Stepped up marketing synergies with retailers > Ongoing open innovation program	
2019 QUALITATIVE TOTAL *(as a % of fixed compensation)*			**50%**

For fiscal year 2019, the short-term variable compensation of Jean-Marc Jestin amounted to €975,000, i.e., 130% of his fixed compensation, it being specified that the maximum potential percentage is 130%.

Long-term variable compensation

Performance shares vested in fiscal year 2019

Plan	End of vesting period	Number of shares vested
2016 Plan	May 2, 2019	5,301

Performance shares allotted in fiscal year 2019

Performance shares were allotted to the Chairman of the Executive Board under the 2019 Plan, with the following characteristics:

> Plan of May 6, 2019 authorized by the General Meeting of April 16, 2019 (22nd resolution);

> Allotment of 35,000 shares to the Chairman of the Executive Board, representing:
  - €665,000, based on the measurement of the performance shares in accordance with IFRS,
  - 10.88% of the total allotment under this plan for all beneficiaries concerned,
  - 0.02% of the Company's share capital;

> Allotment subject to four performance conditions (absolute, relative, internal and CSR) assessed over a three-year period. Details of the four performance conditions and the achievement scale are presented on page 277;

> Obligation to hold in registered form a number of shares equivalent to 50% of the gain on vested shares net of taxes and charges as calculated on delivery of the shares, until the end of his term of office.

Severance package

On April 16, 2019, the Supervisory Board authorized the implementation of a severance package in the event of the Chairman of the Executive Board's forced departure from Klépierre. The conditions attached to this package are detailed on page 248.

A specific resolution will be submitted to the General Meeting of April 30, 2020 in accordance with Article L. 225-86 of the French Commercial Code (5th resolution).

At January 1, 2020, the severance payment would be equal to 15 months based on the latest (gross) fixed and short-term variable compensation.

Other benefits

The Chairman of the Executive Board received the following benefits in 2019, valued at €39,419:

> A company car;

> The same occupational insurance and healthcare benefits plan as other Group managers;

> Unemployment insurance subscribed with GSC.

He is also entitled to the same compulsory private sector supplementary pension plan as other Group managers.

Comparative analysis of the total compensation of the Chairman of the Executive Board and that of Klépierre employees[1]

Klépierre referred to the AFEP-MEDEF guidelines for the comparative analysis of the total compensation of the Chairman of the Executive Board and that of Klépierre employees. Based on these guidelines, the performance shares allotted for a given fiscal year should be included for the calculation of compensation due or granted for said fiscal year. Although the performance shares represent a significant portion (more than one-third) of the total compensation of the Chairman of the Executive Board, their vesting rate at Klépierre varies considerably from one year to the next.

To offset these variations, Klépierre decided to base the comparative analysis of the total compensation of the Chairman of the Executive Board and that of employees on fully vested performance shares (rather than allotted). Accordingly, for the Chairman of the Executive Board, the compensation ratios are as follows:

> 2019 average ratio: 23.46;

> 2019 median ratio: 28.51.

The following table sets out the year-on-year change in the Chairman of the Executive Board's compensation, Klépierre's performance, the average compensation, on a full-time equivalent basis, of Klépierre employees, and the average and median ratios over the last four[2] years:

	2016[a]	2017	2018	2019
Change in the total compensation of the Chairman of the Executive Board	−33.96%	−29.71%	+25.01%	+34.19%
Change in the average compensation of Klépierre employees	−8.58%	−3.63%	−2.52%	+2.62%
Average ratio	19.18	13.99	17.94	23.46
Median ratio	24.50	16.87	21.20	28.51
Change in Klépierre performance (net current cash flow per share)	+6.45%	+7.36%	+6.85%	+6.42%

(a) The Chairman of the Executive Board's compensation taken into consideration for this year corresponds to the compensation granted to Laurent Morel.

(1) Since Klépierre SA has no employees, the scope applied corresponds to Klépierre Management, which employs all of the Group's France-based personnel.

(2) Performance shares allotted under the first performance share plan implemented by the Group vested in full on October 23, 2015. Accordingly, data for 2015 (showing the change versus 2014) are not presented so as to ensure a consistent basis for comparison.

The significant changes in the total compensation of the Chairman of the Executive Board shown in the table below mainly reflect changes in the vesting rate for performance shares. This is also the case for the average compensation of Klépierre employees.

	2015	2016	2017	2018	2019
Vesting rate of performance shares	91.52%	44.23%	4.83%	0%	17.67%

Furthermore, and in accordance with the AFEP-MEDEF guidelines, Klépierre prepared further comparative analyses of the total compensation of the Chairman of the Executive Board and that of employees based on performance shares allotted (rather than fully vested) and valued in accordance with IFRS. Accordingly, for the Chairman of the Executive Board, the compensation ratios are as follows:

- 2019 average ratio: 27.87;
- 2019 median ratio: 36.41.

The following table sets out the year-on-year change in the Chairman of the Executive Board's compensation, Klépierre's performance, the average compensation, on a full-time equivalent basis, of Klépierre employees, and the average and median ratios over the last five years:

	2015[a]	2016[a]	2017	2018	2019
Change in the total compensation of the Chairman of the Executive Board	+15.92%	+4.79%	+7.75%	+24.60%	+10.37%
Change in the average compensation of Klépierre employees	+8.22%	−4.02%	+1.95%	−1.33%	+0.91%
Average ratio	17.49	19.09	20.18	25.48	27.87
Median ratio	23.41	25.04	25.97	32.80	36.41
Change in Klépierre performance (net current cash flow per share)	+4.83%	+6.45%	+7.36%	+6.85%	+6.42%

(a) The Chairman of the Executive Board's compensation taken into consideration for this year corresponds to the compensation granted to Laurent Morel.

The increase in the Chairman of the Executive Board's compensation ratios is attributable to the process of aligning his fixed compensation with the market, which began in 2015 and was completed in 2019 until 2022. The grounds and methodology behind this process are described on page 252 of this document.

5.2.2.3 Compensation of the Deputy Chief Executive Officer and Executive Board member

Summary tables based on the AMF and AFEP-MEDEF Code recommendations are presented on page 262 *et seq.* of this Universal Registration Document.

The compensation of the Deputy CEO presented below was set by the Supervisory Board, acting on the recommendation of the Nomination and Compensation Committee pursuant to the compensation policy approved by the General Meeting of April 16, 2019 (11th resolution) by 97.09% of the votes cast.

This policy complies with the basic principles described in section 5.2.1.1, as it helps to promote long-term growth. These principles were devised after taking into account the vote of the April 16, 2019 General Meeting in its 8th resolution (approved by 96.96% of votes cast).

Fixed compensation

The Deputy CEO and Executive Board member received fixed annual compensation of €480,000 in 2019. For information, his fixed annual compensation in 2018 was €440,000.

The increase awarded between 2018 and 2019 completes, until 2022, the process of aligning his fixed compensation to the market initiated in 2015. After recognizing the lack of competitiveness of the Klépierre Executive Board member's fixed compensation compared to that offered in comparable companies, in 2015 Klépierre announced its objective of restoring the fixed annual compensation of Executive Board members to a level that is appropriate as regards their experience and scope of responsibilities as well as market practice, in order to bring it close to the median of the panels of companies comparable in size and activities to Klépierre based on the studies conducted by Towers Watson. The Supervisory Board's approach and its reasons are described in Klépierre's 2018 registration document, pages 249 *et seq.*

Short-term variable compensation

Short-term variable compensation paid in fiscal year 2019 (in respect of fiscal year 2018) approved by the General Meeting of April 16, 2019

On the basis of the Nomination and Compensation Committee's work, the Supervisory Board meeting of February 5, 2019 decided that:

- The variable portion of 2018 compensation due for achieving the quantitative target would amount to 80% of the fixed annual compensation; and
- The variable portion of 2018 compensation due for achieving the qualitative targets would amount to 49% of the fixed annual compensation;

representing a total of €567,600.

Details of the achievement rates for the quantitative and qualitative criteria are presented on page 258 of Klépierre's 2018 registration document. This compensation was approved by the General Meeting of April 16, 2019 (8th resolution).

Short-term variable compensation allotted in respect of fiscal year 2019 submitted for approval at the General Meeting of April 30, 2020

The short-term variable compensation in respect of fiscal year 2019 will be set by the Supervisory Board on February 4, 2020, acting on the proposal of the Nomination and Compensation Committee pursuant to the compensation policy approved by the General Meeting of April 16, 2019 (10th resolution).

It should be noted that, in accordance with the recommendations of the AFEP-MEDEF Code, Jean-Michel Gault was not present during the deliberations of the Supervisory Board regarding his compensation.

▸ QUANTITATIVE COMPONENT, CAPPED AT 80% OF FIXED ANNUAL COMPENSATION (REPRESENTING 61.5% OF THE MAXIMUM TOTAL SHORT-TERM VARIABLE COMPENSATION)

Subject area of target	Target			Achievement for fiscal year 2019
Financial indicator	Net current cash flow per share target	Thresholds reached	The quantitative component is based on the target announced to the markets in February 2019 of €2.73 per share. In addition, a performance floor was set at a minimum of 97% of the target.	€2.82
		As a % of fixed salary	From 0% to 80%	80%
2019 QUANTITATIVE TOTAL *(as a % of fixed compensation)*				**80%**

▸ QUALITATIVE COMPONENT, CAPPED AT 50% OF FIXED ANNUAL COMPENSATION (REPRESENTING 38.5% OF THE MAXIMUM TOTAL SHORT-TERM VARIABLE COMPENSATION)

Subject area of target	Target	Main achievements	Achievement for fiscal year 2019
Financial optimization (weighting: 50%)	Management of financial transactions	> A €600 million 11-year bond issue to pre-finance the bonds maturing in 2019 and 2020 > Increase in the Group's liquidity, with a new line of credit negotiated under competitive conditions > Implementation of new interest rate hedging programs > New initiatives with respect to internal control, in particular, a review of the Group's risk matrix and a broader internal control scope	After examination of the main achievements, the Supervisory Board decided, on the recommendation of the Nomination and Compensation Committee, that the target attained was 100%, corresponding to **25%** of Jean-Michel Gault's fixed compensation.
Company image (weighting: 50%)	Roll-out of initiatives contributing to developments in this area	> A- rating from Standard & Poor's maintained > EPRA BPR: Gold Award obtained for a the 6th year in a row > Intense level of interaction with the financial community in order to promote Klépierre's strategy > Improved valuation multiples > Development of Klépierre's corporate profile and strengthening of its digital ecosystem (for example, the creation of the "Good Morning Retail!" podcast)	After examination of the main achievements, the Supervisory Board decided, on the recommendation of the Nomination and Compensation Committee, that the target attained was 100%, corresponding to **25%** of Jean-Michel Gault's fixed compensation.
2019 QUALITATIVE TOTAL *(as a % of fixed compensation)*			**50%**

For fiscal year 2019, the variable compensation of Jean-Michel Gault amounted to €624,000, i.e., 130% of his fixed compensation, it being specified that the maximum potential percentage is 130%.

Long-term variable compensation

Performance shares vested in fiscal year 2019

Plan	End of vesting period	Number of shares vested
2016 Plan	May 2, 2019	5,301

Performance shares allotted in fiscal year 2019

Performance shares were allotted to the Deputy CEO and Executive Board member under the 2019 Plan, with the following characteristics:

> Plan of May 6, 2019 authorized by the General Meeting of April 16, 2019 (22nd resolution);

> Allotment of 30,000 shares to the Deputy CEO and Executive Board member, representing:

- €570,000, based on the measurement of the performance shares in accordance with IFRS,
- 9.33% of the total allotment under this plan for all beneficiaries concerned,
- 0.01% of the Company's share capital;

> Allotment subject to four performance conditions (absolute, relative, internal and CSR) assessed over a three-year period. Details of the four performance conditions and the achievement scale are presented on page 277;

> Obligation to hold in registered form a number of shares equivalent to 50% of the gain on vested shares net of taxes and charges as calculated on delivery of the shares, until the end of his term of office.

Severance package

On April 16, 2019, the Supervisory Board authorized the implementation of a severance package in the event of the Deputy CEO and Executive Board member's forced departure from Klépierre. The conditions attached to this package are detailed on page 250.

A specific resolution will be submitted to the General Meeting of April 30, 2020 in accordance with Article L. 225-86 of the French Commercial Code (6th resolution).

Accordingly, at January 1, 2020, the severance payment would be equal to 24 months based on the latest (gross) fixed and short-term variable compensation, including the payment to which Jean-Michel Gault may be entitled under the collective bargaining agreement in the event of the termination of his employment contract, which amounts to €709,892, i.e., 7.7 months of his fixed and variable compensation for fiscal year 2019.

Other benefits

The Deputy CEO and Executive Board member received the following benefits in kind in 2019, valued at €39,089:

- A company car;
- The same occupational insurance and healthcare benefits plan as other Group managers;
- Unemployment insurance subscribed with GSC;
- The same compulsory private sector supplementary pension plan as other Group managers.

He also benefits from the supplementary pension plan for senior executives of the former Compagnie Bancaire, which provides for an additional pension on retirement of a maximum annual amount of €7,122.

Comparative analysis of the total compensation of the Deputy CEO and Executive Board member and that of Klépierre employees[1]

Based on fully vested performance shares (rather than allotted), the compensation ratios of the Deputy CEO and Executive Board member are as follows:

- 2019 average ratio: 16.39;
- 2019 median ratio: 19.92.

The following table sets out the year-on-year change in the Deputy CEO and Executive Board member's compensation, Klépierre's performance, the average compensation, on a full-time equivalent basis, of Klépierre employees, and the average and median ratios over the last four years[2]:

	2016	2017	2018	2019
Change in the total compensation of the Deputy CEO, member of the Executive Board	−35.65%	−26.05%	+7.99%	+26.73%
Change in the average compensation of Klépierre employees	−8.58%	−3.63%	−2.52%	+2.62%
Average ratio	15.61	11.98	13.27	16.39
Median ratio	19.94	14.45	15.68	19.92
Change in Klépierre performance (net current cash flow per share)	+6.45%	+7.36%	+6.85%	+6.42%

The significant changes in the total compensation of the Deputy CEO and Executive Board member (please refer to the table page 255) mainly reflect changes in the vesting rate for performance shares. This is also the case for the average compensation of Klépierre employees.

The following breakdowns were prepared based on performance shares allotted (rather than fully vested) and valuated in accordance with IFRS. For the Deputy CEO and Executive Board member, the average and median ratios were as follows:

- 2019 average ratio: 20.14;
- 2019 median ratio: 26.31.

The following table sets out the year-on-year change in the Deputy CEO and Executive Board member's compensation, Klépierre's performance, the average compensation, on a full-time equivalent basis, of Klépierre employees, and the average and median ratios over the last five years:

	2015	2016	2017	2018	2019
Change in the total compensation of the Deputy CEO, member of the Executive Board	+14.39%	+4.78%	+12.79%	+14.21%	+2.04%
Change in the average compensation of Klépierre employees	+8.22%	−4.02%	+1.95%	−1.33%	+0.91%
Average ratio	14.25	15.55	17.21	19.92	20.14
Median ratio	19.07	20.39	22.14	25.63	26.31
Change in Klépierre performance (net current cash flow per share)	+4.83%	+6.45%	+7.36%	+6.85%	+6.42%

The increase in the Deputy CEO and Executive Board member's compensation ratios is attributable to the process of aligning his fixed compensation with the market, which began in 2015 and was completed in 2019 until 2022. The grounds and methodology behind this process are described on page 255 of this document.

(1) *Since Klépierre SA has no employees, the scope applied corresponds to Klépierre Management, which employs all of the Group's France-based personnel.*

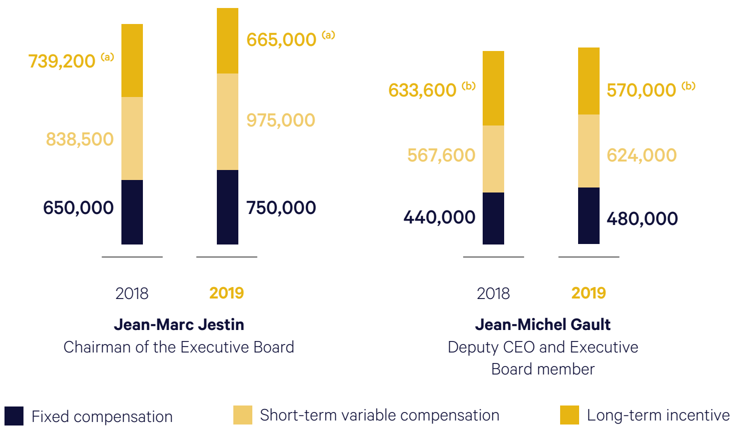
(2) *Performance shares allotted under the first performance share plan implemented by the Group vested in full on October 23, 2015. Accordingly, data for 2015 (showing the change versus 2014) are not presented so as to ensure a consistent basis for comparison.*

SUMMARY

CHANGES IN TOTAL COMPENSATION PAID TO EXECUTIVE BOARD MEMBERS

	Chairman of the Executive Board		Deputy CEO and Executive Board member	
In thousands of euros	**2018**	**2019**	**2018**	**2019**
Fixed compensation	650	750	440	480
Short-term variable compensation (paid in current year with respect to previous year)	650	838	512	568
Number of performance shares vested during the fiscal year concerned	0 shares (out of 32,353 shares initially allotted)	5,301 shares (out of 30,000 shares initially allotted)	0 shares (out of 32,353 shares initially allotted)	5,301 shares (out of 30,000 shares initially allotted)

CHANGES IN TOTAL COMPENSATION ALLOTTED TO THE EXECUTIVE BOARD MEMBERS



(a) Corresponding to 35,000 performance shares, it being specified that long-term incentives vest at an average rate of 7.5% at Klépierre (2017-2019).
(b) Corresponding to 30,000 performance shares.

As the table above and charts below demonstrate, the total compensation of the Executive Board members is mainly composed of a portion subject to financial and non-financial performance conditions (short-term variable compensation plus long-term incentive). It is aligned with the goals of Klépierre's compensation policy and takes into account strategic and CSR achievements in order to promote long-term growth in line with the interests of Klépierre and its shareholders.

5.2.3 Components of compensation paid during or allotted for 2019 submitted to the vote of the General Meeting of April 30, 2020

5.2.3.1 Chairman of the Executive Board

Components of compensation put to the vote	Amounts paid during or allotted for fiscal year 2019 or accounting value	Presentation
Fixed annual compensation	€750,000	The Chairman of the Executive Board received fixed annual compensation of €650,000 in 2018. The increase awarded between 2018 and 2019 completes, until 2022, the process of aligning his fixed compensation to the market, a process initiated in 2015. After recognizing the lack of competitiveness of the Klépierre Chairman of the Executive Board's fixed compensation compared to that offered in comparable companies, in 2015 Klépierre announced its objective of restoring the fixed annual compensation of Executive Board members to a level that is appropriate as regards their experience and scope of responsibilities as well as market practice, in order to bring it close to the median of the panels of companies comparable in size and activities to Klépierre based on the studies conducted by Towers Watson. The Supervisory Board's approach and its reasons are described in Klépierre's 2018 registration document, pages 249 *et seq.*
Annual variable compensation	€975,000	**Annual variable compensation paid in 2019 (in respect of 2018)**: on the basis of the Nomination and Compensation Committee's work, the Supervisory Board meeting of February 5, 2019 decided that: > The variable portion of 2018 compensation due for achieving the quantitative target would amount to 80% of the fixed annual compensation; and > The variable portion of 2018 compensation due for achieving the qualitative targets would amount to 49% of the fixed annual compensation; representing a total of €838,500. Details of the achievement rates for the quantitative and qualitative criteria are presented on pages 256 and 257 of Klépierre's 2018 registration document. This compensation was approved by the General Meeting of April 16, 2019 (7th resolution). **Annual variable compensation allotted for fiscal year 2019**: for information, the Chairman of the Executive Board's variable compensation for fiscal year 2019 may vary between 0% and 130% of his fixed annual compensation and will be set as follows: > 0% to 80% of fixed annual compensation based on net current cash flow per share. This financial indicator, which measures changes in income based on organic and external growth, cost management efficiency (operating costs and financial costs) and tax exposure of recurring operations, is especially appropriate for a real estate company such as Klépierre; and > 0% to 50% of fixed annual compensation, based on the following areas and targets set for 2019: (i) strategy (acquisitions, developments, divestment), (ii) corporate social responsibility, (iii) Company image. On the basis of the Nomination and Compensation Committee's work, the Supervisory Board meeting of February 4, 2020 decided that: > The variable portion of 2019 compensation due for achieving the quantitative target would amount to 80% of the fixed annual compensation; and > The variable portion of 2019 compensation due for achieving the qualitative targets would amount to 50% of the fixed annual compensation; representing a total of €975,000. Details of the achievement rates for the quantitative and qualitative criteria are presented on page 253 of this document. Payment of this compensation is subject to the approval of the General Meeting of April 30, 2020.
Deferred variable compensation	None	
Multi-annual variable compensation	None	
Extraordinary compensation	None	
Performance shares	€665,000 (accounting value)	The allotment of performance shares is examined in light of the total annual compensation of the executive corporate officer concerned, while ensuring that the interests of shareholders are respected. Shares are allotted in the scope of annual plans and the number of shares is set at pre-determined times. The main characteristics of the 2019 Plan are as follows: > Plan of May 6, 2019 authorized by the General Meeting of April 16, 2019 (22nd resolution); > Allotment of 35,000 shares to the Chairman of the Executive Board, representing: – €665,000, based on the measurement of the performance shares by an expert and in accordance with IFRS, (i.e., €19 per share at the time of the allotment), – 10.88% of the total allotment under this plan for all beneficiaries concerned, – 0.02% of the Company's share capital; > Allotment subject to four performance conditions (absolute, relative, internal and CSR) assessed over a three-year period. Details of the four performance conditions and the achievement scale are presented on page 277; > Obligation to hold in registered form a number of shares equivalent to 50% of the gain on vested shares net of taxes and charges as calculated on delivery of the shares, until the end of his term of office.
Stock subscription or purchase options	None	
Compensation in respect of Board membership	None	
Value of benefits in kind	€39,419	Provision of a company car. Contributions paid by the Company for Jean-Marc Jestin to continue to benefit from the occupational insurance and healthcare benefits plan for Group employees. Unemployment insurance subscribed with GSC.

Components of compensation put to the vote	Amounts paid during or allotted for fiscal year 2019 or accounting value	Presentation
Severance payment	None	On April 16, 2019, the Supervisory Board authorized the implementation of a severance package in the event of Jean-Marc Jestin's forced departure from Klépierre. It will be subject to the ratification of Klépierre's General Meeting of April 30, 2020 (5th resolution). The severance package will be paid in all cases of forced departure regardless of the method (removal, request for resignation, etc.), except in the event of serious or gross misconduct and in the event of non-re-appointment as Executive Board member at the end of his term of office. In accordance with the AFEP-MEDEF Code, no severance will be owed if the beneficiary is entitled to claim full retirement benefits within six months of termination. In the event of Jean-Marc Jestin's forced departure, he may be entitled to receive under the package a severance payment in an initial amount of one year's annual compensation, calculated by reference to the most recent (gross) fixed and short-term variable compensation paid as at the date of termination, it being specified that this initial amount may increase on a linear basis according to Jean-Marc Jestin's length of service as a corporate officer (on a basis of one month for each additional year of service with effect from January 1, 2017) and up to a maximum of two years' compensation, in accordance with the AFEP-MEDEF Code. Thus, at January 1, 2020, the severance payment would be equal to 15 months based on the latest (gross) fixed and short-term variable compensation. In terms of performance conditions, the severance package may only be paid in the event that: > In the two fiscal years preceding the year of termination of his term of office, Jean-Marc Jestin received or is entitled to receive overall annual variable compensation (quantitative plus qualitative) representing an amount equal to at least 100% of his fixed compensation (the maximum being 130%); and > The quantitative portion of the short-term annual variable compensation must, as a minimum, have been paid in an amount equal to the target in said two fiscal years.
Non-compete benefit	None	
Supplementary pension plan	None	Jean-Marc Jestin is not eligible for benefits under a specific supplementary pension plan but is eligible for the same compulsory private sector supplementary pension plan as other Group managers.
Other	None	

5.2.3.2 Deputy Chief Executive Officer and Executive Board member

Components of compensation put to the vote	Amounts paid during or allotted for fiscal year 2019 or accounting value	Presentation
Fixed annual compensation	€480,000	The Deputy CEO and Executive Board member received fixed annual compensation of €440,000 in 2018. The increase awarded between 2018 and 2019 completes, until 2022, the process of aligning his fixed compensation to the market initiated in 2015. After recognizing the lack of competitiveness of the Deputy CEO and Executive Board member's fixed compensation compared to that offered in comparable companies, in 2015 Klépierre announced its objective of restoring the fixed annual compensation of Executive Board members to a level that is appropriate as regards their experience and scope of responsibilities as well as market practice, in order to bring it close to the median of the panels of companies comparable in size and activities to Klépierre based on the studies conducted by Towers Watson. The Supervisory Board's approach and its reasons are described in Klépierre's 2018 registration document, pages 249 *et seq.*
Annual variable compensation	€624,000	**Annual variable compensation paid in 2019 (in respect of 2018)**: on the basis of the Nomination and Compensation Committee's work, the Supervisory Board meeting of February 5, 2019 decided that: > The variable portion of 2018 compensation due for achieving the quantitative target would amount to 80% of the fixed annual compensation; and > The variable portion of 2018 compensation due for achieving the qualitative targets would amount to 49% of the fixed annual compensation; representing a total of €567,600. Details of the achievement rates for the quantitative and qualitative criteria are presented on page 258 of Klépierre's 2018 registration document. This compensation was approved by the General Meeting of April 16, 2019 (8th resolution). **Annual variable compensation allotted for fiscal year 2019**: for information, the Deputy CEO and Executive Board member's variable compensation for fiscal year 2019 may vary between 0% and 130% of his fixed annual compensation and will be set as follows: > 0% to 80% of fixed annual compensation based on net current cash flow per share. This financial indicator, which measures changes in income based on organic and external growth, cost management efficiency (operating costs and financial costs) and tax exposure of recurring operations, is especially appropriate for a real estate company such as Klépierre; and > 0% to 50% of fixed annual compensation, based on the following areas and targets set for 2019: (i) strategy (acquisitions, developments, divestment), (ii) corporate social responsibility, (iii) Company image. On the basis of the Nomination and Compensation Committee's work, the Supervisory Board meeting of February 4, 2020 decided that: > The variable portion of 2019 compensation due for achieving the quantitative target would amount to 80% of the fixed annual compensation; and > The variable portion of 2019 compensation due for achieving the qualitative targets would amount to 50% of the fixed annual compensation; representing a total of €624,000. Details of the achievement rates for the quantitative and qualitative criteria are presented on page 256. Payment of this compensation is subject to the approval of the General Meeting of April 30, 2020.
Deferred variable compensation	None	
Multi-annual variable compensation	None	

Components of compensation put to the vote	Amounts paid during or allotted for fiscal year 2019 or accounting value	Presentation
Extraordinary compensation	None	
Performance shares	€570,000 (accounting value)	The allotment of performance shares is examined in light of the total annual compensation of the executive corporate officer concerned, while ensuring that the interests of shareholders are respected. Shares are allotted in the scope of annual plans and the number of shares is set at pre-determined times. The main characteristics of the 2019 Plan are as follows: > Plan of May 6, 2019 authorized by the General Meeting of April 16, 2019 (22nd resolution); > Allotment of 30,000 shares to the Deputy CEO and Executive Board member, representing: - €570,000, based on the measurement of the performance shares by an expert and in accordance with IFRS, (i.e., €19 per share at the time of the allotment), - 9.33% of the total allotment under this plan for all beneficiaries concerned, - 0.01% of the Company's share capital; > Allotment subject to four performance conditions (absolute, relative, internal and CSR) assessed over a three-year period. Details of the four performance conditions and the achievement scale are presented on page 277; > Obligation to hold in registered form a number of shares equivalent to 50% of the gain on vested shares net of taxes and charges as calculated on delivery of the shares, until the end of his term of office.
Stock subscription or purchase options	None	
Compensation in respect of Board membership	None	
Value of benefits in kind	€39,089	Provision of a company car. Contributions paid by the Company for Jean-Michel Gault to continue to benefit from the occupational insurance and healthcare benefits plan for Group employees. Unemployment insurance subscribed with GSC;
Severance payment	None	On April 16, 2019, the Supervisory Board authorized the implementation of a severance package in the event of Jean-Michel Gault's forced departure from Klépierre. It will be subject to the ratification of Klépierre's General Meeting of April 30, 2020 (6th resolution). The severance package will be paid in all cases of forced departure regardless of the method (removal, request for resignation, etc.), except in the event of serious or gross misconduct and in the event of non-re-appointment as Executive Board member at the end of his term of office. In accordance with the AFEP-MEDEF Code, no severance will be owed if the beneficiary is entitled to claim full retirement benefits within six months of termination. In the event of Jean-Michel Gault's forced departure, the amount of the severance payment under this package will be limited to two years of the (gross) fixed and short-term variable compensation received for his corporate office over the 12 months preceding his departure, less any amount paid for any statutory severance or due under a collective bargaining agreement that Jean-Michel Gault may otherwise receive under his employment contract. The payment of the non-statutory severance is also subject to the achievement of the same performance conditions as applicable to the Chairman of the Executive Board, namely: > In the two fiscal years preceding the year of termination of his term of office, Jean-Michel Gault received or will be entitled to receive overall annual variable compensation (quantitative plus qualitative) representing an amount equal to at least 100% of his fixed compensation (the maximum being 130%); and > The quantitative portion of the annual variable compensation must, as a minimum, have been paid in an amount equal to the target in said two fiscal years.
Non-compete benefit	None	
Supplementary pension plan	€7,122	Jean-Michel Gault is eligible for the supplementary pension plan for senior executives of the former Compagnie Bancaire, which provides for an additional pension of a maximum amount determined on the basis of reference compensation and seniority as of December 31, 2000. This maximum amount is capped (subject to the application of an increase based on the growth rate of the AGIRC point value) at €7,122, and no increase in the conditional rights may vest in respect of seniority or increases in compensation after December 31, 2000. This plan has been closed to new beneficiaries since December 31, 2000. Jean-Michel Gault's compensation package takes this pension plan into account. Jean-Michel Gault is also entitled to the same compulsory private sector supplementary pension plan as other Group managers.
Other	None	

5.2.4 Summary tables based on AMF and AFEP-MEDEF Code recommendations

TABLE NO. 1 – SUMMARY OF COMPENSATION IN STOCK OPTIONS AND SHARES ALLOTTED TO EACH EXECUTIVE CORPORATE OFFICER *(in euros)*

Jean-Marc Jestin – Chairman of the Executive Board	2018	2019
Compensation due in respect of the fiscal year (itemized in Table 2)	1,526,789	1,764,419
Value of options allotted during the fiscal year	–	–
Value of performance shares allotted during the fiscal year	739,200	665,000
TOTAL	**2,265,989**	**2,429,419**

Jean-Michel Gault – Deputy CEO and Executive Board member	2018	2019
Compensation due in respect of the fiscal year (itemized in Table 2)	1,045,559	1,143,089
Value of options allotted during the fiscal year	–	–
Value of performance shares allotted during the fiscal year	633,600	570,000
TOTAL	**1,679,159**	**1,713,089**

TABLE NO. 2 – SUMMARY OF COMPENSATION OF EACH EXECUTIVE CORPORATE OFFICER *(in euros)*

	2018		2019	
Jean-Marc Jestin – Chairman of the Executive Board	**Amount due**	**Amount paid**	**Amount due**	**Amount paid**
Fixed compensation	650,000	650,000	750,000	750,000
Short-term variable compensation	838,500[(a)]	650,000[(b)]	975,000[(c)]	838,500
Extraordinary compensation	–	–	–	–
Compensation in respect of Board membership	–	–	–	–
Benefits in kind[(d)]	38,289	38,289	39,419	39,419
Other	0	0	0	0
TOTAL	**1,526,789**	**1,338,289**	**1,764,419**	**1,627,919**

(a) Jean-Marc Jestin's variable compensation for fiscal year 2018 was set by the Supervisory Board, acting on the proposal of the Nomination and Compensation Committee. Details of the calculations used appear on page 262 of the 2018 registration document filed with the AMF under number D.19-0119.
(b) Jean-Marc Jestin's variable compensation for fiscal year 2017 was set by the Supervisory Board, acting on the proposal of the Nomination and Compensation Committee. Details of the calculations used appear on pages 252-253 of the 2017 registration document filed with the AMF under number D.18-0134.
(c) Jean-Marc Jestin's variable compensation for fiscal year 2019 was set by the Supervisory Board, acting on the proposal of the Nomination and Compensation Committee. Details of the calculations used appear on page 253 of this document.
(d) Corresponds to the provision of a company car, contributions paid by the Company for Jean-Marc Jestin to continue to benefit from the occupational insurance and healthcare benefits plan for Group employees, and the unemployment insurance subscribed with GSC.

	2018		2019	
Jean-Michel Gault – Deputy CEO and Executive Board member	**Amount due**	**Amount paid**	**Amount due**	**Amount paid**
Fixed compensation	440,000	440,000	480,000	480,000
Short-term variable compensation	567,600[(a)]	512,000[(b)]	624,000[(c)]	567,600
Extraordinary compensation	–	–	–	–
Compensation in respect of Board membership	–	–	–	–
Benefits in kind[(d)]	37,959	37,959	39,089	39,089
Other	0	0	0	0
TOTAL	**1,045,559**	**989,959**	**1,143,089**	**1,086,689**

(a) Jean-Michel Gault's variable compensation for fiscal year 2018 was set by the Supervisory Board, acting on the proposal of the Nomination and Compensation Committee. Details of the calculations used appear on page 264 of the 2018 registration document filed with the AMF under number D.19-0119.
(b) Jean-Michel Gault's variable compensation for fiscal year 2017 was set by the Supervisory Board, acting on the proposal of the Nomination and Compensation Committee. Details of the calculations used appear on pages 254 and 255 of the 2017 registration document filed with the AMF under number D.18-0134.
(c) Jean-Michel Gault's variable compensation for fiscal year 2019 was set by the Supervisory Board, acting on the proposal of the Nomination and Compensation Committee. Details of the calculations used appear on page 256 of this document.
(d) Corresponds to provision of a company car, contributions paid by the Company for Jean-Michel Gault to continue to benefit from the occupational insurance and healthcare benefits plan for Group employees, and the unemployment insurance subscribed with GSC.

TABLE 3 – COMPENSATION RECEIVED BY NON-EXECUTIVE CORPORATE OFFICERS

	2018		2019	
Non-executive corporate officers	**Amount allotted**	**Amount paid**	**Amount allotted**	**Amount paid**
David Simon				
Fixed/variable compensation	97,800	100,161	98,120	97,800
Other compensation	-	-	-	-
John Carrafiell				
Fixed/variable compensation	70,678	63,868	69,227	70,678
Other compensation	-	-	-	-
Béatrice de Clermont-Tonnerre				
Fixed/variable compensation	48,678	41,868	50,674	48,678
Other compensation	-	-	-	-
Bertrand de Feydeau(a)				
Fixed/variable compensation	-	28,661	-	-
Other compensation	-	-	-	-
Jeroen Drost(b)				
Fixed/variable compensation	17,354	65,393	-	17,354
Other compensation	-	-	-	-
Steven Fivel				
Fixed/variable compensation	106,047	104,343	103,689	106,047
Other compensation	-	-	-	-
Stanley Shashoua				
Fixed/variable compensation	80,117	70,706	74,797	80,117
Other compensation	-	-	-	-
Catherine Simoni				
Fixed/variable compensation	86,398	71,651	93,350	86,398
Other compensation	-	-	-	-
Rose-Marie Van Lerberghe				
Fixed/variable compensation	83,660	74,813	86,458	83,660
Other compensation	-	-	-	-
Florence Von Erb				
Fixed/variable compensation	48,678	44,525	54,120	48,678
Other compensation	-	-	-	-
Robert Fowlds(c)				
Fixed/variable compensation	37,258	-	54,120	37,258
Other compensation	-	-	-	-

(a) End of term: April 18, 2017.
(b) End of term: April 24, 2018.
(c) Appointed on April 24, 2018.

▸ TABLE NO. 4 – STOCK SUBSCRIPTION OR PURCHASE OPTIONS ALLOTTED DURING THE FISCAL YEAR TO EACH EXECUTIVE CORPORATE OFFICER BY THE COMPANY AND BY ANY GROUP COMPANY

Not applicable.

▸ TABLE NO. 5 – STOCK SUBSCRIPTION OR PURCHASE OPTIONS EXERCISED DURING THE FISCAL YEAR

Only the plans set out in the tables below were exercised during the fiscal year:

Jean-Marc Jestin – Chairman of the Executive Board	Number of options exercised during the fiscal year	Exercise price
Plan: none	None	N/A

Jean-Michel Gault – Deputy CEO and Executive Board member	Number of options exercised during the fiscal year	Exercise price
2011 Plan (with performance conditions)	9,000	€27.94
2011 Plan (with performance conditions)	9,000	€27.94
2011 Plan (with performance conditions)	9,000	€29.33

The additional table below sets out the exercise price of the options granted to Jean-Marc Jestin and Jean-Michel Gault as corporate officers that became available during the fiscal year:

Jean-Marc Jestin – Chairman of the Executive Board	Availability date	Number of options available	Exercise price
Plan: none	None	None	N/A

Jean-Michel Gault – Deputy CEO and Executive Board member	Availability date	Number of options available	Exercise price
Plan: none	None	None	N/A

▸ TABLE NO. 6 – PERFORMANCE SHARES ALLOTTED DURING THE FISCAL YEAR TO EACH EXECUTIVE CORPORATE OFFICER

Beneficiary	Plan date	Number of shares allotted during the fiscal year	Value of shares based on method used in the consolidated financial statements	End of vesting period	End of lock-up period	Performance conditions
Jean-Marc Jestin Chairman of the Executive Board	2019 Plan of May 6, 2019	35,000	€19	May 6, 2022	May 6, 2024	All of these shares are subject to performance conditions in accordance with the principles set out on page 277 of this document.
Jean-Michel Gault Deputy CEO and Executive Board member		30,000				

▸ TABLE NO. 7 – VESTING OF PERFORMANCE SHARES FOR EACH EXECUTIVE CORPORATE OFFICER

Beneficiaries	Plan	Number of shares that vested during the fiscal year	Vesting conditions
Jean-Marc Jestin	2014 Plan	1,208	Yes
Jean-Michel Gault	2014 Plan	1,208	Yes

Senior executives remain bound by a holding obligation under Article L. 225-197-1 of the French Commercial Code as recommended in the AFEP-MEDEF Code.

The additional chart below sets out the number of performance shares allotted to Executive Board members as corporate officers, which vested during the fiscal year:

Beneficiaries	Plan	End of vesting period	Number of shares vested
Jean-Marc Jestin	2016 Plan	May 2, 2019	5,301
Jean-Michel Gault	2016 Plan	May 2, 2019	5,301

TABLE NO. 11

	Employment contract		Supplementary pension plan		Compensation or benefits due or conditionally due on termination or change of function		Compensation related to non-compete clause	
	Yes	No	Yes	No	Yes	No	Yes	No
Jean-Marc Jestin Chairman of the Executive Board Start of term[(a)]: 06/22/2019 End of term[(a)]: 06/21/2022		X		X	X			X
Jean-Michel Gault Deputy CEO Executive Board member Start of term[(a)]: 06/22/2019 End of term[(a)]: 06/21/2022	X[(b)]		X[(c)]		X			X

(a) On the Executive Board.

(b) In the past, Jean-Michel Gault exercised his corporate office as an Executive Board member without consideration and received compensation for his employment contract. In order to allow him to fully undertake his role as an Executive Board member, the Supervisory Board, acting on the recommendation of the Nomination and Compensation Committee, decided to suspend his employment contract for the duration of his corporate office, with effect from July 1, 2016.

(c) Jean-Michel Gault is eligible for the supplementary pension plan for senior executives of the former Compagnie Bancaire, which provides for an additional pension on retirement of a maximum annual amount of €7,122.


LA CANTINE
LIBANAISE
le goût de la tradition
FIVE
GUYS
LIBANAISE
MILKSHAKES

6

SHARE CAPITAL, SHARE OWNERSHIP, GENERAL MEETING AND TREASURY SHARE BUYBACK PROGRAM

6.1 SHARE CAPITAL AND SHARE OWNERSHIP

6.1.1 General information on the share capital

6.1.1.1 Share capital – Type of shares

As of December 31, 2019, the share capital totaled €423,729,733, divided into 302,664,095 fully paid-up shares each with a par value of €1.40.

In accordance with Article 28 of the Company's bylaws, each share confers a single vote.

The shares may be held in either registered or bearer form, at the shareholder's discretion. The share capital may be modified under the conditions provided by law.

6.1.1.2 Delegations of authority and authorizations granted to Klépierre's Executive Board

As of the date of this document, the Executive Board holds the following delegations of authority or authorizations pursuant to various decisions made by the General Meeting of Shareholders of April 16, 2019:

Delegations of authority or authorizations granted by the General Meeting of Shareholders of April 16, 2019

Purpose of the resolution	Maximum amount	Duration	Utilization during fiscal year 2019
Authorization for the Company to buy back its own shares	Maximum program amount: 10% of the share capital and €1,383,406,204.50 Maximum purchase price: €45 per share with a par value of €1.40	18 months with effect from April 16, 2019 (12th resolution)	Purchase of 9,584,166 shares during fiscal year 2019 (including 6,438,133 shares under this authorization)
Authorization to reduce the share capital by canceling treasury shares	10% of the share capital in a 24-month period	26 months with effect from April 16, 2019 (13th resolution)	Cancellation of 11,691,968 shares during fiscal year 2019 (including 4,759,506 shares under this authorization)
Capital increase with preemptive subscription rights through the issue of shares and/or securities giving rights to shares of the Company or its subsidiaries and/or securities giving rights to debt securities[a]	Maximum nominal amount: €90 million and €1.5 billion for debt securities	26 months with effect from April 16, 2019 (14th resolution)	None
Capital increase without preemptive subscription rights through the issue of shares and/or securities giving rights to shares of the Company or its subsidiaries and/or securities giving rights to debt securities, by means of a public offering or private placement[a][b]	Maximum nominal amount: €42 million and €1.5 billion for debt securities	26 months with effect from April 16, 2019 (15th and 16th resolutions)	None
Increase in the number of securities to be issued in the event of an issue of ordinary shares and/or securities giving rights to shares of the Company, any subsidiary and/or any other company, with or without preemptive subscription rights[a]	At the same price as that decided for the initial issue, within the periods and limits specified by the applicable regulations at the date of the issue[c]	26 months with effect from April 16, 2019 (17th resolution)	None
Capital increase without preemptive subscription rights through the issue of shares and/or securities giving rights to shares of the Company as consideration for contributions in kind in the form of equity securities and/or securities giving rights to shares of the Company[a]	Up to 10% of the share capital	26 months with effect from April 16, 2019 (18th resolution)	None
Capital increase by capitalizing premiums, reserves, profits or other items[a]	€100 million	26 months with effect from April 16, 2019 (19th resolution)	None
Capital increase without preemptive subscription rights through the issue of shares or securities giving rights to shares of the Company reserved for members of company savings plans	Maximum nominal amount: €3 million	26 months with effect from April 16, 2019 (20th resolution)	None
Authorization to allot bonus shares of the Company without preemptive subscription rights	0.5% of the share capital	38 months with effect from April 16, 2019 (22nd resolution)	Allotment of 321,800 bonus shares representing 0.11% of the share capital as of December 31, 2019

(a) Overall maximum nominal amount of the share capital increases, whether immediate and/or future, that may be carried out pursuant to the authorizations granted to the Executive Board: €100 million (21st resolution) (plus the nominal amount of any additional shares issued to protect the rights of the holders of securities giving rights to shares of the Company).
Overall maximum nominal amount of debt securities giving rights to shares of the Company: €1.5 billion (21st resolution).

(b) Private placement: issues may not exceed the limits specified by the applicable regulations at the date of the issue (at the date hereof, 20% of the share capital per year, pursuant to Article L. 225-136-3 of the French Commercial Code).

(c) At the date hereof, within 30 days of the close of the subscription period and within the limit of 15% of the initial issue, pursuant to Article R. 225-118 of the French Commercial Code.

6.1.1.3 Dividends

The dividends distributed for the last five fiscal years are as follows:

Fiscal year	2014	2015	2016	2017	2018
Number of shares	(a)	314,356,063	314,356,063	314,356,063	(b)
Net dividend	€1.60	€1.70	€1.82	€1.96	€2.10
Net amount distributed	€398,423,693.56	€534,405,307.10	€572,128,034.66	€616,137,883.48	€642,619,152

(a) The dividend of €1.60 consisted of (i) an interim dividend in a total amount of €181,518,009.40, or €0.91 per share (based on a total of 199,470,340 shares as of December 31, 2014), with the shares going ex-dividend on January 8, 2015 and the interim dividend being paid in cash on January 12, 2015; and (ii) a final dividend to the shareholders representing an additional distribution of €216,905,684.16, or €0.69 per share (based on a total of 314,356,063 shares), with the shares going ex-dividend on April 17, 2015 and the final dividend being paid in cash on April 21, 2015.

(b) The dividend of €2.10 consisted of (i) an interim dividend in a total amount of €322,794,781.05, or €1.05 per share (based on a total of 307,423,601 shares), with the shares going ex-dividend on March 7, 2019 and the interim dividend being paid in cash on March 11, 2019; and (ii) a final dividend to the shareholders representing an additional distribution of €319,824,370.95, or €1.05 per share (based on a total of 304,594,639 shares), with the shares going ex-dividend on July 8, 2019 and the final dividend being paid in cash on July 11, 2019.

Dividends unclaimed after a period of five years from the date of payment are paid to the French State.

Shares held by the Company do not confer rights to dividends.

6.1.1.4 Share capital and stock market

Shares

All the Company's share capital is traded on Euronext Paris (compartment A).

	2015	2016	2017	2018	2019
Market capitalization *(in €m)*(a)	12,885	11,740	11,526	8,475	10,245
Number of shares traded (daily average)	719,370	622,113	654,615	718,289	726,782
SHARE PRICE *(in euros)*					
High	47.69	43.17	38.13	37.32	33.85
Low	35.29	34.56	32.24	26.50	26.53
Closing	40.99	37.35	36.67	26.96	33.85

(a) At the fiscal year end. Source: Bloomberg.

Trading volume over the last 18 months (in number of shares and amount of equity traded)

		High *(in euros)*	Low *(in euros)*	Number of shares traded	Amount of equity traded *(in euros)*
	September	30.77	30.24	13,399,553	409,243,344
	October	30.39	28.38	15,095,330	444,095,059
	November	31.00	28.81	12,448,930	371,463,947
2018	December	28.92	26.50	14,726,108	410,869,027
	January	**30.28**	**26.53**	**14,257,495**	**403,722,515**
	February	**30.85**	**29.76**	**14,767,031**	**449,148,054**
	March	**31.41**	**29.70**	**17,801,131**	**547,566,428**
	April	**32.69**	**31.25**	**14,696,566**	**471,443,091**
	May	**31.74**	**29.74**	**15,285,599**	**471,466,219**
	June	**30.86**	**28.82**	**18,694,138**	**557,034,545**
	July	**30.98**	**28.32**	**15,768,661**	**463,996,896**
	August	**27.93**	**26.66**	**14,341,919**	**391,980,508**
	September	**31.16**	**27.49**	**16,163,880**	**478,348,619**
	October	**33.55**	**29.88**	**16,098,200**	**514,568,762**
	November	**33.40**	**32.16**	**13,973,453**	**460,485,682**
2019	**December**	**33.85**	**32.28**	**13,481,389**	**442,701,719**
	January	34.66	30.73	18,642,350	610,819,891
2020	February	31.34	27.02	24,818,400	742,122,186.4

Source: Bloomberg.

Dilutive instruments

There are no outstanding dilutive instruments.

Any changes with respect to the use of dilutive instruments as a result of the delegations of authority and authorizations granted to the Executive Board are presented on page 268 of this document.

6.1.1.5 Bonds

Issue date	Maturity date	Currency	Outstanding nominal	Coupon	ISIN code
EUROBOND ISSUES LISTED ON THE PARIS STOCK EXCHANGE (EMTN)[a]					
04/14/2010 - 05/31/2012 - 07/04/2012	04/14/2020	EUR	300,000,000	4.625%	FR0010885582
03/14/2011	03/14/2021	EUR	564,400,000	4.75%	FR0011019397
05/21/2012	05/21/2027	EUR	50,000,000	4.23%	FR0011255280
01/28/2015 - 11/06/2014 - 11/06/2015	11/06/2024	EUR	630,000,000	1.75%	FR0012283653
04/17/2015	04/17/2023	EUR	750,000,000	1.00%	FR0012674661
10/22/2015 - 10/26/2015	10/22/2025	EUR	255,000,000	2.125%	FR0013030038
02/19/2016	02/19/2026	EUR	500,000,000	1.875%	FR0013121753
09/29/2016	09/29/2031	EUR	600,000,000	1.250%	FR0013203825
02/16/2017 - 02/27/2017	02/16/2027	EUR	600,000,000	1.375%	FR0013238045
12/11/2017	12/13/2032	EUR	500,000,000	1.625%	FR0013300605
07/01/2019	07/01/2030	EUR	600,000,000	0.625%	FR0013430741
EUROBOND ISSUES LISTED ON THE AMSTERDAM STOCK EXCHANGE (EMTN)[a]					
08/10/2010	08/10/2020	EUR	250,000,000	5.448%	XS0531584984
12/13/2012	12/13/2022	EUR	85,000,000	3.516%	XS0864386825
02/28/2013	02/26/2021	EUR	298,811,000	3.250%	XS0896119384

(a) Prospectuses for the EMTN (Euro Medium Term Notes) program are available on Klépierre's website (www.klepierre.com), in the "Finance" section.

6.1.2 Changes in the share capital – Breakdown of the share capital and voting rights

6.1.2.1 Changes in the share capital over the last five fiscal years

Dates	Nature of change	Number of shares concerned	Additional paid-in capital	Share capital on completion of the transaction
01/15/2015	Share capital increase[a]	96,589,672	€3,456,461,412.52	€414,484,016.80
01/19/2015	Share capital increase[b]	10,976,874	€420,030,083.61	€429,851,640.40
03/31/2015	Share capital increase[c]	7,319,177	€2,913,689,402.20	€440,098,488.20
02/20/2019	Share capital reduction	6,932,462	€240,363,057.51	€430,393,041.40
06/20/2019	Share capital reduction	2,828,962	€96,011,667.47	€426,432,494.60
12/17/2019	Share capital reduction	1,930,544	€63,912,225.52	€423,729,733

(a) Issue of ordinary shares of the Company as consideration for shares tendered during the initial offer period of the public exchange offer initiated by the Company for the shares of Corio, at an exchange rate of 1.14 Klépierre shares for 1 Corio share.
(b) Issue of ordinary shares of the Company as consideration for Corio shares tendered during the post-acceptance period of the offer, at an exchange rate of 1.14 Klépierre shares for 1 Corio share.
(c) Issue of ordinary shares of the Company as consideration for Corio shares tendered as part of the merger between Klépierre and Corio, at an exchange rate of 1.14 Klépierre shares for 1 Corio share.

6.1.2.2 Changes in the breakdown of the share capital and voting rights over the last three fiscal years

To the Company's knowledge and based on disclosures of crossings of thresholds set in the bylaws, the share capital breaks down as follows:

	Position as of December 31, 2017				Position as of December 31, 2018				Position as of December 31, 2019			
	Number of shares	% of share capital	% of theoretical voting rights	% of voting rights exercis-able in GMs	Number of shares	% of share capital	% of theoretical voting rights	% of voting rights exercis-able in GMs	Number of shares	% of share capital	% of theoretical voting rights	% of voting rights exercis-able in GMs
Simon Property Group	63,924,148	20.33	20.33	21.16	63,924,148	20.33	20.33	21.49	63,924,148	21.12	21.12	22.14
APG Group	42,417,173	13.49	13.49	14.04	37,533,266	11.94	11.94	12.62	30,431,632	10.05	10.05	10.54
BlackRock	15,785,108	5.03	5.03	5.23	18,854,509	5.99	5.99	6.34	18,212,011	6.02	6.02	6.31
Employees/ corporate officers	348,224	0.11	0.11	0.12	349,956	0.11	0.11	0.12	523,811	0.17	0.17	0.18
Free float	179,624,722	57.14	57.14	59.46	176,768,765	56.23	56.23	59.43	175,644,468	58.03	58.03	60.83
Treasury shares	12,256,688	3.90	3.90	–	16,925,419	5.38	5.38	–	13,928,025	4.60	4.60	–
TOTAL	**314,356,063**	**100**	**100**	**100**	**314,356,063**	**100**	**100**	**100**	**302,664,095**	**100**	**100**	**100**

No share capital reductions have been carried out in the period since December 31, 2019.

To the Company's knowledge, there have been no material changes since December 31, 2019 in the ownership of the share capital or voting rights, with the following exception:

> BlackRock notified the Company that it had crossed the 6.09% thresholds for share capital and voting rights on February 26, 2020.

Employee share ownership

In December 2018, the Executive Board decided to set up a share ownership plan reserved for certain Klépierre Management employees (the "**Beneficiaries**"), through the Klépierre Management company savings plan (*plan d'epargne d'entreprise* – PEE) (the "**Mercury Plan**"). Under the Mercury Plan, the Beneficiaries had the opportunity to purchase Klépierre shares at a price of €24.96 per share.

Following centralization of the Beneficiaries' purchase requests, the Executive Board noted in June 2019 that 326,689 shares had been sold to the Beneficiaries under the Mercury Plan, for a total price of €8,154,157.44.

Shareholders' agreements

To the Company's knowledge, no agreement existed as of December 31, 2019 that could result in a change of control at a later date.

Upon the conclusion of the agreement between Klépierre and Corio on July 29, 2014, Simon Property Group ("**SPG**"), BNP Paribas SA ("**BNPP**"), Klépierre's reference shareholders, and the Dutch foundation (*stichting*) Stichting Depositary APG Strategic Real Estate Pool, represented by its management company APG Asset Management NV ("**APG**"), Corio's reference shareholder, each acting directly or through affiliates (respectively, the "**SPG group**", the "**BNPP group**" and the "**APG group**", and together, the "**Parties**"), entered into a shareholders' agreement (the "**Shareholders' Agreement**") to organize their relationship as Klépierre shareholders. The agreement was published by the French financial markets authority (*Autorité des marchés financiers* – AMF) as required by law, in decision 214C2161 of October 16, 2014.

The Shareholders' Agreement entered into force on January 15, 2015, the date of settlement/delivery of the public exchange offer (the "**Completion Date**").

To the Company's knowledge, the provisions of the Shareholders' Agreement are no longer applicable to the BNPP group, since its stake in Klépierre fell below 5% in November 2015.

I – Klépierre's Governance

Representation on the Supervisory Board

Under the Shareholders' Agreement, both the SPG and APG groups must be represented on Klépierre's Supervisory Board. As such, each group undertakes to vote in favor of the representatives presented by the other at General Meetings of Shareholders and Supervisory Board meetings (solely for appointments by way of co-option).

In particular, the Shareholders' Agreement provides that three Supervisory Board members must be representatives of the SPG group (including the Chairman of the Board who will have a casting vote) and one member must be a representative of the APG group. The Supervisory Board must have at least five independent members within the meaning of the AFEP-MEDEF Code, appointed by Klépierre's General Meeting of Shareholders.

In the event that the SPG group's stake falls below the lowest of (i) 13.6% of the total number of Klépierre shares, (ii) the BNPP group's stake in the Company or (iii) the APG group's stake in the Company:

(i) the number of representatives of each Party on the Supervisory Board will be determined pro rata to their respective stakes in Klépierre; and

(ii) The Chairman of the Board will no longer be appointed on a proposal from the SPG group.

Representation on the Supervisory Board committees

Under the Shareholders' Agreement, the Supervisory Board is assisted by the following advisory committees: the Audit Committee, the Nomination and Compensation Committee, the Sustainable Development Committee and the Investment Committee.

The Shareholders' Agreement also determines the membership of the Investment Committee and provides for mutual voting commitments on the part of the SPG and APG groups for that purpose, such that the representatives of each Party on the Supervisory Board are appointed as members of the Investment Committee.

II – Transfers of securities

The Shareholders' Agreement includes the following commitments with regard to transfers of Klépierre securities, which were still in force as of the date of this document:

Right of first refusal

After the completion date, (i) the APG group undertook to give the SPG group, and (ii) the SPG group undertook to give the APG group, a right of first refusal on all the securities offered at the price proposed by the selling entity within the SPG or APG groups (the "**Seller**"), within a period of five business days from the date of receipt of the notice.

This right of first refusal applies in the event of a transfer of Klépierre securities to a third party, on the understanding that "transfer" includes any transfer of the right of ownership, immediately or in the future, as well as any division of ownership, any form of security or trust and any derivative transaction.

However, the following transactions are excluded from the right of first refusal: (i) the tendering of securities to a public takeover bid for the Company; (ii) sales on the market (in the form of block sales, market placements or similar procedures); (iii) derivative contracts providing for settlement in cash; (iv) issues of indexed debt securities; and (v) securities lending and other temporary ownership transfer transactions (a "**Market Transaction**").

By way of exception, the right of first refusal will in any event apply in the case of the Market Transactions referred to in (i), (iii) and (v) above, as well as in the case of a Market Transaction with an identified third party, provided that the transfer is made to a competitor of SPG, and in the case of a Market Transaction (in the form of a placement) representing at least 7.5% of Klépierre's share capital and voting rights. In the case of Market Transactions in the form of a sale on the market or a placement below this threshold, or in the case of the Market Transactions referred to in (iv) above, they will be conducted in good faith, in order to avoid the transfer of a substantial portion of the stake whose sale to a competitor of SPG is under consideration.

In the case of Market Transactions to which the right of first refusal applies, the abovementioned period of five days is reduced to three business days.

Lastly, each Party undertakes to ensure that sales take place in an orderly fashion so as not to disrupt the market in Klépierre securities.

The Shareholders' Agreement was concluded for a term of 10 years. It may be terminated at any time as regards a Party, in the event that such Party comes to own less than 5% of Klépierre's share capital and voting rights.

Under the terms of the Shareholders' Agreement, SPG and APG declared that they were not acting in concert as regards Klépierre (within the meaning of Article L. 233-10 of the French Commercial Code [*Code de commerce*]), which was a key prerequisite to the signature of the Shareholders' Agreement, and they also undertake not to act in concert.

6.1.2.3 Crossing of thresholds set by law or in the bylaws

According to Article 7 of the bylaws, any individual or legal entity, acting alone or in concert, that acquires at least 2% of the Company's share capital (or any multiple thereof) is required to inform the Company by registered letter with acknowledgment of receipt indicating the number of shares held, within five trading days of the date of the threshold crossing.

If the 10% threshold of the Company's share capital is directly or indirectly exceeded (i.e., ownership of 10% or more of the rights to the dividends paid by the Company), any shareholder other than an individual is required to indicate in its threshold crossing disclosure whether or not it is a Shareholder Subject to Withholding (as defined in Article 31 of the bylaws). Should such shareholder declare that it was not a Shareholder Subject to Withholding, it would have to substantiate such claim whenever so requested by the Company, as well as provide the Company with a legal opinion from an internationally reputed tax law firm whenever so requested. Any shareholder other than an individual who informs the Company that it has directly or indirectly exceeded the 10% threshold of the Company's share capital must promptly notify the Company of any change in its tax status that may cause it to acquire or lose the status of Shareholder Subject to Withholding.

Unless they have been disclosed in accordance with the conditions set out above, the shares exceeding the disclosure threshold subject to the declaration requirement will be stripped of voting rights at General Meetings of Shareholders where the failure to disclose is brought to the attention of the Meeting or where one or more shareholders together holding at least 2% of the Company's share capital ask the Meeting to do so. Voting rights will be suspended at all General Meetings of Shareholders held within two years of the date on which the appropriate disclosure is duly made.

All shareholders are also required to inform the Company, in accordance with the procedures and deadlines set out above, if their shareholding falls below any of the abovementioned thresholds.

The table below summarizes all crossings of thresholds, set by law or in the bylaws, of which the Company was notified during fiscal year 2019:

	Date of crossing	Number of shares held after threshold crossing	Date of the letter of notification sent to the Company	Above or below/ (% share capital held)	Above or below/ (% voting rights held)
BlackRock Inc.[(a)]	January 2, 2019	18,874,453	January 3, 2019	Above/(6.00%)	Above/(6.00%)
	January 3, 2019	18,851,992	January 4, 2019	Below/(5.99%)	Below/(5.99%)
	January 4, 2019	18,917,964	January 7, 2019	Above/(6.02%)	Above/(6.02%)
	February 1, 2019	18,858,033	February 4, 2019	Below/(5.99%)	Below/(5.99%)
	February 21, 2019	19,107,158	February 22, 2019	Above/(6.08%)	Above/(6.08%)
	February 26, 2019	18,861,237	February 27, 2019	Below/(5.99%)	Below/(5.99%)
	March 7, 2019	18,592,896	March 11, 2019	Above/(6.05%)	Above/(6.05%)
	April 23, 2019	18,437,684	April 24, 2019	Below/(5.99%)	Below/(5.99%)
	April 24, 2019	18,470,967	April 25, 2019	Above/(6.01%)	Above/(6.01%)
	April 25, 2019	18,353,494	April 26, 2019	Below/(5.97%)	Below/(5.97%)
	May 15, 2019	18,448,939	May 16, 2019	Above/(6.00%)	Above/(6.00%)
	May 20, 2019	18,360,351	May 21, 2019	Below/(5.97%)	Below/(5.97%)
	May 22, 2019	18,625,938	May 23, 2019	Above/(6.06%)	Above/(6.06%)
	June 21, 2019	18,292,541	June 24, 2019	Below/(5.95%)	Below/(5.95%)
	June 27, 2019	18,461,703	June 28, 2019	Above/(6.01%)	Above/(6.01%)
	June 28, 2019	18,340,233	July 2, 2019	Below/(5.97%)	Below/(5.97%)
	July 3, 2019	18,501,890	July 4, 2019	Above/(6.02%)	Above/(6.02%)
	July 4, 2019	18,206,316	July 5, 2019	Below/(5.92%)	Below/(5.92%)
	July 16, 2019	18,409,372	July 17, 2019	Above/(6.04%)	Above/(6.04%)
	July 19, 2019	18,195,438	July 22, 2019	Below/(5.97%)	Below/(5.97%)
	July 25, 2019	18,276,899	July 26, 2019	Above/(6.00%)	Above/(6.00%)
	July 26, 2019	18,212,011	July 29, 2019	Below/(5.98%)	Below/(5.98%)
APG Asset Management	March 26, 2019	30,728,958	July 10, 2019	Below/(9.99%)	Below/(9.99%)
	July 9, 2019	30,609,345	July 10, 2019	Above/(10.05%)	Above/(10.05%)
	July 19, 2019	30,431,632	July 22, 2019	Below/(9.99%)	Below/(9.99%)
Cohen & Steers	February 11, 2019	6,405,663	February 12, 2019	Above/(2.04%)	Above/(2.04%)
	March 29, 2019	5,940,250	April 12, 2019	Below/(1.93%)	Below/(1.93%)
	April 26, 2019	6,280,659	April 29, 2019	Above/(2.04%)	Above/(2.04%)
	June 20, 2019	6,039,461	June 21, 2019	Below/(1.96%)	Below/(1.96%)
	July 26, 2019	6,232,460	July 29, 2019	Above/(2.05%)	Above/(2.05%)
	November 15, 2019	5,972,030	November 18, 2019	Below/(1.96%)	Below/(1.96%)
BNP Paribas	April 24, 2019	7,296,416	April 25, 2019	Below/(2.37%)	Below/(2.37%)
	June 3, 2019	7,442,036	June 14, 2019	Above/(2.42%)	Above/(2.42%)
Citigroup Inc.	July 15, 2019	4,877,256	July 16, 2019	Below/(1.60%)	Below/(1.60%)

(a) *Acting on behalf of customers and funds, which it manages.*

6.1.2.4 Transactions by corporate officers and similar individuals in Company securities (Article L. 621-18-2 of the French Monetary and Financial Code [*Code monétaire et financier*])

Transactions reported by corporate officers and similar individuals to the AMF during fiscal year 2019 were as follows:

Name	Type of transaction	Financial instruments	Description of transaction	Total amount of transactions *(in euros)*
Jean-Marc Jestin	Purchase	Shares	Purchase of 6,250 shares at a unit price of €32	(296,057)
	Purchase	Shares	Purchase of 3,448 shares at a unit price of €27.86	
Jean-Michel Gault	Exercise	Stock options	Exercise of stock options (9,000 options)	(766,890)
			Exercise of stock options (9,000 options)	
			Exercise of stock options (9,000 options)	
	Sale	Shares	Sale of 9,000 shares at a unit price of €31.01	836,190
			Sale of 9,000 shares at a unit price of €30.90	
			Sale of 9,000 shares at a unit price of €31	

6.1.3 Stock purchase options and performance shares

6.1.3.1 Stock option and performance share allotment policy

Stock options and performance shares are allotted to executive corporate officers and employees in order to strengthen their motivation over the long-term, thus aligning the interests of senior executives with those of shareholders with a view to creating long-term value.

Prior to 2012, the Company implemented several stock purchase option plans for its senior executives and certain employees. However, since 2012, the Company has given preference to performance shares.

Beneficiaries

The beneficiaries of these plans are senior executives, to whom allotments are made in accordance with the executive corporate officer compensation policy, and particularly dedicated Group employees, in order to foster loyalty. As a result, the list of beneficiaries changes each year, along with the number of shares allotted to each beneficiary.

Allotment by the Supervisory Board

These allotments are made pursuant to the recommendations of the AFEP-MEDEF Code and occur each year during the same calendar period.

Cap on the number of performance shares offered

Pursuant to the AFEP-MEDEF Code, the Supervisory Board determines the maximum percentage of performance shares that may be allotted to the members of the Executive Board (currently 0.2% of the share capital over a 38-month period from the General Meeting of Shareholders of April 16, 2019, which is deducted from the overall percentage of 0.5% of the share capital authorized by that General Meeting of Shareholders over the same period).

The number of performance shares allotted to individual members of the Executive Board must be previously approved by the Supervisory Board after recommendation by the Nomination and Compensation Committee, and is determined with regard to the executive corporate officer's total annual compensation.

Hedging arrangements

In accordance with the AFEP-MEDEF Code, the members of the Executive Board have not implemented any hedging instruments with regard to the stock options and performance shares allotted to executive corporate officers.

6.1.3.2 Overview of 2011 stock purchase option plan

On May 27, 2011, the Executive Board adopted a plan for 606,000 stock purchase options in respect of 211 beneficiaries.

The stock purchase options have a term of eight years, and can be exercised on one or more occasions from the fourth anniversary following their date of allotment, subject to the following service and performance conditions.

Performance condition

The 2011 stock purchase option plan includes a performance condition for the members of the Executive Board (100% of their allotment) and for the other members of the Executive Committee in place at that time (50% of their allotment). The exercise price for the stock purchase options is not discounted.

The performance condition is based on the performance of the Klépierre share relative to the EPRA Eurozone Index (Code no. EPEU) for the first four years of the plan.

The performance condition is measured on four occasions (at the end of each of the first four years of the plan). Each measurement concerns one-quarter of the relevant stock purchase options.

- If the performance of the Klépierre share is lower than that of the index by 20% or more, the corresponding stock purchase options lapse automatically.
- Should the Klépierre share underperform the index by between 0% and 20%, the exercise price of the stock purchase options increases proportionally by between 5% and 20%.
- Should the Klépierre share outperform the index, all stock purchase options are allotted, and the exercise price remains the same.

All of the above measurements have been performed and the stock purchase option exercise prices are listed in Table 8 below.

Service condition

Stock purchase options may only be exercised by beneficiaries who are still with the Company at that date, barring exceptional cases where rights are maintained pursuant to the rules of the relevant plan.

TABLE NO. 8 – AMF/AFEP-MEDEF CODE RECOMMENDATIONS – HISTORY OF STOCK SUBSCRIPTION OR PURCHASE OPTIONS ALLOTTED – INFORMATION ON STOCK PURCHASE OPTIONS

	2011 Plan	
	With performance conditions	**Without performance conditions**
Date of Executive Board meeting	May 27, 2011	May 27, 2011
Total number of shares that may be subscribed or purchased	492,000	114,000
o/w shares that may be subscribed or purchased by corporate officers	–	78,000
Jean-Marc Jestin	–	–
Jean-Michel Gault	–	36,000
Start of exercise period	May 27, 2015	May 27, 2015
Expiration date	May 26, 2019	May 26, 2019
Subscription or purchase price(a)	€27.94	Between €27.94 and €30.73(b)
Exercise conditions (for plans that contain more than one tranche)(c)	See above	See above
Number of shares subscribed as of December 31, 2019	336,000	97,500
Total number of stock subscription or purchase options canceled or lapsed	156,000	16,500
Stock subscription or purchase options outstanding at the fiscal year end	0	0

(a) The purchase price corresponds to the rounded average of the opening trading prices for the 20 trading days preceding the allotment date.
(b) The purchase price varies depending on the performance of the Klépierre share compared to the EPRA Eurozone Index. At each measurement date, if the Klépierre share underperforms the index by 20 points or more, these options will automatically lapse and will cease to be exercisable.
(c) The lock-up period for options granted was set at four years with effect from the allotment date and their term at eight years.

TABLE NO. 8A – AMF/AFEP-MEDEF CODE RECOMMENDATIONS – STOCK SUBSCRIPTION OR PURCHASE OPTIONS ALLOTTED TO THE TOP 10 EMPLOYEES NOT HOLDING CORPORATE OFFICE/OPTIONS EXERCISED DURING THE YEAR BY THE TOP 10 EMPLOYEES NOT HOLDING CORPORATE OFFICE WHO PURCHASED THE HIGHEST NUMBER OF SHARES

	Total number of options allotted/shares subscribed or purchased	Average weighted price	2011 Plan
Options allotted during the fiscal year to the 10 employees who thereby received the highest number of options	–	–	–
Options exercised during the fiscal year by the 10 employees who thereby subscribed or purchased the highest number of shares	66,500	28.25	66,500

6.1.3.3 Performance share plans

Conditions common to all plans adopted up to December 31, 2019

Share vesting period and lock-up period

> **Vesting period:** the shares allotted to beneficiaries vest and are delivered in the form of Company shares at the end of a vesting period set by the Executive Board. In accordance with the authorization of the General Meeting of Shareholders, the vesting period cannot be less than three years.

> **Lock-up period:** following the vesting period, beneficiaries are required to hold the shares for a period of two years. Where the vesting period for all or part of an allotment is at least four years, the Executive Board may not impose any lock-up period for the relevant shares.

> **Plans implemented by the Supervisory Board:** on the basis of the above principles, the Executive Board has implemented "3+2" plans (three-year vesting period and two-year lock-up period) for French tax residents and "4+0" plans (four-year vesting period and no lock-up period) for non-French tax residents.

Service condition

The shares will only vest if the beneficiary is still with the Group at the end of the vesting period, barring exceptional cases where rights are maintained pursuant to the rules of the relevant plan.

Should the beneficiary leave the Group before the expiration of the term set for assessing the performance share performance criteria, maintenance of all or part of the entitlement to the performance shares is subject to the decision of the Supervisory Board and must be substantiated. With respect to the Executive Board members, the Supervisory Board will authorize a partial waiver of the service condition, such that performance shares vest pro rata to members' service to the Group.

Performance conditions

Performance conditions are determined by the Executive Board after consultation with the Nomination and Compensation Committee and the Supervisory Board. They are identical for all performance share beneficiaries, as described below.

Overview of plans adopted between January 1, 2014 and December 31, 2019

2014 Plan

On March 10, 2014, the Executive Board adopted a plan for 255,500 shares in respect of 61 beneficiaries (2014 Plan), representing, on the basis of the Company's share capital as of December 31, 2019, a maximum potential dilution of 0.08%.

At the end of the vesting period, the performance conditions were measured as follows:

Criteria	Weighting	Outcome
Absolute performance of Klépierre	30%	16.11% of performance shares vested
Relative performance of Klépierre	70%	0% of performance shares vested

2015 Plans

On May 4, 2015 and July 6, 2015, the Executive Board adopted two plans for, respectively, 287,559 performance shares in respect of 64 beneficiaries and 2,400 performance shares in respect of two beneficiaries (2015 Plans), representing, on the basis of the Company's share capital as of December 31, 2019, a maximum potential dilution of 0.09%.

At the end of the vesting period, the performance conditions were measured as follows:

Criteria	Weighting	Outcome
Absolute performance of Klépierre	30%	0% of performance shares vested
Relative performance of Klépierre	70%	0% of performance shares vested

2016 Plan

On May 2, 2016, the Executive Board adopted a plan for 324,500 performance shares in respect of 107 beneficiaries (2016 Plan), representing, on the basis of the Company's share capital as of December 31, 2019, a maximum potential dilution of 0.11%.

At the end of the vesting period, the performance conditions were measured as follows:

Criteria	Weighting	Outcome
Absolute performance of Klépierre	30%	0% of performance shares vested
Relative performance of Klépierre	50%	0% of performance shares vested
Internal performance of Klépierre	20%	17.67% of performance shares vested

2017 Plan

On April 18, 2017, the Executive Board adopted a plan for 310,900 performance shares in respect of 116 beneficiaries (2017 Plan), representing, on the basis of the Company's share capital as of December 31, 2019, a maximum potential dilution of 0.10%.

Under the 2017 Plan, performance conditions are assessed against the following achievement scale:

Absolute performance: 30% weighting		Relative performance: 50% weighting		Internal performance: 20% weighting	
Performance	% of shares delivered	Performance	% of shares delivered	Performance	% of shares delivered
≤16.5%	0%	Index -1%	0%	<1%	0%
20%	33.3%	Index	33.3%	1%	30%
22.5%	50%	Index +1%	50%	≥3%	100%
25%	66.7%	Index +2%	66.7%		
27.5%	83.3%	Index +3%	100%		
≥30%	100%				

If the result obtained is between two thresholds, the number of performance shares vested is calculated on a linear basis.

2018 Plans

On April 24, 2018 and July 9, 2018, the Executive Board adopted two plans for, respectively, 309,300 shares in respect of 119 beneficiaries and 3,300 shares in respect of one beneficiary (2018 Plans), representing, on the basis of the Company's share capital as of December 31, 2019, a maximum potential dilution of 0.10%.

Under the 2018 Plan, performance conditions are assessed against the following achievement scale:

Absolute performance: 10% weighting		Relative performance: 30% weighting		Internal performance: 40% weighting		CSR performance: 20% weighting	
Performance	**% of shares delivered**	**Performance**	**% of shares delivered**	**Performance**	**% of shares delivered**	**Performance**	**% of shares delivered**
≤16.5%	0%	Index -1%	0%	<1%	0%	GRESB rating: Klépierre must rank in the top five and have a "5-star" rating	8%
20%	33.3%	Index	33.3%	1%	30%	Reduction in the Group's energy consumption (target: 30% reduction)	3%
22.5%	50%	Index +1%	50%	≥3%	100%	Shopping centers with sustainable development certification (target: 80% of shopping centers)	3%
25%	66.7%	Index +2%	66.7%			Shopping centers contributing to local employment (target: 70% of shopping centers having implemented at least one initiative during the year to promote local employment)	3%
27.5%	83.3%	Index +3%	100%			Employees receiving training (target: 94% of employees)	3%
≥30%	100%						

If the result obtained is between two thresholds, the number of performance shares vested is calculated on a linear basis.

2019 Plans

On May 6, 2019 and October 31, 2019, the Executive Board adopted two plans for, respectively, 317,800 shares in respect of 106 beneficiaries and 4,000 shares in respect of one beneficiary (2019 Plans), representing, on the basis of the Company's share capital as of December 31, 2019, a maximum potential dilution of 0.11%.

Under the 2019 Plan, performance conditions are assessed against the following achievement scale:

Absolute performance: 10% weighting		Relative performance: 30% weighting		Internal performance: 40% weighting		CSR performance: 20% weighting	
Performance	**% of shares delivered**	**Performance**	**% of shares delivered**	**Performance**	**% of shares delivered**	**Performance**	**% of shares delivered**
≤16.5%	0%	Index -1%	0%	<1%	0%	GRESB rating: Klépierre must rank in the top five and have a "5-star" rating	8%
20%	33.3%	Index	33.3%	1%	30%	Reduction in the Group's energy consumption (target: ≥35%)	3%
22.5%	50%	Index +1%	50%	≥3%	100%	Net asset value of Group shopping centers with sustainable development certification (target: ≥90%)	3%
25%	66.7%	Index +2%	66.7%			Number of Group shopping centers having implemented at least one initiative during the year to promote local employment (target: ≥85%)	3%
27.5%	83.3%	Index +3%	100%			Number of Group employees having received training (target: ≥97%)	3%
≥30%	100%						

If the result obtained is between two thresholds, the number of performance shares vested is calculated on a linear basis.

TABLE 9 – AMF/AFEP-MEDEF CODE RECOMMENDATIONS – HISTORICAL DATA OF BONUS SHARES ALLOTTED – INFORMATION ON PERFORMANCE SHARES

	2014 Plan	2015 Plans	2016 Plan	2017 Plan	2018 Plans	2019 Plans
Date of Executive Board meeting	March 10, 2014	May 4, 2015 July 6, 2015	May 2, 2016	April 18, 2017	April 24, 2018 July 9, 2018	May 6, 2019 October 31, 2019
Total number of performance shares allotted	255,500	289,959	324,500	310,900	312,600	321,800
o/w allotted to corporate officers:						
> Jean-Marc Jestin	25,000	32,353	30,000	35,000	35,000	35,000
> Jean-Michel Gault	25,000	32,353	30,000	30,000	30,000	30,000
End of vesting period	France Plan: March 10, 2017 International Plan: March 10, 2018	France Plan: May 4, 2018 International Plan: May 4, 2019	France Plan: May 2, 2019 International Plan: May 2, 2020	France Plan: April 18, 2020 International Plan: April 18, 2021	France Plan: April 24, 2021 International Plan: April 24, 2022	France Plan: May 6, 2022 International Plan: May 6, 2023
End of lock-up period	France Plan: March 10, 2019 International Plan: March 10, 2018	France Plan: May 4, 2020 International Plans: April 5, 2019 and June 6, 2019	France Plan: May 2, 2021 International Plan: May 2, 2020	France Plan: April 18, 2022 International Plan: April 18, 2021	France Plan: April 24, 2023 International Plan: April 24, 2022	France Plan: May 6, 2024 International Plan: May 6, 2023
Performance condition	Performance conditions assessed based on two criteria: > TSR of the Klépierre share; > Performance of the Klépierre share relative to the FTSE EPRA Eurozone Index.	Performance conditions assessed based on two criteria: > TSR of the Klépierre share; > Performance of the Klépierre share relative to the FTSE EPRA Eurozone Index.	Performance conditions assessed based on three criteria: > TSR of the Klépierre share; > Performance of the Klépierre share relative to the FTSE EPRA Eurozone Index; > Internal performance assessed based on the average change over three years in net rental income, net of indexation, on a like-for-like basis.	Performance conditions assessed based on three criteria: > TSR of the Klépierre share; > Performance of the Klépierre share relative to the FTSE EPRA Eurozone Index; > Internal performance assessed based on the average change over three years in net rental income, net of indexation, on a like-for-like basis.	Performance conditions assessed based on four criteria: > TSR of the Klépierre share; > Performance of the Klépierre share compared to a panel of peers; > Internal performance assessed based on the average change over three years in net rental income on a like-for-like basis; > Group CSR performance, assessed based on the GRESB rating and on the achievement within three years of the Group's CSR strategic priorities.	Performance conditions assessed based on four criteria: > TSR of the Klépierre share; > Performance of the Klépierre share compared to a panel of peers; > Internal performance assessed based on the average change over three years in net rental income on a like-for-like basis; > Group CSR performance, assessed based on the GRESB rating and on the achievement within three years of the Group's CSR strategic priorities.
Number of shares vested as of December 31, 2019	11,667	0	38,638	0	0	0
Total number of shares canceled or lapsed	243,833	289,959	274,662	41,166	26,566	11,000
Shares outstanding at the fiscal year end	0	0	11,200	269,734	286,034	310,800

6.1.4 Material contracts

6.1.4.1 Material financing contracts

2018

Credit facility agreements

- Purpose: four credit facility agreements for a total maximum amount of €400 million.
- Repayment terms: in full at maturity (2023) where the two one-year extension options are not exercised.
- Interest: indexed to three-month Euribor, plus a fixed margin and a drawdown fee.

Renegotiation of credit facility agreements

- Purpose: renegotiation of five credit facility agreements for a total maximum amount of €950 million.
- Repayment terms: in full at maturity (2023) where the two one-year extension options are not exercised.
- Interest: indexed to three-month Euribor, plus a fixed margin and a drawdown fee.

Update of the Euro Medium Term Note (EMTN) program

- Purpose: legal framework enabling the rapid issuance of a broad range of bonds.
- Maximum amount: €7 billion.
- Listing: Paris.
- Governing law: French.
- Dealers: ABN Amro, Banca IMI, Barclays, BBVA, BNP Paribas, BofA Merrill Lynch, Citigroup, CM-CIC, Crédit Agricole CIB, Deutsche Bank, DnB, Goldman Sachs, HSBC, ING, JP Morgan, Mediobanca, Mizuho, Morgan Stanley, Natixis, NatWest Markets, Oddo, Santander, Société Générale, and UBS.
- Program rating: A-.
- No notes were issued in 2018 under the EMTN program.

2019

Credit facility agreements

- Purpose: credit facility agreement for a total maximum amount of €200 million.
- Repayment terms: in full at maturity (2024).
- Interest: indexed to three-month Euribor, plus a fixed margin and a drawdown fee.

Update of the Euro Medium Term Note (EMTN) program

- Purpose: legal framework enabling the rapid issuance of a broad range of bonds.
- Maximum amount: €7 billion.
- Listing: Paris.
- Governing law: French.
- Dealers: ABN Amro, Banca IMI, BBVA, Barclays, BNP Paribas, BofA Merrill Lynch, Caixa, Citigroup, CM-CIC, Crédit Agricole CIB, Deutsche Bank, DnB, Goldman Sachs, HSBC, ING, JP Morgan, Mediobanca, Mizuho, Morgan Stanley, MUFG, Natixis, NatWest Markets, Santander, Société Générale, SMBC, UBS, and Unicredit.
- Program rating: A-.

Under the EMTN program, a euro-denominated fixed-rate issue with an 11-year maturity was launched in 2019 for a total amount of €600 million.

6.1.4.2 Material investment and disposal contracts

This section sets out transactions exceeding €100 million.

2018

Sale of three assets from K2 property fund (Italy)

Date of agreement: September 27, 2018

- Parties: BNP REIM SGR (as management company of K2) and InvestiRE SGR.
- Purpose: sale of shopping centers in Metropoli, Rondinelle and Settimo.
- Amount: €160,706,100.

Sale of Vitrolles (France)

Date of agreement: February 15, 2018 with a rollover agreement on July 20, 2018

- Parties: Klécar France SNC and SAS LP 7, and Carmilla France.
- Purpose: sale of the Vitrolles shopping center.
- Amount: €134,537,769.

2019

Sale of four assets and closure of operations (Hungary)

Date of agreement: November 14, 2019 (signature: July 23, 2019)

- Parties: Capucine BV and Klépierre SA, and GSZ Monument Kft and Rockhampton Property Kft.
- Purpose: sale of Corvin Plaza, Duna Plaza, Györ Plaza and Miskolc Plaza and two management companies.
- Amount: €218,943,052 (net selling price).

6.1.4.3 Related-party agreements

Annual review of related-party agreements

On February 4, 2020, the Supervisory Board reviewed (i) the related-party agreements entered into and authorized by the Supervisory Board during fiscal year 2019 as well as (ii) the related-party agreements entered into and authorized by the Supervisory Board during previous fiscal years that remained in force during fiscal year 2019. The agreements are presented in the following tables:

RELATED-PARTY AGREEMENTS AUTHORIZED IN 2019

Date of the authorization granted by the Supervisory Board	Date of signature of the agreement	Date of the General Meeting called to approve the agreement	Parties to the agreement	Purpose of the agreement	Description of the agreement
February 5, 2019	February 22, 2019	April 16, 2019 (4th resolution, approved by 99.07% of shareholders)	Simon Property Group LP, via Simon Global Development BV	Tax representation of Simon Global Development BV by Klépierre SA in France	Appointment of Klépierre as tax representative of Simon Global Development BV in France, in exchange for the issue by Simon Property Group LP of a guarantee payable on first demand for an unlimited amount in favor of Klépierre. Fee: None The Supervisory Board took the view that it was in Klépierre's interest to allow Simon Global Development BV to benefit from the tax regime that had previously applied to Klépierre shareholders belonging to the Simon Property Group and that, furthermore, Klépierre did not expect to incur any risk or bear any cost due to its role as tax representative. Klépierre's appointment as tax representative will expire on December 20, 2020.
April 16, 2019	April 16, 2019	April 30, 2020 (5th and 6th resolutions)	Jean-Marc Jestin and Jean-Michel Gault	Severance package in the event of the forced departure of Jean-Marc Jestin or Jean-Michel Gault from Klépierre	In the event of forced departure from Klépierre (except in the event of serious or gross misconduct or in the event of non-re-appointment as an Executive Board member at the end of his term of office), the departing Executive Board member will receive a severance payment calculated as follows: **Concerning Jean-Marc Jestin**: the amount of the payment will correspond to one year's annual compensation increased on a linear basis according to his length of service as a corporate officer (on a basis of one month for each additional year of service with effect from January 1, 2017) and up to a maximum of two years of the (gross) fixed and short-term variable compensation received for that corporate office over the 12 months preceding his departure. **Concerning Jean-Michel Gault**: the amount of the payment will be limited to two years of the (gross) annual fixed and short-term variable compensation received for his corporate office over the 12 months preceding his departure, less any amount paid for any statutory severance or due under a collective bargaining agreement that Jean-Michel Gault may otherwise receive under his employment contract. The severance package may only be paid in the event that: > In the two fiscal years preceding the year of termination of his term of office, the departing member received or is entitled to receive overall short-term annual variable compensation (quantitative plus qualitative) representing an amount equal to at least 100% of his fixed compensation (the maximum being 130%); and > The quantitative portion of the overall short-term annual variable compensation must, as a minimum, have been paid in an amount equal to the target in said two fiscal years. The decision made by the Supervisory Board on April 16, 2019 supersedes the decisions of February 2, 2017 and October 19, 2017 regarding the implementation of a severance package in the event of the forced departure of Jean-Marc Jestin or Jean-Michel Gault from Klépierre. The Supervisory Board took the view that it was in Klépierre's interest to maintain the severance package implemented for Jean-Marc Jestin and Jean-Michel Gault in the event of their forced departure from Klépierre, and to introduce more rigorous performance conditions for the payment of the package as from January 1, 2020.

PREVIOUSLY AUTHORIZED RELATED-PARTY AGREEMENTS THAT REMAINED IN FORCE DURING FISCAL YEAR 2019

Date of the authorization granted by the Supervisory Board	Related-party agreement		
	Date	Purpose	Parties to the agreement
October 3, 2008	October 6, 2008	Intra-group loan granted as part of the Steen & Strøm transaction	Nordica Holdco AB and Stichting Depositary APG Real Estate Pool assuming the rights of APG Real Estate Pool NV, the latter itself assuming the rights of Stichting Pensionfonds ABP.
November 30, 2015	December 18, 2015	Intra-group loan granted as part of the Oslo Center acquisition	Klépierre and APG Strategic Real Estate Pool NV (parent companies of the shareholders of Nordica Holdco AB) in favor of Nordica Holdco AB.

Internal charter relating to the classification of agreements (the "Charter")

On February 4, 2020, Klépierre SA implemented a Charter that clarifies the rules used internally to classify the various agreements likely to be entered into within the Klépierre Group. The Charter applies to the French companies of the Group.

The Charter was implemented in response to AMF recommendation no. 2012-05 of July 2, 2012 as amended on October 5, 2018, and more specifically to proposal no. 4.1, which recommends that companies:

> *"Introduce an internal charter [...] governing the classification of agreements and their submission to the procedure applicable to related-party agreements. The charter should define the criteria adopted by the company, by adapting the CNCC guide to its own situation, in agreement with their Statutory Auditors; and*

> *Submit the charter to their Board for approval and publish it on their website."*

The Charter is available for consultation at www.klepierre.com.

Procedure applicable to agreements entered into by Klépierre SA in the ordinary course of business and on arm's length terms (the "Procedure")

Article L. 225-87 of the French Commercial Code (as amended by French law no. 2019-486 of May 22, 2019 on corporate growth and transformation [the Pacte Law]) states that: *"in companies whose shares are admitted to trading on a regulated market, the Supervisory Board shall put in place a procedure to regularly assess whether agreements entered into in the ordinary course of business and on arm's length terms still qualify as such. All persons directly or indirectly involved in any such agreements shall not take part in their assessment".*

Accordingly, on February 4, 2020, Klépierre SA introduced the Procedure applicable to agreements entered into by Klépierre SA in the ordinary course of business and on arm's length terms.

It is available for consultation at www.klepierre.com.

In accordance with the Procedure, the Executive Board[1] shall meet at least once a year to identify all existing agreements entered into in the ordinary course of business and on arm's length terms and to verify whether they still qualify as such. Thus, for each agreement entered into in the ordinary course of business and on arm's length terms, the Executive Board shall specifically assess, on a case-by-case basis:

> "Ordinary course of business" condition: Several criteria shall be examined, in particular the ordinary nature of the agreement in view of the business of the Company, as well as the legal importance or the economic consequences of the agreement;

> "Arm's length terms" condition: The terms usually employed by the Company in its relations with third parties can be regarded as arm's length, provided that they are also in line with the practices of external companies engaged in the same business. For example, an agreement could be regarded as having not been entered into at arm's length if the economic data of that agreement differ too much from the terms under which agreements are usually entered into with third parties.

After its examination, the Executive Board shall recommend either (i) that the agreement continue to be classified as an agreement entered into in the ordinary course of business and on arm's length terms, on the grounds that the related conditions are still satisfied; or otherwise, (ii) that the agreement be reclassified as a related-party agreement. The Executive Board shall then submit its recommendations to the Audit Committee in a written report. The Audit Committee shall decide whether or not to reclassify each agreement in question submitted to it by the Executive Board. In this respect, it may ask the opinion of the Statutory Auditors. It may also decide to involve any experts or, more generally, request any further information it deems useful. In the event that the original classification as an agreement entered into in the ordinary course of business and on arm's length terms is retained by the Audit Committee, the Procedure will no longer apply to that agreement. Otherwise, the Audit Committee shall issue a recommendation to the Supervisory Board to approve or reject the agreement concerned. In addition, the agreement shall be disclosed to the Statutory Auditors, who may prepare a special report explaining the circumstances under which the advance authorization procedure provided for in Article L. 225-86 of the French Commercial Code was not followed. If the Supervisory Board approves the agreement, the following General Meeting of Klépierre SA will then be asked to ratify it.

(1) *In the event that the Executive Board cannot carry out the assessment of an agreement, such agreement will be assessed by the Deputy Chief Financial Officer and/or the Group General Counsel.*

6.1.5 Statutory Auditors' report on related-party agreements and commitments

This is a translation into English of the statutory auditors' report on the financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users. This statutory auditors' report includes information required by French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to shareholders. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In our capacity as Statutory Auditors of your Company, we hereby report to you on related party agreements.

The terms of our engagement require us to communicate to you, based on information provided to us, the principal terms and conditions of those agreements brought to our attention or which we may have discovered during the course of our audit, as well as the reasons justifying why they benefit the Company, without expressing an opinion on their usefulness and appropriateness or identifying such other agreements , if any. It is your responsibility, pursuant to Article R. 225-58 of the French Commercial Code (*Code de commerce*), to assess the interest involved in respect of the conclusion of these agreements for the purpose of approving them.

Our role is also to provide you with the information provided for in Article R. 225-58 of the French Commercial Code (*Code de commerce*) in respect of the performance of the agreements, already authorized by the Annual General Meeting and having continuing effect during the year, if any.

We conducted our procedures in accordance with the professional guidelines of the French National Institute of Statutory Auditors (*Compagnie Nationale des Commissaires aux Comptes*) relating to this engagement. These guidelines require that we verify the consistency of the information provided to us with the relevant source documents.

Agreements submitted for approval to the Annual General Meeting

Agreements authorized and concluded during the year ended December 31, 2019

Pursuant to Article L. 225-40 of the French Commercial Code, we have been informed that the following agreements have been authorized and concluded by your Supervisory Board.

With Simon Property Group, in which your Company holds more than 10% of the voting rights through Simon Global Development BV

Nature and purpose

Your Supervisory Board held on February 5, 2019 authorized your Company to be the tax representative of Simon Global Development BV.

Terms and conditions

Tax representation will end on December 20, 2020. In accepting this role, your Company will not incur or bear any cost.

Reasons justifying why the Company benefits from this agreement

Your Supervisory Board gave the following reason:

It is in Klepierre's interest to allow Simon Global Development BV benefiting from the preferential tax regime that was previously applicable to it and, furthermore, that Klépierre did not incur any risk or incur any costs regarding its representative role.

1. With Mr. Jean-Michel Gault, Executive Board member

Nature and purpose

Your Supervisory Board held on April 16, 2019, decided to authorize the implementation of a severance package in the event of the forced departure of Mr. Jean-Michel Gault from Klépierre.

Terms and conditions

The amount of the payment will be limited to two years of the short-term (gross) variable and fixed annual compensation received for his corporate office over the twelve months preceding the departure, less any amount paid for any statutory severance or due under a collective bargaining agreement that Jean-Michel Gault may otherwise receive under his employment contract.

In terms of performance conditions, the severance package may only be paid in the event that:

- in the two fiscal years preceding the year of termination of his term of office, the departing member received or is entitled to receive overall short-term variable annual compensation (quantitative plus qualitative) representing an amount equal to at least 100% of his fixed compensation (the maximum being 130%), and
- the quantitative portion of the short-term variable annual compensation must, as a minimum, have been paid in an amount equal to the target in the two fiscal years.

In accordance with the AFEP-MEDEF Code, no termination benefits will be owed if the beneficiary has the possibility of receiving retirement benefits under a supplementary pension plan, within six months after termination of his functions.

Reasons justifying why the Company benefits from this agreement

Your Supervisory Board gave the following reason:

The Supervisory Board decided that it would be in the Company's interest to maintain the severance package implemented for Jean-Michel Gault in the event of its forced departure from Klépierre, and to introduce more rigorous performance conditions for the payment of the package as from January 1, 2020.

Moreover, according to you request, we included the following termination benefits which corresponded to commitments provided for in Article L. 225-90-1 of the French Commercial Code (*Code de commerce*) until the *Ordonnance* no. 2019-1234 of November 27, 2019.

2. With Mr. Jean-Marc Jestin, Chairman of the Executive Board

Nature and purpose

Your Supervisory Board held on April 16, 2019, decided to authorize the implementation of a severance package in the event of the forced departure of Mr. Jean-Marc Jestin from Klépierre.

Terms and conditions

The amount of the payment will correspond to one year's annual compensation increased on a linear basis according to his length of service as a corporate officer (on a basis of one month for each additional year of service with effect from January 1, 2017) and up to a maximum of two years' short term (gross) variable and fixed compensation received for that corporate office over the twelve months preceding the departure.

In terms of performance conditions, the severance package may only be paid in the event that:

- in the two fiscal years preceding the year of termination of his term of office, the departing member received or is entitled to receive overall short-term variable annual compensation (quantitative plus qualitative) representing an amount equal to at least 100% of his fixed compensation (the maximum being 130%), and
- the quantitative part of the annual variable remuneration has been paid in an amount, equal, at the very least, to the objectives set during the last two fiscal years taken into consideration in the previous condition.

In accordance with the AFEP-MEDEF Code, no termination benefits will be owed if the beneficiary has the possibility of receiving retirement benefits under a supplementary pension plan, within six months after termination of his functions.

Agreements previously approved by the Annual General Meeting

Previously authorized related-party agreements that remained in force during fiscal year 2019

Pursuant to Article R. 225-57 of the French Commercial Code (*Code de commerce*), we have been informed that the performance of the following agreements, previously approved by the Annual General Meeting during previous fiscal years, continued during the year.

3. With Nordica Holdco AB, 56.1% indirectly held by Klépierre Group

Agreement no. 1

Nature and purpose

On October 3, 2008, your Supervisory Board approved the granting of an inter-group loan to Nordica Holdco AB bearing fixed interest of 6.5% with indefinite life duration. This interest rate came from 4.7% in January 1, 2014 to 3.3% since 6 October 2018 in accordance with the interest rate adjustment mechanism stipulated in the agreement.

Terms and conditions

This loan was granted on October 6, 2008. As of December 31, 2019, the loan balance totaled €74,413,432.09 and the interest recorded in respect of the fiscal year amounted to €2,428,356.41.

Agreement no. 2

Nature and purpose

On November 30, 2015, your Supervisory Board authorized an open-ended intercompany loan, granted by your company and APG Strategic Real Estate Pool NV to Nordica Holdco AB and bearing fixed interest of 3.2%. This interest rate will be adjusted starting from the fifth anniversary date of the signature of the contract.

Terms and conditions

This loan was granted on December 18, 2015. As of December 31, 2019, the loan balance totaled €20,462,785.52 and the interest recorded in the respect of the fiscal year amounted to €643,840.84.

Paris-La Défense, March 6, 2020
The Statutory Auditors
French original signed by

Deloitte & Associés		ERNST & YOUNG Audit
Damien Leurent	Laure Silvestre-Siaz	Bernard Heller

6.2 GENERAL MEETING OF SHAREHOLDERS

6.2.1 Report of the Executive Board to the Ordinary and Extraordinary General Meeting

Dear Shareholders,

We have called this Ordinary and Extraordinary General Meeting to submit the following draft resolutions for your approval:

1. Approval of the company financial statements for the fiscal year ended December 31, 2019;
2. Approval of the consolidated financial statements for the fiscal year ended December 31, 2019;
3. Appropriation of profit for the fiscal year ended December 31, 2019 and payment of a dividend of €2.20 per share by distribution of distributable earnings, merger premiums and contribution premiums;
4. Approval of the Statutory Auditors' special report on the transactions and agreements referred to in Article L. 225-86 of the French Commercial Code;
5. Approval of the commitments referred to in Article L. 225-90-1 of the French Commercial Code and relating to Jean-Marc Jestin, Chairman of the Executive Board;
6. Approval of the commitments referred to in Article L. 225-90-1 of the French Commercial Code and relating to Jean-Michel Gault, Deputy CEO and Executive Board member;
7. Re-appointment of Catherine Simoni as a member of the Supervisory Board;
8. Re-appointment of Florence Von Erb as a member of the Supervisory Board;
9. Re-appointment of Stanley Shashoua as a member of the Supervisory Board;
10. Approval of the compensation policy for the Chairman of the Supervisory Board and the members of the Supervisory Board;
11. Approval of the compensation policy for the Chairman of the Executive Board;
12. Approval of the compensation policy for the members of the Executive Board;
13. Approval of the disclosures on the compensation of the Chairman and the members of the Supervisory Board and the Chairman and the members of the Executive Board required under Article L. 225-37-3, paragraph I of the French Commercial Code;
14. Approval of the components of compensation paid during or allotted for fiscal year 2019 to the Chairman of the Supervisory Board;
15. Approval of the components of compensation paid during or allotted for fiscal year 2019 to the Chairman of the Executive Board;
16. Approval of the components of compensation paid during or allotted for fiscal year 2019 to the Deputy CEO and Executive Board member;
17. Delegation of authority to the Executive Board for a period of 18 months to trade in the Company's shares.
18. Delegation of authority to the Executive Board for a period of 26 months to reduce the share capital by canceling treasury shares;
19. Harmonization of Article 7 of the Company's bylaws with the provisions of French law no. 2019-486 of May 22, 2019 on corporate growth and transformation (the "**Pacte Law**") relating to shareholder identification;
20. Amendment to the Company's bylaws to insert a new Article 15 to authorize the Supervisory Board to adopt certain decisions by written consultation, in accordance with Article L. 225-82 of the French Commercial Code;
21. Harmonization of Article 17 of the Company's bylaws with the provisions of the Pacte Law relating to the compensation of Supervisory Board members;
22. Powers for formalities.

Resolutions of the Ordinary General Meeting

First and second resolutions – Approval of the Company financial statements and the consolidated financial statements

Having considered the Executive Board's management report and the Statutory Auditors' reports, the General Meeting is asked to approve the company financial statements for the fiscal year ended December 31, 2019, showing net income of €317,738,693.89, and the consolidated financial statements for the fiscal year ended December 31, 2019, showing net income of €371,933,282.34.

The General Meeting is also asked to note that the company financial statements for the fiscal year ended December 31, 2019 do not report any non-deductible expenses or charges as defined in Article 39-4 of the French Tax Code (*Code général des impôts*).

The company financial statements and the consolidated financial statements, as well as the Statutory Auditors' reports on those statements and the Executive Board's management report, appear in Klépierre's 2019 Universal Registration Document filed with the French financial markets authority (*Autorité des marchés financiers* – AMF), which is available on Klépierre's website.

We recommend that you approve the first and second resolutions as presented to you.

Third resolution – Appropriation of profit for the fiscal year ended December 31, 2019 and payment of a dividend of €2.20 per share by distribution of distributable earnings, merger premiums and contribution premiums;

In order to distribute a dividend of €2.20 per share, the Board recommends using distributable earnings and deducting €137,404,338.22 from contribution premiums and €184,631,327.90 from merger premiums.

In the event of express, irrevocable and global election for taxation at the progressive income tax rate for all income covered by the flat tax ("**PFU**"):

> The amount of €0.7592 per share representing the dividend deducted from profit from activities exempt from corporate income tax will not be eligible for 40% tax relief, pursuant to Article 158-3-3 b *bis* of the French Tax Code;

> The amount of €0.5927 per share representing the dividend deducted from profit from activities subject to corporate income tax will be eligible for 40% tax relief, pursuant to Article 158-3-2 of the French Tax Code.

The balance of €0.8481 per share, deducted from contribution premiums and merger premiums, is deemed to constitute a reimbursement of contributions within the meaning of Article 112-1 of the French Tax Code.

As announced on February 5, 2020, we remind you that an interim dividend was distributed on March 11, 2020 (exdividend date: March 9, 2020) in the amount of €1.10 per share. The remaining distribution amount of €1.10 per share will be paid on July 9, 2020 (ex-dividend date: July 7, 2020), as applicable.

If shares are sold between either of the payment dates, the rights to the dividend will vest to the shareholder who owns the shares on the day before the date on which the shares go ex-dividend.

We recommend that you approve the third resolution as presented to you.

Fourth to sixth resolutions – Related-party agreements and commitments

In accordance with Articles L. 225-86 *et seq.* of the French Commercial Code (*Code de commerce*), the General Meeting is asked to approve the conclusions of the Statutory Auditors' special report on related-party agreements and commitments and to approve each of the new agreements described therein and duly authorized by the Supervisory Board during fiscal year 2019.

With Jean-Marc Jestin

On April 16, 2019, the Supervisory Board authorized the implementation of a severance package in the event of Jean-Marc Jestin's forced departure from Klépierre, in accordance with Articles L. 225-86 and L. 225-90-1 of the French Commercial Code(1).

The severance package will be paid in all cases of forced departure regardless of the method (removal, request for resignation, etc.), except in the event of serious(2) or gross(3) misconduct or in the event of non-re-appointment as an Executive Board member at the end of his term of office.

In accordance with the AFEP-MEDEF Code, no severance will be owed if Jean-Marc Jestin is entitled to claim full retirement benefits within six months of termination.

Under the severance package, Jean-Marc Jestin will receive a severance payment corresponding to one year's annual compensation increased on a linear basis according to his length of service as a corporate officer (on a basis of one month for each additional year of service with effect from January 1, 2017) and up to a maximum of two years of the (gross) fixed and short-term variable compensation received for his corporate office over the 12 months preceding his departure. For information, at January 1, 2020, the severance payment would be equal to 15 months based on the latest (gross) fixed and short-term variable compensation.

In any event, the severance package may only be paid if the following two performance conditions are met:

> In the two fiscal years preceding the year of termination of his term of office, Jean-Marc Jestin received or is entitled to receive short-term annual variable compensation representing an amount equal to at least 100% of his fixed compensation (the maximum being 130%); and

> The quantitative portion of the short-term annual variable compensation must, as a minimum, have been paid in an amount equal to the target in said two fiscal years.

With Jean-Michel Gault

On April 16, 2019, the Supervisory Board authorized the implementation of a severance package in the event of Jean-Michel Gault's forced departure from Klépierre, in accordance with Articles L. 225-86 and L. 225-90-1 of the French Commercial Code(4).

The cases of forced departure under which the severance package will be paid are identical to those described above for Jean-Marc Jestin.

In accordance with the AFEP-MEDEF Code, no severance will be owed if Jean-Michel Gault is entitled to claim full retirement benefits within six months of termination.

Under the severance package, Jean-Michel Gault will receive a severance payment limited to two years of the (gross) annual fixed and short-term variable compensation received for his corporate office over the 12 months preceding his departure, less any amount paid for any statutory severance or due under a collective bargaining agreement that Jean-Michel Gault may otherwise receive under his employment contract. For information, at January 1, 2020, the severance payment would be equal to 24 months based on the latest (gross) fixed and short-term variable compensation, including the payment to which Jean-Michel Gault may be entitled under the collective bargaining agreement in the event of the termination of his employment contract, which amounts to €709,892, i.e., 7.7 months of his fixed and variable compensation for fiscal year 2019.

The performance conditions attached to Jean-Michel Gault's severance package are the same as those applicable to Jean-Marc Jestin.

We recommend that you approve the fourth to sixth resolutions as presented to you.

(1) The severance package implemented in 2019 supersedes the package established in 2017 (General Meeting of April 18, 2017). It is more demanding, with more stringent performance conditions.

(2) Extremely serious misconduct with intent to harm the Company.

(3) Extremely serious misconduct inconsistent with continuation of the corporate office.

(4) The severance package implemented in 2019 supersedes the package established in 2018 (General Meeting of April 24, 2018). It is more demanding, with more stringent performance conditions.

Seventh to ninth resolutions – Terms of office of the members of the Supervisory Board

Under the seventh to ninth resolutions, the General Meeting is asked to re-appoint Catherine Simoni, Florence Von Erb and Stanley Shashoua for a period of three years.

The Supervisory Board currently comprises the following members[(1)]:

	Main function	Date of first appointment	Expiration of term of office
David Simon	Chairman of the Board of Directors and Chief Executive Officer of Simon Property Group, Inc.	2012	2021
John Carrafiell	Managing Partner of BentallGreenOak	2014, with effect from January 15, 2015	2021
Robert Fowlds	Senior Advisor in real estate and finance	2018	2021
Béatrice de Clermont-Tonnerre	Senior Advisor, member of the Executive Committee of Kayrros	2016	2022
Steven Fivel	General Counsel of Simon Property Group, Inc.	2012	2021
Stanley Shashoua	Chief Investment Officer of Simon Property Group, Inc.	2015	2020
Catherine Simoni	Former Chief Executive Officer of Carlyle France	2012	2020
Rose-Marie Van Lerberghe	Director of CNP Assurances and Bougues	2012	2022
Florence Von Erb	Member of various UN committees. Former Managing Director of Adair Capital	2016	2020

Of the current members comprising the Supervisory Board, there are:

- Five independent members, representing 55.56% of the members, in excess of the minimum 50% proportion recommended by the AFEP-MEDEF Code;
- Four women, representing 44.45%, in excess of the 40% proportion required under the French Commercial Code;
- Five non-French members.

In accordance with the AFEP-MEDEF Code, the Supervisory Board regularly reflects on the desirable balance of its composition and that of the Board Committees in order to guarantee shareholders and the market that its duties are carried out with the necessary independence and objectivity, in line with the Group's challenges and strategy. When reviewing its composition and proposals for appointment or re-appointment submitted to the General Meeting, the Supervisory Board closely examines the individual situation of each member, particularly:

- The skills and experience they contribute to the work of the Board and the Committees;
- Their availability and attendance at meetings, as well as their commitment;
- Their situation as regards any conflicts of interest;
- Their contribution to the diversity of the Board in terms of qualifications, age, gender, nationality, length of time on the Board and professional experience.

At the date hereof, the Supervisory Board considers that its current composition is balanced and satisfactory and meets both regulatory requirements and the recommendations of the AFEP-MEDEF Code. All its members are experts in the real estate sector and have complementary skills. In addition, they all have in-depth knowledge of Klépierre and its operations. The Board also notes that its members are active and assiduously attend meetings.

With their terms of office due to expire at the end of the General Meeting of April 30, 2020, Catherine Simoni, Florence Von Erb and Stanley Shashoua are seeking to be re-appointed. Both the Nomination and Compensation Committee and the Supervisory Board are in favor of re-appointing the three members for an additional period of three years, as follows:

Catherine Simoni

The Board recommends re-appointing Catherine Simoni as a member of the Supervisory Board. She would also continue to sit on the Nomination and Compensation Committee (of which she is the Chair) and the Investment Committee.

Catherine Simoni has solid expertise in corporate governance and executive compensation and boasts in-depth knowledge of the real estate sector, which she uses to assess senior executives' performance from a non-financial and longer-term perspective (initiatives to drive growth, measures to promote Klépierre's image, etc.) and to consider the investment, divestment and development opportunities presented to the Board.

Catherine Simoni has been a member of the Supervisory Board since 2012. She is regarded as independent according to the criteria set out in the AFEP-MEDEF Corporate Governance Code. Her biography can be found on page 224 of Klépierre's 2019 Universal Registration Document.

Florence Von Erb

The Board recommends re-appointing Florence Von Erb as a member of the Supervisory Board. She would also continue to sit on the Audit and Sustainable Development Committees.

Leveraging her financial qualifications, Florence Von Erb makes a significant contribution to the Audit Committee thanks to her understanding of financial fundamentals and risk assessment. The Sustainable Development Committee also benefits from her solid experience in sustainable development, which has been a key focus of her career for almost 20 years.

Florence Von Erb has been a member of the Supervisory Board since 2016. She is regarded as independent according to the criteria set out in the AFEP-MEDEF Corporate Governance Code. Her biography can be found on page 226 of Klépierre's 2019 Universal Registration Document.

(1) *See pages 218 onwards of Klépierre's 2019 Universal Registration Document for the Supervisory Board members' biographies.*

Stanley Shashoua

The Board recommends re-appointing Stanley Shashoua as a member of the Supervisory Board. He would also continue to sit on the Audit, Investment and Sustainable Development Committees.

He provides the Supervisory Board and the above Committees with his financial skills and in-depth knowledge of the real estate sector and business world, particularly at international level.

Stanley Shashoua has been a member of the Supervisory Board since 2015, having been appointed on the proposal of Simon Property Group. He is not regarded as independent according to the criteria set out in the AFEP-MEDEF Corporate Governance Code. However, he does not have any business relationships with Klépierre. Her biography can be found on page 223 of Klépierre's 2019 Universal Registration Document.

We recommend that you approve the seventh to ninth resolutions as presented to you.

Tenth to twelfth resolutions – Corporate officer compensation policy

The Supervisory Board submits for the approval of the General Meeting the compensation policies applicable in 2020 for the Chairman and the members of the Supervisory Board and the Chairman and the members of the Executive Board, respectively, for the performance of their offices.

Compensation policy for the Chairman of the Supervisory Board and members of the Supervisory Board

The Chairman and the members of the Supervisory Board receive compensation for the performance of their offices, the overall maximum amount of which is set by the General Meeting. This amount was set at €700,000 by the Ordinary and Extraordinary General Meeting on April 19, 2016 (€688,000 for a Supervisory Board with nine members).

The distribution of the overall maximum amount to the members is decided by the Supervisory Board, with each member receiving a fixed component and a variable component. The variable component is the major portion, pursuant to the recommendations of the AFEP-MEDEF Code.

The compensation policy for the Chairman and the members of the Supervisory Board is presented in detail on page 243 of Klépierre's 2019 Universal Registration Document.

Pursuant to Article L. 225-100, paragraph III of the French Commercial Code, the amounts payable to the Chairman of the Supervisory Board under the compensation policy will be submitted for the approval of the shareholders at the General Meeting called to approve the financial statements for the fiscal year ending December 31, 2020.

Compensation policy for the Chairman and the members of the Executive Board

The compensation of the Chairman and the members of the Executive Board consists of three main components:

- A **fixed component**, determined on the basis of the responsibilities assumed by each of the members of the Executive Board, which must be sufficiently competitive to attract and retain the best talents;
- A **short-term variable component**, the aim of which is to tie the Executive Board members to the Group's short-term performance; and
- A **long-term component**, to align the interests of the beneficiaries as closely as possible to the interests of the shareholders in order to create long-term value.

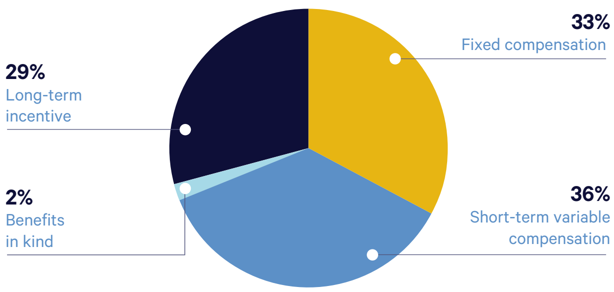
OVERVIEW OF EXECUTIVE BOARD MEMBER COMPENSATION STRUCTURE AND CHANGES

Overview of Executive Board member compensation structure and changes

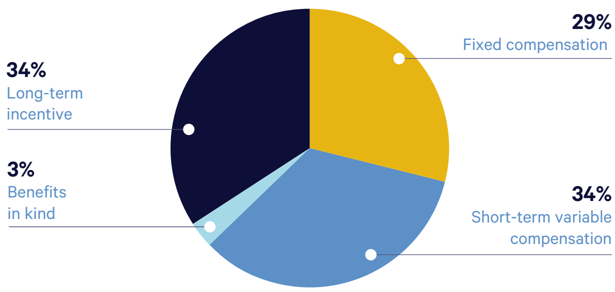
Fixed compensation	Short-term variable compensation	Long-term incentives			
Fixed compensation Benefits in kind	Quantitative criteria (up to 80% of fixed compensation) + Qualitative criteria (up to 50% of fixed compensation)	Absolute performance: Klépierre TSR	Relative performance: versus a panel of comparable companies (TSR)	Internal performance: average change in net rental income	CSR performance
		10%	30%	40%	20%
		Performance assessed over three years, followed by a two-year lock-up period			
		Shareholding obligation			

For information purposes, the respective weightings of each component of compensation for fiscal year 2019 was as follows:

JEAN-MARC JESTIN



JEAN-MICHEL GAULT



The compensation policy for the Chairman and the members of the Executive Board is presented in detail from page 243 of Klépierre's 2019 Universal Registration Document.

Pursuant to Article L. 225-100, paragraph III of the French Commercial Code, the amounts payable under this policies will be submitted for the approval of the shareholders at the General Meeting called to approve the financial statements for the fiscal year ending December 31, 2020.

We recommend that you approve the tenth to twelfth resolutions as presented to you.

Thirteenth resolution – Approval of the disclosures on the compensation of the Chairman and the members of the Supervisory Board and the Chairman and the members of the Executive Board required under Article L. 225-37-3, paragraph I of the French Commercial Code;

The shareholders are asked to hold an *ex-post* vote on the disclosures on corporate officer compensation required under Article L. 225-37-3, paragraph I of the French Commercial Code, as described in section 5.2.2 "*Compensation of the Chairman and members of the Supervisory Board and the Chairman and members of the Executive Board for fiscal year 2019*" of Klépierre's 2019 Universal Registration Document.

We recommend that you approve the thirteenth resolution as presented to you.

Fourteenth to sixteenth resolutions – Approval of the components of compensation paid during or allotted for fiscal year 2019 to the Chairman of the Supervisory Board, the Chairman of the Executive Board and the Deputy CEO and Executive Board member

The shareholders are asked to hold an *ex-post* vote on the amount or value of the components of compensation paid during or allotted for fiscal year 2019 to the Chairman of the Supervisory Board, the Chairman of the Executive Board and the Deputy CEO and Executive Board member.

The components of compensation paid during or allotted for fiscal year 2019 to executive corporate officers are presented on pages 250-251 (with respect to the Chairman of the Supervisory Board), pages 252-255 (with respect to the Chairman of the Executive Board) and pages 255-257 (with respect to the Deputy CEO and Executive Board member) of Klépierre's 2019 Universal Registration Document.

We recommend that you approve the fourteenth to sixteenth resolutions as presented to you.

Seventeenth resolution – Authorization granted to the Company to buy back its shares

The General Meeting is asked to renew the authorization granted in 2019 for a further period of 18 months, on the understanding that in the event that a public offer for the Company's securities is filed by a third party, the Executive Board may not use this authorization during the offer period without the prior authorization of the General Meeting.

This authorization will enable the Company to buy back or arrange for the buyback of its shares for the following purposes:

> To cancel shares up to a maximum of 10% of the share capital per 24 month period;

> To honor the commitment to deliver shares, for example in connection with issues of securities giving rights to shares of the Company or the allotment of share purchase options or existing bonus shares;

> To allot shares to employees;

> To carry out external growth transactions;

> To enter into a liquidity agreement with an independent investment services provider; and

> To hold shares for subsequent delivery as payment or exchange in connection with a merger, spin-off or asset transfer transaction.

The shares may be purchased, sold, exchanged or transferred by any means, on one or more occasions, in particular on the market or over-the-counter, including in whole or in part, by purchasing, selling, exchanging or transferring blocks of shares. Where appropriate, these means shall include the use of financial futures.

The number of the Company's shares that may be purchased in this way would be subject to the following ceilings: on the date of each buyback, the total number of shares purchased by the Company since the start of the buyback program may not exceed 10% of the shares comprising the Company's share capital, and the number of shares held by the Company at any time may not exceed 10% of the shares comprising the Company's share capital at the relevant date.

The maximum purchase price per share would be €42. As a result, the total amount allocated to the share buyback program may not exceed €1,271,189,178.

For information purposes, the Company bought back a total of 9,584,166 shares during the fiscal year ended December 31, 2019.

We recommend that you approve the seventeenth resolution as presented to you.

Resolutions of the Extraordinary General Meeting

Eighteenth resolution – Delegation of authority to reduce the share capital by canceling treasury shares

The purpose of the eighteenth resolution is to authorize the Executive Board, which may delegate under the conditions provided for by law, to reduce the share capital, on one or more occasions, by canceling any number of treasury shares within the limits authorized by law.

The Company may cancel treasury shares in order to achieve various financial objectives, such as to actively manage its capital, to optimize its balance sheet, or to offset dilution resulting from a capital increase.

The number of the Company's shares that may be canceled would be subject to the following ceilings: on the date of each cancellation, the maximum number of shares canceled by the Company during the 24-month period preceding such cancellation, including the shares subject to said cancellation, may not exceed 10% of the shares comprising the Company's capital on that date.

This authorization is requested for a period of 26 months and would replace the authorization granted by the 2019 General Meeting.

The following share capital reductions were carried out during fiscal year 2019:

> Cancellation of 6,932,462 shares on February 20, 2019;

> Cancellation of 2,828,962 shares on June 20, 2019;

> Cancellation of 1,930,544 shares on December 17, 2019.

We recommend that you approve the eighteenth resolution as presented to you.

Nineteenth to twenty-first resolutions – Amendments to the Company's bylaws to take into account certain provisions of the Pacte Law and French legislation simplifying, clarifying and updating corporate law

The General Meeting is asked to amend the Company's bylaws to take into account certain provisions of French law no. 2019-486 of May 22, 2019 on corporate growth and transformation (the "Pacte Law"), and French legislation simplifying, clarifying and updating corporate law, as follows:

> Harmonization of the Company's bylaws with the provisions of the Pacte Law by deleting the fourth paragraph of Article 7 of the Company's bylaws(1);

> Insertion of a new Article 15 (Written consultation) to enable the Supervisory Board to make decisions on the following matters by written consultation, in accordance with Article L. 225-82 of the French Commercial Code:

- Appointments by co-optation of Supervisory Board members (which would be subject to ratification by the subsequent General Meeting of Shareholders),
- Authorizations with respect to warranties, endorsements and guarantees,
- Amendments to the bylaws to bring them in line with the applicable legal and regulatory provisions, pursuant to a delegation of authority granted by the General Meeting of Shareholders,
- Convening of the General Meeting of Shareholders,
- Transfer of the registered office within the same French *département*;

> Removal of the concept of "directors' fees" from Article 17 (Compensation), in line with changes to the French Commercial Code following the introduction of the Pacte Law.

We recommend that you approve the nineteenth to twenty-first resolutions as presented to you.

Twenty-second resolution – Powers for formalities

The Executive Board requests all necessary powers to carry out the advertising and filing formalities involved in holding this General Meeting.

We recommend that you approve the twenty-second resolution as presented to you.

6.2.2 Text of the resolutions proposed to the Ordinary and Extraordinary General Meeting

Agenda

Resolutions of the Ordinary General meeting

1. Approval of the company financial statements for the fiscal year ended December 31, 2019;
2. Approval of the consolidated financial statements for the fiscal year ended December 31, 2019;
3. Appropriation of profit for the fiscal year ended December 31, 2019 and payment of a dividend of €2.20 per share by distribution of distributable earnings, merger premiums and contribution premiums;
4. Approval of the Statutory Auditors' special report on the transactions and agreements referred to in Article L. 225-86 of the French Commercial Code;
5. Approval of the commitments referred to in Article L. 225-90-1 of the French Commercial Code and relating to Jean-Marc Jestin, Chairman of the Executive Board;
6. Approval of the commitments referred to in Article L. 225-90-1 of the French Commercial Code and relating to Jean-Michel Gault, Deputy CEO and Executive Board member;
7. Re-appointment of Catherine Simoni as a member of the Supervisory Board;
8. Re-appointment of Florence Von Erb as a member of the Supervisory Board;
9. Re-appointment of Stanley Shashoua as a member of the Supervisory Board;
10. Approval of the compensation policy for the Chairman of the Supervisory Board and the members of the Supervisory Board;
11. Approval of the compensation policy for the Chairman of the Executive Board;
12. Approval of the compensation policy for the members of the Executive Board;
13. Approval of the disclosures on the compensation of the Chairman and the members of the Supervisory Board and the Chairman and the members of the Executive Board required under Article L. 225-37-3, paragraph I of the French Commercial Code;
14. Approval of the components of compensation paid during or allotted for fiscal year 2019 to the Chairman of the Supervisory Board;
15. Approval of the components of compensation paid during or allotted for fiscal year 2019 to the Chairman of the Executive Board;
16. Approval of the components of compensation paid during or allotted for fiscal year 2019 to the Deputy CEO and Executive Board member;
17. Delegation of authority to the Executive Board for a period of 18 months to trade in the Company's shares.

Resolutions of the Extraordinary General Meeting

18. Delegation of authority to the Executive Board for a period of 26 months to reduce the share capital by canceling treasury shares;
19. Harmonization of Article 7 of the Company's bylaws with the provisions of French law no. 2019-486 of May 22, 2019 on corporate growth and transformation (the "**Pacte Law**") relating to shareholder identification;
20. Amendment to the Company's bylaws to insert a new Article 15 to authorize the Supervisory Board to adopt certain decisions by written consultation, in accordance with Article L. 225-82 of the French Commercial Code;
21. Harmonization of Article 17 of the Company's bylaws with the provisions of the Pacte Law relating to the compensation of Supervisory Board members;
22. Powers for formalities.

(1) *Current wording: "The Company is entitled to request, at any time, under the terms and conditions provided for by the applicable legal and regulatory provisions, the identity of holders of shares, warrants or other securities granting, immediately or in the future, the right to vote during its shareholders' meetings, as well as more generally, any information enabling shareholders or intermediaries to be identified, as provided for, in particular, in Articles L. 228-1 to L. 228-3-1 of the French Commercial Code."*

Draft resolutions

Resolutions of the Ordinary General meeting

First resolution
(Approval of the Company financial statements for the fiscal year ended December 31, 2019)

The General Meeting, acting under the conditions of quorum and majority required for Ordinary General Meetings and having reviewed the reports of the Executive Board, the Supervisory Board and the Statutory Auditors, approves the Company financial statements for the fiscal year ended December 31, 2019 as presented, which comprise the balance sheet and income statement, as well as the notes to the Company financial statements, and show net income of €317,738,693.89.

It also approves the operations reflected in said financial statements or summarized in said reports.

It notes that the company financial statements for the fiscal year ended December 31, 2019 do not report any non-deductible expenses or charges as defined in Article 39-4 of the French Tax Code (*Code général des impôts*) and do not report any add-back expenses pursuant to Article 39-5 of said Code for the fiscal year.

Second resolution
(Approval of the consolidated financial statements for the fiscal year ended December 31, 2019)

The General Meeting, acting under the conditions of quorum and majority required for Ordinary General Meetings and having reviewed the reports of the Executive Board, the Supervisory Board and the Statutory Auditors, approves the consolidated financial statements for the fiscal year ended December 31, 2019 as presented, which comprise the statements of financial position and income, as well as the notes to the consolidated financial statements, and show net income of €371,933,282.34.

It also approves the operations reflected in said financial statements or summarized in said reports.

Third resolution
(Appropriation of profit for the fiscal year ended December 31, 2019 and payment of a dividend of €2.20 per share by distribution of distributable earnings, merger premiums and contribution premiums)

The General Meeting, acting under the conditions of quorum and majority required for Ordinary General Meetings, resolves to appropriate the net income for the fiscal year, amounting to €317,738,693.89, as follows:

Net income for the period	€317,738,693.89
Plus retained earnings	€26,132,261.40
For distributable earnings of	**€343,870,955.29**
Plus a deduction	
from contribution premiums	€137,404,338.22
from merger premiums	€184,631,327.90
For a total distribution amount of	**€665,906,621.41**
By way of a dividend in respect of activities exempt from corporate income tax	€229,782,580.92
By way of a dividend in respect of activities subject to corporate income tax	€179,389,009.11
By way of reimbursement of contributions	€256,689,418.97
(corresponding to a total dividend distribution of €2.20 per share based on 302,664,095 shares as of December 31, 2019)	€665,861,009.00
In addition to the interim dividend paid on March 11, 2020 (corresponding to a dividend payment of €1.10 per share)	€332,930,504.50
For a remaining distribution amount of	**€332,930,504.50**
Balance in retained earnings	**€45,612.41**
Balance in contribution premiums	€121,913,777.07
Balance in merger premiums	€0.00

In the event of express, irrevocable and global election for taxation at the progressive income tax rate for all income covered by the flat tax ("**PFU**"):

- The amount of €0.7592 per share representing the dividend deducted from profit from activities exempt from corporate income tax would not be eligible for 40% tax relief, pursuant to Article 158-3-3 b *bis* of the French Tax Code;
- The amount of €0.5927 per share representing the dividend deducted from profit from activities subject to corporate income tax would be eligible for 40% tax relief, pursuant to Article 158-3-2 of the French Tax Code.

The balance of €0.8481 per share, deducted from contribution premiums and merger premiums, is deemed to constitute a reimbursement of contributions within the meaning of Article 112-1 of the French Tax Code.

The total amount of the above dividend payment is calculated based on the number of shares outstanding as of December 31, 2019, i.e., 302,664,095. In accordance with the provisions of Article L. 225-210 of the French Commercial Code (*Code de commerce*), the General Meeting resolves that the amount corresponding to treasury shares held on the dividend payment date will be (i) appropriated to retained earnings where it was deducted from distributable earnings or (ii) re-appropriated to additional paid-in capital (issue, merger and contribution premiums) where it relates to reimbursements of contributions. The distributable sums corresponding to treasury shares will reduce the distribution deducted from (i) profit from activities exempt from and subject to corporate income tax and (ii) reimbursements of contributions in the same proportions as indicated above (dividend payment per share).

In light of the interim dividend payment for fiscal year 2019 on March 11, 2020 in the amount of €1.10 per share conferring dividend rights in accordance with the Executive Board's decision of February 19, 2020, the General Meeting resolves that the remaining dividend of €1.10 will go ex-dividend on July 7, 2020 and be paid in cash on July 9, 2020.

Pursuant to Article 243 *bis* of the French Tax Code, dividends for the last three fiscal years were as follows:

Fiscal year	Total dividend paid to shareholders	Net dividend per share	Amount eligible for the tax relief provided for under Article 158-3-2 of the French Tax Code	Amount not eligible for the tax relief provided for under Article 158-3-2 of the French Tax Code
2016	572,128,034.66	1.82	122,598,864.57	449,529,170.09
2017	616,137,883.48	1.96	402,375,760.64	213,762,122.84
2018	642,619,152.00	2.10	295,456,799.83	347,162,352.17

The General Meeting confers all necessary powers on the Executive Board to determine the overall amount of the dividend and consequently the amount of the balance of the distributable earnings to be appropriated to retained earnings as well as the amount of the balance of the contribution premiums and merger premiums accounts, particularly taking into account the number of shares held by the Company on the dividend payment date and, if applicable, the number of shares canceled before that date.

Fourth resolution
(Approval of the transactions and agreements referred to in Article L. 225-86 of the French Commercial Code)

The General Meeting, acting under the conditions of quorum and majority required for Ordinary General Meetings and having reviewed the Statutory Auditors' special report on the agreements referred to in Article L. 225-86 of the French Commercial Code and related to the fiscal year ended December 31, 2019, approves said report in its entirety.

Fifth resolution
(Approval of the commitments referred to in Article L. 225-90-1 of the French Commercial Code and relating to Jean-Marc Jestin, Chairman of the Executive Board)

The General Meeting, acting under the conditions of quorum and majority required for Ordinary General Meetings, notes that it has received the Statutory Auditors' special report required under the applicable legal and regulatory provisions on the commitments referred to in Article L. 225-90-1 of the French Commercial Code and relating to Jean-Marc Jestin, Chairman of the Executive Board. It approves those commitments and the related report, pursuant to Articles L. 225-86 and L. 225-90-1 of the French Commercial Code.

Sixth resolution
(Approval of the commitments referred to in Article L. 225-90-1 of the French Commercial Code and relating to Jean-Michel Gault, Deputy CEO and Executive Board member)

The General Meeting, acting under the conditions of quorum and majority required for Ordinary General Meetings, notes that it has received the Statutory Auditors' special report required under the applicable legal and regulatory provisions on the commitments referred to in Article L. 225-90-1 of the French Commercial Code and relating to Jean-Michel Gault, an Executive Board member. It approves those commitments and the related report, pursuant to Articles L. 225-86 and L. 225-90-1 of the French Commercial Code.

Seventh resolution
(Re-appointment of Catherine Simoni as a member of the Supervisory Board)

The General Meeting, acting under the conditions of quorum and majority required for Ordinary General Meetings and having reviewed the Executive Board's report, notes that the term of office of Catherine Simoni as member of the Supervisory Board expires at the date hereof and hereby renews it for a period of three years expiring at the end of the Ordinary General Meeting to be called in 2023 to approve the financial statements for the fiscal year ending December 31, 2022.

Catherine Simoni is prepared to renew her term of office and has stated that she neither holds any position nor is affected by any situation that might prevent her from exercising it.

Eighth resolution
(Re-appointment of Florence Von Erb as a member of the Supervisory Board)

The General Meeting, acting under the conditions of quorum and majority required for Ordinary General Meetings and having reviewed the Executive Board's report, notes that the term of office of Florence Von Erb as member of the Supervisory Board expires at the date hereof and hereby renews it for a period of three years expiring at the end of the Ordinary General Meeting to be called in 2023 to approve the financial statements for the fiscal year ending December 31, 2022.

Florence Von Erb is prepared to renew her term of office and has stated that she neither holds any position nor is affected by any situation that might prevent her from exercising it.

Ninth resolution
(Re-appointment of Stanley Shashoua as a member of the Supervisory Board)

The General Meeting, acting under the conditions of quorum and majority required for Ordinary General Meetings and having reviewed the Executive Board's report, notes that the term of office of Stanley Shashoua as member of the Supervisory Board expires at the date hereof and hereby renews it for a period of three years expiring at the end of the Ordinary General Meeting to be called in 2023 to approve the financial statements for the fiscal year ending December 31, 2022.

Stanley Shashoua is prepared to renew his term of office and has stated that he neither holds any position nor is affected by any situation that might prevent him from exercising it.

Tenth resolution
(Approval of the compensation policy for the Chairman of the Supervisory Board and the members of the Supervisory Board)

The General Meeting, acting under the conditions of quorum and majority required for Ordinary General Meetings and having reviewed the Executive Board's report, approves, pursuant to Article L. 225-82-2 of the French Commercial Code, the compensation policy for the Chairman of the Supervisory Board and the members of the Supervisory Board, as presented in sections 5.2.1.1, 5.2.1.2 and 5.2.1.3.1 "Components of Supervisory Board compensation" of Klépierre's 2019 Universal Registration Document.

Eleventh resolution
(Approval of the compensation policy for the Chairman of the Executive Board)

The General Meeting, acting under the conditions of quorum and majority required for Ordinary General Meetings and having reviewed the Executive Board's report, approves, pursuant to Article L. 225-82-2 of the French Commercial Code, the compensation policy for the Chairman of the Executive Board, as presented in sections 5.2.1.1, 5.2.1.2 and 5.2.1.3.2 paragraph "Components of the Chairman of the Executive Board's compensation" of Klépierre's 2019 Universal Registration Document.

Twelfth resolution
(Approval of the compensation policy for the members of the Executive Board)

The General Meeting, acting under the conditions of quorum and majority required for Ordinary General Meetings and having reviewed the Executive Board's report, approves, pursuant to Article L. 225-82-2 of the French Commercial Code, the compensation policy for the members of the Executive Board, as presented in sections 5.2.1.1, 5.2.1.2 and 5.2.1.3.2 paragraph "Components of Executive Board members' compensation" of Klépierre's 2019 Universal Registration Document.

Thirteenth resolution

(Approval of the disclosures on the compensation of the Chairman and the members of the Supervisory Board and the Chairman and the members of the Executive Board required under Article L. 225-37-3, paragraph I of the French Commercial Code)

The General Meeting, acting under the conditions of quorum and majority required for Ordinary General Meetings and having reviewed the Executive Board's report, approves, pursuant to Article L. 225-100, paragraph II of the French Commercial Code, the information required under Article L. 225-37-3, paragraph I of the French Commercial Code, as presented in the corporate governance report referred to in Article L. 225-68 of said Code and set out in section 5.2.2 "Compensation of the Chairman and members of the Supervisory Board and the Chairman and members of the Executive Board for fiscal year 2019" of Klépierre's 2019 Universal Registration Document.

Fourteenth resolution

(Approval of the components of compensation paid during or allotted for fiscal year 2019 to the Chairman of the Supervisory Board)

The General Meeting, acting under the conditions of quorum and majority required for Ordinary General Meetings and having reviewed the Executive Board's report, approves, pursuant to Article L. 225 100, paragraph III of the French Commercial Code, the fixed, variable and extraordinary components comprising the total compensation and benefits in kind paid during or allotted for fiscal year 2019 to the Chairman of the Supervisory Board, as presented in section 5.2.2.1 "Compensation of the Chairman of the Supervisory Board and members of the Supervisory Board" of Klépierre's 2019 Universal Registration Document.

Fifteenth resolution

(Approval of the components of compensation paid during or allotted for fiscal year 2019 to the Chairman of the Executive Board)

The General Meeting, acting under the conditions of quorum and majority required for Ordinary General Meetings and having reviewed the Executive Board's report, approves, pursuant to Article L. 225-100, paragraph III of the French Commercial Code, the fixed, variable and extraordinary components comprising the total compensation and benefits in kind paid during or allotted for fiscal year 2019 to the Chairman of the Executive Board, as presented in section 5.2.2.2 "Chairman of the Executive Board" of Klépierre's 2019 Universal Registration Document.

Sixteenth resolution

(Approval of the components of compensation paid during or allotted for fiscal year 2019 to the Deputy CEO and Executive Board member)

The General Meeting, acting under the conditions of quorum and majority required for Ordinary General Meetings and having reviewed the Executive Board's report, approves, pursuant to Article L. 225-100, paragraph III of the French Commercial Code, the fixed, variable and extraordinary components comprising the total compensation and benefits in kind paid during or allotted for fiscal year 2019 to the Deputy CEO and Executive Board member, as presented in section 5.2.2.3 "Deputy Chief Executive Officer and Executive Board member" of Klépierre's 2019 Universal Registration Document.

Seventeenth resolution

(Delegation of authority to the Executive Board, for a period of 18 months, to trade in the Company's shares)

The General Meeting, acting under the conditions of quorum and majority required for Ordinary General Meetings and having reviewed the Executive Board's report, authorizes the Executive Board, which may delegate under the conditions provided for by law and the Company's bylaws, in accordance with the provisions in Articles L. 225-209 *et seq.* of the French Commercial Code and Regulation (EU) No. 596/2014 of the European Parliament and of the Council of April 16, 2014, to purchase or arrange for the purchase of the Company's shares, notably in order:

> To maintain the secondary market in or liquidity of the Klépierre share through an investment services provider pursuant to a liquidity agreement that complies with a code of conduct recognized by the French financial markets authority (*Autorité des marchés financiers* – AMF) or market practices permitted by the AMF; or

> To hold the shares purchased for subsequent delivery (as exchange, payment or other) as part of an acquisition, merger, spin-off or asset transfer transaction; or

> To allot bonus shares in accordance with the provisions of Articles L. 225-197-1 *et seq.* of the French Commercial Code or any other similar plan; or

> To allot or sell shares to employees in connection with an employee profit-sharing plan or pursuant to an employee savings plan under the conditions provided for by law, in particular Articles L. 3332-1 *et seq.* of the French Labor Code (*Code du travail*), through the sale of shares previously purchased by the Company pursuant to this resolution or by making provision for a bonus allotment of those shares by way of a Company contribution in the form of securities and/or by replacing the discount; or

> To implement any Company stock purchase option plan in accordance with the provisions of Articles L. 225-177 *et seq.* of the French Commercial Code or any other similar plan; or

> In general, to honor obligations with respect to stock option programs or other share allotments to employees or corporate officers of the issuer or of a related company; or

> To deliver shares on the exercise of rights attached to securities giving rights to shares of the Company by redemption, conversion, exchange, presentation of a warrant or by any other means; or

> To cancel all or a portion of the securities purchased in this way.

This program is also intended to enable any future market practices permitted by the AMF to be implemented, and more generally, any transaction in accordance with the regulations in force. In such event, the Company will inform its shareholders by way of a press release.

The number of shares that may be purchased by the Company are subject to the following limits:

> On the date of each buyback, the total number of shares purchased by Company since the start of the buyback program (including those subject to the said buyback) may not exceed 10% of the shares comprising the Company's share capital, this percentage being applied to the share capital as adjusted to take into account the impact of any transactions affecting the share

capital after this General Meeting, i.e., for information purposes, as of December 31, 2019, a buyback cap of 30,266,409 shares, on the understanding (i) that the number of shares purchased by the Company with a view to their being held and subsequently delivered as payment or exchange as part of a merger, spin-off or asset transfer transaction may not exceed 5% of the share capital; and (ii) that when the shares are purchased to maintain a liquid market under the conditions defined by the General Regulation of the AMF, the number of shares included in the calculation of the abovementioned 10% ceiling corresponds to the number of shares purchased, less the number of shares resold during the authorization period;

- The number of shares held by the Company at any given time may not exceed 10% of the shares comprising the Company's share capital at the relevant date.

Shares may be purchased, sold or transferred on one or more occasions, at any time within the limits authorized by the legal and regulatory provisions in force and in those provided for in this resolution (except during a public offer for the Company's shares), and by any means, on regulated markets, multi-lateral trading systems, using systematic internalizers or over-the-counter, including by purchasing or selling blocks of securities (without limiting the proportion of the buyback program that may be carried out in this way), by public tender or exchange offer, or by using options or other financial futures, or by delivering shares following the issue of securities giving rights to shares of the Company by conversion, exchange, redemption, exercising of a warrant or any other means, whether directly or indirectly through an investment services provider.

The maximum purchase price of the shares under this resolution will be €42 per share (or the exchange value of this amount in any other currency at the same date), excluding acquisition fees. This maximum price only applies to purchases decided after the date of this General Meeting and not to future transactions carried out pursuant to an authorization granted by a previous General Meeting and providing for purchases after the date of this General Meeting. In the event of transactions affecting the share capital, and in particular share splits or consolidations or the allotment of bonus shares, or of transactions affecting shareholders' equity, the abovementioned amount will be adjusted to take account of the impact of the value of such transactions on the share value.

For information purposes, based on the number of shares comprising the Company's share capital as of December 31, 2019, the total amount allocated to the above-authorized share buyback program may not exceed €1,271,189,178.

The General Meeting confers all necessary powers on the Executive Board, which may delegate such powers to implement this authorization, to carry out these transactions, to determine the terms and conditions thereof, to enter into any agreements and to complete any formalities.

With effect from the date hereof, this authorization supersedes the delegation of authority granted by the twelfth resolution of the Company's General Meeting of April 16, 2019. It is given for a period of 18 months with effect from the date hereof.

Resolutions of the Extraordinary General Meeting

Eighteenth resolution

(Delegation of authority to the Executive Board for a period of 26 months to reduce the share capital by canceling treasury shares)

The General Meeting, acting under the conditions of quorum and majority required for Extraordinary General Meetings and having reviewed the Executive Board's report and the Statutory Auditors' special report, authorizes the Executive Board to reduce the share capital, on one or more occasions, in such proportions and at such times as it shall decide, by canceling any number of treasury shares as it shall decide within the limits authorized by law, in accordance with the provisions of Articles L. 225-209 et seq. of the French Commercial Code and L. 225-213 of said Code.

On the date of each cancellation, the maximum number of shares canceled by the Company during the 24-month period preceding such cancellation (including the shares subject to said cancellation) may not exceed 10% of the shares comprising the Company's share capital on that date, i.e., for information purposes, as of December 31, 2019, a maximum of 30,266,409 shares, on the understanding that this limit applies to the amount of the Company's share capital as adjusted, where necessary, to take into account the impact of any transactions affecting the share capital after this General Meeting.

The General Meeting confers all necessary powers on the Executive Board, which may delegate such powers under the conditions provided for by law and the Company's bylaws, to charge the difference between the book value of the canceled shares and their par value to any reserve or share premium accounts, to approve the terms and conditions of the cancellations, to complete any share cancellation or capital reduction transactions that may be carried out pursuant to this authorization, to make the corresponding amendments to the bylaws, to submit any declarations to the AMF and to complete all formalities.

With effect from the date hereof, this authorization supersedes the delegation of authority granted by the thirteenth resolution of the Company's General Meeting of April 16, 2019. It is given for a period of 26 months with effect from the date hereof.

Nineteenth resolution

(Harmonization of Article 7 of the Company's bylaws with the provisions of the Pacte Law relating to shareholder identification)

The General Meeting, acting under the conditions of quorum and majority required for Extraordinary General Meetings and having reviewed the Executive Board's report, decides to delete the fourth paragraph of Article 7 of the Company's bylaws, in order to harmonize them with the Pacte Law. The wording of said paragraph is currently as follows: *"The Company is entitled to request, at any time, under the terms and conditions provided for by the applicable legal and regulatory provisions, the identity of holders of shares, warrants or other securities granting, immediately or in the future, the right to vote during its shareholders' meetings, as well as more generally, any information enabling shareholders or intermediaries to be identified, as provided for, in particular, in Articles L. 228-1 to L. 228-3-1 of the French Commercial Code."*

The rest of the article remains unchanged.

Twentieth resolution
(Amendment to the Company's bylaws to insert a new Article 15 to authorize the Supervisory Board to adopt certain decisions by written consultation, in accordance with Article L. 225-82 of the French Commercial Code)

The General Meeting, acting under the conditions of quorum and majority required for Extraordinary General Meetings and having reviewed the Executive Board's report, decides to insert a new Article 15 entitled "*Written consultation*" into the Company's bylaws, in accordance with Article L. 225-82 of the French Commercial Code as amended by French legislation dated July 19, 2019, simplifying, clarifying and updating corporate law. The new article reads as follows:

"Decisions falling specifically within the remit of the Supervisory Board may be made by written consultation, where those decisions are eligible for this option under Article L. 225-82 of the French Commercial Code. In the event of a written consultation, the author shall send the agenda of the consultation and the text of the draft decisions to all Supervisory Board members by any and all possible means.

The Supervisory Board members shall have eight (8) days from receipt of the agenda to cast and send their vote to the Chairman of the Supervisory Board, by any and all written means. Should a member fail to respond within the aforementioned timeframe, said member shall be deemed to have cast a negative vote.

The Supervisory Board can only validly deliberate by written consultation if at least half of its members actively respond and cast their vote.

Decisions of the Supervisory Board are made based on a majority of votes cast by voting members."

The numbering of the former Articles 15 to 33 will be shifted accordingly, becoming Articles 16 to 34. Inter-bylaw cross-references will also be updated.

Twenty-first resolution
(Harmonization of Article 17 of the Company's bylaws with the provisions of the Pacte Law relating to the compensation of Supervisory Board members)

The General Meeting, acting under the conditions of quorum and majority required for Extraordinary General Meetings and having reviewed the Executive Board's report, decides to amend Article 17 of the Company's bylaws, which will be numbered 18 subject to the adoption of the twentieth resolution, in order to remove any reference to "directors' fees" in accordance with the Pacte Law.

Accordingly, the first paragraph of Article 17, which will be numbered 18 subject to the adoption of the twentieth resolution, will be amended as follows:

Former wording	New wording
The members of the Supervisory Board may receive directors' fees, the amount of which is set by the Ordinary Shareholders' Meeting and remains the same until a new decision is made.	*The members of the Supervisory Board may receive annual compensation, the amount of which is set by the Ordinary Shareholders' Meeting and remains the same until a new decision is made.*

The rest of the article remains unchanged.

Twenty-second resolution
(Powers for formalities)

The General Meeting, acting under the conditions of quorum and majority required for Extraordinary General Meetings, confers all necessary powers on the bearer of an original, copy or extract of the minutes of this General Meeting to carry out all filing and other formalities required by law.

6.3 DESCRIPTION OF THE TREASURY SHARE BUYBACK PROGRAM

Pursuant to Articles 241-1 *et seq.* of the General Regulation of the French financial markets authority (*Autorité des marchés financiers* – AMF), this section provides details of the treasury share buyback program that will be submitted to the Ordinary and Extraordinary General Meeting of April 30, 2020 (the "**2020 Share Buyback Program**").

1. Date of the General Meeting called to approve the 2020 Share Buyback Program

April 30, 2020.

2. Shares held by the Company as of January 31, 2020

As of January 31, 2020, Klépierre directly or indirectly held 14,707,701 shares, representing 4.86% of its share capital for an overall amount of €453,365,656.55 (book value).

The above figures and the following information take into account the total number of shares comprising the Company's share capital as of January 31, 2020, i.e., 302,664,095 shares.

3. Breakdown by objective of the shares held by Klépierre as of January 31, 2020

As of January 31, 2020,

- 1,618,962 shares are allocated to any stock purchase option plans offered by the Company, allotments of bonus shares or external growth transactions;
- 52,500 shares are allocated to maintaining a liquid market in the Klépierre share on Euronext Paris under the liquidity agreement entered into with Rothschild Martin Maurel in January 2019 that complies with the applicable legal framework, in particular Regulation (EU) No. 596/2014 of the European Parliament and of the Council of April 16, 2014, Commission Delegated Regulation (EU) No. 2016/908 of February 26, 2016, Articles L. 225-209 et seq. of the French Commercial Code, decision 2018-01 of the AMF of July 2, 2018 and the legislation referred to therein;
- 13,036,239 shares are allocated for cancellation.

4. Objectives of the 2020 Share Buyback Program

The objectives of the 2020 Share Buyback Program are as follows:

- To maintain the secondary market in or liquidity of the Klépierre share through an investment services provider pursuant to a liquidity agreement that complies with a code of conduct recognized by the AMF or market practices permitted by the AMF; or
- To deliver shares (by way of exchange, payment or otherwise) as part of an acquisition, merger, spin-off or asset transfer transaction; or
- To allot bonus shares pursuant to the provisions of Articles L. 225-197-1 *et seq.* of the French Commercial Code; or
- To allot or sell shares to employees in connection with an employee profit-sharing plan or pursuant to an employee savings plan under the conditions provided for by law, in particular Articles L. 3332-1 *et seq.* of the French Labor Code (*Code du travail*), through the sale of shares previously purchased by the Company under the seventeenth resolution of the General Meeting of April 30, 2020 or by making provision for a bonus allotment of those shares by way of a Company contribution in the form of securities and/or by replacing the discount; or
- To implement any Company stock purchase option plan in accordance with the provisions of Articles L. 225-177 *et seq.* of the French Commercial Code or any other similar plan; or
- In general, to honor obligations with respect to stock option programs or other share allotments to employees or corporate officers of the issuer or of a related company; or
- To deliver shares on the exercise of rights attached to securities giving rights to shares of the Company by redemption, conversion, exchange, presentation of a warrant or by any other means; or
- To cancel all or a portion of the securities purchased in this way.

5. Maximum portion of the share capital to be acquired and maximum number of shares that may be acquired under the 2020 Share Buyback Program

The number of shares that the Company will be authorized to purchase may not exceed 10% of the shares comprising the Company's share capital at any time, this percentage being applied to the share capital as adjusted to take into account any transactions affecting the share capital after this General Meeting.

For information purposes, based on the share capital as of January 31, 2020, less the 14,707,701 shares held at this date, the maximum number of shares that may be purchased is 15,558,708.

The number of shares that the Company will be authorized to hold at any given time may not exceed 10% of the shares comprising the Company's share capital at the relevant date. For information purposes, based on the share capital as of the date of the General Meeting, the maximum number of shares that can be held is 30,266,409.

6. Maximum authorized purchase price per share

The maximum purchase price would be €42 per share, on the understanding that this price may be adjusted in the event of any transactions affecting the share capital or shareholders' equity, in order to take into account the impact of such transactions on the share value.

The maximum amount of funds used to finance the 2020 Share Buyback Program is estimated at €1,271,189,178, calculated based on a maximum purchase price of €42 per share and on Klépierre's share capital as of the date of the General Meeting.

7. Duration of the 2020 Share Buyback Program

In accordance with the seventeenth resolution of the General Meeting, the Share Buyback Program may be carried out over an 18-month period following that date, i.e., until October 30, 2021.


HOOG CATHARIJN

7

ADDITIONAL INFORMATION

7.1 GENERAL INFORMATION

7.1.1 Company name

Klépierre

7.1.2 Paris Trade and Companies Registry

SIREN registration number: 780 152 914
SIRET number: 780 152 914 00237
NAF/APE code: 6820B

7.1.3 Legal entity identifier

969500PB4U31KEFHZ621

7.1.4 Term of the Company

Klépierre was registered as a French joint-stock corporation (*société anonyme*) governed by a Board of Directors on October 4, 1968. Its term was set at 99 years, expiring on October 3, 2067.

7.1.5 Legal form

Klépierre is a French joint-stock corporation with an Executive Board and a Supervisory Board subject to the legal provisions applicable to French joint-stock corporations, in particular Articles L. 225-57 to L. 225-93 of the French Commercial Code (*Code de commerce*) and by its own bylaws.

7.1.6 Registered office

26, boulevard des Capucines – 75009 Paris (France)

Tel.: +33 (0)1 40 67 57 40

7.1.7 Corporate purpose

Klépierre's corporate purpose is set out in Article 2 of the bylaws, as follows:

> To acquire, sell or exchange, whether directly or indirectly, any land, real-estate rights and buildings, located in France or abroad, as well as all goods and rights that might constitute an addition or annex to said buildings;

> Through its subsidiaries, to construct buildings on its own account or on behalf of Group companies and engage in all operations directly or indirectly related to the construction of these buildings;

> To operate and enhance property value by leasing such properties or otherwise;

> To enter into any lease agreement as a tenant, in France or abroad;

> To acquire direct or indirect equity interests in the persons indicated in Article 8 and in paragraphs 1, 2 and 3 of Article 206 of the French Tax Code (*Code général des impôts*) and, more generally, to acquire equity interests in any company whose purpose is to operate rental properties;

> As a subsidiary matter, to acquire or dispose of equity interests in any company or enterprise exercising any type of activity in the real estate sector; and

> More generally, to engage in all types of civil, commercial, financial, investment and real estate transactions directly related to the aforementioned purpose or in the furtherance thereof, in particular, borrowing and the constitution of any guarantees or pledges required in relation thereto.

7.1.8 Tax regime

The Company has elected to be taxed under the French real estate investment company (*sociétés d'investissement immobilier cotées* – SIIC) tax regime in accordance with the terms of Article 208 C of the French Tax Code.

As such, it is exempt from corporate income tax on:

> Earnings from rental properties, provided that 95% of such earnings are distributed to shareholders before the end of the fiscal year that follows the year in which they are generated;

> Capital gains from the sale of property, investments in partnerships with a corporate purpose identical to that of a SIIC or shareholdings in subsidiaries that have elected for the SIIC regime, provided that 70% of these capital gains are distributed to shareholders before the end of the second fiscal year following the year in which they are generated;

> Dividends received from subsidiaries having elected for SIIC status where these dividends arise as a result of profits and/or capital gains that are exempt from corporate income tax under the SIIC regime, provided that they are distributed during the fiscal year following the year in which they are generated.

7.1.9 Other disclosures

The address of the Group's corporate website is: www.klepierre.com(1).

Klépierre's bylaws are available in full on the Group's website and are incorporated in this document by reference.

(1) *The information on the corporate website does not form part of this document, unless incorporated by reference.*

7.2 DOCUMENTS ON DISPLAY

The updated bylaws, minutes of the General Meeting of Shareholders and other corporate documents, as well as historical financial information, all appraisals and statements made by experts at the Company's request, and all other documents that must be kept at the disposal of shareholders in accordance with the law, may be consulted at the Company's registered office:

26, boulevard des Capucines - 75009 Paris (France).
Tel.: +33 (0)1 40 67 57 40

Copies of this Universal Registration Document are available free of charge from Klépierre (26, boulevard des Capucines - 75009 Paris - France) and on its corporate website (www.klepierre.com), as well as on the website of the French financial markets authority (*Autorité des marchés financiers* – AMF) (www.amf-france.org).

7.3 STATEMENT BY THE PERSON RESPONSIBLE FOR THE UNIVERSAL REGISTRATION DOCUMENT, WHICH SERVES AS THE ANNUAL FINANCIAL REPORT

I hereby declare, having taken all reasonable measures in this regard, that the information contained in this Universal Registration Document is, to my knowledge, in accordance with the facts and contains no omissions likely to affect its import.

I further declare that, to the best of my knowledge, the financial statements have been prepared in accordance with the applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and results of operations of the Company and of all the entities included in the scope of consolidation, and that the management report presents fairly the changes in business, results of operations and financial position of the Company and of all the entities included in the scope of consolidation and describes the main risks and uncertainties facing them.

I have obtained a completion letter from the Statutory Auditors in which they indicate that they have verified the information regarding the financial position and financial statements presented in this document and that they have read the document in its entirety.

Paris, March 13, 2020

Jean-Marc Jestin
Chairman of the Executive Board

7.4 PERSONS RESPONSIBLE FOR THE STATUTORY AUDIT AND THE FINANCIAL INFORMATION

Persons responsible for the statutory audit

Statutory Auditors

Deloitte & Associés

6, place de la Pyramide

92908 Paris-La Défense Cedex, France

572 028 041 RCS Nanterre

Damien Leurent/Laure Silvestre-Siaz

First appointed: General Meeting of Shareholders of June 28, 2006

Term expires: General Meeting of 2022 to be called to approve the financial statements for fiscal year 2021

Ernst & Young Audit

1-2, place des Saisons

92400 Courbevoie-Paris-La Défense 1, France

344 366 315 RCS Nanterre

Bernard Heller

First appointed: General Meeting of Shareholders of April 19, 2016

Term expires: General Meeting of 2022 to be called to approve the financial statements for fiscal year 2021

Alternate Statutory Auditors

Société BEAS

6, place de la Pyramide

92908 Paris-La Défense Cedex

315 172 445 RCS Nanterre

First appointed: General Meeting of Shareholders of June 28, 2006

Term expires: General Meeting of 2022 to be called to approve the financial statements for fiscal year 2021

Picarle & Associés

1-2, place des Saisons

92400 Courbevoie-Paris-La Défense 1, France

410 105 894 RCS Nanterre

First appointed: General Meeting of Shareholders of April 19, 2016

Term expires: General Meeting of 2022 to be called to approve the financial statements for fiscal year 2021

Person responsible for the financial information

Jean-Michel Gault

Executive Board member – Deputy CEO

Tel.: +33 (0)1 40 67 55 05

7.5 CROSS-REFERENCE TABLES

Reconciliation table for the Universal Registration Document – Annex 1 & Annex 2 of Commission Delegated Regulation (EU) 2019/980 of March 14, 2019 supplementing Regulation (EU) 2017/1129 of June 14, 2017

		Page no.
Section 18	**Financial information concerning the issuer's assets and liabilities, financial position and profits and losses**	
Item 18.1	Historical financial information	66; 130; 156
Item 18.2	Interim and other financial information	-
Item 18.3	Auditing of historical annual financial information	126-129; 153-155
Item 18.4	Pro forma financial information	-
Item 18.5	Dividend policy	50
Item 18.6	Legal and arbitration proceedings	119
Item 18.7	Significant change in Klépierre's financial position	-
Section 19	**Additional information**	
Item 19.1	Share capital	268
Item 19.2	Bylaws	298
Section 20	**Material contracts**	279
Section 21	**Documents available**	298-299

Information incorporated by reference

Pursuant to Article 19 of Regulation (UE) 2017/1129 of the European Parliament and of the Council of June 14, 2017, the following information is incorporated by reference into this Universal Registration Document:

> **for fiscal 2018:** the consolidated financial statements and the Statutory Auditors' Report on the consolidated financial statements for the year ended December 31, 2018, and the Company financial statements and the Statutory Auditors' Report on the Company financial statements for the year ended December 31, 2018, as well as the financial information included in the management report, as presented in the registration document filed with the AMF on March 6, 2019, under number D.19-0119;

> **for fiscal 2017:** the consolidated financial statements and the Statutory Auditors' Report on the consolidated financial statements for the year ended December 31, 2017, and the Company financial statements and the Statutory Auditors' Report on the Company financial statements for the year ended December 31, 2017, as well as the financial information included in the management report, as presented in the registration document filed with the AMF on March 15, 2018, under number D.18-0134.

The portions of registration documents D.19-0119 and D.18-0134 that are not referred to above are either not relevant for the investor, or are included elsewhere in this Universal Registration Document.

Annual financial report cross-reference table

This Universal Registration Document contains all of the elements of the annual financial report mentioned in paragraph I of Article L. 451-1-2 of the French Monetary and Financial Code (*Code monétaire et financier*) and in Article 222-3 of the General Regulation of the AMF. A cross-reference table for the documents mentioned in Article 222-3 of the AMF's General Regulation and the corresponding sections of this Universal Registration Document is provided below.

Annual financial report	Page no.
Statement by the persons responsible for the document	299
Management report	303
Financial statements	
Company financial statements	130-152
Statutory Auditors' reports on the Company financial statements	153-155
Consolidated financial statements	66-125
Statutory Auditors' reports on the consolidated financial statements	126-129

Management report cross-reference table

	Page no.
1. Information relating to the Company's business activities	
Information referred to in Article L. 225-100-1 of the French Commercial Code	
Objective, in-depth analysis of changes in the Company's business, results of operations and financial position, notably as regards debt, and the volume and complexity of the business	35-63
Key financial performance indicators and, where applicable, non-financial performance indicators specifically related to the Company's business, notably information concerning environmental and social matters	35-63; 160-199
Description of the main risks and uncertainties to which the Company is exposed	22-32
Details of the financial risks associated with the effects of climate change and the presentation of measures taken to mitigate them by implementing a low-carbon strategy across all aspects of its business	160-181
Main features of the internal control and risk management procedures put in place relating to the preparation and processing of financial and accounting information	23; 31-32
Information referred to in Article L. 232-1 of the French Commercial Code	
Overview of the Company's situation and business during the fiscal year	35-63
Details on the Company's prospects	63
Significant events arising between the fiscal year-end and the date on which this report was prepared	119
Details of research and development activity	-
Details of any Company branches	-
Non-tax-deductible expenses	-
Non-financial performance statement referred to in Article L. 225-102-1 of the French Commercial Code	
Information about the manner in which the Company takes into account the social and environmental consequences of its activity, as well as its impacts on the respect for human rights and the prevention of corruption and tax evasion	207-208
Information on the impact of climate change on the Company's business, and the use of the goods and services it produces	207-208
Societal commitments with regard to sustainability, the circular economy, combating food waste and insecurity, respect for animal welfare and fair, healthy and sustainable food	207-208
Details of any collective bargaining agreements entered into by the Company and their impacts on its economic performance, as well as on the working conditions of employees, and actions undertaken to prevent discrimination and promote diversity and measures to support disabled persons	207-208
Information referred to in Articles L. 441-6-1 and D. 441-4 of the French Commercial Code	
Information on payment times for suppliers and clients	157
Information referred to in Article L. 511-6 of the French Monetary and Financial Code	
Amounts of loans due within less than two years granted by the Company on an ancillary basis to microenterprises, SMEs or middle-market companies with which it has economic ties justifying such loans	-
Statutory Auditors' statement appended to the management report	-
2. Information on corporate officers	
Information referred to in Article L. 621-18-2 of the French Monetary and Financial Code and Article 223-26 of the General Regulation of the AMF	
Summary of transactions in the Company's securities during the past fiscal year by executives and the persons referred to in Article L. 621-18-2 of the French Monetary and Financial Code	273
Information referred to in Articles L. 225-197-1 II and L. 225-185 of the French Commercial Code	
Details of shareholding obligations imposed by the Supervisory Board on corporate officers until the end of their term of office, at the time of allotting free shares and stock options	247-248; 254; 256
3. Tax, legal and financial information	
Information referred to in Article L. 225-102 of the French Commercial Code	
Report on employee profit-sharing as of the last day of the fiscal year	271
Information referred to in Article L. 233-6 of the French Commercial Code	
Details of investments made during the year representing one-twentieth, one-tenth, one-fifth, one-third or one-half of the share capital or control of companies whose head offices are located in France	47-156
Information referred to in Article L. 233-13 of the French Commercial Code (breakdown of the share capital, changes in share ownership and treasury shares)	
Identity of private individuals or legal entities holding, directly or indirectly, more than one-twentieth, one-tenth, three-twentieths, one-fifth, one-quarter, one-third, one-half, two-thirds, eighteen-twentieths or nineteen-twentieths of the share capital or voting rights at the Company's general meetings	271
Details of any changes during the year	271
Details of the names of controlled entities holding treasury shares and the proportion of the share capital held	-
Information referred to in Articles L. 233-29, L. 233-30 and R. 233-19 of the French Commercial Code (cross holdings)	
Share transfers carried out by the Company to reduce cross holdings to within the legal limits, in application of Articles L. 233-29 and L. 233-30 of the French Commercial Code	-
Information referred to in Articles L. 225-211 of the French Commercial Code relating to purchases and sales of treasury shares	
Number of shares purchased and sold during the year, in application of Articles L. 225-208, L. 225-209, L. 225-209-2, L. 228-12 and L. 228-12-1 of the French Commercial Code, average purchase and sale price, amount of trading fees, number of shares recorded in the name of the Company at the end of the fiscal year and their value based on the purchase price, as well as the nominal value of shares allocated to each specific objective, the number of shares used, any reallocations and the proportion of the share capital that they represent	157
Information referred to in Articles R. 228-90, R. 225-138 and R. 228-91 of the French Commercial Code on adjustments	
Details of adjustments to conversion ratios and the terms applicable to the subscription to and exercise of securities giving access to the share capital and stock options	-

Information referred to in Article L. 464-2 of the French Commercial Code (injunctions or sanctions for anti-trust practices)	
Details of any injunctions or sanctions for anti-trust practices handed down by the anti-trust authorities	-
Information referred to in Article 243 *bis* of the French Tax Code relating to dividends for the last three fiscal years	
Amounts of dividends paid and of revenue distributed over the last three fiscal years	269
Details of changes made to the presentation of the Company financial statements	72-74; 103-104
Observations made by the AMF on proposed appointments and re-appointments of Statutory Auditors	-
Five-year financial summary appended to the management report, referred to in Article L. 225-100 of the French Commercial Code	156
4. Corporate governance and compensation	
Corporate governance report	215-265
Statutory Auditors' report on corporate governance	154


kaotik
PIZZA
hershka.com
Bershka
LACOSTE

8

GLOSSARY

Act for Good®

Act for Good® is Klépierre's CSR approach. Through the implementation of its Act for Good® policy, Klépierre reconciles the requirements of operational excellence with environmental, societal and social performance.

Act for Good® with Klépierre is based on three pillars:

- "Act for the Planet", which sums up the Group's ambition to make a positive contribution to the environment;
- "Act for Territories", which illustrates the importance of the Group's local involvement in the regions in which it operates;
- "Act for People", which is devoted to the well-being of Klépierre's visitors, employees and customers.

Each of the three pillars is broken down into specific quantified commitments, with a five-year timeframe (2022) supplemented by medium-term goals (2030).

More information on this strategy is available in chapter 1 "Group overview" of this Universal Registration Document.

Anchor tenant

A retailer whose broad appeal as a consumer magnet plays a leading role in attracting and driving footfall within a specific retail or commercial zone, or shopping center.

Box

A stand-alone retail space that is generally situated near or in the parking lot of a shopping mall or retail park, designed to enhance its appeal.

BREEAM (Building Research Establishment Environmental Assessment Method)

Method of environmental assessment for buildings that was developed by the Building Research Establishment (UK).

Capitalization rate (cap rate)

The average capitalization rate corresponds to the ratio of total expected net rents for occupied and vacant properties to the value, excluding transfer taxes, of these same properties. Transfer taxes are paid upon change in ownership when the asset or its owning company is sold (notary fees, deed and title, registration, etc.).

Catchment area

A habitual or theoretical area from which a point of sale or shopping center draws its potential customers. The scope of this area is influenced by the distance and time it takes to gain access.

Clubstore®

All the actions taken to enhance the customer journey and experience in the Group's shopping centers. Clubstore® is one of Klépierre's strategic pillars.

Corporate governance

The system of rules, practices and processes through which the executive officers and Board of Directors or Supervisory Board direct and control a company in the interest of its shareholders and other stakeholders. Corporate governance also provides the framework within which corporate objectives are set, the resources needed to achieve them are defined, and performance assessment standards are agreed.

Destination Food®

Destination Food® is a comprehensive plan aimed at developing and enhancing the food and beverage offer in Klépierre's shopping centers.

Development pipeline

Name given to all investments that the Group plans to undertake over a given period of time, concerning the creation, extension and/or renovation of portfolio assets or the acquisition of assets or companies.

The Klépierre development pipeline is generally broken down into three categories:

> Committed projects: projects that are in the process of completion or for which the Klépierre Executive Board has decided to commence work;

> Controlled projects: projects that are in the process of advanced review, for which Klépierre has control over the land (acquisition made or under offer, contingent on obtaining the necessary administrative clearance and permits); and

> Identified projects: projects that are in the process of being defined and negotiated.

Diversity Charter

An initiative undertaken in late 2004, this document formally condemns discrimination in hiring and employment. It expresses the desire of the signatories to promote a better reflection of the diversity of the French population in their workforce. The Group signed the Diversity Charter on July 31, 2010.

Environmental Management System (EMS)

A management tool that allows businesses to roll out processes that help mitigate adverse environmental impacts. These systems are designed to help organizations achieve lasting improvements and make continuous progress in environmental matters. The ISO 14001 family of standards, for example, set out specifications and guidelines for the implementation of EMS, as well as defining the principles, procedures and criteria governing environmental audits.

European Public Real Estate Association (EPRA)

The European Public Real Estate Association is the voice of the publicly traded European real estate sector. With more than 270 members, EPRA's mission is to promote, develop and represent the European public real estate sector. It achieves this through the provision of better information to investors and stakeholders, active involvement in the public and political debate, improvement of the general operating environment, promotion of best practices (financial and non-financial) and the cohesion and strengthening of the industry. Financial and non-financial best practice recommendations contribute to improving the transparency, comparability and relevance of reporting in the whole industry.

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 Net Asset Value (NAV)

EPRA NAV is a measure of the fair value of net assets assuming a normal investment property company business model, i.e., that investment property is owned and operated over the long term.

EPRA Net Initial Yield (NIY)

The EPRA NIY is calculated as the annualized rental income based on passing cash rents, less non-recoverable property operating expenses, divided by the gross market value of the property.

EPRA Triple Net Asset Value (NNNAV)

Triple net asset value as calculated in accordance with EPRA recommendations. It is similar to EPRA NAV, but includes debt and financial instruments at fair value as well as the optimized value of deferred tax liabilities. See chapter 2 "Business for the year" of this Universal Registration Document for more information on the methodology used to calculate this indicator.

Estimated rental value (ERV)

Estimated rental value is the value at which space would be let in market conditions prevailing at the valuation date (based on the assumption of reletting to a tenant operating in the same business segment).

French commercial rent index (*Indice des loyers commerciaux* – ILC)

The ILC is published quarterly by the French National Institute of Statistics and Economic Studies (INSEE) and comprises the ICC (25%), ICAV (retail trade sales index, expressed in value, 25%), and IPC (consumer price index, 50%) indices. The ICAV index, published monthly by INSEE, is calculated using a sample of revenue reports filed by 31,000 businesses. The IPC index is published monthly in the French legal gazette, and is commonly used to measure inflation. Further to the August 4, 2008 law on economic modernization and its application decree dated November 6, 2008, the ILC index can be used for retail rental price adjustments.

French cost of construction index (*Indice du coût de la construction* – ICC)

This is one of two benchmark indices used to adjust rents on retail properties. It is published quarterly by the French National Institute of Statistics and Economic Studies (INSEE), and is calculated using data from the quarterly survey on trends in the cost of new housing (PRLN). Using a representative sample of building permits, it provides information on market trends, construction characteristics and factors that can be used to derive the cost of land (price of land, demolitions, taxes, etc.). It is also currently the benchmark index used to adjust office rents.

French council of shopping centers (*Conseil national des centres commerciaux* – CNCC)

Trade organization bringing together a range of stakeholders in the promotion and development of shopping centers: developers, owners, managers, retailers, service providers and merchant organizations.

French REIT (*société d'investissement immobilier cotée* – SIIC)

Tax regime under Article 208 C of the French Tax Code (*Code général des impôts*) that permits publicly-listed joint-stock companies whose stated equity capital exceeds €15 million, by election and subject to certain conditions, within the scope of their primary business activity of acquiring and/or constructing buildings for the purpose of leasing them and direct or indirect ownership of equity in corporations whose business purpose is identical, to qualify for corporate tax exemption on:

- Earnings from rental properties, provided that 95% of such earnings are distributed to shareholders before the end of the fiscal year that follows the year in which they are generated;
- Capital gains from the sale of property, investments in real estate partnerships and with a purpose identical to that of a SIIC or shareholdings in subsidiaries that have elected for the new tax regime, provided that 70% of these capital gains are distributed to shareholders before the end of the second fiscal year following the year in which they are generated;
- Dividends received from subsidiaries having elected for SIIC status (or SIIC equivalent) where these dividends arise as a result of profits and/or capital gains that are exempt from corporate income tax under the SIIC regime, provided that they are distributed in full during the fiscal year following the year in which they are generated.

Klépierre elected for SIIC status in 2003. No shareholder, acting alone or in concert with others, may control more than 60% of the equity capital of a company that has opted for SIIC status. Failing to comply with this threshold would lead to the Company losing SIIC status.

Gross leasable area (GLA)

Total sales area of a shopping center (including the hypermarket, where applicable), plus storage area and excluding aisles and shared tenant space.

Green lease

A clause or schedule added to a lease whose aim is to encourage a more constructive dialogue between lessees and lessors on environmental issues in general and energy efficiency in particular.

Global Real Estate Sustainability Benchmark (GRESB)

Non-profit organization whose primary purpose is to assess the environmental and social performance of companies specializing in the real estate sector. Created in 2009, it brings together the leading pension fund managers and key property sector bodies, including EPRA (European Public Real Estate Association) and ECCE (European Centre for Corporate Engagement – an international research association based at the University of Maastricht).

Global Reporting Initiative (GRI)

Originally established in 1997, this initiative seeks to develop directives that are applicable internationally in the area of sustainable development and report on the economic, environmental and social performances of companies. It proposes a range of benchmarks and indicators used to measure progress made in corporate sustainability programs.

Gross rent

Contractual rent calculated as the minimum guaranteed rent plus any additional variable rent based on retailer sales.

Hypermarket

A large retail establishment that displays and sells a broad assortment of both food and non-food products over a sales space that exceeds 2,500 sq.m.

ISO 14001

International environmental certification used for the implementation of Environmental Management Systems (EMS).

Klépierre University

The Group's corporate university, which aims to share know-how inside the Company and promote the emergence of a common culture.

Late payment

Late payment (rent, utilities and taxes, including VAT) corresponds to any payment that has not been received on the due date, recorded as of the first day it is observed as past due. As most unpaid amounts effectively correspond to late payments, Klépierre discloses a late payment rate on a 12-month rolling basis.

Let's Play®

Name given to the Group's marketing strategy aiming at making visiting its shopping centers an entertaining retail experience.

Like-for-like/reported portfolio basis

The Group analyzes changes in certain indicators either based on all holdings actually owned during the comparative periods (reported portfolio), or by separating out the impact of any acquisitions, extensions or disposals during the period under review, in order to obtain a stable underlying comparison basis with the prior period (like-for-like portfolio).

Loan-to-Value (LTV)

Calculated by dividing consolidated net debt by the total value of the Group's property portfolio as determined by independent appraisers (total share, including transfer taxes).

Minimum guaranteed rent (MGR)

The minimum guaranteed rent payable under the terms of the lease. Also known as base rent.

Mid-size unit

A retail outlet whose sales area covers more than 750 sq.m.

Net Asset Value (NAV)

NAV is an indicator that measures the break-up value of a real estate company. It essentially represents the difference between the value of the Company's assets (as estimated by independent appraisers) and the total sum of its liabilities. See chapter 2 "Business for the year" of this Universal Registration Document for more information on the method for calculating this indicator.

Net current cash flow

This indicator corresponds to cash flow generated by the recurring operations and business of the Company, after interest and tax. See chapter 2 "Business for the year" of this Universal Registration Document for more information on the method for calculating this indicator.

Net rent

Gross rent less fees, non-recovered rental charges (in particular due to vacancies), expenses chargeable to the owner and, where applicable, expenses related to the land on which the rental unit is situated.

Non-financial rating agencies

Agencies that rate businesses on their performances in the three key sustainability areas: quality of environment, governance and social performance. They provide investors with guidelines for assessing businesses from a non-financial perspective.

Occupancy cost ratio (OCR)

The occupancy cost ratio represents the ratio of rent and tenant charges (excluding taxes) to revenues (excluding taxes).

Rentable floor area

Gross leasable area owned by Klépierre and in respect of which Klépierre collects rents.

Re-tenanting

Leasing initiative involving proactively replacing existing tenants with more appealing and dynamic ones, in the aim of enhancing the center's overall retail mix.

Right-sizing

A Klépierre initiative consisting of ensuring that retailers are able to offer the right format for the right location. In many cases, this implies expanding or reducing the size of stores, and/or relocating them to more appropriate sites within a given shopping center.

Reversion

Additional minimum guaranteed rent (MGR) obtained as a result of re-letting or when a lease is renewed with the same tenant (excluding additional MGR obtained when a property is leased for the first time). Reversion is negative if the new rent is lower than the previous one.

Sale and purchase promissory agreement

A contractual instrument signed between seller and buyer, under which both parties undertake to proceed with the sale of an asset at an agreed price and before a specified date.

Senior workers

Pursuant to applicable law in France, any employee who is aged 55 or over is considered to be a senior worker with respect to career management. For new hires, the threshold is set at 50. The Group entered into an agreement pertaining to the employment of senior workers in October 2009.

Shopping center

A group of at least 20 stores and services that form a gross leasable area (GLA) of at least 5,000 sq.m., designed, built and managed as a single entity.

Specialty leasing

Package of services offering a wide range of communication media to retail chains in order to promote their products (in- and out-of-store poster campaigns for shopping centers, plasma screens, event organization, temporary lets for promotional purposes, etc.). Klépierre Brand Ventures is the Group's specialized entity for this activity in France.

Stakeholders

Any individual or group that may affect or be affected by the accomplishment of the objectives of the organization. Stakeholders may be part of the Group (employees) or be external parties (customers, suppliers, shareholders, lenders, etc.).

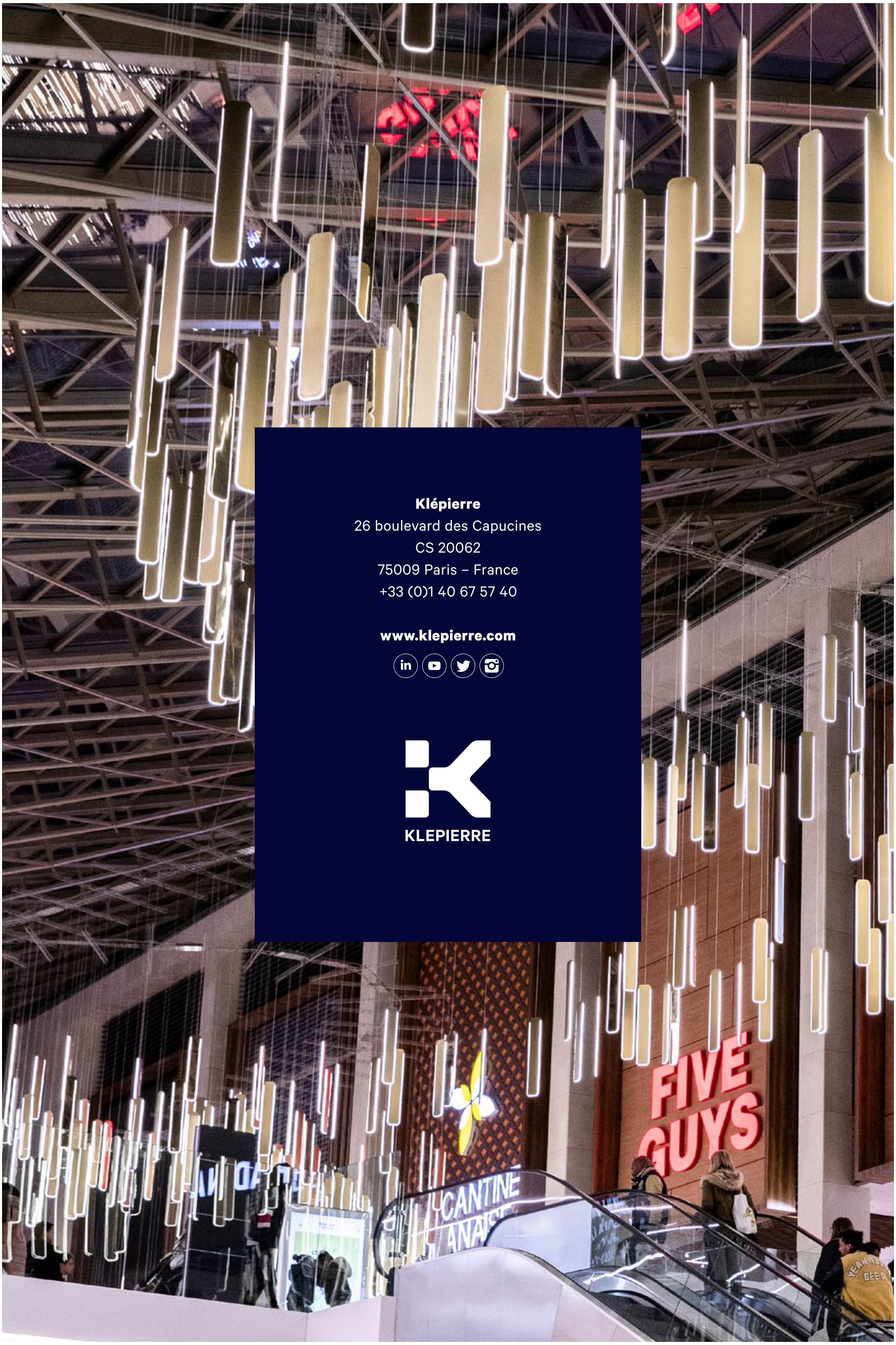
Universal Registration Document (URD)

Further to the implementation of Regulation (EU) 2017/1129 on prospectuses ("Prospectus 3" or "PD3"), the former "registration document" has been replaced by the "universal registration document" with effect from July 20, 2019. The universal registration document presents the issuer's organization, business activities, financial position, results of operations and outlook. In addition to the content published in the former registration document, the new universal registration document includes additional disclosures and/or a new format for presenting information on the issuer's strategy, non-financial performance and risk factors.

Yield

Unlike the cap rate, the yield is based on property values excluding transfer taxes, and is used by independent appraisers to estimate the value of the Group's property portfolio. It is determined using analyses of comparable recent transactions and criteria specific to the type of asset under consideration (location, sales area, rental reversion potential, possibility of extensions, percentage of ownership, etc.).

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



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

www.klepierre.com

KLEPIERRE