SUPPLEMENTAL INFORMATION TO THE EARNINGS RELEASE

FIRST-HALF 2020

KLEPIERRE

/ TABLE OF CONTENTS

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

1

CONSOLIDATED FINANCIAL STATEMENTS

1.1 Consolidated statements of comprehensive income

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

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

1.2 Consolidated statements of financial position

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

1.3 Segment earnings

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

(a) Shopping centers and Other retail properties.

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

1.4 Consolidated statements of cash flows

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

2

BUSINESS OVERVIEW

2.1 Economic environment

During the first half of 2020, the Covid-19 epidemic gradually spread across continental Europe. Lockdown measures were enforced in most European countries to contain the spread of the virus, resulting in an economic contraction, with OECD projecting Eurozone Gross Domestic Product to contract by 9.1% for full-year 2020. On the labor market front, despite widespread use of furlough work schemes, the unemployment rate is projected to increase from 7.6% in 2019 to 9.8% by the end of 2020, while inflation may decelerate to close to zero in 2020.

Nevertheless, most containment measures were rolled back as from the end of April, translating into a progressive resumption of economic activity. The “Recovery Plan for Europe” launched by the European Union and the accommodative monetary policy of the European Central Bank, coupled with temporary local support measures are expected to support the recovery of national economies.

Exhibit 1 2020 and 2021 macroeconomic forecasts by geography

	Real GDP growth rate			Unemployment rate			Inflation rate		
Geography	**2019**	**2020E**	**2021E**	**2019**	**2020E**	**2021E**	**2019**	**2020E**	**2021E**
EUROZONE	1.3%	−9.1%	6.5%	7.6%	9.8%	9.5%	1.2%	0.4%	0.5%
France	**1.5%**	**−11.4%**	**7.7%**	**8.4%**	**11.0%**	**9.8%**	**1.3%**	**0.4%**	**0.5%**
Belgium	**1.4%**	**−8.9%**	**6.4%**	**5.4%**	**7.4%**	**6.5%**	**1.2%**	**0.4%**	**0.7%**
Italy	**0.3%**	**−11.3%**	**7.7%**	**9.9%**	**10.1%**	**11.7%**	**0.6%**	**−0.1%**	**0.1%**
Scandinavia									
Norway	1.2%	−6.0%	4.7%	3.7%	5.9%	4.6%	2.2%	0.8%	1.3%
Sweden	1.2%	−6.7%	1.7%	6.8%	10.0%	10.0%	1.8%	0.3%	1.1%
Denmark	2.4%	−5.8%	3.7%	5.0%	6.6%	6.5%	0.8%	0.4%	0.4%
Iberia									
Spain	2.0%	−11.1%	7.5%	14.1%	19.2%	18.7%	0.8%	0.0%	0.3%
Portugal	2.2%	−9.4%	6.3%	6.5%	11.6%	9.6%	0.3%	0.2%	0.2%
CE & Other									
Czech Republic	2.5%	−9.6%	7.1%	2.0%	3.5%	3.8%	2.8%	3.0%	1.9%
Poland	4.1%	−7.4%	4.8%	3.3%	7.3%	5.8%	2.2%	3.0%	1.7%
Turkey	0.9%	−4.8%	4.3%	13.7%	15.6%	14.2%	15.2%	10.6%	9.1%
Netherlands	**1.8%**	**−8.0%**	**6.6%**	**3.4%**	**5.9%**	**4.9%**	**2.7%**	**0.3%**	**0.6%**
Germany	**0.6%**	**−6.6%**	**5.8%**	**3.2%**	**4.5%**	**4.3%**	**1.4%**	**0.8%**	**0.7%**

Source: OECD Economic Outlook, June 2020 – single hit scenario.

2.2 Operating context

After a solid start to the year, business at Klépierre shopping malls was brought to a virtual standstill by the spread of the Covid-19 pandemic across Europe, and by the subsequent restrictive health measures implemented from early March, including:

> **Store closures:** in France, Belgium, Italy, Spain, Portugal, Denmark, Poland and the Czech Republic, the closure of all stores was ordered, except those selling basic necessities (including grocery, small food stores and pharmacies); and

> **Limited restrictions**: in other countries, representing close to 20% of Klépierre’s gross asset value[(1)] (Norway, Sweden and the Netherlands), only partial administrative closures (mainly for hairdressers, bars,

(1) *On a total share basis, including transfer taxes.*

restaurants and leisure activities) were issued, allowing most stores to remain open, although some retailers decided to close of their own volition.

Since early May, restrictions have been gradually eased in all countries where Klépierre operates, leading to a progressive reopening of the Group's malls. As of June 8, all Klépierre malls had reopened, with only a few restrictions related to certain activities remaining in place (mainly cinemas, and fitness centers). To ensure the protection of staff and visitors, Klépierre has proactively implemented strict protection measures certified by Bureau Veritas in all of its malls, including:

> Reduced number of entrances;
> One-way customer path to limit contact between shoppers;
> Footfall metering to ensure that the maximum authorized threshold is not exceeded;
> Body temperature checks and controls on the wearing of masks, in line with local standards; and
> An enhanced cleaning regime and more frequent renewal of air.

Overall, at Group level, stores were closed for 1.9 months on average due to the lockdown measures, representing €153.5 million in rents (total share, excluding VAT; 26% of gross rents for the first half of 2020) and service charges of €40 million.

Exhibit 2 Invoiced rents (total share, excluding service charges and VAT) over the closure period *(by country)*

In millions of euros	Gross rents
France-Belgium	70.2
Italy	34.6
Scandinavia	7.5
Iberia	24.3
CE & Other	7.4
Netherlands	5.8
Germany	3.6
TOTAL	**153.5**

Further to the lifting of restrictions, as of July 20, 2020, 96% of stores (in rents) had reopened. As the reopening process may prove to be lengthy, the Group expects this proportion to keep increasing in the coming weeks.

2.3 Retailer sales

On a like-for-like basis,(2) total retailer sales at Klépierre malls declined by 35% over the first half of 2020. Following a good start to the year (up 2.5% in January and February), sales plummeted in most countries on the back of the administrative closure orders. The magnitude of the decrease was closely correlated to the nature of the lockdown measures implemented. Hence, Iberian retailer sales (where stores remained closed for more than two months) were down 47% over the first half, while Scandinavian retailers sales (only partially closed) were down by 16%.

With the gradual reopening of malls across Europe, retailer sales have recovered faster than initially anticipated. The impact of social distancing on footfall has been partially offset by a high transformation rate and higher average basket size. The trend has been improving month by month, with June sales reaching 85% of last year level (penalized by a negative calendar effect) compared to 76% in May.(3) This improvement has appeared to carry over into July, with footfall standing at 80% of the prior-year level, compared to 75% in June and 68% in May.

By **geographic area**, in countries that only implemented partial lockdowns (Norway, Sweden and the Netherlands), sales were 96% of last year level in June, showing a clear improvement compared to 83% in May. The recovery has been particularly strong in Norway, where sales were 9% higher year on year in June, after

(2) Like-for-like change is on a same-center basis and excludes the impact of asset sales, acquisitions and foreign exchange.
(3) Retailer sales change same store, excluding days of closure

being 6% lower in May. Countries that reopened after lockdown are enjoying an encouraging resumption of business with sales at 84% of last year level in June and showing a 10-percentage point improvement compared to May on average. France (87% of last year level in June) and Denmark (94% of last year level) posted stronger performance partly as a result of government measures to support consumer purchasing power.

By **segment**, Household Equipment, Supermarkets, and Culture, Gifts & Leisure are now back to last year levels (up 0.1% on average in June vs. last year). However, Fashion, Food & Beverages, and Health & Beauty are yet to fully recover (79% on average in June of last year level).

Exhibit 3 Change in retailer sales in June and for the six months ended June 30, 2020 *(by country)*

Country	Retailer sales change		**%** *(in total reported retailer sales)*
	June[b]	**YTD**[a]	
France	-13%	-36%	33%
Belgium	-15%	-34%	2%
France-Belgium	**-13%**	**-36%**	**35%**
Italy	**-21%**	**-43%**	**22%**
Norway	9%	-9%	10%
Sweden	-13%	-14%	9%
Denmark	-6%	-33%	4%
Scandinavia	**-2%**	**-16%**	**23%**
Spain	-26%	-48%	7%
Portugal	-26%	-45%	2%
Iberia	**-26%**	**-47%**	**8%**
Czech Republic	-18%	-37%	2%
Poland	-22%	-38%	3%
Turkey	-26%	-38%	1%
CE & Other	**-22%**	**-38%**	**6%**
Netherlands	**-24%**	**-19%**	**2%**
Germany	**-16%**	**-31%**	**3%**
TOTAL	-15%	-35%	100%

(a) Like-for-like change is on a constant-center basis and excludes the impact of asset sales and acquisitions.
(b) Change in retailer sales on a same store basis, excluding closure days.

Exhibit 4 Change in retailer sales in June and for the six months ended June 30, 2020 *(by segment)*

Segment	Retailer sales change		**%** *(in total reported retailer sales)*
	June[b]	**YTD**[a]	
Fashion	-24%	-42%	35%
Culture, Gift & Leisure	-3%	-33%	18%
Health & Beauty	-9%	-30%	15%
Food & Beverage	-25%	-41%	11%
Household Equipment	+5%	-21%	13%
Other	-15%	-25%	9%
TOTAL	-15%	-35%	100%

(a) Like-for-like change is on a constant-center basis and excludes the impact of asset sales and acquisitions.
(b) Retailer sales change same store, excluding days of closure.

2.4 Gross rental income

Klépierre management is of the view that rents corresponding to the closure period are contractually due. Therefore, the vast majority of rents have been invoiced and recognized as revenues. Invoiced but unpaid rents as of the closing date have been recognized as receivables pending their final status (see below section 2.5 “Rent collection and leasing update”).

Exhibit 5 Gross rental income

(on a total share basis)

In millions of euros	06/30/2020	06/30/2019	Reported change
France-Belgium	220.9	224.5	−1.6%
Italy	98.3	102.6	−4.2%
Scandinavia	83.6	93.6	−10.7%
Iberia	65.7	69.8	−5.9%
CE & Other	41.0	56.4	−27.4%
Netherlands	36.9	41.2	−10.4%
Germany	24.5	26.4	−7.1%
TOTAL SHOPPING CENTERS	**571.0**	**614.6**	**−7.1%**
Other retail properties	10.0	12.3	−18.1%
TOTAL	**581.0**	**626.9**	**−7.3%**

IFRS accounting treatment of rents related to closure period

3 main IFRS standards may apply regarding rents related to the closure period:

> ***IFRS 16 (Leases)*** *defines a lease modification as a change in the scope of a lease, or in the consideration for a lease, that was not part of the original terms of the lease. For the lessor, when a rent concession qualifies as a lease modification the impact has to be straight-lined over the minimum term of the lease as a reduction of rental revenue;*

> ***IFRS 9 (Financial instruments)*** *provides guidance to deal with credit losses either with the impairment of receivables or the assessment of expected credit losses. This is applicable to tenants that have entered in an insolvency proceeding or for which such a proceeding can be reasonably expected to happen in the near future. In such case, an impairment of the receivable is required in consideration of the expected loss. Such impairment will be recorded in the P&L net of security deposits or guarantees if any; and*

> *If and when a litigation with a tenant is substantiated by the existence of a legal action or a formalized claim, an assessment of the potential loss has to be performed under* ***IAS 37 (Contingent liabilities)****. If the risk is more likely than not to materialize, an assessment has to be performed and a provision has to be accounted for.*

For more information related to rent invoicing, rent collection/receivables, tenants' credit risk please refer to the appendix to the financial statements.

On a total share basis, gross rental income generated by shopping centers amounted to €571.0 million over the first half of 2020, compared to €614.6 million in the same prior-period, down 7.1% on a reported basis. This decline reflects a decrease in minimum guaranteed rents and variable revenues due to the lockdown, the impact of disposals completed in 2019 (notably in Hungary and Portugal), as well as negative foreign exchange effects attributable mainly to the depreciation of the Norwegian krone and Turkish lira.

After factoring in gross rental income generated by other retail properties, which was down 18.1% due to the disposal of assets and the negative impacts of the lockdown, total gross rental income amounted to €581.0 million on a total share basis.

2.5 Rent collection and leasing update

Exhibit 6 Invoiced rents and service charges (total share, excluding VAT) for the first half of 2020[a]

Geography	Invoiced	Of which collected	Of which unpaid	Of which deferred	Collection rate
France-Belgium	276.1	178.9	34.6	62.6	84%
Italy	112.9	60.5	22.9	29.6	73%
Scandinavia	109.5	98.6	8.9	2.0	92%
Iberia	81.4	57.1	11.1	13.2	84%
CE & Other	47.7	32.5	11.1	4.1	75%
Netherlands	42.1	33.8	7.1	1.2	83%
Germany	30.7	22.6	4.9	3.1	82%
TOTAL SHOPPING CENTERS	**700.3**	**484.0**	**100.6**	**115.7**	**83%**
Other retail properties	11.0	6.7	1.4	2.9	83%
TOTAL	**711.3**	**490.7**	**101.9**	**118.6**	**83%**

(a) As of July 24, 2020, excluding equity-accounted companies.

Exhibit 7 Invoiced rents and services charges (total share, excluding VAT) over the second quarter of 2020[a]

Geography	Invoiced	Of which collected	Of which unpaid	Of which deferred	Collection rate
France-Belgium	135.9	43.7	29.7	62.6	60%
Italy	55.3	8.1	17.6	29.6	32%
Scandinavia	52.7	43.9	6.9	2.0	86%
Iberia	37.8	14.9	9.7	13.2	60%
CE & Other	19.3	8.1	7.1	4.1	53%
Netherlands	20.3	12.5	6.6	1.2	66%
Germany	14.7	6.9	4.6	3.1	60%
TOTAL SHOPPING CENTERS	**336.0**	**138.1**	**82.1**	**115.7**	**63%**
Other retail properties	5.0	0.8	1.3	2.9	39%
TOTAL	**341.0**	**139.0**	**83.4**	**118.6**	**62%**

(a) As of July 24, 2020, excluding equity-accounted companies.

In the first half of 2020, the Group invoiced rents and charges for a total amount of €711.3 million and collected 83% of non-deferred rents of the first-half and 62% over the second quarter. This unusually low collection rate is attributable to the pandemic and subsequent mall closures. In April and May, retailers stopped paying rents due to the grace periods enforced by various governments throughout Europe and payment deferrals granted by Klépierre to its tenants to ease their cash position.

Following the reopening of its malls, the Group entered into discussions with tenants to find mutually acceptable solutions regarding rents relating to the closure period. Most negotiations are ongoing; they are conducted on a case-by-case basis and aim focused around granting a partial waiver of outstanding rents in exchange for lease extensions and/or the opening of new stores. Klépierre is also providing targeted financial support for retailers in particularly hard-hit segments such as Food & Beverages, Fashion, as well as for small businesses in France.

In countries where stores did not close or reopened in early May (Scandinavia, the Netherlands and Germany), rent collection has improved sharply to stand at 88% for the first half taken as a whole (and 78% for the second quarter). In countries where stores re-opened more recently (France, Southern Europe and Central Europe), rent collection has been lower (81%% for the first half; 54% for the second quarter), but is set to improve as negotiations progress.

Deal-making should continue to accelerate in the coming months and Klépierre expects to finalize negotiations by the end of the year, leading to a higher collection rate on Q2.

As of June 30, 2020, 341 deals related to COVID-19 have been signed. Concessions granted to the retailers has been treated according to IFRS 16, whereby any lease modification has to be taken to income on a straight-line basis of the minimum lease term. The impact over the first-half is less than €1 million..

Although leasing activity has been mostly focused on rent settlements since March, the Group nonetheless signed almost 400 leases in the first half and continued to open flagship stores throughout its portfolio of leading European malls. In France, Primark opened a 6,650-sq.m. store at Belle-Épine (Paris area) while Zara and Bershka stores were fully refurbished and right-sized, upgrading further upgrading the retail mix of Southern Paris' leading shopping center. The Sports segment continued its momentum over the first half as illustrated by the opening of new Decathlon (Prague - Nový Smíchov), XXL (Drammen, Gulskogen), Nike (Assago - Milan), and Foot Locker (Aqua Portimão, Portimão) stores. On top of these emblematic stores, the Group also inaugurated two brand new Destination Food® concepts at Emporia (Malmö, Sweden) and Nový Smíchov (Prague, Czech Republic), welcoming diversified well-known international banners and local retailers.

In spite of the gradual resumption of leasing activity further to the reopening of the malls, the slowdown of letting operations due to administrative lockdowns weighed on occupancy at Klépierre malls, with the EPRA vacancy rate increasing slightly by 80 basis points to 3.8% compared to 3.0% at year-end 2019.

Exhibit 8 Key performance indicators

Geography	Renewed and re-let leases (in €m)	Reversion (in %)	Reversion (in €m)	OCR[a]	EPRA Vacancy Rate
France-Belgium	8.9	−1.4%	(0.1)	15.2%	3.9%
Italy	7.6	+7.0%	0.5	14.7%	2.0%
Scandinavia	7.8	+0.4%	0.0	12.7%	6.2%
Iberia	5.3	+13.3%	0.6	16.1%	4.5%
CE & Other	3.2	+8.3%	0.2	14.6%	3.6%
Netherlands	0.8	+6.2%	0.0	-	3.8%
Germany	0.3	−0.7%	-	13.4%	3.2%
TOTAL	**33.9**	**+4.0%**	**1.3**	**14.6%**	**3.8%**

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

2.6 Net rental income

Exhibit 9 Net rental income
(on a total share basis)

In millions of euros	06/30/2020	06/30/2019	Reported change	Change excl. disposals and forex	Index-linked change
France-Belgium	198.4	204.3	−2.9%	−2.5%	+2.0%
Italy	87.8	93.4	−5.9%	−5.6%	+0.5%
Scandinavia	76.1	84.9	−10.4%	−6.8%	+1.4%
Iberia	60.7	64.0	−5.2%	−0.4%	+0.4%
CE & Other	35.6	52.2	−31.9%	−12.8%	+1.5%
Netherlands	29.0	33.4	−13.4%	−5.0%	+1.3%
Germany	15.6	19.7	−20.9%	−18.1%	+0.0%
TOTAL SHOPPING CENTERS	**503.1**	**552.0**	**−8.9%**	**−5.0%**	**+1.3%**
Other retail properties	8.4	11.5	−26.8%		
TOTAL	**511.5**	**563.5**	**−9.2%**		

Net rental income (NRI) generated by shopping centers totaled €503.1 million for the half-year ended June 30, 2020, down 8.9% on a reported portfolio, total share basis compared with 2019. This reflected the combined effect of the following factors:

> A €26 million downward adjustment (down 5.0%) excluding disposals and forex mostly linked to lower variable revenues (including sales-based rents, specialty leasing and car park revenues) and to a lesser extent an increase in provisions for bad debts (€11 million) and a slight rise in vacancy (up 80 basis points to 3.8%). This was partly offset by positive indexation (1.3%) and positive reversion. As explained above, the -5% change does not yet factor in the full impact of the discounts granted to retailers relating to the closure period that, in accordance with IFRS, will be taken to the statement of comprehensive income on a straight-line basis over the minimum lease term;

> A €17 million negative impact from disposals, mostly attributable to the sale of the Hungarian portfolio at the end of 2019;

> A €6 million negative impact reflecting developments and acquisitions, unfavorable changes in exchange rates and other non-recurring items.

Chart 1 Breakdown of shopping center NRI by region for the six months ended June 30, 2020
(on a total share basis)

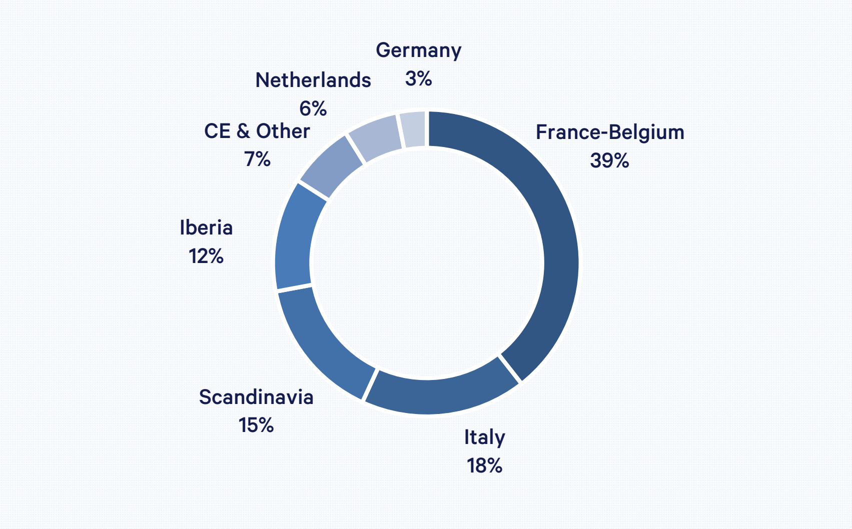


Exhibit 10 Foreign exchange impact on NRI year-on-year growth for the six months ended June 30, 2020

	At constant forex	At current forex	Forex impact
Norway	−1.3%	−10.5%	−921 bps
Sweden	−7.0%	−8.2%	−124 bps
Denmark	−11.9%	−11.8%	+0 bps
Scandinavia	**−6.8%**	**−10.2%**	**−339 bps**
Czech Republic	−6.5%	−9.0%	−248 bps
Poland	−10.1%	−10.1%	0 bps
Turkey[a]	−25.3%	−33.6%	−824 bps
CE & Other	**−12.8%**	**−15.7%**	**−285 bps**
TOTAL	**−5.0%**	**−5.7%**	**−70 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.

2.7 Contribution of equity-accounted companies

The contribution of equity-accounted companies[4] to net current cash flow amounted to €26.4 million in 2020. The Group's equity-accounted investments are listed below:

> **France:** Les Passages (Boulogne; 50% equity interest), Espace Coty (Le Havre; 50% equity interest), Mayol (Toulon; 40% equity interest), Le Millénaire (Paris; 50% equity interest), and Belle Épine (Paris; a 10% stake acquired on December 13, 2019);

> **Italy:** Porta di Roma (Rome ; 50% equity interest), Il Leone (Lonato; 50% equity interest), Il Corti Venete (Verona; 50% equity interest), Il Destriero (Milan; 50% equity interest), Città Fiera (Udine; 49% equity interest);

> **Norway:** Økernsenteret (Oslo; 56.1% equity interest), Metro Senter (Oslo; 56.1% equity interest), Nordbyen (Larvik ; 56.1% equity interest);

> **Portugal:** Aqua Portimão (Portimão; 50% equity interest); and

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

> **Turkey:** Akmerkez (Istanbul; 46.9% equity interest).

The following tables present the contributions of these assets by country 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 fair value of jointly owned shopping malls. In France, all figures integrate the recent acquisition of 10% stake in Belle-Épine (Paris area).

As of July 24, 2020, 81% of first-half non-deferred rents were collected for equity-accounted companies. The collection rate for the second quarter stood at 59%.

Exhibit 11 Contribution of equity-accounted companies

GROSS RENTAL INCOME

In millions of euros	06/30/2020	06/30/2019
France	12.5	11.4
Italy	19.5	20.3
Norway[a]	3.4	3.9
Portugal	1.7	1.8
Turkey	2.3	4.4
TOTAL	**39.4**	**41.9**

NET RENTAL INCOME

In millions of euros	06/30/2020	06/30/2019
France	9.6	8.1
Italy	16.5	17.5
Norway[a]	2.9	3.4
Portugal	1.6	1.7
Turkey	1.6	3.3
TOTAL	**32.3**	**33.9**

EBITDA

In millions of euros	06/30/2020	06/30/2019
France	9.5	7.9
Italy	16.4	17.4
Norway[a]	2.9	3.4
Portugal	1.6	1.7
Turkey	1.4	3.1
TOTAL	**31.8**	**33.5**

NET CURRENT CASH FLOW

In millions of euros	06/30/2020	06/30/2019
France	8.2	6.7
Italy	13.1	13.5
Norway[a]	2.9	3.4
Portugal	0.4	0.5
Turkey	1.8	3.7
TOTAL	**26.4**	**27.7**

NET INCOME[b]

In millions of euros	06/30/2020	06/30/2019
France	-10.1	-6.2
Italy	0.2	8.2
Norway[a]	-1.2	2.2
Portugal	-1.9	0.3
Turkey	0.5	0.6
TOTAL	**-12.4**	**5.2**

(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.

3

BUSINESS ACTIVITY BY REGION

3.1 France-Belgium (38.8% of net rental income)

Exhibit 12 NRI & EPRA Vacancy Rate in France-Belgium

	Reported porfolio NRI			NRI excl. disposals and forex			EPRA Vacancy Rate	
In millions of euros	06/30/2020	06/30/2019	Change	06/30/2020	06/30/2019	Change	06/30/2020	06/30/2019
France	189.1	195.6	−3.3%	184.4	189.9	−2.9%	4.0%	3.4%
Belgium	9.3	8.8	+6.6%	9.3	8.8	+5.7%	1.6%	1.2%
FRANCE-BELGIUM	**198.4**	**204.3**	**−2.9%**	**193.7**	**198.8**	**−2.5%**	**3.9%**	**3.3%**

The strict containment measures implemented in France from mid-March due to the virus outbreak are expected to result in a 11.4% decline in GDP in 2020. Despite policy responses to support households and businesses such as furlough schemes, the unemployment rate is set to rise to 11.0% by end-2020. Notwithstanding a rate of inflation projected to come out at 0.4% in 2020, the sharp increase in household savings coupled with government support measures is expected to enable a progressive increase in consumption once confidence and opportunities return (GDP is expected to increase by 7.7% in 2021).

After a firm start to the year (**retailer sales** at Klépierre malls were flat over the first two months), on March 17, France and Belgium ordered the closure of all stores except those selling basic necessities, including grocery, small food stores, and pharmacies.

Since May 11, restrictive measures have been progressively rolled back with the reopening of all malls except those exceeding 40,000 sq.m. and located in the Paris region. On May 30, all malls were authorized to reopen. As of July 20, the vast majority of stores are operating (99.0%)[5] and **footfall** since reopening has been improving week by week (64% of last year level after reopening; flat from July 13 to July 19).

Thanks to government measures to support consumer purchasing power, **retailer sales** were 84% of last year level in May and 13% in June. Some segments have already sprung back to last year levels such as Household Equipment (up 15% in June) and Culture, Gifts and Leisure (up 3% in June), while Fashion and Food & Beverages have been more heavily impacted.

As of July 24, €276.1 million rents have been invoiced for the first-half. Collection rate on non-deferred rents was 84% over the first half and 60% for rents relating to the second quarter (see section 2.5 "Rent collection and leasing update"). To ease the retailers' liquidity positions, the Group has adapted its invoicing for most retailers (from quarterly to monthly) for the second and third quarter. Klépierre also deferred the payment of April and May's rents to September and October, while a three-month rent holiday was granted on request to small businesses. A grace period enforced by the authorities preventing landlords from applying penalties or evicting tenants until June 24 in cases of non-payment of rents relating to the second quarter has limited our capacity to collect rents. Discussions with retailers have resumed on the back of a healthy business recovery since the end of the lockdown, which should trigger an improvement in the collection rate in the months to come.

Against this backdrop, **net rental income** in France-Belgium decreased by 2.5% excluding disposals and forex impact over the six months ended June 30, 2020 (total share). The bulk of the decline was attributable to a fall in variable rents (down €5.8 million), although higher provisions, vacancy (up 60 basis points versus December 31, 2019 to 3.9%) and temporary discounts were offset by positive reversion and indexation.

(5) *In rents.*

Leasing activity has continued despite this challenging environment with emblematic leases signed and stores opened throughout Klépierre's portfolio in France. These included Primark joining Belle-Épine, the newly acquired first-class mall in Southern Paris in which Zara and Bershka also opened new right-sized concepts and New Yorker further enriched the Fashion offering. At Créteil Soleil (Paris region), in the food court of the recent extension is now fully occupied with the openings of IT Trattoria, Starbucks Coffee and Fresh Burritos. In addition, the openings of Etam Lingerie and Foot Locker flagships represent further evidence of the ongoing transformation of this historic Klépierre mall. Lastly, at Rives d'Arcins (Bègles) – one of the largest shopping destinations in the Bordeaux urban area – a new right-sized Zara store is set to open over 3,000 sq.m. in August while Snipes is also set to unveil a flagship.

3.2 Italy (17.2% of net rental income)

Exhibit 13 NRI & EPRA Vacancy Rate in Italy

	Reported porfolio NRI			NRI excl. disposals and forex			EPRA Vacancy Rate	
In millions of euros	06/30/2020	06/30/2019	Change	06/30/2020	06/30/2019	Change	06/30/2020	06/30/2019
ITALY	87.8	93.4	−5.9%	85.0	90.0	−5.6%	2.0%	1.5%

Italy was the first European country to be hit by the pandemic with most cases in the northern regions of Lombardy, Piedmont, Veneto and Emilia-Romagna. The Italian authorities enforced a strict lockdown from March 12 to May 18, which weighed on the economy with GDP expected to decline by 11.3% in 2020. Despite furlough schemes and government measures preventing dismissals on economic grounds, the unemployment rate is expected to reach 10.1% in 2020, reversing the gains of recent years. Meanwhile, inflation is projected to remain flat over the period.

Toward the end of May, confinement measures were gradually relaxed while favorable public policies are set to continue to support employment, consumption and investment. In that context, the economy is showing green shoots in many sectors, but Italian tourism remains vulnerable mainly due to uncertain international demand.

Over the first two months of 2020, Italian **retailer sales** were broadly flat (down 0.6%) before the lockdown was enforced. Since the end of May, restrictions have largely been lifted, enabling the full reopening of Klépierre's malls. As of July 20, 2020, 99.5% of stores(6) had reopened. Since reopening, **footfall** has progressively recovered (61% of last year level after re-opening; 76% from July 13 to July 19), while **retailer sales** improved from 64% of last year level in May to 79% in June.(7) Fashion and Food & Beverages have been hit hard by the current health situation while Household Equipment and Culture, Gifts & Leisure have registered a swifter recovery.

In that context, **net rental income** in Italy was down 5.6% excluding disposals and forex impact, mainly reflecting a €4 million drop in variable revenues, higher provisions and a slight rise in the EPRA **vacancy rate** to 2.0% (versus 1.5% as of December 31, 2019).

As of July 24, 2020, €112.9 million rents related to the first half have been invoiced and 73% of first half non-deferred rents have been collected (the collection rate for non-deferred rents related to the second quarter stands at 32%)[8]. Klépierre switched from quarterly to monthly invoicing of second quarter rents and deferred the payment of a part of second-quarter rents to the second half of the year.(9) This relatively low level of collection is mainly explained by the grace period applicable in Italy, preventing landlords from applying penalties or evicting tenants in cases of non-payment of rents relating to the second quarter. However, the recent government scheme offering a tax credit ranging from 30% to 60% (depending on the lease structure) of rents paid from March to May to smaller retailers (less than €5 million in revenue) is expected to drive rent collection.

Lastly, despite the Covid-19 outbreak, emblematic leases were signed and stores opened across the Italian portfolio. At Porta di Roma, the Fashion offering has been further strengthened with the opening of a brand

(6) *In rents.*
(7) *Change in retailer sales excluding closure days.*
(8) *See section 2.5 "Rent collection and leasing update"*
(9) *Stores concerned by closure orders enforced by local authorities.*

new Armani Exchange store over 1,000 sq.m. and the arrival of New Balance in July. In the meantime, Nike joined Assago Milanofiori (Milan) and Pandora unveiled its new boutique at Globo (Milan), proving the attractiveness of Klépierre's portfolio in Italy.

3.3 Scandinavia (14.9% of net rental income)

Exhibit 14 NRI & EPRA Vacancy Rate in Scandinavia

	Reported porfolio NRI			NRI excl. disposals and forex			EPRA Vacancy Rate	
In millions of euros	06/30/2020	06/30/2019	Change	06/30/2020	06/30/2019	Change	06/30/2020	06/30/2019
Norway	28.6	32.1	−10.8%	24.7	25.0	−1.3%	6.7%	2.7%
Sweden	24.1	26.3	−8.6%	23.9	25.7	−7.0%	5.6%	5.4%
Denmark	23.4	26.6	−11.8%	23.5	26.6	−11.9%	6.3%	5.1%
SCANDINAVIA	**76.1**	**84.9**	**−10.4%**	**72.0**	**77.3**	**−6.8%**	**6.2%**	**4.1%**

GDP growth in **Scandinavia** (Norway, Sweden and Denmark) is expected to be affected in 2020 by the Covid-19 pandemix, albeit at a variable magnitude depending on the containment measures enforced at national level. In Norway, GDP is set to decline by 6.0% in 2020, notably reflecting falls in global oil prices and demand as well as domestic uncertainties. The unemployment rate is expected to increase from 3.7% to 5.9% by year-end 2020, and inflation to slow down to 0.8% over the year. Nevertheless, noticeable early indicators of recovery are being fueled by economic support provided by Norges Bank. In Sweden, while restrictions were less stringent than in most countries, GDP is forecast to decrease by 6.7% in 2020 and unemployment to rise to 10.0% by year-end (versus 6.8% in 2019), on the back of declining household consumption and weak exports. Lastly, despite a net contraction in activity, the Danish economy should be relatively less affected with a mere 5.8% decrease in GDP in 2020 and a 160-basis-point increase in unemployment to 6.6%, thanks to a sizeable government support package.

After a dynamic start to the year (**retailer sales** up 6.5% over the first two months of 2020) notably boosted by recent leasing operations at Field's and Emporia and favorable weather conditions, the virus outbreak penalized the overall Scandinavian performance in the first half.

In Denmark, a strict lockdown was implemented from March 18, 2020 to May 11, 2020 while Norway and Sweden only issued partial administrative closures (mainly for bars and restaurants, hairdressers, skin care providers and fitness centers), enabling malls to remain open. These measures eased from mid-May, with all of Klépierre's malls open and 99.8% of stores operating[10], fueling a marked recovery in **footfall**. Norway is now back to pre-Covid-19 levels and footfall in Sweden and Denmark are already 84% and 96% of the prior-year level (from July 13 to July 19).

The modest restrictions described above also enabled a fast rebound in **retailer sales**. In Scandinavia, retailer sales in Klépierre's malls already reached 98% of last year level in June, registering a clear improvement compared to May (87% of last year level). The recovery is especially marked in Norway (up 9% in June), while Sweden (87% of last year level in June) and Denmark (94% of last year level) nonetheless outperformed the rest of Europe.

Against this backdrop, **net rental income** declined by 6.8% (excluding disposals and forex) over the first-half of 2020 (down 1.3% in Norway, down 7.0% in Sweden and down 11.9% in Denmark), largely as a result of lower variable revenues (down €5.5 million), higher provisions and an increase in vacancy to 6.2%, partly offset by positive indexation.

Lastly, over the first half of 2020, Scandinavia posted the highest **rent collection** rate in Europe with 92% of non-deferred rents collected (and 86% for rents related to the second quarter). As of July 24, 2020, the collection rate on non-deferred rents relating to the first half stands at 94% in Norway, 92% in Denmark and 89% in Sweden (see section 2.5 "Rent collection and leasing update").

In addition, governments have implemented schemes to support retailers and landlords during these challenging times. In Sweden, Denmark and Norway, depending on the scale of the decline in their sales,

(10) As of July 20, 2020, in percentage of rents.

companies can benefit from public support to cover their fixed costs. In Sweden, the government reimburses the landlord 50% of the rent reduction granted to tenants. To date, 247 deals have been signed (representing 53% of the total number of leases in Sweden), further boosting the collection rate.

On the **leasing** front, the main highlight of the period was the launch of the first phase of Umami district at Emporia (Malmö), the new food court concept offering a large variety of flavors to visitors, which was materialized by the signing of deals with new tenants including Thai Pad, Pita Pit, La Barraca and Two Monkeys. In Gulskogen (Drammen), the recent completion of the 4,000 sq.m. renovation paved the way for the opening of a new XXL store - further enhancing the Sports offering - and the relocation of Telia and Shoeday while Life and Christiania Glasmagasin enriched the Household Equipment offering.

3.4 Iberia (11.9% of net rental income)

Exhibit 15 NRI & EPRA Vacancy Rate in Iberia

	Reported porfolio NRI			NRI excl. disposals and forex			EPRA Vacancy Rate	
In millions of euros	06/30/2020	06/30/2019	Change	06/30/2020	06/30/2019	Change	06/30/2020	06/30/2019
Spain	51.8	53.2	−2.6%	52.0	52.8	−1.7%	4.5%	1.7%
Portugal	8.8	10.8	−18.0%	8.9	8.2	+7.9%	4.7%	4.0%
IBERIA	**60.7**	**64.0**	**−5.2%**	**60.8**	**61.1**	**−0.4%**	**4.5%**	**2.1%**

In Spain, GDP is expected to decline by 11.1% in 2020, as a result of national containment measures enforced from March 14 to May 10. The closure of schools, universities and borders, mobility restrictions and the suspension of most retail and industry activities dampened business, consumer spending, and tourism. The unemployment rate is forecast to rise to 19.2% in 2020 (versus 14.1% in 2019) and core inflation may contract to nil from 0.8% last year. Economic recovery in 2021 (GDP is forecast to grow by 7.5% in 2021) should be supported by active labor market policies, public liquidity support for individual business and targeted measures to boost tourism.

The **Portuguese economy** is projected to shrink by 9.4% in 2020 and to bounce back by 6.3% in 2021. Following the outbreak of Covid-19, the government ordered a nationwide lockdown lasting from March 19 to June 1, hitting consumer and industrial confidence. In order to the boost business recovery post-lockdown, the government has implemented various support measures including fiscal package, furlough schemes, and credit facilities for businesses. In this environment, unemployment could climb to 11.6% in 2020 from 6.5% in 2019, while core inflation is expected to decline slightly to 0.2% (versus 0.3% in 2019).

In line with recent years, **retailer sales** progressed well in the first two months of 2020 in Iberia (up 6.0%), but declined in the second quarter as a result of the lockdown initiated mid-March. In Spain, containment measures started to be lifted from May 10 and Klépierre's Spanish shopping centers gradually resumed activity from May 25 (with the exception of malls in Madrid and Barcelona which were only allowed to reopen from June 8), while in Portugal malls reopened on June 1. As of July 22, 2020, 98.9%[(11)] of the Iberian stores are operating, with the 1.2% stores still closed largely related to Maremagnum (Barcelona), which has been hit by the lack of tourists. Since reopening, footfall has been improving week by week, while sales for the first month of reopening were 74% of last year level in June.[(12)]

Net rental income was broadly flat excluding disposals and forex impact in Iberia over the first half. Positive reversion and the contribution of indexation offset the decline in variable revenues (down €2 million) and the increase in the vacancy rate.

As of July 24, 2020, 84% of non-deferred rents have been collected over the first half. This moderate collection rate is mostly attributable to the second quarter (58% in Spain; 73% in Portugal)[(13)], and largely explained by the willingness of retailers to renegotiate lease terms following the lockdown period together with the Spanish and Portuguese governments' decisions to implement rent deferral measures on commercial leases. The acceleration in leasing flow (429 deals signed / agreed) in recent weeks, on the back of the business recovery, should translate into a gradual recovery of the collection rate. During the first half of the year, 62 operations were signed (re-leases, renewals and lease-ups) representing 11,123 sq.m., with a positive reversion of 13.3%.

(11) In rents.
(12) Change in retailer sales excluding closure days.
(13) See section 2.5 "Rent collection and leasing update".

In this unprecedented situation, **leasing** activity has slowed down significantly but Klépierre nonetheless managed to sign 62 deals over the first six months of 2020. These included the enrichment of the retail offering at Meridiano (Santa Cruz de Tenerife), Canary Islands' standout mall, with the recent opening of a Guess boutique and a Parfois store, while the sneakers retailer Skechers joined Principe Pio (Madrid) and Starbucks Coffee signed up at Nueva Condomina (Murcia).

3.5 Central Europe and Other (7.0% of net rental income)

Exhibit 16 NRI & EPRA Vacancy Rate in CE & Other

	Reported porfolio NRI			NRI excl. disposals and forex			EPRA Vacancy Rate	
In millions of euros	06/30/2020	06/30/2019	Change	06/30/2020	06/30/2019	Change	06/30/2020	06/30/2019
Czech Republic	14.8	16.2	−9.0%	15.1	16.2	−6.5%	1.8%	0.4%
Poland	14.7	16.3	−10.1%	14.7	16.3	−10.1%	0.5%	0.9%
Hungary	-	10.0	−100.0%	-	-	-	-	1.8%
Turkey	5.5	8.3	−33.4%	5.6	7.4	−25.3%	7.5%	11.0%
Other	0.6	1.3	−54.0%	0.6	1.3	−54.0%	7.7%	4.9%
CE & OTHER	**35.6**	**52.2**	**−31.9%**	**36.0**	**41.3**	**−12.8%**	**3.6%**	**4.6%**

Central Europe (Czech Republic and Poland) is expected to experience an economic downturn in 2020, with GDP set to decline by 9.6% in the Czech Republic and by 7.4% in Poland, to be followed by rebounds of 7.1% and 4.8% in 2021, respectively. Lockdown measures during the health crisis disrupted manufacturing activity in both countries, causing a decline in exports and hitting consumer and business confidence. Following the gradual lifting of government restrictions from mid-April in the Czech Republic and from May in Poland, economic has begun to resume. Postponed consumption and delayed investments may bolster the recovery, despite the expected rise in unemployment (3.5% in Czech Republic and 7.3% in Poland).

The **Turkish** economy grew steadily in the first two months of 2020, before being interrupted by the pandemic and partial lockdown and curfew measures. Exports and tourism have been hit, as well as domestic manufacturing activity. Full-year GDP is expected to shrink by 4.8% (compared to growth of 0.9% in 2019) and unemployment to raise to 15.6% (versus 13.7% in 2019), while core inflation is forecast to drop to 10.6%. A progressive recovery is however forecast for 2021, thanks to various government support schemes that are expected to translate into GDP growth of 9.1%.

Retailer sales in the Central Europe & Other area registered like-for-like growth 7.7% in January and February, before slumping during the second quarter due to the pandemic. After nearly two months of closure, Klépierre's malls have been allowed to reopen from mid-May and to date, 99.4% of shops in the region are operating. Albeit at a slower pace than in other countries, footfall has since been recovering gradually in the Czech Republic (54% of last year level on reopening; 84% from July 13 to July 19) and Poland (39% of last year level on reopening; 69% from July 13 to July 19). However, as is the case with other malls located close to transport hubs and/or large business districts, Nový Smíchov (Prague, Czech Republic) is still underperforming in terms of footfall and retailer sales, dragging down the regional performance. In Turkey, the curfew enforced by the local authorities and stringent protective health measures continued to weigh heavily on retailer sales. Against this backdrop, retailer sales in Central Europe & Other have increased progressively over the last two months (78% of last year level in June versus 70% in May).

Net rental income in Central Europe & Other was down 31.9% on a reported basis, mainly reflecting the disposal of Klépierre's Hungarian portfolio in 2019. Excluding disposals and forex impact (down 12.8%), the decline is primarily attributable to lower variable revenues, higher provisions and temporary discounts.

As of July 24, 2020, €47.7 million rents have been invoiced for the first quarter and collection rate for non-deferred rents reaches 75% for the first half and 53% for rents relating to the second quarter (see section 2.5 "Rent collection and leasing update"). In the Czech Republic, the 52% collection rate over the second quarter is mainly attributable to the grace period enforced by the government which expires on December 31. However, this impact should be mitigated by the recently implemented scheme reimbursing tenants 50% of rents relating to the second quarter if the landlord grants a 30% rent holiday. Klépierre is therefore actively negotiating with tenants in the Czech Republic and the significant increase in deals signed over recent weeks should pave the way for a rise in rent collection.

Over the first half of 2020, Klépierre continued the **leasing** transformation of Nový Smíchov (Prague). Following the successful expansion over the former Tesco unit and the opening of emblematic anchors (Zara, Sephora, Bershka and Lindex), Decathlon unveiled a brand new store on more than 1,800 sq.m. in May. In addition, Klépierre continued to roll out its Destination Food® concept and welcomed banners including KFC and trendy Asian cuisine restaurateurs Bombay Express, Thai Thai and Bali Bali, illustrating the differentiated positioning of the leading mall in Prague.

3.6 Netherlands (5.7% of net rental income)

Exhibit 17 NRI & EPRA Vacancy Rate in the Netherlands

	Reported porfolio NRI			NRI excl. disposals and forex			EPRA Vacancy Rate	
In millions of euros	06/30/2020	06/30/2019	Change	06/30/2020	06/30/2019	Change	06/30/2020	06/30/2019
NETHERLANDS	29.0	33.4	−13.4%	30.1	31.6	−5.0%	3.8%	2.4%

Dutch GDP is forecast to decrease by 8.0% in 2020 (compared to up 1.8% in 2019). Although the Netherlands did not impose a nationwide lockdown, the economy was nonetheless hit by restrictive domestic measures and by lockdowns implemented elsewhere in Europe. However, fiscal stimulus, direct cash support, and assistance to business and households is expected to cushion the impact. Against this backdrop, unemployment is projected to increase to 5.9% in 2020 from 3.4% last year and core inflation should decline to 0.3% in 2020 from 2.7% in 2019.

Unlike other countries, most Dutch stores were able to operate throughout the period, with only targeted businesses being forced to close (restaurants, personal care, and cinema). Nonetheless, some retailers decided to close on their own volition in view of the impact of the pandemic. Since May 20, restrictions have been gradually lifted and to date, 99.7% of stores within Klépierre's malls are open. Footfall has improved week by week with Alexandrium (Rotterdam) now registering 90% of the prior-year footfall level, although the recovery at Hoog Catharijne (Utrecht) is more gradual, as footfall continues to be held back by the significant drop in train station passengers.

Net rental income was down 13.4% on a reported basis, due to the disposal of Almere Centrum in June 2019. The 5.0% decline excluding disposals and forex is mainly attributable to the drop in variable revenues over the period (down €3.2 million).

As of July 24, 2020, €42.1 million of rents relating to the first half have been invoiced. As a whole, 83% of first half non-deferred rents have been collected (the collection rate for rents relating to the second quarter was 66%)[14]. This higher level compared to other European countries is due to the above-mentioned only-partial lockdown measures, combined with the support measures enacted by the Dutch government aimed at reducing retailers' fixed-costs base (including support with labor costs, subsidies to entrepreneurs, one-off grants, etc.).

Despite the challenging times, Klépierre managed to sign significant deals during the first half of 2020, and to open emblematic stores in the Netherlands. In Hoog Catharijne (Utrecht), Albert Heijn renewed its contract and opened a fully-refurbished supermarket over 1,300 sq.m. in July. Netherlands' leading mall overall offering was further enhanced by the opening of a new Swarovski boutique and the arrival of the Chinese minimalist lifestyle brand Miniso. Meanwhile, leading health and well-being chain Holland & Barrett unveiled its latest concept at Hoog Catharijne and Alexandrium (Rotterdam). Lastly, fashion retailers The Sting and Cotton Club opened two new stores at Alexandrium (over 2,000 sq.m. in total) where Costes launched its new concept.

(14) See section 2.5 "Rent collection and leasing update".

3.7 Germany (3.0% of net rental income)

Exhibit 18 NRI & EPRA Vacancy Rate in Germany

	Reported porfolio NRI			NRI excl. disposals and forex			EPRA Vacancy Rate	
In millions of euros	06/30/2020	06/30/2019	Change	06/30/2020	06/30/2019	Change	06/30/2020	06/30/2019
GERMANY	15.6	19.7	−20.9%	16.6	20.3	−18.1%	3.2%	4.0%

The German economy is projected to record a relatively resilient performance compared to other European countries, with GDP expected to fall by 6.6% in 2020 and to recover by 5.8% in 2021. The German economy benefited from shorter and less stringent containment measures (together with widespread testing and abundant health sector capacity), which should help mitigate the economic downturn. Domestic and foreign demand were nonetheless held back by the pandemic and unemployment is expected to rise to 4.5% (versus 3.2% in 2019), while core inflation is set to decline to 0.8% in 2020 (from 1.4% in 2019).

After a strong start to the year (**retailer sales** were up 4.1% in the first two months of 2020, largely attributable to recent re-tenanting actions), sales declined by 31% for the first half year as a whole, impacted by the Covid-19 pandemic and the German government's decision to shut down non-essential retail stores on March 17. After closure lasting more than a month, Klépierre's German shopping centers were allowed to gradually resume operations from April 20. As of July 20, 2020, 99.9% of stores in Klépierre's malls were open. After a relatively slow start with footfall being 50% of last year level (partly explained by opening restrictions for stores larger than 800 sq.m.), retailer sales have gradually recovered (84% of last year level in June versus 71% in May).

In this environment, **net rental income** was down 18.1% excluding disposals and forex impact over the first half of 2020. The decrease was mostly attributable to a rise in provisions, while variable revenues fell by €1 million. Minimum guaranteed rents declined slightly as a result of negative reversion, while vacancy was broadly stable.

As of July 24, 2020, the collection rate on non-deferred rents was 82% for first half non-deferred rents and 60% for rents relating to the second quarter. Despite the grace period enacted by the government (preventing landlords from applying penalties or evicting tenants), the collection rate has been largely influenced by the code of conduct in Germany, which provides that retailers pay 50% during the lockdown period and a smaller discount for the three subsequent months, depending on their individual financial capacity.

On the **leasing** front, Rituals opened stores at Forum Duisburg (Duisburg) and Centrum Galerie Dresden (Dresden) during the first half, enhancing the Health & Beauty offering at Klépierre's German malls. Centrum Galerie Dresden also welcomed TEDI, the fast growing German discount retailer in January.

3.8 Other retail properties (1.6% of net rental income)

Exhibit 19 NRI & EPRA Vacancy Rate of **Other retail properties**

	Reported porfolio NRI			NRI excl. disposals and forex			EPRA Vacancy Rate	
In millions of euros	06/30/2020	06/30/2019	Change	06/30/2020	06/30/2019	Change	06/30/2020	06/30/2019
OTHER RETAIL PROPERTIES	8.4	11.5	−26.8%	8.3	9.3	−11.1%	8.4%	9.3%

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 as well as lockdown measures that weighed on minimum guaranteed rents and provisions linked to retailers in insolvency proceedings (see section 5 "Investments, developments and disposals").

Regarding other retail properties, as of July 24, 2020, 83% of first-half non-deferred rents were collected. The collection rate for the second quarter stood at 39%.

4

NET CURRENT CASH FLOW

Exhibit 20 Net current cash flow & EPRA Earnings

	06/30/2020	06/30/2019	Change
Total share *(in millions of euros)*			
Gross rental income	581.0	626.9	−7.3%
Rental and building expenses	(69.5)	(63.4)	+9.7%
Net rental income	**511.5**	**563.5**	**−9.2%**
Management and other income	42.2	46.1	−8.5%
General and administrative expenses	(63.9)	(83.2)	−23.1%
EBITDA	**489.8**	**526.4**	**−7.0%**
Adjustments to calculate operating cash flow:			
> Depreciation charge for right-of-use assets[(a)]	(4.0)	(4.3)	
> Employee benefits, stock option expense and non-current operating expenses	0.2	3.8	
> IFRIC 21 impact	7.5	6.8	
Operating cash flow	**493.5**	**532.7**	**−7.4%**
Cost of net debt	(52.9)	(68.0)	−22.2%
Adjustments to calculate net current cash flow before taxes:			
> Amortization of Corio debt mark-to-market	(8.4)	(9.6)	
> Financial instrument close-out costs	4.1	10.5	
Current cash flow before taxes	**436.3**	**465.7**	**−6.3%**
Share in equity-accounted companies	26.4	27.8	
Current tax expense	(8.8)	(18.4)	
Net current cash flow	**453.9**	**475.0**	**−4.4%**
Group share			
Net current cash flow	**392.1**	**409.8**	**−4.3%**
Add-back adjustments to calculate EPRA Earnings:			
> Employee benefits, stock option expense and non-recurring operating expenses	(0.2)	(3.7)	
> Depreciation, amortization and provisions for contingencies and losses	(11.3)	(5.8)	
EPRA Earnings	**380.6**	**400.3**	**−4.9%**
Average number of shares[(b)]	286,430,401	295,908,706	−3.2%
Per share *(in euros)*			
NET CURRENT CASH FLOW	**1.37**	**1.38**	**−1.2%**
EPRA EARNINGS	**1.33**	**1.35**	**−1.8%**

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

- **Net rental income** decreased by 9.2%, on a total share basis on the back of a 5.0% downward adjustment excluding disposals and forex at Klépierre shopping centers, as a mechanical effect of Covid-19 on variable revenues and of disposals completed in 2019 and early 2020 (see section 2.5);
- **Operating cash flow** was down 7.4% on a total share basis. In order to mitigate the revenue drop, Klépierre has implemented a cost reduction plan. This translated into a €19.2 million decrease (23.1%) as a result of lower staff costs (hiring freeze, use of furlough schemes, reduction in variable compensation) and a reduction in other administrative expenses (lower consulting fees and marketing and communication spend);
- **Cost of net debt** decreased by €15.1 million to €52.9 million on a total share basis. Restated for non-cash and non-recurring items (amortization of Corio debt mark-to-market and financial instruments closed-out costs), the cost of net debt declined by €10 million as a result of high yielding bonds refinanced on maturity at more favorable conditions. Overall, the average cost of debt declined to 1.2%, compared to 1.5% over the first-half of 2019 (see section 7.3 “Cost of debt”);

- **Current tax expense** decreased by €9.6 million to €8.8 million on a total share basis, reflecting the decline in current cash flow before taxes and supportive fiscal measures implemented in Italy and Poland following the Covid-19 outbreak; and
- **The average number of shares** outstanding fell from 295.9 million in 2019 to 286.4 million in first-half 2020, as a result of the share buyback program.

Consequently, net current cash flow per share decreased by 1.2% year on year to €1.37.

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

5

INVESTMENTS, DEVELOPMENTS, AND DISPOSALS

5.1 Investment market

Over the 12 months to end-March 2020, retail investment volumes remained stable compared to the same period last year. This was mostly attributable to the 16% increase over the first quarter of 2020, related to malls transaction in Spain. The share of the top five countries (France, United Kingdom, Italy, Germany and Spain) was stable at around 60%, a figure which nonetheless includes a further contraction of the share attributable to the United Kingdom.

On the pricing front, yields were broadly stable for prime assets over the period, despite slight yield expansions in Germany and Sweden.

Since the beginning of the second quarter and despite the Covid-19 outbreak, additional prime shopping center, supermarket and high-street transactions have been closed or signed, with institutional investors in Portugal, Spain, France and Switzerland acquiring retail assets or shares in retail joint ventures for a total consideration exceeding €4 billion.

5.2 Capital expenditure

Total capital expenditure in the first half of 2020 amounted to €91.6 million (compared to €127.7 million in the same prior-year period), breaking down as follows:

> €46.2 million allocated to the **development pipeline**, mostly relating to the redevelopments of Gran Reno, the Hoog Catharijne and Créteil Soleil projects (see section 5.3 "Development pipeline" below);
> €43.7 million allocated to the **standing portfolio** (excluding investments on extensions). This covers leasing capex, technical maintenance capex, and refurbishment (see section 8.6); and
> €1.7 million allocated to **capitalized interest**.

5.3 Development pipeline

5.3.1 Development pipeline overview

Since the beginning of the lockdown period, Klépierre has actively reduced non-essential capital expenditure and decided to temporarily suspend certain development projects in a view of the Covid-19 outbreak.

Over the first half of 2020, Klépierre maintained its conservative approach to development and focused on its three main committed projects:

> the extension and redevelopment of Hoog Catharijne in Utrecht (Netherlands);
> the refurbishment of Créteil Soleil in Paris (France); and
> the extension and refurbishment of Gran Reno in Bologna (Italy).

Over the period, €46.2 million were spent on the pipeline, mainly in relation to these projects. The Group is set to limit spending on ongoing projects and will not launch any new constructions until further clarity is gained over the impact of Covid-19 on the Group's operations. Consequently, the Group will limit development capex to a maximum amount of €130 million in 2020 (versus €188 in 2019).

Exhibit 21 Development pipeline as of June 30, 2020

(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 million of euros)	Cost to date (in million of euros)	Targeted yield on cost [b]
Hoog Catharijne Phase 3	Netherlands	Utrecht	Ext. - refurb.	23,844	2019-2022	100.0%	90	66	6.4%
Créteil Soleil	France	Paris region	Ext. - refurb.	11,400	2019-2021	80.0%	138	122	6.0%
Gran Reno	Italy	Bologna	Ext. - refurb.	24,876	2021	100.0%	145	31	6.3%
Grand Place	France	Grenoble	Ext. - refurb.	16,200	2020-2022	100.0%	66	12	7.7%
Campania	Italy	Naples	Redevelopment	14,200	2022	100.0%	35	17	8.7%
Le Gru	Italy	Turin	Redevelopment	5,846	2022	100.0%	21	11	6.6%
Other projects				12,664			42	33	5.7%
Total committed projects				**109,030**			**539**	**291**	**6.5%**
Le Gru [c]	Italy	Turin	Ext. - refurb.	24,316	2023	100.0%	120	4	
Maremagnum	Spain	Barcelona	Ext. - refurb.	8,740	2022-2023	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	
Val d'Europe	France	Paris region	Extension	9,000	2023	55.0%	61	1	
Blagnac	France	Toulouse region	Ext. - refurb.	4,393	2022	53.6%	17	0	
Grand Ouest	France	Ecully	Ext. - refurb.	2,980	2022	83.0%	26	0	
Allum	Sweden	Gothenburg region	Ext. - redev.	6,600	2023	56.1%	28	0	
L'esplanade	Belgium	Brussels region	Extension	19,475	2024	100.0%	131	15	
Økernsenteret [e]	Norway	Oslo	Redevelopment	64,650	2024	56.1%	154	40	
Viva	Denmark	Odense	New dev.	28,200	2024	56.1%	117	23	
Other projects				24,218			90	4	
Total controlled projects				**212,752**			**852**	**96**	
Total identified projects				**251,297**			**1,099**	**5**	
TOTAL				**573,079**			**2,490**	**393**	

(a) Estimated cost as of June 30, 2020, including any fitting-out costs and excluding any step-up rents, internal development fees and finance costs.
(b) Targeted yield on cost as of June 30, 2020, 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: Le Gru for 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.
(e) Including the foreign exchange impact on estimated costs and costs to date.

As of June 30, 2020, the Group's development pipeline represented €2.5 billion worth of potential investments, including €0.5 billion of committed projects[15] with an average expected yield of 6.5%; €0.9 billion of controlled projects;[16] and €1.1 billion of identified projects.[17] On a Group share basis, the total pipeline represented €2.2 billion, of which €0.5 billion committed, €0.6 billion controlled, and €1.1 billion identified. Of the €0.5 billion committed, only €0.2 billion remain outstanding.

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

5.3.2 Extension and redevelopment of Hoog Catharijne

Hoog Catharijne in Utrecht is the most popular mall in the Netherlands. To enhance its leadership, Klépierre has undertaken a very ambitious redevelopment project aimed at both adding new retail and dining space and revamping the existing shopping center with state-of the-art design to optimize the customer experience.

The work on the large-scale redevelopment of this world-class mall has been carried out in several phases. In 2017 and 2018, several major phases, totaling 53,900 sq.m. together with 115 shops and restaurants, were completed, creating a new urban sequence between Utrecht's central train station—hosting 88 million passengers each year—and the city center.

From 2019, works have been focused on the redevelopment of the other mall pathways, spread over 23,700 sq.m., which are used on a daily basis by station passengers as urban links to the city center. Over the first six months of 2020, a total of 12,900 sq.m. in space was completed, providing new services for commuters as well as a flagship 6,000-sq.m. Mediamarkt store.

(15) Projects that are under construction or for which the Klépierre Executive Board has taken the decision to start work.
(16) 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).
(17) Projects in the process of being defined and negotiated.

5.3.3 Refurbishment of Créteil Soleil

Following the successful opening of the 11,400-sq.m. extension of Créteil Soleil (Paris region), in November 2019, refurbishment works at the mall are ongoing and due for completion in the second half of 2021, taking into account the temporary suspension in construction activity during the lockdown and the rescheduling of the Group's expenditure.

5.3.4 Extension and refurbishment of Grand Place

With 125 stores, Grand Place is the leading retail destination in the Grenoble region, already boasting leading brands such as Zara, H&M, Bershka, Fnac and Sephora. The full refurbishment of the mall will improve the customer experience, showcased by the installation of new glass roofs to boost natural light. Initiated in September 2019, this project is now due for completion by the second quarter of 2021.

The 16,200 sq.m. extension will host the first Primark store in the region, 12 new restaurants as well as 15 new brands. 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 and greater space given over to public transportation and soft mobility. 56% of the space is already signed or under advanced negotiations, and construction is expected to start in the second half of 2020 for an opening slated for 2022.

5.3.5 Extension and refurbishment of Gran Reno

Construction at Gran Reno (Bologna, Italy) started in April 2019. Works were suspended in mid-March 2020 due to the lockdown and gradually resumed from end-June 2020, with the opening now expected by the end of 2021.

This project will create a 16,700-sq.m. extension, rounded out with the refurbishment of the existing shopping center and 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. 65% of the space is signed or under advanced negotiations,[18] including Zara, Bershka, Pull & Bear, Stradivarius, New Balance, Napapijri, Tommy Hilfiger, Lush and Nike.

5.4 Disposals

Exhibit 22 Disposals completed since January 1, 2020

Assets (City, Country)	Area *(in sq.m.)*	Sale price[a] *(in millions of euros)*	Date
Portfolio of Buffallo Grill (Throughout France)	NA		02/05/2020
Parking (Metz, France)	NA		06/30/2020
Others (Throughout France and Spain)	NA		NA
TOTAL DISPOSALS	**NA**	**77.4**	

(a) *Excluding transfer taxes, total share.*

Since January 1, 2020, the Group has completed disposals totaling €77.4 million (total share, excluding transfer taxes). As of June 30, 2020, taking into account sales under promissory agreements, total Group disposals amounted to €154.7 million, mainly comprising non-core properties in France.

(18) *In rents*

5.5 Financial investments

In 2020, the Group repurchased 3,493,860 of its own shares at an average price of €28.55 and for an aggregate amount of €100 million. Combined with the €300 million repurchased in 2019, this completes the €400-million share buyback program announced on February 6, 2019.

6

PORTFOLIO VALUATION

6.1 Property portfolio valuation

6.1.1 Property portfolio valuation methodology

6.1.1.1 Scope of the portfolio appraised by external appraisers

As of June 30, 2020, 99% of the value of Klépierre's property portfolio, or €22,607 million (including transfer taxes, on a total share basis)[19], was estimated by external appraisers in accordance with the methodology described below. The remainder of the portfolio was valued as follows:

- Projects under development, carried at cost;[20] and
- Other non-appraised assets consisting mainly of assets held for sale are valued at the agreed transaction price, land is valued at cost, and development projects are measured internally at fair value.

Exhibit 23 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	**22,607**
Acquisitions	0
Investment property at cost	128
Other internally-appraissed assets (land, assets held for sale, etc.)	105
TOTAL PORTFOLIO	**22,840**

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.

(19) *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.*
(20) *Other projects (Gran Reno, Viva, Økern and Louvain) are carried at cost.*

Exhibit 24 Breakdown by appraiser of the appraised property portfolio as of June 30, 2020

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	17%
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, including management costs. The terminal value is calculated based on the net rental income for the 10th 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.

For every campaign, the Group's Statutory Auditors perform procedures on the property values as part of the audit/limited of the consolidated financial statements.

A detailed report on the property valuation campaign is examined by the Audit Committee.

Assumptions taken by external appraisers for the portfolio valuation

To take into account the impact of COVID-19, appraisers have modified several assumptions:

> **2020 & 2021 cash flows:** additional rent holidays, prolonged void periods, increased provisions for bad debt and lower sales-based rents;

> **Future cash flows:** lower long-term indexation. Estimated rental values have not been materially changed considering the lack of leasing transactions; and

> **Yields:** higher discount rate & exit rate.

Additionally, appraisers have included in their reports a "material valuation uncertainty" clause which reads as follows:

"As at the valuation date, in the case of the subject property (…), there is a shortage of market evidence for comparison purposes, to inform opinions of value. (…) The material valuation uncertainty clause is to serve as a precaution and does not invalidate the valuation. Given the unknown future impact that COVID 19 might have on the real estate market and the difficulty in differentiating between short term impacts and long term structural changes, we recommend that you keep the valuation contained within this report under frequent review."

Exhibit 25 Assumptions used by appraisers for determining the shopping center portfolio valuation as of June 30, 2020[(a)]

Geography	Average annual rent[(b)]	Discount rate[(c)]	Exit rate[(d)]	NRI CAGR[(e)]
France-Belgium	348	5.9%	4.7%	3.0%
Italy	390	6.9%	5.7%	1.7%
Scandinavia	327	6.9%	4.9%	2.2%
Iberia	354	7.5%	5.7%	2.0%
CE & Other	243	9.0%	7.1%	2.9%
Netherlands	241	6.8%	5.9%	2.8%
Germany	220	5.3%	4.5%	0.7%
TOTAL	**317**	**6.6%**	**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 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.

Exhibit 26 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 the DCF method is then benchmarked using metrics such as EPRA Net Initial Yield (NIY) for comparable property, value per square meter, and recent market transactions.

6.1.2 Valuation

6.1.2.1 Property portfolio valuation

Exhibit 27 Valuation of the property portfolio[(a)]
(on a total share basis, including transfer taxes)

In millions of euros	06/30/2020	% of total portfolio	Change over 6 months 12/31/2019	Change over 6 months Reported	Change over 6 months LfL[(b)]	Change over 12 months 06/30/2019	Change over 12 months Reported	Change over 12 months LfL[(b)]
France	8,711	38.1%	9,013	−3.3%	−3.3%	9,098	−4.3%	−5.3%
Belgium	432	1.9%	442	−2.2%	−2.4%	447	−3.3%	−2.4%
France-Belgium	**9,143**	**40.0%**	**9,455**	**−3.3%**	**−3.2%**	**9,545**	**−4.2%**	**−5.2%**
Italy	**4,017**	**17.6%**	**4,077**	**−1.5%**	**−2.0%**	**4,045**	**−0.7%**	**−1.7%**
Norway	1,313	5.7%	1,471	−10.7%	−2.3%	1,491	−11.9%	−2.4%
Sweden	1,111	4.9%	1,165	−4.6%	−4.2%	1,200	−7.4%	−8.3%
Denmark	1,163	5.1%	1,199	−3.0%	−3.5%	1,181	−1.5%	−2.2%
Scandinavia	**3,588**	**15.7%**	**3,835**	**−6.5%**	**−3.3%**	**3,873**	**−7.4%**	**−4.3%**
Spain	1,918	8.4%	1,940	−1.1%	−0.9%	1,938	−1.0%	−0.8%
Portugal	303	1.3%	312	−3.0%	−3.6%	304	−0.4%	−1.4%
Iberia	**2,221**	**9.7%**	**2,252**	**−1.4%**	**−1.3%**	**2,242**	**−1.0%**	**−0.9%**
Czech Republic	663	2.9%	685	−3.3%	−3.4%	682	−2.8%	−2.9%
Poland	353	1.5%	372	−5.1%	−5.1%	375	−5.8%	−5.8%
Hungary	-	0.0%	-	-	-	215	-100.0%	-
Turkey	244	1.1%	292	−16.5%	−3.3%	315	−22.4%	−9.7%
Other	22	0.1%	24	−6.7%	−6.7%	22	+1.3%	+1.3%
CE & Other	**1,283**	**5.6%**	**1,374**	**−6.6%**	**−3.9%**	**1,609**	**−20.3%**	**−5.0%**
Netherlands	**1,426**	**6.2%**	**1,437**	**−0.7%**	**−1.6%**	**1,433**	**−0.5%**	**−2.6%**
Germany	**907**	**4.0%**	**941**	**−3.6%**	**−3.6%**	**959**	**−5.5%**	**−5.7%**
Total shopping centers	**22,584**	**98.9%**	**23,370**	**−3.4%**	**−2.8%**	**23,706**	**−4.7%**	**−3.8%**
Total other retail properties	**256**	**1.1%**	**303**	**−15.4%**	**−0.5%**	**336**	**−23.8%**	**−3.9%**
TOTAL PORTFOLIO	**22,840**	**100.0%**	**23,673**	**−3.5%**	**−2.8%**	**24,042**	**−5.0%**	**−3.8%**

(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 (€1,368 million as of June 30, 2020; total share, including transfer taxes). The corresponding gross asset value of these assets stands at €1,429 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.

Exhibit 28 Valuation of the property portfolio[a]

(on a Group share basis, including transfer taxes)

In millions of euros	06/30/2020	% of total portfolio	Change over 6 months			Change over 12 months		
			12/31/2019	Reported	LfL[b]	06/30/2019	Reported	LfL[b]
France	6,947	35.8%	7,194	−3.4%	−3.3%	7,258	−4.3%	−5.4%
Belgium	432	2.2%	442	−2.2%	−2.4%	447	−3.3%	−2.4%
France-Belgium	**7,379**	**38.0%**	**7,635**	**−3.4%**	**−3.3%**	**7,705**	**−4.2%**	**−5.3%**
Italy	**3,991**	**20.6%**	**4,049**	**−1.4%**	**−1.9%**	**4,015**	**−0.6%**	**−1.6%**
Norway	737	3.8%	825	−10.7%	−2.3%	837	−11.9%	−2.4%
Sweden	623	3.2%	653	−4.6%	−4.2%	673	−7.4%	−8.3%
Denmark	653	3.4%	673	−3.0%	−3.5%	663	−1.5%	−2.2%
Scandinavia	**2,013**	**10.4%**	**2,151**	**−6.5%**	**−3.3%**	**2,173**	**−7.4%**	**−4.3%**
Spain	1,918	9.9%	1,940	−1.1%	−0.9%	1,938	−1.0%	−0.8%
Portugal	303	1.6%	312	−3.0%	−3.6%	304	−0.4%	−1.4%
Iberia	**2,221**	**11.4%**	**2,252**	**−1.4%**	**−1.3%**	**2,242**	**−1.0%**	**−0.9%**
Czech Republic	663	3.4%	685	−3.3%	−3.4%	682	−2.8%	−2.9%
Poland	353	1.8%	372	−5.1%	−5.1%	375	−5.8%	−5.8%
Hungary	-	0.0%	-	-	-	215	−100.0%	-
Turkey	229	1.2%	275	−16.7%	−3.4%	295	−22.4%	−9.7%
Other	22	0.1%	24	−6.7%	−6.7%	22	+1.3%	+1.3%
CE & Other	**1,267**	**6.5%**	**1,356**	**−6.5%**	**−3.9%**	**1,589**	**−20.2%**	**−4.9%**
Netherlands	**1,426**	**7.3%**	**1,437**	**−0.7%**	**−1.6%**	**1,433**	**−0.5%**	**−2.6%**
Germany	**861**	**4.4%**	**893**	**−3.6%**	**−3.6%**	**911**	**−5.5%**	**−5.7%**
Total shopping centers	**19,158**	**98.7%**	**19,774**	**−3.1%**	**−2.7%**	**20,068**	**−4.5%**	**−3.7%**
Total other retail properties	**256**	**1.3%**	**303**	**−15.4%**	**−0.5%**	**336**	**−23.8%**	**−3.9%**
TOTAL PORTFOLIO	**19,414**	**100.0%**	**20,077**	**−3.3%**	**−2.7%**	**20,404**	**−4.9%**	**−3.7%**

(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 (€1,297 million as of June 30, 2020; Group share, including transfer taxes). The corresponding gross asset value of these assets stand at €1,358 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 June 30, 2020 was €22,840 million on a total share basis (€19,414 million on a Group share basis). On a total share basis (including transfer taxes), shopping centers accounted for 98.9% of the portfolio and other retail properties for 1.1%[21].

Exhibit 29 Valuation reconciliation with the statement of financial position

(on a total share basis)

In millions of euros	
Investment property at fair value	20,570
Right-of-use asset relating to ground leases[a]	(352)
Investment property at cost[b]	128
Fair value of property held for sale	77
Leasehold and lease incentives	27
Transfer taxes	1,054
Klépierre's equity interest in assets accounted for under the equity method (incl. receivables	1,335
TOTAL PORTFOLIO	**22,840**

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

6.1.2.2 Shopping center portfolio valuation

Including transfer taxes, the value of the portfolio stood at €22,840 million on a total share basis as of June 30, 2020, down 3.5% or €833 million on a reported basis compared to December 31, 2019. This decrease reflects the combined impact of the following factors:

> A €80-million negative impact from disposals;

> A €70-million positive impact from acquisitions and developments;

> A €641-million like-for-like valuation decrease (down 2.7%); and

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

> A €181-million negative foreign exchange impact in Norway and Turkey.

Exhibit 30 6-month portfolio valuation reconciliation
(on a total share basis, including transfer taxes)

In millions of euros	
Portfolio at 12/31/2019	**23,673**
Disposals	(80)
Acquisitions/developments	70
Like-for-like change	(641)
Forex	(181)
PORTFOLIO AT 06/30/2020	**22,840**

During the first-half of 2020, the value of Klépierre's **shopping center portfolio** declined by 2.8% on a like-for-like basis. This decrease is attributable to a combination of cash flow and market effects:

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

> **Market effect** (–1.7%): in view of the decreased liquidity on the investment market and the greater uncertainty surrounding future cash flows, the discount and exit rates have been increased further.

Geography	LFL change	Market effect	Cash-flow effect
France-Belgium	-3.2%	–2.3%	–0.9%
Italy	-2.0%	–1.6%	–0.4%
Scandinavia	-3.3%	–1.1%	–2.2%
Iberia	-1.3%	–1.0%	–0.2%
CE & Other	-3.9%	–1.7%	–2.2%
Netherlands	-1.6%	–0.5%	–1.1%
Germany	-3.6%	–2.4%	–1.2%
TOTAL SHOPPING CENTERS	**–2.8%**	**–1.7%**	**–1.0%**

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

From a **geographical perspective**, France, Scandinavia, Germany and Eastern Europe are more impacted than the average as a result of sharper corrections in the indexation levels (Scandinavia) and higher market effects in France and Germany, notably due to recent transactions on the investment market.

Conversely, Iberia, Italy and the Netherlands were less impacted than the average due to supportive valuations level on the investment market (Spain) and the absence of lockdown (Netherlands) as well as the superior quality of Klépierre's portfolio (Italy).

Overall, as of June 30, 2020, the average EPRA NIY rate[22] for the portfolio[23] stood at 5.1%, up 10 basis points compared to six months ago (reflecting the slight decline in valuation). This compares with a blended risk-free rate of 0.4%,[24] which materializes the Klépierre portfolio's widest risk premium in a decade.

(22) 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).

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

(24) 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 July 22, 2020.

Exhibit 31 Change in EPRA Net Initial Yield of the shopping center portfolio[25]

(on a Group share basis, including transfer taxes)

Country	06/30/2020	12/31/2019	06/30/2019
France	4.4%	4.3%	4.3%
Belgium	4.0%	4.0%	4.0%
France-Belgium	**4.4%**	**4.3%**	**4.3%**
Italy	**5.6%**	**5.5%**	**5.5%**
Norway	5.0%	4.9%	4.8%
Sweden	4.6%	4.4%	4.2%
Denmark	4.8%	4.6%	4.5%
Scandinavia	**4.8%**	**4.6%**	**4.5%**
Spain	5.5%	5.5%	5.3%
Portugal	6.8%	6.6%	6.5%
Iberia	**5.7%**	**5.7%**	**5.5%**
Poland	8.6%	8.1%	7.9%
Hungary	-	-	8.6%
Czech Republic	4.8%	4.6%	4.5%
Turkey	8.6%	8.4%	7.6%
Other	13.0%	12.2%	12.6%
CE & Other	**6.7%**	**6.5%**	**6.3%**
Netherlands	**5.5%**	**5.4%**	**5.2%**
Germany	**4.6%**	**4.5%**	**4.5%**
TOTAL SHOPPING CENTERS	**5.1%**	**5.0%**	**4.9%**

Exhibit 32 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%	+3.8%	+1.9%	−1.8%	−3.6%	−7.0%
Italy	+7.8%	+3.8%	+1.9%	−1.8%	−3.6%	−7.1%
Scandinavia	+7.8%	+3.8%	+1.9%	−1.8%	−3.6%	−7.0%
Iberia	+7.6%	+3.7%	+1.8%	−1.8%	−3.5%	−6.9%
CE & Other	+7.1%	+3.5%	+1.7%	−1.7%	−3.3%	−6.5%
Netherlands	+11.1%	+5.4%	+2.6%	−2.6%	−5.1%	−9.8%
Germany	+8.7%	+4.2%	+2.1%	−2.0%	−4.0%	−7.8%
TOTAL SHOPPING CENTERS	**+7.9%**	**+3.9%**	**+1.9%**	**-1.9%**	**-3.7%**	**-7.2%**

	Exit rate variance					
Geography	**−100 bps**	**−50 bps**	**−25 bps**	**+25 bps**	**+50 bps**	**+100 bps**
France-Belgium	+17.3%	+7.6%	+3.5%	−3.2%	−6.0%	−10.9%
Italy	+13.2%	+5.9%	+2.8%	−2.6%	−5.0%	−9.2%
Scandinavia	+16.8%	+7.4%	+3.5%	−3.1%	−6.0%	−10.9%
Iberia	+13.3%	+6.0%	+2.8%	−2.6%	−4.9%	−9.0%
CE & Other	+10.5%	+4.8%	+2.3%	−2.1%	−4.0%	−7.5%
Netherlands	+16.2%	+7.2%	+3.4%	−3.1%	−5.9%	−10.9%
Germany	+20.6%	+9.0%	+4.2%	−3.8%	−7.2%	−13.1%
TOTAL SHOPPING CENTERS	**+15.8%**	**+7.0%**	**+3.3%**	**-3.0%**	**-5.7%**	**-10.3%**

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

6.1.2.3 Other retail properties

Including transfer taxes, the value of the "other retail properties" portfolio stood at €256 million, down 15.4% over six months, due to the disposal of retail assets in France for €40 million, and down 0.5% on a like-for-like portfolio basis over six months. The EPRA NIY of the portfolio came out at 8.0%, up 120 basis points over six months.

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.

As of June 30, 2020 and as a result of the Covid-19 outbreak, Klépierre performed internal valuations of Klépierre's real estate management service activities using a similar methodology to that applied by Accuracy.

The DCF approach is based on a business plan comprising projected 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. In most countries, future cash flows are discounted at rate of 7.4% to 9.4% (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 June 30, 2020 stood at €364.6 million on a total share basis (€356.1 million, Group share) compared to €378.5 million (€368.9 million, Group share) as of December 31, 2019.

7

FINANCIAL POLICY

Klépierre has decided to accelerate its refinancing plan in order to avoid any material refinancing issue for the next 24 months. Based on a moderate use of financial leverage, Klépierre's financial policy aims at ensuring balance-sheet stability, continuous access to financial resources, a strong liquidity position and the most competitive cost of capital. In the euro area, financial conditions have been volatile over the first half with borrowing costs increasing significantly during the lockdown period before falling thereafter. Funding costs have now stabilized in view of the ample liquidity in capital markets, allowing Klépierre to continue refinancing its debt at attractive conditions.

7.1 Financial resources

7.1.1 Change in net debt

As of June 30, 2020, consolidated net debt totaled €9,129 million, versus €8,830 million as of December 31, 2019. The €299 million increase is mainly attributable to deferred and/or non collected rents and property charges for the second quarter of 2020, in the amount of €273 million. The Group took a series of measures aimed at containing cash outflows, especially relating to capital expenditure. The main movements during the period were as follows:

> Cash inflows from operations and other items (foreign exchange, changes in working capital), amounting to €146 million;

> Cash outflows in respect of distribution for €430 million (including the first installment of the 2019 dividend for €314 million, distribution to non-controlling interests for €16 million and €100 million in respect of share buybacks carried out in January and February);

> Cash outflows in respect of capital expenditure for €92 million (see section 8.6 "EPRA Capital Expenditure") including €46 million in development projects and €46 million in standing assets; and

> Cash inflows from disposals for €77 million.

7.1.2 Debt ratios

As a result of the increase in net debt and a slight decline in the fair value of the property portfolio, the Loan-to-Value (LTV) ratio increased to 40% as of June 30, 2020 a 270-basis point increase compared to year-end 2019. Restated for deferred and/or unpaid rents, the Loan-to-Value would come out at 38.8%.

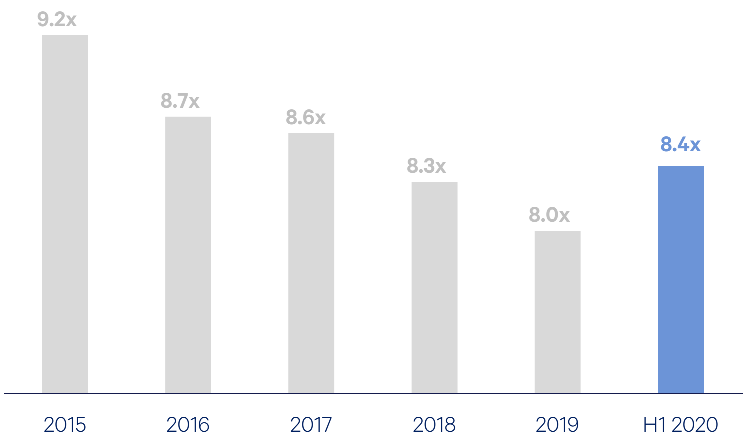
Exhibit 33 Loan-to-Value calculation as of June 30, 2020 (as per covenant definitions, on a total share basis)

In millions of euros	06/30/2020	12/31/2019
Current financial liabilities	2,925.9	2,342.4
Bank facilities	15.5	26.5
Non-current financial liabilities	7,008.0	7,092.0
Revaluation due to fair value hedge	(27.6)	(7.1)
Fair value adjustment of debt[a]	(13.0)	(21.5)
Gross financial liabilities excluding fair value hedge	**9,908.8**	**9,432.4**
Cash and cash equivalents[b]	(779.9)	(602.2)
Net debt	**9,128.9**	**8,830.2**
Property portfolio value (incl. transfer taxes)	22,839.9	23,672.6
LOAN-TO-VALUE RATIO	**40.0%**	**37.3%**

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

The net debt to EBITDA[26] ratio is also affected by both the deferred collection of the rents and the softer operating performance due to the lockdowns, and as of June 30, 2020, stood at 8.4x. Restated for the increase in receivables, the ratio came out at 8.2x for the first half of the year.

Chart 2 Net debt to EBITDA



7.1.3 Available resources

At the end of June 2020, Klépierre's liquidity position stood at €3.1 billion, covering all refinancing needs until June 2022. It comprises €679 million in cash at hand, €2.0 billion in unused committed revolving credit facilities (net of commercial paper) and €400 million in uncommitted credit facilities. Compared to the end of 2019, liquidity increased by €200 million following the issuance of €900-million in new notes under the EMTN program during the second quarter of the year. These transactions incurred a 2% average yield for a nine-year average maturity.

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

In Scandinavia, Steen & Strøm raised € 37 million in NOK on the bond markets to refinance €47 million of financing (bonds and commercial paper) in NOK and SEK, falling due within the period.

After taking these transactions into account, the Group's average debt maturity stood at six years.

7.1.4 Debt structure

As of June 30, 2020, the share of financing sourced from capital markets in total debt stood at 86%, enabling Klépierre to benefit from excellent financing conditions. During the period, Klépierre reduced the outstanding amount of commercial paper issued in euros by €300 million. These instruments were replaced by the issuance of long-term notes (see section 7.1.3 "Available resources"). Bank facilities accounted for 14%, of which 7.4% concerned asset-backed debt raised mainly in Scandinavia (6.2%), France (1.1%) 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[27] and the high cost of currency hedging, especially over long durations, the Group has decided not to hedge this position.

(26) This ratio is computed using the EBITDA of the last rolling 12 months (i.e. from July 2019 to June 2020).
(27) On a total-share basis, including transfer taxes, the Czech Republic represented 3.4% of the total Klépierre portfolio, Poland 1.8% and Turkey 1.2%.

Chart 3 Debt maturity schedule as of June 30, 2020 *(% of authorized debt)*

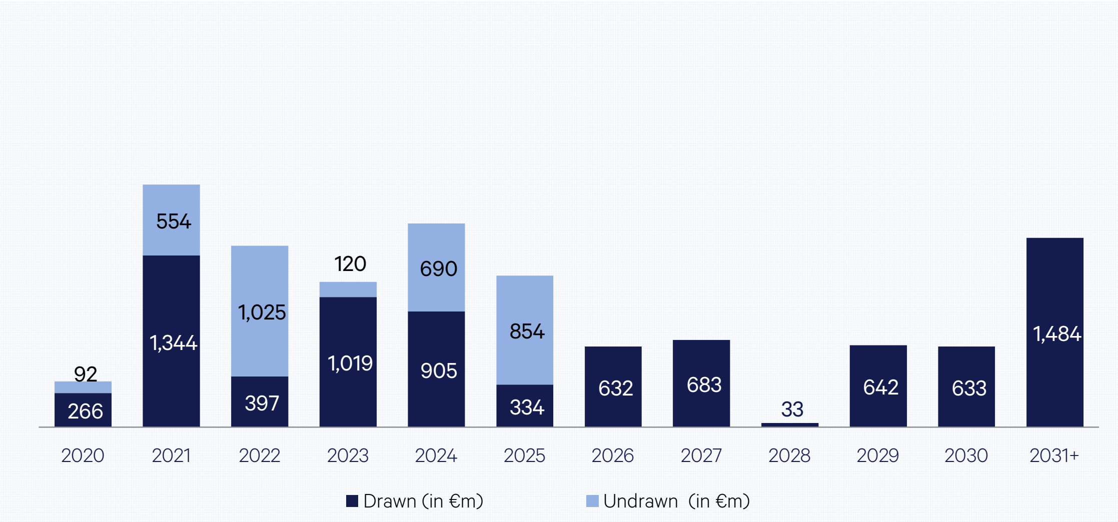


Chart 4 Financing breakdown by type of resource as of June 30, 2020
(utilizations, total share)

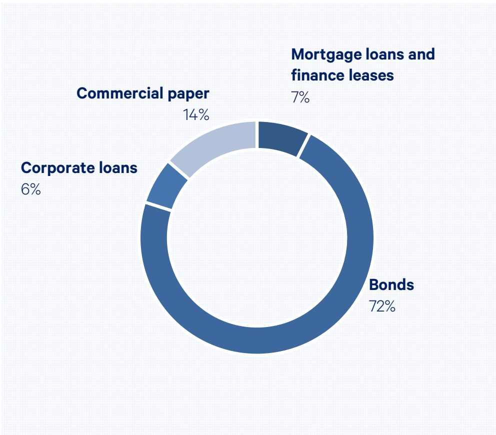
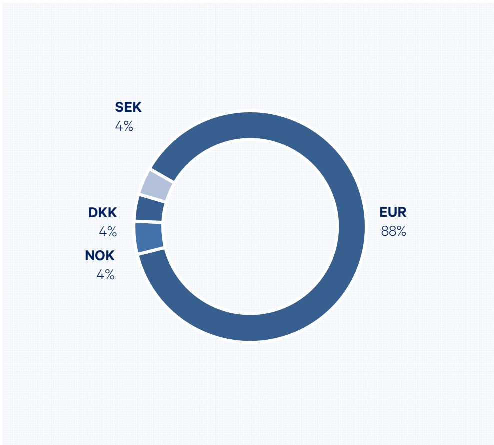


Chart 5 Financing breakdown by currency as of June 30, 2020
(utilizations, total share)



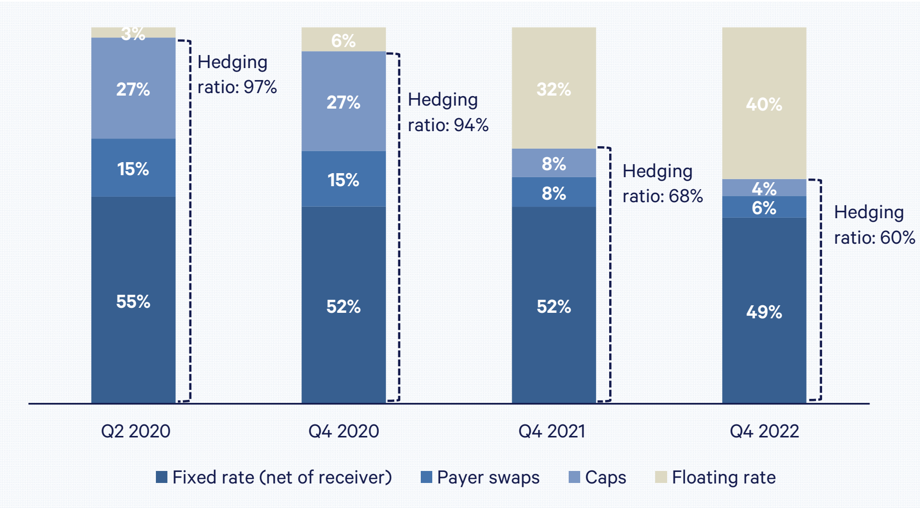
7.2 Interest rate hedging

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 (€2,609 million).[28] As of June 30, 2020, the proportion of fixed-rate debt (including hedging instruments) was 97%[28], while its average maturity remained around four years (4.1).

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

(28) Excluding €900 million in caps denominated in euros whose strike price are 50 basis points above underlying market rates ("out-of-the-money caps").

Chart 6 Debt by type of hedging instruments



Based on the interest rate yield curve as of June 30, 2020, the Group's annual cash-cost-at-risk stood at €2 million on a Group share basis. In other words, the annual loss resulting from short-term interest rate movements would be less than €2 million 99% of the time. This calculation does not factor in any assumptions regarding changes in the credit spread.

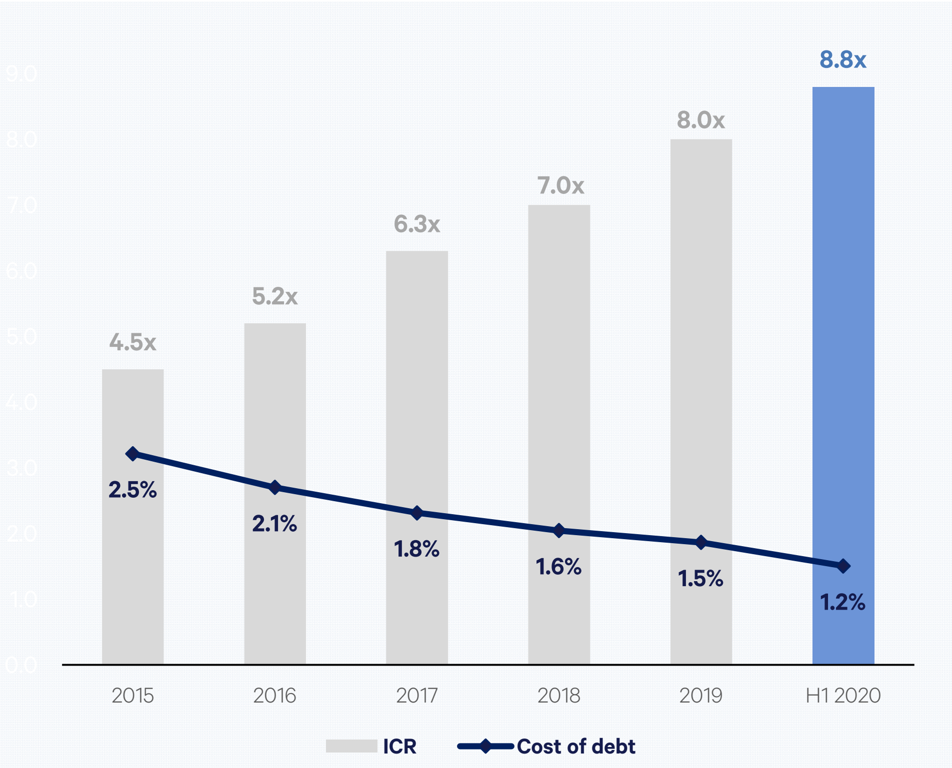
7.3 Cost of debt

During the year, the Group's average cost of debt continued to fall, to 1.2% versus 1.5% in 2019, 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.

Exhibit 34 Breakdown of cost of debt

In millions of euros	06/30/2020	06/30/2019
Cost of net debt (as per IFRS consolidated statement of comprehensive income)	**52.9**	**68.0**
Non-recurring items	1.3	1.6
Non-cash impact	4.7	(1.1)
Interest on advances to associates	5.3	5.8
Liquidity cost	(2.7)	(2.9)
Interest expense on lease liabilities[a]	(4.2)	(4.2)
Cost of debt (used for cost of debt calculations)	**57.3**	**67.2**
Average gross debt	**9,729.6**	**8,929.3**
COST OF DEBT *(in %)*	1.2%	1.5%

Chart 7 Interest coverage ratio and cost of debt



7.4 Credit ratings and covenants

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

Exhibit 35 Covenants applicable to Klépierre SA financings

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

(a) *Covenants are based on the 2015 revolving credit facility.*
(b) *Excluding the impact of liability management operations (non-recurring items).*
(c) *Excluding Steen & Strøm.*
(d) *Group share, including transfer taxes.*

8

EPRA PERFORMANCE INDICATORS

The following performance indicators have been prepared in accordance with the EPRA (European Public Real Estate Association) Best Practice Recommendations published in October 2019 and as set out in the guide available on its website (www.epra.com). These updated guidelines aim to reflect the significant shift in the listed real estate sector from long-term passive asset owners into highly-active asset managers and capital allocators.

Exhibit 36 EPRA summary table[(a)]

	06/30/2020	12/31/2019	06/30/2019	See section
EPRA Earnings *(in millions of euros)*	380.6	814.2	400.3	8.1
EPRA Earnings per share *(in euros)*	1.33	2.77	1.35	8.1
EPRA NRV *(in millions of euros)*	11,238	11,978	N/D	8.2.2
EPRA NRV per share *(in euros)*	39.4	41.5	N/D	8.2.2
EPRA NTA *(in millions of euros)*	9,942	10,643	N/D	8.2.2
EPRA NTA per share *(in euros)*	34.9	36.9	N/D	8.2.2
EPRA NDV *(in millions of euros)*	8,497	8,920	N/D	8.2.2
EPRA NDV per share *(in euros)*	29.8	30.9	N/D	8.2.2
EPRA Net Initial Yield Shopping centers	5.1%	5.0%	4.9%	8.3
EPRA "Topped-up" Net Initial Yield Shopping centers	5.3%	5.2%	5.1%	8.3
EPRA Vacancy Rate	3.8%	3.0%	3.0%	8.4
EPRA Cost Ratio (including direct vacancy costs)	15.2%	15.4%	15.6%	8.5
EPRA Cost Ratio (excluding direct vacancy costs)	13.4%	13.9%	13.9%	8.5

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

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.

Exhibit 37 EPRA Earnings

Group share *(in millions of euros)*	**06/30/2020**	**06/30/2019**
Net income as per IFRS consolidated statement of comprehensive income	**(163.5)**	**168.8**
Adjustments to calculate EPRA Earnings:		
(i) Changes in value of investment properties, development properties held for investment and other interests	(638.6)	(222.5)
(ii) Profit or losses on disposal of investment properties, development properties held for investment and other interests	3.0	8.7
(iii) Profit or losses on sales of trading properties including impairment charges in respect of trading properties	-	-
(iv) Tax on profits or losses on disposals	-	-
(v) Negative goodwill/goodwill impairment	(1.9)	(5.6)
(vi) Changes in fair value of financial instruments and associated close-out costs	(11.5)	(16.7)
(vii) Acquisition costs on share deals and non-controlling joint venture interests	-	-
(viii) Deferred tax in respect of EPRA adjustments[(a)]	35.8	4.2
(ix) Adjustments (i) to (viii) above in respect of joint ventures (unless already included under proportional consolidation)	(38.8)	(22.6)
(x) Non-controlling interests in respect of the above	107.9	23.1
EPRA EARNINGS	**380.6**	**400.3**
Company-specific adjustments to calculate net current cash flow:		
> Employee benefits, stock option expense and non-current operating expenses	0.2	3.7
> Depreciation, amortization and provisions for contingencies and losses	11.3	5.8
NET CURRENT CASH FLOW	**392.1**	**409.8**
Average number of shares[(b)]	*286,430,401*	*295,908,706*
Per share *(in euros)*		
EPRA EARNINGS	**1.33**	**1.35**
NET CURRENT CASH FLOW	**1.37**	**1.38**

(a) *In 2020, this item includes €42.4 million in deferred tax, €0.8 million in non-current taxes and −€7.5 million related to the application of IFRIC 21 (i.e., property tax annualization).*

(b) *Excluding treasury shares.*

8.2 EPRA Net Asset Value metrics

Net Asset Valuation metrics are key performance indicators designed to provide stakeholders with relevant information on the fair value of the assets and liabilities of property companies. In replacement of the EPRA NAV and EPRA NNNAV, new reporting standards introduced three new measures of net asset value: EPRA Net Reinstatement Value (NRV), EPRA Net Tangible Assets Value (NTA) and EPRA Net Disposal Value (NDV). As recommended by EPRA, these new standards have been applied with effect from these 2020 first-half results.

For more detailed explanations of EPRA adjustments and requirements please refer to the EPRA Best Practices Recommendations.

8.2.1 Application by Klépierre

Net Asset Valuation metrics are key performance indicators designed to provide stakeholders with relevant information on the fair value of the assets and liabilities of property companies.

The EPRA Net Reinstatement Value (NRV) scenario aims to highlight the value of net assets on a long-term basis and to represent the value required to rebuild the entity assuming that no selling of assets takes place. Consequently, deferred taxes as per IFRS and real estate transfer taxes (RETT) are added back. Intangible assets may be added if they are not already recognized in the IFRS statement of financial position and when their fair value can be reliably determined.

The EPRA Net Tangible Assets value (NTA) reflects company's tangible assets only, and assumes that companies buy and sell some of their assets, thereby crystallizing certain levels of unavoidable deferred tax liability and RETT. According to the new methodology, as defined by EPRA, the portfolio can be broken into three parts:

(i) assets that the company does not plan to sell in the long run: deferred taxes as per IFRS are added back in addition to 50% of RETT optimization;
(ii) assets that may be sold in share deals: 50% of deferred taxes as per IFRS and RETT optimization are added back; and
(iii) assets that may be sold through asset deals: 50% of deferred taxes as per IFRS are added back, but there is no restatement for RETT.

Exhibit 38 Treatment of deferred taxes and RETT in the EPRA Net Tangible Asset calculation

	Fair value	As % of total portfolio	% of deferred tax excluded
Portfolio subject to deferred tax and intention is to hold and not to sell in the long run	12,256	63%	100%
Portfolio subject to partial deferred tax and to tax structuring	4,310	22%	39%
Other portfolio	2,847	15%	50%
TOTAL PORTFOLIO	**19,414**		

By definition, EPRA NTA aims at valuing solely tangibles assets and therefore, as regards Klépierre, does not incorporate the fair value of management services companies (unlike the former indicators EPRA NAV and NNNAV). This service management business, fully integrated in Klépierre, collects fees not only from tenants and third parties but also from properties companies, while the latter are deducted from rental income in the appraisers DCF model.

Lastly, **EPRA Net Disposal Value** aims to represent the shareholders' value under an orderly sale of business, where RETT, deferred taxes, financial instruments and certain other adjustments are calculated to the full extent of their liability while discarding completely any RETT or tax optimization. Intangible assets are excluded from this methodology.

8.2.2 Calculation of EPRA Net Asset Value

The following tables present the calculation of the new EPRA Net Asset Value metrics and include previously reported EPRA measures for comparative purposes.

Exhibit 39 EPRA Net Asset Values as of June 30, 2020

Group share *(in millions of euros)*	EPRA NRV	EPRA NTA	EPRA NDV	EPRA NAV	EPRA NNNAV
IFRS Equity attributable to shareholders	**8,798**	**8,798**	**8,798**	**8,798**	**8,798**
Amounts owed to shareholders	*314*	*314*	*314*	*314*	*314*
Include/exclude:					
i) Hybrid instruments					
Diluted NAV	9,112	9,112	9,112	9,112	9,112
Include:					
Diluted NAV at fair value	9,112	9,112	9,112	9,112	9,112
Exclude:					
v) Deferred tax in relation to fair value gains of IP	1,468	1,237	0	1,468	1,114
vi) Fair value of financial instruments	12	12	0	12	0
vii) Goodwill as a result of deferred tax	(354)	(354)	(354)	(354)	(354)
viii) Goodwill as per IFRS statement of financial position	(247)	(247)	(247)	(247)	(247)
Include:					
ix) Fair value of fixed-rate debt	0	0	(13)	0	(13)
x) Revaluation of intangible assets at to fair value	328	0	0	328	328
xi) Real estate transfer tax	920	183	0	391	391
NAV	**11,238**	**9,942**	**8,497**	**10,709**	**10,330**
Fully diluted number of shares	*285,225,082*	*285,225,082*	*285,225,082*	*285,225,082*	*285,225,082*
NAV per share *(in euros)*	**39.4**	**34.9**	**29.8**	**37.5**	**36.2**

Exhibit 40 EPRA Net Asset Values as of December 31, 2019

Group share *(in millions of euros)*	EPRA NRV	EPRA NTA	EPRA NDV	EPRA NAV	EPRA NNNAV
IFRS Equity attributable to shareholders	**9,774**	**9,774**	**9,774**	**9,774**	**9,774**
Amounts owed to shareholders	*0*	*0*	*0*	*0*	*0*
Include/exclude:					
i) Hybrid instruments					
Diluted NAV	9,774	9,774	9,774	9,774	9,774
Include:					
Diluted NAV at fair value	9,774	9,774	9,774	9,774	9,774
Exclude:					
v) Deferred tax in relation to fair value gains of IP	1,519	1,271	0	1,519	1,164
vi) Fair value of financial instruments	8	8	0	8	0
vii) Goodwill as a result of deferred tax	(356)	(356)	(356)	(356)	(356)
viii) Goodwill as per IFRS statement of financial position	(247)	(247)	(247)	(247)	(247)
Include:					
ix) Fair value of fixed-rate debt	0	0	(251)	0	(251)
x) Revaluation of intangible assets at to fair value	340	0	0	340	340
xi) Real estate transfer tax	941	194	0	380	380
NAV	**11,978**	**10,643**	**8,920**	**11,417**	**10,803**
Fully diluted number of shares	*288,736,070*	*288,736,070*	*288,736,070*	*288,736,070*	*288,736,070*
NAV per share *(in euros)*	**41.5**	**36.9**	**30.9**	**39.5**	**37.4**

Exhibit 41 EPRA NTA 12-month reconciliation per share[(a)]

In euros per share	
EPRA NTA at 12/31/2019	**36.90**
Cash flow	1.37
Like-for-like asset revaluation	(1.85)
Dividend	(1.10)
Forex and others	(0.42)
EPRA NTA at 06/30/2020	**34.90**

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

EPRA NTA per share amounted to €34.90 at the end of June 2020, versus €36.90 six months earlier[29]. This decrease reflects the generation of net current cash flow (€1.37 per share), which was more than offset by the decrease in the value of the like-for-like portfolio (€1.85 per share) and the dividend payment (€1.10 per share). Foreign exchange and other items had a negative impact of €0.42 per share.

8.3 EPRA Net Initial Yields

EPRA Net Initial Yield (NIY) is calculated as annualized rental income based on passing cash rents, less non-recoverable property operating expenses, divided by the gross market value of the property. EPRA "Topped-up" NIY is calculated by making an adjustment to EPRA NIY in respect of the expiration of rent-free periods (or other unexpired lease incentives such as discounted rent-free periods and step-up rents). See section 6.1.2.2 for the geographical breakdown of EPRA NIY.

Exhibit 42 EPRA Net Initial Yields

In millions of euros	Shopping centers	Other retail properties	Total
Investment property - Wholly owned	17,861	256	18,117
Investment property - Share of joint ventures/funds	1,297	0	1,297
Total portfolio	**19,158**	**256**	**19,414**
Less: Developments, land and other	(1,085)	0	(1,085)
Completed property portfolio valuation (B)	**18,072**	**256**	**18,329**
Annualized cash passing rental income	1,028	22	1,051
Property outgoings	(109)	(2)	(111)
Annualized net rents (A)	**919**	**21**	**940**
Notional rent expiration of rent free periods or other lease incentives	38	0	38
Topped-up net annualized rent (C)	**957**	**21**	**978**
EPRA NET INITIAL YIELD (A/B)	**5.1%**	**8.0%**	**5.1%**
EPRA "TOPPED-UP" NET INITIAL YIELD (C/B)	**5.3%**	**8.2%**	**5.3%**

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.

Exhibit 43 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	19,046	489,551	3.9%
Italy	5,680	289,152	2.0%
Scandinavia	10,540	169,066	6.2%
Iberia	6,433	142,787	4.5%
CE & Other	3,561	98,354	3.6%
Netherlands	2,598	69,224	3.8%
Germany	1,190	37,260	3.2%
TOTAL	**49,047**	**1,295,394**	**3.8%**

(a) Scope: all shopping centers, including those accounted for under the equity method, included based on a 100% share. The estimated rental values of leased and vacant spaces as of June 30, 2020, are based on internal assumptions. Shopping centers (or portions thereof) under restructuring that are excluded from the scope are as follows: Échirolles (Grenoble), the Créteil Soleil extension (Paris region), Nailloux Village (Toulouse), Økern (Oslo). Strategic vacancies are also excluded.

(29) NTA per share figures are rounded to the nearest 10 cents.

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.

Exhibit 44 EPRA Cost Ratio

In millions of euros	06/30/2020	06/30/2019
Administrative and operating expenses[(a)]	(98.7)	(108.9)
Net service charge costs[(a)]	(33.1)	(37.0)
Net management fees[(a)]	34.9	41.4
Other net operating income intended to cover overhead expenses[(a)]	7.2	4.7
Share of joint venture expenses[(b)]	(7.3)	(7.6)
Exclude (if part of the above):		
Service charge costs recovered through rents but not separately invoiced	3.9	4.8
EPRA Costs (including vacancy costs) (A)	**(92.9)**	**(102.6)**
Direct vacancy costs	(10.8)	(10.9)
EPRA Costs (excluding vacancy costs) (B)	**(82.2)**	**(91.7)**
Gross rental income less ground rents[(a)]	577.4	622.9
Less: service fee/cost component of gross rental income	(3.9)	(4.8)
Add: share of joint ventures (gross rental income less ground rents)[(b)]	38.9	40.9
Gross rental income (C)	**612.4**	**659.0**
EPRA COST RATIO (INCLUDING DIRECT VACANCY COSTS) (A/C)	**15.2%**	**15.6%**
EPRA COST RATIO (EXCLUDING DIRECT VACANCY COSTS) (B/C)	**13.4%**	**13.9%**

(a) *As per the IFRS consolidated statements of comprehensive income.*
(b) *For more information, see section 2.7 "Contribution of equity-accounted investments."*

8.6 EPRA Capital Expenditure

Investments in the first half of 2020 are presented in detail in section 5 "Investments, developments and disposals." This section presents Klépierre's capital expenditure based on EPRA financial reporting guidelines taking into account the latest EPRA Best Practices Recommendations updated in October 2019.

Exhibit 45 EPRA Capital Expenditure

	06/30/2020			06/30/2019
In millions of euros	**Group** (excl. Joint Ventures)	**Joint Ventures** (proportionate share)	**Total Group**	**Total Group**
Acquisitions	-	-	-	-
Development	45.2	1.0	46.2	80.1
Investment properties	42.5	1.2	43.7	50.1
Incremental lettable space	-	-	-	-
No Incremental lettable space	30.9	1.0	31.9	35.4
Tenant incentives	7.1	0.2	7.3	9.1
Other material non-allocated types of expenditure	4.5	0.1	4.6	5.6
Capitalised interest	1.7	-	1.7	1.9
TOTAL CAPEX	**89.4**	**2.2**	**91.6**	**132.1**
Conversion from accrual to cash basis	-7.5	-	-7.5	-33.1
TOTAL CAPEX ON CASH BASIS	**81.9**	**2.2**	**84.1**	**99.0**

8.6.1 Developments

Development capital expenditure includes investments related to new constructions and large extensions of existing assets. In the first half of 2020, these investments amounted to €46.2 million, mainly relating to the extension of Gran Reno (Bologna, Italy), the Hoog Catharijne redevelopment (Utrecht, Netherlands) and the Créteil Soleil project (Paris region, France).

8.6.2 Investment properties

Capital expenditure spent on the operational investment property portfolio mainly comprises investments made to maintain or enhance standing assets without creating additional leasing space and incentives provided to tenants (mainly fit-out contributions and eviction costs). Over the first six month of 2020, these investments amounted to €43.7 million, breaking down as follows:

> €31.9 million in refurbishment, consisting in renovation work, mainly in common areas, without incremental lettable space and technical maintenance capital expenditure. Most of this expenditure was invoiced to tenants;

> €7.3 million in tenant incentives, mainly in connection with stores and other leasable units, including fit-out contributions and eviction costs; and

> €4.6 million in other types of expenditure including restructuring costs for re-leasing and initial leasing.

8.6.3 Capitalized interest

Capitalized interest amounted to €1.7 million over the first half of 2020.

9

OUTLOOK

After an encouraging performance in the early months of 2020, the Covid-19 pandemic has affected Klépierre's operations leading the Company to withdraw its 2020 guidance in late April.

Klépierre's priority is to operate its malls with best-in class protective health measures, in view of the situation with the Covid-19 pandemic.

Klépierre has engaged in an intensive dialogue with its tenants regarding the payment of rents corresponding to the closure period while providing them with support and flexibility. Many transactions have already been signed and more are expected to be concluded in the coming weeks.

Although the gradually improving trend observed on footfall and retailer sales might augur a possible return to pre-crisis business levels, global economic uncertainties still prevail and will take time to dissipate.

The Group will continue to very carefully manage its financials with a close eye on spending and liquidity.

Klépierre is not able at this stage to provide reliable guidance for full-year earnings in the context of the still-evolving health environment and Covid-19, which could give rise to further – albeit targeted – lockdowns. Nevertheless, the Group is committed to updating the market as soon as it has a clearer view on the pace of its business recovery.

In the long term, Klépierre's conviction is that retailers will continue to refocus their operations on the most productive stores and the most attractive retail destinations for their customers, supporting Klépierre's strategic choices initiated a decade ago:

- Clear asset selection with dominant shopping centers in the most dynamic European urban areas;
- An extensive leasing platform offering differentiating expertise to banners; and
- Operational initiatives in line with new consumer habits and desires in terms of shopping, social interactions and environmental responsibility.