

FIRST-HALF 2019 EARNINGS

Paris – July 24, 2019

Klépierre, the European leader in shopping malls, today reported earnings for the six-month period ended June 30, 2019.⁽¹⁾ The main highlights include:

- Net current cash flow per share +5.4% vs. first-half 2018 at €1.38⁽²⁾
- Shopping center Net Rental Income +3.1% on like-for-like basis⁽³⁾, outperforming indexation by 150 basis points (bps)
- Retailer sales +1.6% like-for-like in the first half⁽⁴⁾ and +2.8% in the second quarter of 2019
- Very sound operational KPIs: EPRA vacancy at 3.0%, occupancy cost ratio at 12.4%, bad debt at 1.8%
- Further €57 million reduction in net debt, for an 8.1x Net Debt to EBITDA ratio
- Cost of debt reduced by a further 10 bps to 1.5% vs. 2018 year-end
- EPRA Net Asset Value per share of €40.00⁽⁵⁾
- €501 million worth of disposals signed since the beginning of 2019,⁽⁶⁾ at 5.5% above book value⁽⁷⁾
- 2019 net current cash flow guidance raised to at least €2.76 per share, from €2.72 to €2.75 initially

Jean-Marc Jestin, Chairman of the Executive Board, commented, “Klépierre’s performance in the first six months of this year once again illustrates the relevance of our business model, as our 5.4% increase in net current cash flow per share significantly exceeded our initial forecast. In a contrasted environment, we delivered robust rental income growth, dynamic leasing activity and increasing retailer sales. These results clearly demonstrate that our Shop. Meet. Connect.® strategy, based on targeted capital allocation, a customer-centric approach and disciplined financial policy, is perfectly aligned with the transformation of retail. Current operating indicators, combined with our confidence in our ability to continue to increase our revenues going forward and the prospect of a further reduction in financial costs, lead us to raise our full-year guidance for 2019.”

KEY FINANCIALS

	06/30/2019	06/30/2018	Reported change	Like-for-like change ⁽³⁾
<i>In € millions, Total Share</i>				
Total revenues	668.3	668.9	-0.1%	-
Net Rental Income (NRI), shopping centers	552.0	542.2	+1.8%	+3.1%
Property portfolio valuation (incl. transfer taxes)	24,042	24,594	-2.2%	-1.2%
Net debt	8,818	9,153	-3.7%	-
Loan-to-Value (LTV)	36.7%	37.2%	-50 bps	-
Net debt to EBITDA	8.1x	8.7x	-0.6x	-
<i>In €, Group Share</i>				
EPRA Net Asset Value (NAV) per share	40.00	39.50	+1.2%	-
Net current cash flow per share	1.38	1.31	+5.4%	-



OPERATING PERFORMANCE

Retailer sales

On a like-for-like basis,⁽³⁾ total retailer sales at Klépierre malls rose by 1.6% over the first six months of 2019, accelerating slightly compared to full-year 2018 (growth of 0.9%). The overall trend improved during the second quarter of the year, with retailer sales up 2.8% (versus 0.3% in the first quarter), supported partly by a favorable calendar effect, notably relating to the timing of Easter.

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

Leasing

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

Retailers' appetite for Klépierre malls was vigorous. Over the first half of 2019, the Group signed 821 leases in total, including 689 renewals and re-lettings, generating €6.0 million in additional minimum guaranteed rents (MGR; excluding extensions and greenfield projects), and representing a positive 9.4% rental reversion. The firm level of leasing activity contributed to a slight decline in the EPRA Vacancy Rate from 3.2% as of December 31, 2018, to 3.0% as of June 30, 2019.

Net Rental Income

Net rental income (NRI) generated by shopping centers amounted to €552.0 million in the first half of 2019, a 1.8% increase on a reported-portfolio (Total Share) basis and 3.1% increase on a like-for-like⁽³⁾ basis, compared with the same period in 2018. The good NRI performance was driven by indexation (1.6% positive impact), the solid reversion, higher income from specialty leasing, and optimized service charges.

Restated for the impact of the first-time application of IFRS 16, net rental income growth on a reported-portfolio (total-share basis) came out at 0.5%.⁽²⁾ IFRS 16 has no impact on the like-for-like growth rate.

NET CURRENT CASH FLOW AND PORTFOLIO VALUE

Over the first half of 2019, net current cash flow per share increased by 5.4% year on year to €1.38 (increase of 4.7% after factoring in the impact of the first-time application of IFRS 16).⁽²⁾ This strong performance reflects the combined impact of the following factors:

- **Net rental income** increased by 1.6% on a total share basis (up 0.4% restated for the impact of the first-time application of IFRS 16),⁽²⁾ supported by 3.1% like-for-like growth at Klépierre shopping centers;
- **Operating cash flow** advanced by 2.1% on a total share basis, growing at a faster pace than net rental income, primarily thanks to €3 million in cost savings, especially other general expenses with payroll costs remaining broadly flat. This translated into a further reduction in the EPRA Cost Ratio (from 15.4% to 13.9% excluding direct vacancy costs);
- **Cost of net debt** decreased by €9.1 million to €68.0 million on a total-share basis. Restated for non-cash and non-recurring items (amortization of Corio debt mark-to-market and financial instrument close-out costs), the cost of net debt came out at €66.9 million, representing a €5.1-million year-on-year reduction; and

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

Portfolio Valuation

Including transfer taxes, the value of the shopping center portfolio stood at €23,706 million on a total share basis as of June 30, 2019. The slight 0.9% decrease in the like-for-like property valuation over the past six months was mostly driven by a higher risk premium used by external appraisers in their DCF model. Combined with a slightly lower risk free-rate and, accordingly, lower indexation, the higher risk premium translated into a broadly stable discount rate and a higher exit rate, ultimately leading to a negative 1.2% market effect on the valuation of the portfolio.

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

Against this backdrop, the EPRA NIY was stable at 4.9%.

EPRA Net Asset Value (NAV)

EPRA NAV per share amounted to €40.00 as of June 30, 2019, versus €40.50 six months ago.⁽⁵⁾ This reduction is the result of the net current cash flow generation (€1.38 per share) more than offset by the decrease in the value of the like-for-like portfolio (€0.76 per share) and the dividend payment (€1.05 per share). Foreign exchange and other items had a negative impact of €0.07 per share.

DEBT AND FINANCING

Debt

As of June 30, 2019, consolidated net debt totaled €8,818 million, versus €8,875 million as of December 31, 2018, representing a €57 million decrease. Despite this reduction in net debt, the Loan-to-Value (LTV) ratio increased to 36.7%⁽⁸⁾ as of June 30, 2019, a 40-bp increase compared to 2018 year-end, attributable to a decrease in capital values.

Along with stronger operating performances, the net debt to EBITDA ratio was further reduced to 8.1x as of June 30, 2019, compared to 8.3x as of December 31, 2018.

Financing

During the first half, the Group's average cost of debt continued to fall to 1.5% versus 1.6% at 2018 year-end, benefiting from the low short-term interest rates and the attractive refinancing operations carried out in recent years. In view of the low cost of debt and robust operating performances, the interest coverage ratio (ICR, EBITDA divided by net interest expenses) stood at 7.9x.

Until the end of 2022, the Group will have to refinance €1.8 billion worth of fixed-rate bond (out of which €0.7 billion are swapped) at an average coupon of 4.2% (2.7% restated for the swaps). Based on current market conditions, these future refinancing should lead to a further contraction in the cost of debt.

INVESTMENT, DEVELOPMENT AND DISPOSALS

Investment

In the first half of 2019, Klépierre continued to allocate capital to its properties:

- €79.0 million allocated to the **development pipeline**, primarily relating to the extensions of:
 - Créteil Soleil (near Paris, France), which is expected to be completed by the end of 2019; leasing is progressing well, with 90% of the space already let (signed or in advanced negotiations);
 - Gran Reno (Bologna, Italy), where construction works started in April 2019; 50% of the space is already pre-let (signed or in advanced negotiations); and

- Hoog Catharijne (Utrecht, the Netherlands), where Primark opened its second largest store in the country in May 2019; the redevelopment is expected to be fully completed by 2021.
- €41.5 million allocated to the existing mall portfolio (excluding investment in extensions), consisting of technical maintenance capex, refurbishment and leasing capex; and
- €7.3 million allocated to **other investments**, including development fees, capitalized interest and leasing fees.

Disposals

Since January 1, 2019, the Group has completed disposals totaling €256.7 million (total share, excluding transfer taxes) as part of its ongoing portfolio streamlining. This amount includes the sale of seven malls (four in Portugal, one in the Czech Republic, one in France and one in the Netherlands) and other properties.

Beyond these disposals, the Group has signed promissory agreements for a total amount of €244.3 million. This includes the disposal of four shopping centers in Hungary for a total consideration of €217.5 million (excluding transfer taxes).

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

Share Buyback Program

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

OUTLOOK

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

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

- Klépierre's confidence in maintaining a good level of like-for-like net rental income;⁽⁹⁾
- Additional operating cost savings; and
- Lower financial costs thanks to the combination of improved financing conditions following the recent fall in interest rates and further liability management initiatives.

(1) The half-year consolidated financial statements were subject to review procedures by the Company's statutory auditors. The review report on the half-year financial information is to be issued shortly.

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

(3) Like-for-like data exclude the contribution of new spaces (acquisitions, greenfield projects and extensions), spaces being restructured, disposals completed since January 2018, and foreign exchange impacts.

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

(5) Net Asset Value per share figures rounded to the nearest 10 cents.

(6) Completed or under promissory agreements; disposals (Total Share basis, excluding transfer taxes) since January 1, 2019.

(7) Premium on the 11 malls sold since the beginning of the year (effective sales or promissory agreements; including transfer taxes).

(8) On a total share basis.

(9) The first-time implementation of IFRS 16 has not impact on the 2019 cash-flow guidance.

RETAILER SALES LIKE-FOR-LIKE CHANGE FOR THE FIRST HALF OF 2019

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

Segments	Like-for-like change ^(a)	Share in total reported retailer sales
Fashion	+0.5%	39%
Culture, Gift and Leisure	+0.3%	17%
Health & Beauty	+4.7%	14%
Household Equipment	+1.8%	10%
Food & Beverage	+5.1%	12%
Others	-0.3%	8%
TOTAL	+1.6%	100%

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

(b) Only recently-opened shops in Hoog Catharijne (Utrecht) and a few retailers in Alexandrium (Rotterdam) report their sales to Klépierre.

TOTAL REVENUES

In €m	Total Share		Group Share	
	H1 2019	H1 2018	H1 2019	H1 2018
France	215.4	214.4	176.0	175.0
Belgium	9.1	9.2	9.1	9.2
France-Belgium	224.5	223.5	185.2	184.2
Italy	102.6	106.4	101.4	104.7
Norway	34.9	35.9	19.6	20.1
Sweden	29.2	30.2	16.4	16.9
Denmark	29.6	28.7	16.6	16.1
Scandinavia	93.6	94.8	52.5	53.2
Spain	58.5	55.6	58.5	55.6
Portugal	11.4	11.5	11.4	11.5
Iberia	69.8	67.2	69.8	67.2
Poland	17.9	17.2	17.9	17.2
Hungary	9.8	12.5	9.8	12.5
Czech Republic	16.6	16.6	16.6	16.6
Turkey	10.3	13.1	9.4	11.8
Others	1.7	1.5	1.7	1.5
CE and Others	56.4	60.9	55.4	59.6
Netherlands	41.2	35.4	41.2	35.4
Germany	26.4	26.2	25.2	24.9
SHOPPING CENTERS GROSS RENTAL INCOME	614.6	614.4	530.7	529.2
Other retail properties	12.3	12.7	12.3	12.7
TOTAL GROSS RENTAL INCOME	626.9	627.1	543.0	542.0
Management, administrative and related income (fees)	41.4	41.8	39.6	40.1
TOTAL REVENUES	668.3	668.9	582.5	582.0
Equity Accounted Investees*	41.9	41.9	40.0	40.0

* Contributions from Equity Accounted Investees include investments in jointly-controlled companies and investments in companies under significant influence.

QUARTERLY NET RENTAL INCOME ON A TOTAL SHARE BASIS

In €m	2019		2018			
	Q2	Q1	Q4	Q3	Q2	Q1
France	100.2	95.4	95.5	99.0	99.1	93.4
Belgium	4.7	4.1	4.5	4.8	4.3	4.4
France-Belgium	104.8	99.5	100.1	103.9	103.4	97.8
Italy	50.1	43.3	48.1	52.2	51.6	44.5
Norway	16.0	16.0	15.9	15.7	16.4	16.0
Sweden	13.4	12.9	12.8	13.5	13.9	13.4
Denmark	13.9	12.7	12.6	12.8	13.2	12.4
Scandinavia	43.3	41.6	41.3	42.0	43.5	41.7
Spain	27.0	26.2	24.1	25.4	24.8	24.9
Portugal	4.7	6.0	5.3	6.0	5.2	5.5
Iberia	31.7	32.2	29.4	31.4	30.0	30.4
Poland	8.4	8.0	7.8	8.1	7.8	8.0
Hungary	5.5	4.6	4.3	5.9	5.8	5.8
Czech Republic	8.1	8.1	8.9	8.3	8.1	8.0
Turkey	4.0	4.3	3.8	3.8	5.7	5.2
Others	0.7	0.6	0.6	0.6	0.8	0.7
CE and Others	26.6	25.6	25.4	26.7	28.2	27.8
Netherlands	18.5	15.0	17.6	15.0	14.6	9.5
Germany	11.7	8.0	10.0	10.3	9.9	9.3
SHOPPING CENTERS NET RENTAL INCOME	286.8	265.2	272.0	281.5	281.3	261.0
Other activities	5.6	5.9	5.1	6.2	6.1	6.1
TOTAL NET RENTAL INCOME	292.4	271.1	277.0	287.6	287.3	267.1

NET CURRENT CASH FLOW

	H1 2019	H1 2018	Change
<i>Total share, in €m</i>			
Gross rental income	626.9	627.1	0.0%
Rental and building expenses	(63.4)	(72.7)	-12.8%
Net rental income	563.5	554.4	+1.6%
Management and other income	46.1	45.8	+0.6%
General and administrative expenses	(83.2)	(96.0)	-13.4%
EBITDA	526.4	504.2	+4.4%
<i>Adjustments to calculate operating cash flow:</i>			
Depreciation charge for right-of-use assets ^(a)	(4.3)	-	
Employee benefits, stock-options expenses and non-current operating expenses	3.8	10.7	
IFRIC 21 impact	6.8	7.0	
Operating cash flow	532.7	522.0	+2.1%
Cost of net debt	(68.0)	(77.0)	-11.8%
<i>Adjustments to calculate net current cash flow before taxes:</i>			
Amortization of Corio debt mark-to-market	(9.6)	(9.9)	
Financial instruments close-out costs	10.5	14.9	
Net current cash flow before taxes	465.7	450.0	+3.5%
Share in equity-accounted companies	27.8	26.9	+3.3%
Current tax expenses	(18.4)	(15.9)	+16.0%
Net current cash flow	475.0	460.9	+3.0%
<i>Group share, in €m</i>			
NET CURRENT CASH FLOW	409.8	395.6	+3.6%
Number of shares ^(b)	295,908,706	301,032,676	-1.7%
<i>Per share, in €</i>			
NET CURRENT CASH FLOW	1.38	1.31	+5.4%

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

(b) Excluding treasury shares.

2019 HALF-YEAR EARNINGS WEBCAST – PRESENTATION AND CONFERENCE CALL

The Klépierre Executive Board will present the 2019 half-year earnings on **Thursday, July 25, 2019 at 9:00 am Paris time (8:00am London time)**. Please visit the Klépierre website www.klepierre.com to listen to the webcast, or click [here](#).

AGENDA

October 21, 2019 Business review for the first nine months of 2019 (after market close)

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ABOUT KLÉPIERRE

Klépierre, the pan-European leader in shopping malls, combines development, property and asset management skills. The company's portfolio is valued at €24.0 billion at June 30, 2019 and comprises large shopping centers in 16 countries in Continental Europe which together host 1.1 billion visits per year. Klépierre holds a controlling stake in Steen & Strøm (56.1%), Scandinavia's number one shopping center owner and manager. Klépierre is a French REIT (SIIC) listed on Euronext Paris and included in the CAC Next 20, EPRA Euro Zone and GPR 250 indexes. It is also included in ethical indexes, such as DJSI World and Europe, FTSE4Good, STOXX® Global ESG Leaders, Euronext Vigeo France 20 and World 120, and figures in CDP's "A-list". These distinctions underscore the Group's commitment to a proactive sustainable development policy and its global leadership in the fight against climate change.

For more information, please visit the newsroom on our website: www.klepierre.com    

This press release and its appendices together with the earnings presentation slideshow are available on the Klépierre website: www.klepierre.com



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