SUPPLEMENTAL INFORMATION TO THE EARNINGS RELEASE

FIRST HALF OF 2018

KLEPIERRE

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CONSOLIDATED FINANCIAL STATEMENTS

1.1 Consolidated statements of comprehensive income

In €m	06/30/2018	06/30/2017
Gross rental income	627.1	611.7
Land expenses (real estate)	−8.4	−8.1
Non-recovered rental expenses	−45.2	−43.3
Building expenses (owner)	−19.1	−18.8
Net rental income	**554.4**	**541.5**
Management, administrative and related income	41.8	42.8
Other operating revenues	4.0	3.9
Survey and research costs	−0.5	−0.3
Payroll expenses	−59.8	−61.4
Other general expenses	−35.7	−31.6
Depreciation and impairment allowance on intangible assets and properties, plant and equipment	−6.7	−7.4
Provisions	−1.4	0.7
Change in value of investment properties	386.0	400.5
Proceeds from disposal of investment properties and equity investments	298.9	198.3
Net book value of investment properties and equity investments sold	−299.1	−182.5
Income from the disposal of investment properties and equity investments	**−0.2**	**15.8**
Goodwill impairment		
Operating income	**881.9**	**904.7**
Net dividends and provisions on non-consolidated investments	−0.0	0.0
Financial income	35.5	53.4
Financial expenses	−112.5	−137.7
Net cost of debt	**−77.0**	**−84.3**
Change in the fair value of financial instruments	−5.4	−6.5
Share in earnings of equity method investments	36.0	39.6
Profit before tax	**835.5**	**853.5**
Corporate income tax	−75.9	−142.4
Net income of consolidated entity	**759.6**	**711.0**
Of which		
> *Group share*	*618.8*	*570.4*
> *Non-controlling interests*	*140.8*	*140.6*
Undiluted average number of shares	**301,032,676**	**309,505,908**
Undiluted net income per share *(in €)* **– Group share**	**2.06**	**1.84**
Diluted average number of shares	**301,032,676**	**309,505,908**
Diluted net income per share *(in €)* **– Group share**	**2.06**	**1.84**

In €m	06/30/2018	06/30/2017
Net income of consolidated entity	**759.6**	**711.0**
Other comprehensive income items recognized directly as equity	**−121.1**	**−13.6**
> Effective portion of profits and losses on cash-flow hedging instruments	17.8	45.8
> Translation profits and losses	−135.0	−53.1
> Tax on other comprehensive income items	−5.4	−9.6
Items that will be reclassified subsequently to profit or loss	**−122.6**	**−16.9**
> Result from sales of treasury shares	1.5	3.3
> Actuarial gains	0.0	−0.1
Items that will not be reclassified subsequently to profit or loss	**1.5**	**3.3**
Share of other comprehensive income items of equity method investees		
Total comprehensive income	**638.5**	**697.4**
Of which		
> *Group share*	507.3	568.4
> *Non-controlling interests*	131.2	128.9
Undiluted comprehensive income per share *(in €)* **– Group share**	**1.69**	**1.84**
Diluted comprehensive income per share *(in €)* **– Group share**	**1.69**	**1.84**

1.2 Consolidated statements of financial position

In €m	**06/30/2018**	**12/31/2017**
Goodwill	657.1	655.2
Intangible assets	36.3	39.3
Property, plant and equipment	9.9	14.1
Investment properties at fair value	21,890.3	21,494.2
Investment properties at cost	158.3	123.1
Equity method investments	1,078.4	1,074.1
Other non-current assets	312.3	319.3
Non-current derivatives	27.4	41.0
Deferred tax assets	24.0	24.5
Non-current assets	**24,194.0**	**23,784.6**
Fair value of properties held for sale	3.3	295.6
Trade accounts and notes receivable	142.1	144.5
Other receivables	430.6	346.6
> Tax receivables	146.2	137.5
> Other debtors	284.4	209.1
Current derivatives	7.2	9.9
Cash and cash equivalents	246.0	564.5
Current assets	**829.2**	**1,361.2**
TOTAL ASSETS	**25,023.1**	**25,145.8**
Share capital	440.1	440.1
Additional paid-in capital	5,650.0	5,818.1
Legal reserves	44.0	44.0
Consolidated reserves	3,488.9	2,865.8
> Treasury shares	−483.9	−419.2
> Hedging reserves	−38.8	−50.2
> Other consolidated reserves	4,011.6	3,335.2
Consolidated earnings	618.8	1,228.6
Shareholders' equity, group share	10,241.8	10,396.6
Non-controlling interests	2,565.0	2,563.8
Shareholders' equity	**12,806.8**	**12,960.4**
Non-current financial liabilities	7,352.4	7,368.2
Non-current provisions	28.3	26.9
Pension commitments	13.8	13.4
Non-current derivatives	19.2	23.1
Security deposits and guarantees	147.5	145.3
Deferred tax liabilities	1,603.1	1,547.7
Non-current liabilities	**9,164.2**	**9,124.6**
Current financial liabilities	1,953.4	2,217.2
Bank overdrafts	252.7	130.0
Trade payables	258.8	205.1
Payables to fixed asset suppliers	32.0	16.2
Other liabilities	342.0	312.4
Current derivatives	9.3	7.4
Social and tax liabilities	203.8	172.5
Current liabilities	**3,052.1**	**3,060.7**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**25,023.1**	**25,145.8**

1.3 Segment earnings

In €m	France-Belgium[a] 06/30/2018	France-Belgium[a] 06/30/2017	Scandinavia 06/30/2018	Scandinavia 06/30/2017	Italy 06/30/2018	Italy 06/30/2017	Iberia 06/30/2018	Iberia 06/30/2017	The Netherlands 06/30/2018	The Netherlands 06/30/2017
Gross rents	**221.2**	**222.4**	**94.1**	**96.2**	**104.4**	**102.3**	**66.0**	**57.4**	**35.4**	**31.5**
Other rental income	15.1	10.0	0.7	0.6	2.0	2.1	1.1	0.7	0.0	
Gross rental income	**236.3**	**232.4**	**94.8**	**96.8**	**106.4**	**104.4**	**67.2**	**58.1**	**35.4**	**31.5**
Rental & building expenses	−22.9	−22.5	−9.6	−9.9	−10.2	−10.9	−6.7	−6.6	−11.3	−8.8
Net rental income	**213.4**	**209.9**	**85.2**	**86.9**	**96.1**	**93.5**	**60.4**	**51.5**	**24.1**	**22.7**
Management and other income	24.2	23.6	4.0	4.5	6.4	6.8	3.2	3.9	3.3	3.4
Payroll and other general expenses	−33.1	−33.4	−9.6	−9.8	−11.0	−11.8	−6.8	−6.7	−6.4	−6.5
EBITDA	**204.5**	**200.1**	**79.7**	**81.6**	**91.5**	**88.5**	**56.8**	**48.6**	**21.0**	**19.6**
Depreciation and allowance	−6.0	−4.1	−1.1	−1.2	−0.2	−0.2	−0.1	−0.4	−0.2	−0.3
Change in value of investment properties	113.0	109.9	43.6	72.2	86.3	117.3	36.4	79.3	14.5	3.0
Income from the disposal of investment properties and equity investments	0.6	3.7	1.9	16.0			−2.6	−3.9	−0.0	−0.0
Share in earnings of equity method investments	7.0	8.5	−1.6	14.4	9.1	32.7	−0.7	−0.4		
Segment income	**319.1**	**318.1**	**122.4**	**183.0**	**186.6**	**238.4**	**89.9**	**123.3**	**35.2**	**22.4**
Goodwill impairment										
Net cost of debt										
Change in the fair value of financial instruments										
Profit before tax										
Corporate income tax										
NET INCOME										

(a) Shopping centers and Other activities.

In €m	Germany 06/30/2018	Germany 06/30/2017	CEE &Turkey 06/30/2018	CEE &Turkey 06/30/2017	Unaffected 06/30/2018	Unaffected 06/30/2017	Klepierre Group 06/30/2018	Klepierre Group 06/30/2017
Gross rents	**26.2**	**27.3**	**60.3**	**60.8**			**607.6**	**597.8**
Other rental income	0.0	0.1	0.7	0.4			19.6	13.9
Gross rental income	**26.2**	**27.3**	**60.9**	**61.2**			**627.1**	**611.7**
Rental & building expenses	−7.0	−6.3	−4.9	−5.2			−72.7	−70.2
Net rental income	**19.2**	**21.0**	**56.0**	**56.0**			**554.4**	**541.5**
Management and other income	2.7	2.4	2.0	2.2			45.8	46.8
Payroll and other general expenses	−5.0	−4.7	−6.0	−6.4	−18.1	−13.9	−96.0	−93.3
EBITDA	**17.0**	**18.7**	**52.0**	**51.7**	**−18.1**	**−13.9**	**504.2**	**495.0**
Depreciation and allowance	−0.2	−0.2	−0.3	−0.3			−8.1	−6.6
Change in value of investment properties	−2.9	−14.1	95.1	32.8			386.0	400.5
Income from the disposal of investment properties and equity investments	−0.1		0.0				−0.2	15.8
Share in earnings of equity method investments			22.1	−15.5			36.0	39.7
Segment income	**13.8**	**4.4**	**169.0**	**68.7**	**−18.1**	**−13.9**	**917.9**	**944.4**
Goodwill impairment								
Net cost of debt							−77.0	−84.3
Change in the fair value of financial instruments							−5.4	−6.5
Profit before tax							**835.5**	**853.5**
Corporate income tax							−75.9	−142.4
NET INCOME							**759.6**	**711.0**

1.4 Consolidated cash-flow statements

In €m	06/30/2018	06/30/2017
Cash-flows from operating activities		
Net income from consolidated companies	759.6	711.0
Elimination of expenditure and income with no cash effect or not related to operating activities		
> Depreciation, amortization and provisions	8.1	6.8
> Change in value of investment properties	−386.0	−400.5
> Goodwill impairment		
> Capital gains and losses on asset disposals	0.2	−15.8
> Current and deferred Income taxes	75.9	142.4
> Share in earnings of equity method investees	−36.0	−39.6
> Reclassification of financial interests and other items	102.1	109.9
Gross cash-flow from consolidated companies	**523.9**	**514.2**
Paid taxes	3.0	10.4
Change in operating working capital	1.6	6.0
Net cash-flows from operating activities	**528.5**	**530.6**
Cash-flows from investing activities		
Proceeds from sales of investment properties	163.0	82.8
Proceeds from sales of other fixed assets		
Proceeds from disposals of subsidiaries (net of cash disposed)	134.9	114.7
Acquisitions of investment properties		−12.4
Acquisition costs of investment properties		−0.3
Payments in respect of construction work in progress	−157.5	−136.9
Acquisitions of other fixed assets	−1.5	−3.0
Acquisitions of subsidiaries and deduction of acquired cash[(a)]	−36.6	−81.9
Movement of loans and advance payments granted and other investments	48.1	−80.6
Net cash-flows from investing activities	**150.4**	**−117.5**
Cash-flows from financing activities		
Dividends paid to the parent company's shareholders	−589.4	−562.0
Dividends paid to non-controlling interests	−60.2	−47.4
Capital increase of parent company		
Change in capital from subsidiaries with non controlling interests	−44.1	
Repayment of share premium		
Acquisitions/disposal of treasury shares	−63.2	−253.0
New loans, borrowings and hedging instruments	1,445.5	1,334.5
Repayment of loans, borrowings and hedging instruments	−1,717.2	−983.2
Interest paid	−93.8	−119.2
Other cash-flows related to financing activities		
Net cash-flows from financing activities	**−1,122.4**	**−630.2**
Effect of foreign exchange rate changes on cash and cash equivalents	**2.5**	**−7.3**
CHANGE IN CASH AND CASH EQUIVALENTS	**−441.1**	**−224.4**
Cash at year-start	**434.5**	**467.9**
Cash at year-end	**−6.6**	**243.5**

(a) Including the repayment of loans previously held by the acquired companies.

2

APPROACH TO BUSINESS

Klépierre, the pan-European leader in shopping malls, has a property portfolio of more than 100 leading shopping centers, which attract 1.1 billion visitors each year and are valued at more than €24 billion as of June 30, 2018. Since 2013, Klépierre has focused its business on retail assets only and has constantly upgraded the quality of its portfolio by pursuing a clear strategy aimed at anticipating retail trends to continuously enrich the shopping experience in the malls it owns and manages.

2.1 A leading, pan-European platform

Located in the most attractive regions in Continental Europe, Klépierre shopping centers offer international brands unique locations that enable them to develop and enjoy access to 150 million consumers in more than 50 cities.

The relevance of the Klépierre platform is built on a dense network of high potential territories. The Group targets Continental European metropolitan areas whose demographic or economic growth exceeds the national average and that offer opportunities to strengthen its positions. Indeed, Klépierre is positioned:

- in large catchment areas whose average size reaches 1,150,000 inhabitants[1];
- in wealthy regions whose GDP per capita is 22% above the European average[2];
- in growing cities, with the demographic growth of its catchment areas by 2025[3] is projected to be 5.7%, 330 bps above the European average[4].

The principal assets, whether they were developed by the Group or recently acquired, occupy leading positions in the heart of their catchment area.

2.2 Shop. Meet. Connect™

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

- "**Shop**", because Klépierre is convinced that the type of physical retail it offers will continue to expand and flourish. Shoppers like going to Klépierre's shopping centers because they are places where new products are ideally showcased and brand loyalty is actually built and strengthened;
- "**Meet**", because customers are looking for more than just shopping when they come to a mall. They are looking for a social experience;
- "**Connect**", because Klépierre's shopping centers are not only a key milestone of the retail becoming phygital, by integrating the retailers' omnichannel platforms and offering digital services, they are also at the heart of local ecosystems where multiple and diverse communities interact.

2.3 Customer-centric mall management

For many years, Klépierre has been evolving from a mere property owner to a retail-focused company concentrating its efforts on better serving its direct clients: the retailers.

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

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

(1) Average population in the catchment areas of Klépierre's shopping centers (30 min drive radius) weighted by their value as of December 31, 2017.

(2) Average GDP per capita of the regions where Klépierre's shopping centers are located weighted by their asset value as of December 31, 2017, vs. European GDP per capita average (Source: Eurostat, purchase power standard).

(3) Average demographic growth between 2015 and 2025 in the catchment areas of Klépierre's shopping centers weighted by their asset value as of December 31, 2017 (source: Eurostat, Klépierre's calculations).

(4) In countries where Klépierre is positioned in Europe, including Turkey (source: Eurostat).

To reach these objectives, Klépierre constantly enriches its relation with retailers by creating strong partnerships designed to generate synergies in several fields including marketing, CSR, maintenance, security and design. This collaboration offers an efficient means to support traffic and sales, improve conversion rates, encourage social and environmental initiatives and strengthen both operational excellence and security standards in malls.

2.3.1 Retail First

As the principal landlord of most of the international retailers present in Europe, Klépierre interacts regularly with them. These privileged relationships enable Klépierre to facilitate their growth efficiently, whether this means optimizing their presence and their store format (rightsizing) or offering new points of sale. They also foster acceleration in terms of upgrading the retail mix through a better understanding of the challenges and needs of retail tenants and customers expectations.

Retail First consists of several initiatives that Klépierre implements as part of its leasing strategy. These actions can be illustrated in the following segments:

> **Fashion** (40% of retailer sales): Klépierre has been increasing the presence of international leaders through rightsizing and active releasing actions. As such, top international retailers now represent 40% of fashion sales in Klépierre malls, compared to 29% in 2013[(1)]. Over the same period, the average sales per sq.m. of these international fashion brands have increased by 19% since 2013, while their average store size have been expanded by 18% thanks to Klépierre's successful efforts to develop right format for them. This explains why Klépierre fashion retailer sales outperformed the European market by 250 bps on average between 2013 and 2017[(2)];

> **Health & Beauty** (13% of sales): In this segment, Klépierre has been able to take advantage of the development of trendy new concepts by implementing them in its malls. Accordingly, between 2013 and 2018, 101 stores have been opened with fast-growing brands[(3)]. The latter have contributed to 50% of the total sales growth of this segment and largely explains the 250 bps outperformance compared to the European market between 2013 and 2017[(4)]; and

> **Food & Beverage** (F&B; 11% of sales), for which Klépierre has been implementing Destination Food®, a comprehensive plan aimed at developping and enhancing its offer in this segment. This plan has helped leverage the expansion of strong brands and new concepts, and to boost Klépierre F&B retailer sales which have risen by 20% since 2013.

2.3.2 Let's Play®

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

2.3.3 Clubstore®

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

2.4 Corporate and social responsibility: Act for Good® with Klépierre

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

Act for Good® with Klépierre rests on three pillars:

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

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

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

Each of the three pillars is broken down into specific quantified commitments, with a five-year timeframe (2022) supplemented by medium-term goals (2030). These commitments are described in detail in the 2017 registration document.

Act for Good® has built on Klépierre's strong trackrecord in CSR as recognized by the major non-financial rating agencies. Klépierre is the only property company in the world to be part of the "A List" of CDP, the non-profit global environmental disclosure platform, crediting the Group for its global leadership in the fight against climate change. In addition, Klépierre is in the 96th percentile in the World Dow Jones Sustainability Index (DJSI) based on the review by RobecoSAM, which deemed Klépierre the most efficient in the world out of 250 real estate companies for its environmental initiatives.

(1) These brands include Inditex brands, H&M, Primark, Deichmann brands , Calzedonia brands, Kiabi, Uniqlo, Terranova, CCC, New Yorker.
(2) Source: Oxford Economics (COICOP: clothing and footwear).
(3) These brands include Sephora, L'Oréal, MAC, Douglas, Nocibe, Lush, Victoria's Secret, Rituals, Yves Rocher, Primor, GrandVision.
(4) Source: Oxford Economics (COICOP: personal care).

2.5 Targeted development and strict financial discipline

Based on a conservative approach to risk management and constant asset value enhancement, the Group's development strategy favors the extension-refurbishment of shopping centers that have already carved out strong competitive positions in their catchment areas. It does not rule out designing and developing new projects in its preferred regions that are exceptional due to their locations and quality.

Klépierre also works to constantly improve its debt conditions and its financial profile. Since April 2014, the Group has enjoyed a A– credit rating from Standard & Poor's, placing it among the world's top three real estate companies. This financial strength is further buttressed by robust operating results, a tightly-managed debt level, and a high level of hedging, ensuring efficient access to the capital markets.

3

BUSINESS OVERVIEW

3.1 Economic environment

The European economy has continued to grow at a steady albeit slower pace, with Gross Domestic Product (GDP) growth expected to reach 2.2% for full-year 2018 (compared to 2.5% in 2017). On a broad-based level, economic expansion remained solid for all major economies over the past six months. Accommodative monetary policy, fiscal support and improving labor markets are supporting domestic demand, notably through dynamic private consumption. Investment is strengthening, on the back of favorable financing conditions and strong global demand. Inflation is expected to pick up gradually (1.6% forecast in 2018 vs. 1.5% in 2017).

► 2017 AND 2018 MACROECONOMIC FORECASTS
(by country)

	Real GDP growth rate			Unemployment rate			Inflation rate		
Country	**2017**	**2018E**	**2019E**	**2017**	**2018E**	**2019E**	**2017**	**2018E**	**2019E**
EUROZONE	**2.5%**	**2.2%**	**2.1%**	**9.1%**	**8.3%**	**7.8%**	**1.5%**	**1.6%**	**1.8%**
France	**2.3%**	**1.9%**	**1.9%**	**9.4%**	**8.7%**	**8.3%**	**1.2%**	**1.9%**	**1.5%**
Belgium	**1.7%**	**1.7%**	**1.7%**	**7.1%**	**6.4%**	**6.1%**	**2.2%**	**1.8%**	**1.8%**
Italy	**1.6%**	**1.4%**	**1.1%**	**11.2%**	**11.0%**	**10.8%**	**1.3%**	**1.2%**	**1.7%**
Scandinavia									
Norway	1.9%	1.8%	1.6%	4.2%	3.7%	3.6%	1.9%	1.9%	1.9%
Sweden	2.7%	2.8%	2.2%	6.7%	6.1%	5.9%	1.8%	1.6%	2.2%
Denmark	2.2%	1.7%	1.9%	5.7%	5.3%	5.2%	1.1%	0.6%	1.5%
Iberia									
Spain	3.1%	2.8%	2.4%	17.2%	15.5%	13.8%	2.0%	1.6%	1.5%
Portugal	2.7%	2.2%	2.2%	8.9%	7.5%	6.6%	1.6%	1.1%	1.7%
CEE & Turkey									
Poland	4.6%	4.6%	3.8%	4.9%	4.2%	3.9%	2.1%	2.2%	2.7%
Czech Republic	4.6%	3.8%	3.2%	2.9%	2.3%	2.2%	2.5%	2.0%	2.1%
Hungary	4.0%	4.4%	3.6%	4.2%	3.6%	3.4%	2.3%	2.6%	3.4%
Turkey	7.4%	5.1%	5.0%	10.9%	10.5%	10.3%	11.1%	11.5%	10.3%
The Netherlands	**3.3%**	**3.3%**	**2.9%**	**4.9%**	**3.9%**	**3.5%**	**1.3%**	**1.6%**	**2.4%**
Germany	**2.5%**	**2.1%**	**2.1%**	**3.8%**	**3.4%**	**3.3%**	**1.7%**	**1.7%**	**2.0%**

Source: OECD Economic Outlook, May 2018. Each data is change over previous year.

3.2 Retailer sales

On a like-for-like basis[1], total retailer sales at Klépierre's malls rose by 1.4% during the first half of 2018. Over the first 5 months of the year, they outperformed aggregated national retailer sales indices by 100 basis points[2]. The dynamic economic context in Europe and the successful re-tenanting initiatives supported sales growth and offset atypical weather conditions.

On a geographic basis, retailer sales rose by 2.4% in France, with the overall performance benefiting from Val d'Europe's (Paris) extension. Iberia remained buoyant (+4.1%), while sales' growth in Germany accelerated (+2.9%), on the back of the successful leasing actions undertaken at Forum Duisburg (near Dusseldorf; +5.3%) and Centrum Galerie (Dresden; +6.0%). CEE & Turkey (+5.8%) continued to rise at a solid pace, despite the Sunday trading ban that impacted Poland. Lastly, Italian retailer sales fell 2.7% over the past six months, mainly due to the impact of adverse weather conditions, uncertain political context and to a lesser extent some competitive pressure.

On a segment basis, Food & Beverage (+6.0%) and Health & Beauty (+5.3%) continued to grow steadily, reflecting both the structural outperformance of these segments and Klépierre's efforts to introduce the most successful brands and to deploy its Destination Food® strategy. Culture, Gifts & Leisure (+1.9%) continued to benefit from the deployment of the sports and jewelry segments, more than offsetting the poor performance of toy retailers. As previously mentioned, extreme weather conditions in the first half had a negative impact on fashion sales (−0.4%), especially in Italy.

▶ **YEAR-ON-YEAR RETAILER SALES CHANGE FOR THE SIX MONTHS ENDED JUNE 30, 2018**
(by country)

	Like-for-like change[(a)]	Share in Total Reported Retailer Sales
France	2.4%	30%
Belgium	−2.9%	2%
France-Belgium	**2.1%**	**31%**
Italy	**−2.7%**	**25%**
Norway	0.3%	9%
Sweden	0.4%	7%
Denmark	−3.2%	4%
Scandinavia	**−0.4%**	**20%**
Spain	3.4%	8%
Portugal	5.7%	3%
Iberia	**4.1%**	**11%**
Poland	0.0%	3%
Hungary	10.8%	3%
Czech Republic	1.0%	1%
Turkey	12.6%	2%
CEE and Turkey	**5.8%**	**8%**
The Netherlands[(b)]	**NS**	**NS**
Germany	**2.9%**	**3%**
TOTAL	**1.4%**	**100%**

(a) Like-for-like change is on a same-center basis and excludes the impact of asset sales and acquisitions.
(b) Only a few Dutch retailers report their sales to Klépierre.

▶ **YEAR-ON-YEAR RETAILER SALES CHANGE FOR THE SIX MONTHS ENDED JUNE 30, 2018**
(by segment)

	HY 2018 Year-on-Year Change	Share in Total Reported Retailer Sales
Fashion	−0.4%	40%
Culture, gifts & leisure	1.9%	17%
Health & beauty	5.3%	13%
Household equipment	−0.1%	11%
Food & beverage	6.0%	11%
Others	−1.0%	8%
TOTAL	**1.4%**	**100%**

3.3 Gross rental income

▶ **GROSS RENTAL INCOME**
(on a Total-Share basis)

In €m	06/30/2018	06/30/2017	Current Change
France-Belgium	223.5	217.6	2.7%
Italy	106.4	104.4	1.9%
Scandinavia	94.8	96.8	−2.1%
Iberia	67.2	58.1	15.6%
CEE and Turkey	60.9	61.2	−0.4%
The Netherlands	35.4	31.5	12.6%
Germany	26.2	27.3	−4.2%
TOTAL SHOPPING CENTERS	**614.4**	**596.8**	**2.9%**
Other retail properties	12.7	14.8	−14.2%
TOTAL	**627.1**	**611.7**	**2.5%**

On a Total-Share basis, shopping center gross rental income amounted to €614.4 million at the end of the 2018 first half, versus €596.8 million for the same period one year ago. This 2.9% increase reflects the combined impact of the solid like-for-like growth, the acquisition of Nueva Condomina (Murcia, Spain), and the opening of Val d'Europe's (Paris) extension and Hoog Catharijne's redevelopment (Utrecht, the Netherlands), which more than offset the impact of the disposals made over the last 18 months[1], and a negative currency effect.

Adding in gross rental income generated by other retail properties (down 14.2% due to asset disposals), total gross rental income reached €627.1 million, versus €611.7 million in 2017, 2.5% growth.

3.4 Net rental income

▶ NET RENTAL INCOME

(on a Total-Share basis)

In €m	06/30/2018	06/30/2017	Current change	Like-for-like change	Index-linked rental adjustments
France-Belgium	201.2	195.5	2.9%	2.6%	1.4%
Italy	96.1	93.5	2.8%	2.3%	0.6%
Scandinavia	85.2	86.9	−2.0%	2.5%	1.6%
Iberia	60.4	51.4	17.5%	7.5%	1.0%
CEE and Turkey	56.0	56.0	0.0%	4.5%	1.6%
The Netherlands	24.1	22.7	6.2%	5.6%	1.4%
Germany	19.2	21.0	−8.7%	0.0%	0.0%
TOTAL SHOPPING CENTERS	**542.2**	**527.1**	**2.9%**	**3.2%**	**1.2%**
Other retail properties	12.2	14.4	−15.5%		
TOTAL	**554.4**	**541.5**	**2.4%**		

Net rental income (NRI) generated by shopping centers reached €542.2 million for the first six months of 2018, up 2.9% on a current-portfolio, Total-Share basis compared to the same period in 2017. This increase reflects a combination of the following items:

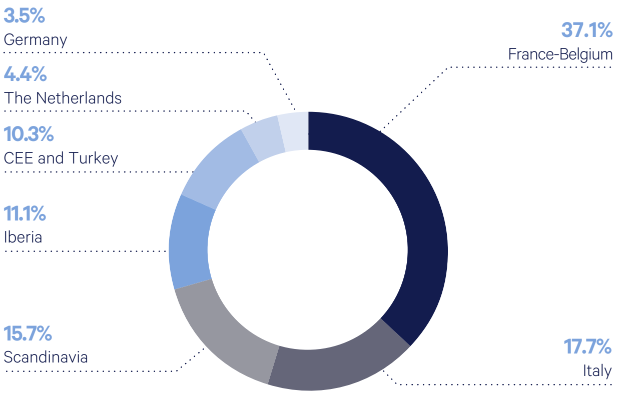
> a €16.0-million increase on a like-for-like basis (+3.2%)[2] driven by indexation (+1.2%), a solid reversion and increased income from specialty leasing;

> a €2.7-million positive scope impact as the contribution of Nueva Condomina (acquired in the first half of 2017) and recent pipeline developments more than offset the impact of disposals;

> foreign exchange which had a negative €3.5-million impact, mainly related to Sweden and Norway.

▶ SHOPPING CENTER NRI BREAKDOWN BY REGION FOR THE SIX MONTHS ENDED JUNE 30, 2018

(on a Total-Share basis)



(1) For more information, please refer to the "Investments, Developments and Disposals" section of this document.

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

▶ FOREIGN EXCHANGE IMPACT ON LIKE-FOR-LIKE NRI OVER THE SIX MONTHS ENDED JUNE 30, 2018

	NRI like-for-like change		Forex impact on NRI like-for-like change
	At constant forex	At current forex	
Norway	2.3%	−2.1%	442 bps
Sweden	2.7%	−2.9%	561 bps
Denmark	2.3%	2.2%	15 bps
Scandinavia	**2.5%**	**−1.1%**	**356 bps**
Poland	−0.3%	−0.1%	−23 bps
Hungary	13.4%	13.9%	−46 bps
Czech Republic	8.5%	8.7%	−16 bps
Turkey*	−2.9%	−2.9%	0 bps
CEE and Turkey	**4.5%**	**4.7%**	**−19 bps**
TOTAL	**3.2%**	**2.6%**	**58 bps**

* *Figures for Turkey do not reflect the depreciation of the Turkish Lira as rents in Klépierre malls are denominated in EUR and USD. They consequently reflect the EUR/USD exchange rate change.*

3.5 Contribution of assets consolidated under the equity method

The net rental income contribution of assets consolidated under the equity method amounted to €33.8 million in the first half of 2018. These assets are:

> **France**: Espace Coty (Le Havre), Le Millénaire (Paris), Les Passages (Paris), Mayol (Toulon);

> **Italy**: Porta di Roma (Rome), Il Corti Venete (Verona), Il Leone (Lonato), Il Destriero (Vittuone), Città Fiera (Udine region);

> **Norway**: Økernsenteret (Oslo), Metro Senter (Oslo region), Nordbyen (Larvik);

> **Portugal**: Aqua Portimão (Portimão);

> **Turkey**: Akmerkez (Istanbul).

The tables below present the contributions of each country to gross and net rental income, EBITDA, net current cash-flow, and net income. These contributions include investments in jointly-controlled companies and investments in companies under significant influence.

▶ CONTRIBUTION OF ASSETS CONSOLIDATED UNDER THE EQUITY METHOD

GROSS RENTAL INCOME – TOTAL SHARE

In €m	06/30/2018	06/30/2017
France	10.9	11.5
Italy	19.8	20.0
Norway*	3.8	4.1
Portugal	1.6	1.5
Turkey	5.7	7.0
TOTAL	**41.9**	**44.1**

NET RENTAL INCOME – TOTAL SHARE

In €m	06/30/2018	06/30/2017
France	8.1	8.7
Italy	17.2	17.1
Norway*	3.2	3.4
Portugal	1.4	1.3
Turkey	3.9	5.4
TOTAL	**33.8**	**35.9**

EBITDA – TOTAL SHARE

In €m	06/30/2018	06/30/2017
France	8.0	8.8
Italy	17.1	17.1
Norway*	3.2	3.4
Portugal	1.4	1.3
Turkey	3.6	5.0
TOTAL	**33.4**	**35.6**

NET CURRENT CASH-FLOW – TOTAL SHARE

In €m	06/30/2018	06/30/2017
France	7.5	8.0
Italy	13.1	12.7
Norway*	3.2	3.4
Portugal	−0.6	−0.7
Turkey	3.6	5.2
TOTAL	**26.9**	**28.6**

* *In order to obtain group share interests for Norway, data must be multiplied by 56.1%.*

NET INCOME – TOTAL SHARE

In €m	06/30/2018	06/30/2017
France	7.0	8.5
Italy	9.2	32.7
Norway*	−1.6	14.4
Portugal	−0.7	−0.4
Turkey	22.1	−15.5
TOTAL	**36.0**	**39.6**

* *In order to obtain group share interests for Norway, data must be multiplied by 56.1%.*

3.6 Shopping center business summary: leasing highlights

► KEY PERFORMANCE INDICATORS

	Renewed and re-let leases *(in €m)*	Reversion *(in %)*	Reversion *(in €m)*	OCR[a]	EPRA Vacancy rate	Bad debt rate[b]
France-Belgium	25.0	13.8%	3.4	12.9%	3.3%	1.9%
Italy	14.0	7.5%	1.1	11.5%	1.4%	2.2%
Scandinavia	8.8	6.8%	0.6	11.6%	3.9%	0.1%
Iberia	4.6	24.1%	1.1	13.2%	3.6%	0.3%
CEE and Turkey	11.6	10.4%	1.2	12.8%	4.4%	3.2%
The Netherlands	2.2	11.3%	0.3	-	5.5%	1.8%
Germany	1.9	−4.6%	−0.1	10.8%	4.6%	1.5%
TOTAL	**68.1**	**11.1%**	**7.6**	**12.2%**	**3.2%**	**1.6%**

Scope includes assets consolidated under the equity method at 100%.
(a) Occupancy cost ratio. Not calculated for the Netherlands as only a few Dutch retailers report their sales to Klépierre.
(b) 12-month rolling.

Klépierre recorded another dynamic first half in terms of leasing: 958 leases were signed (close to last year's record of 972), of which 809 leases renewed or relet at an average reversion rate of 11.1%. Overall, it represented €19.1 million (similar to last year) in additional annual minimum guaranteed rents (MGR; excluding extensions and greenfield projects). The EPRA vacancy declined to 3.2% from 3.4% in June 2017. At the same time, the bad debt rate was maintained at a low 1.6%, with Germany and the Netherlands decreasing by 60 bps and 40 bps respectively. These operational improvements once again confirmed the soundness of Klépierre's portfolio.

This half year has once again demonstrated the ability of Klépierre to take advantage of its retailers' deployment throughout Europe thanks to its key account management policy, leveraging its pan-European platform. Søstrene Grene, Normal, Deichmann, Vodafone, Sephora, Nespresso, Harmont & Blaine, and Rituals will continue to enrich Klépierre retailer mix by opening new stores. The Sport segment remained extremely dynamic, with multiple brands such as Courir, JD Sports, Skechers, Snipes, and The North Face pursuing their development. Lastly, new brands have started their deployment in Klépierre's malls (Monki, & Other Stories, Arket, Ray-Ban, and Xiaomi).

Of particular note this first half are the following malls, which achieved remarkable results:

> **Saint-Lazare (Paris, France)**: 6 years after it opened, this shopping center in the heart of Paris, located in one of its busiest train stations, benefited from a highly successful releasing campaign that allowed Klépierre to capitalize on the steady sales growth achieved since the center opened. The campaign was also an opportunity to rejuvenate the mix so that it better addresses customer expectations. A total of 22 new stores opened during the first 6 months of the year, including a Sephora flagship store (1,150 sq.m.), Kiehl's, Levi's, Nespresso, Rituals, NYX, and Calzedonia. In addition, the center's food offer will be further complemented by the arrival of the fast food chain BChef this summer;

> **Nový Smíchov (Prague, Czech Republic)**: Through the transformation of a former Tesco unit (7,000 sq.m.), Nový Smíchov has further reinforced its number one position in Czech Republic, attracting more than 20 million visitors a year. The downsizing of the hypermarket provided an opportunity to deliver a unique Zara flagship store (3,300 sq.m.) as well as the largest Sephora store in Central Europe (1,000 sq.m.). The mix of this mall has been further enhanced with the openings of iWant (premium Apple reseller), Tommy Hilfiger, and the local trendy fashion brand Attractivo;

> **Field's (Copenhagen, Denmark)**: Attracting more than 8 million visitors each year, Field's is one of the best shopping malls in Denmark. Following the recent revamping of the food area and the opening of a 9-screen cinema, the fashion offering was brought to the next level in the first half of 2018. After the opening of a 2,800-sq.m Zara store, the offering will be complemented by an enlarged H&M store (4,400 sq.m.), the H&M satellites (Arket, & Other Stories, Monki), and a Skechers store. Lastly, on the entertainment side, Bounce Trampoline Park has recently opened a 3,700-sq.m. space.

4

BUSINESS ACTIVITY BY REGION

4.1 France-Belgium (36.3% of net rental income)

▶ NRI & EPRA VACANCY RATE IN FRANCE-BELGIUM

	Current-Porfolio NRI			Like-for-Like Portfolio NRI			EPRA Vacancy rate	
In €m	06/30/2018	06/30/2017	Change	06/30/2018	06/30/2017	Change	06/30/2018	06/30/2017
France	192.5	187.6	2.6%	180.4	176.4	2.2%	3.5%	3.1%
Belgium	8.7	7.9	10.0%	8.7	7.9	10.0%	0.2%	1.1%
FRANCE-BELGIUM	**201.2**	**195.5**	**2.9%**	**189.1**	**184.4**	**2.6%**	**3.3%**	**3.1%**

France's GDP is expected to grow at 1.9% for full-year 2018 (compared to 2.3% in 2017), thanks to a strong external demand, a rebound in tourism, a robust business confidence and an improved labor market. Private consumption is forecasted to pick up gradually, as strong employment growth and rising wages boost household income. The decrease in income and wealth taxes should provide further support to purchasing power and consumption. Inflation is projected to reach 1.9% vs. 1.2% in 2017[1].

Over the first six months of 2018, **retailer sales** at Klépierre malls were up by 2.1% on a like-for-like basis and outpaced the national index by 34 basis points[2]. While the macroeconomic environment was globally supportive of consumer spending, the long strike by the employees of the French national railways company hurt several malls connected to train stations. On a shopping center basis, Val d'Europe continued to growing at a solid pace more than one year after the extension's opening. Écully benefited from the recent opening of a new Zara store, while the pace of growth of Nice TNL should gradually accelerate, following the recent opening of a 5,000-sq.m. Decathlon store.

On a sector basis, Food & Beverage (+3.3%) and Health & beauty (+3.6%) were the best performers. Fashion grew by 1.6% despite the adverse weather conditions and thanks to the recent re-tenanting actions and the implementation of rightsized stores for large international retailers.

Net rental income in France increased by 2.2% on a like-for-like basis over the first six months of 2018, outperforming indexation by 120 basis points. This outperformance is mostly attributable to the still solid reversion rate. Further optimization of operating costs thanks to procurement initiatives and specialty leasing income also contributed to the rental increase. On a current-portfolio basis (+2.6%), the extension of Val d'Europe (Paris) and Prado's opening (Marseille) were partly offset by the disposal of Grand Vitrolles (Marseille). The 10.0% increase in the NRI of the Belgian portfolio mainly stems from a decrease in rental charges, a high reversion rate on renewals and releases, and a sharp reduction in vacancy (from 1.1% to 0.2% year-on-year).

Leasing activity remained dynamic in 2018, with 257 leases signed (vs. 190 in H1 2017) at an average 13.8% reversion rate for relets and renewals. The EPRA Vacancy rate stood at 3.3% (vs. 3.1% in H1 2017 and 3.3% at year-end 2017).

From a mall-by-mall perspective, the ongoing renewal campaign at Saint-Lazare (Paris) has been a remarkable success (please refer to section 3.6 for detailed information on Saint-Lazare). At Prado (Marseille), the newly-inaugurated downtown shopping center continued to attract premium retailers: leasing contracts were signed with Lacoste, Harmont & Blaine, Salsa Jeans, Mauboussin, and the fusion restaurant Nanashi over the past six months. The opening of an Auchan Gourmand in June 2018 concept store covering 2,300 sq.m. has further enriched the food offering. Zara opened its 3,290-sq.m. store (the largest in the area), becoming another powerful anchor along with Galeries Lafayette. At Centre Bourse (Marseille), the popular Spanish home decoration brand Muy Mucho (220 sq.m.) opened its first store in the city, as did the Danish retailer Søstrene Grene.

4.2 Italy (17.3% of net rental income)

▶ NRI & EPRA VACANCY RATE IN ITALY

	Current-Porfolio NRI			Like-for-Like Portfolio NRI			EPRA Vacancy rate	
In €m	06/30/2018	06/30/2017	Change	06/30/2018	06/30/2017	Change	06/30/2018	06/30/2017
ITALY	**96.1**	**93.5**	**2.8%**	**96.1**	**94.0**	**2.3%**	**1.4%**	**1.3%**

The macroeconomic situation of Italy is contrasted. GDP growth is forecasted to slightly decelerate to 1.4% in 2018, from 1.6% in 2017, sustained by stronger business investment and exports. Private consumption is expected to be softer because of fewer job creations, even though unemployment is projected to decrease slightly to 11.0% in 2018 from 11.2% in 2017. Consumer price inflation should rise moderately and weigh down on the household purchasing power, against a backdrop of political uncertainty.

(1) *All macroeconomic data and comments in the whole Chapter 4 are from OECD Economic Outlook, June 2018.*
(2) *The CNCC index was down 1.8% for the first five months of 2018, year-on-year.*

These conditions partly explain why **retailer sales** declined by 2.7% at the Italian malls owned by Klépierre. This decline also stems from poor weather conditions and uncertain political context, to a lesser extent, new competition (Verona). The impact of the weather is particularly visible in the fashion segment. Restated for this segment, sales were flat, with the main growth contributor being the food & beverage segment (+4.2%), benefiting from the recent implementation of our Destination Food® strategy in Campania (Naples), Le Gru (Turin) and Milanofiori (Milan).

Net rental income increased by 2.3% on a like-for-like basis over the six-month period, 170 bps above indexation. This outperformance was achieved mostly thanks to sound releasing spreads and higher specialty leasing revenues (with brands such as Ford, Iliad and Samsung). The occupancy cost ratio remains low at 11.5% (vs 12.2% for the entire portfolio).

A total of 144 **leases** was signed in the first half of 2018 (vs. 157 leases in H1 2017), of which 137 re-leasing or renewal leases signed at a 7.5% average reversion rate. The Group continued to leverage its large mall platform and key account policy by signing a large number of deals with most prominent retailers like OVS (7 deals in the Italian portfolio; 9,240 sq.m.) and Sephora (4 renewals).

Renewal and releasing contracts at Campania (Naples), Le Gru (Turin), Porta di Roma (Rome), and Assago (Milan) were secured with high releasing spreads. At Campania (Naples), The North Face (outdoor sportswear brand) will further enhance the mall's mix. At Porta di Roma (Rome), Klépierre continued to work closely with retailers to adjust their stores to the best formats, including Foot Locker and Coin. At Le Gru (Turin), 10 leases were signed. Dmail, a fast-expanding Italian retailer that a wide variety of products from household goods to leisure facilities will open its first store in a Klépierre mall (together with another shop at Grand Emilia, Modena).

4.3 Scandinavia (15.4% of net rental income)

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

	Current-Porfolio NRI			Like-for-Like Portfolio NRI			EPRA Vacancy rate	
In €m	06/30/2018	06/30/2017	Change	06/30/2018	06/30/2017	Change	06/30/2018	06/30/2017
Norway	32.3	33.4	−3.2%	32.6	31.8	2.3%	3.0%	2.5%
Sweden	27.2	28.2	−3.5%	26.2	25.5	2.7%	4.5%	3.1%
Denmark	25.6	25.3	1.2%	25.0	24.5	2.3%	4.8%	5.8%
SCANDINAVIA	**85.2**	**86.9**	**−2.0%**	**83.8**	**81.8**	**2.5%**	**3.9%**	**3.4%**

Overall, the three Scandinavian countries (Norway, Sweden and Denmark) saw stable GDP growth in the first half, and improvements in employment. In Norway, GDP is expected to increase by 1.8% for full-year 2018 thanks to higher exports, particularly oil and gas, and rising household consumption. In **Sweden**, the economic improvement was mainly attributable to higher exports, boosted by strong global demand and a weaker Swedish krona. Lastly, the **Danish economy** is forecasted to expand at a steady pace in the coming years, underpinned by robust domestic demand and a supportive external environment. GDP is projected to grow by 1.7% in 2018 vs. 2.2% in 2017.

Retailer sales in Scandinavia (−0.4%) were globally in line with last year's performance, with Sweden up 0.4%, Norway up 0.3% and Denmark down 3.2%. The negative performance in Denmark was mainly due to temporary re-tenanting construction works at Field's (Copenhagen; −3.4%) and Bruun's Galleri (Aarhus; −2.8%). Globally, the performance gap between different shopping centers across Scandinavia was quite small.

As in other countries, Scandinavia benefited from the vibrant trend in the Health & Beauty (+4.8%) and Food & Beverage (+4.4%) segments, as well as the recent re-tenanting actions.

Like-for-like growth in **net rental income** reached 2.5%, with a relatively similar pace of growth across countries (Sweden +2.7%; Norway +2.3%; Denmark +2.3%). This increase was driven by indexation (+1.6%), the recent leasing actions leading to positive reversion (mostly in Sweden and Norway) and additional revenues from the recent renegotiation of the Clear Channel contract in Sweden. On a current basis, net rental income was down 2.0%, mostly attributable to the weakening of Norwegian and Swedish currencies and to a lesser extent to the disposal of the office building adjacent to the Emporia shopping center in Malmö.

Leasing activity remained robust, with 135 leases signed in H1 2018 and a reversion rate of 6.8% for renewals and relets. EPRA vacancy increased slightly to 3.9% from 3.4% year-on-year.

> In **Norway**, a total of 72 leases was signed, with an 11.1% reversion rate for releasing and renewal contracts. At Metro Senter (Lørenskog), 13 renewal and reletting contracts were signed at double-digit reversion rates. The mall's merchandising mix was complemented by the arrival of the beverage retailer Vinmonopolet (670 sq.m.), a brand that will become a key footfall driver of the center. At Arkaden Torgterrassen (Stavanger), the Finnish womenswear retailer Lindex opened an 820-sq.m. store, further decreasing the vacancy rate.

> In **Sweden**, 53 deals were secured with retailers. At Emporia (Malmö), Lindex (900 sq.m.) and Nespresso will unveil their shops in H2 2018. At Galleria Boulevard (Kristianstad), the openings of the local gym chain Friskis & Svettis (1,100 sq.m.) in April and the popular Danish retailer Søstrene Grene in February greatly boosted the occupancy of the center. The personal care products chain Normal continued to develop within Klépierre's Scandinavian portfolio, with 3 openings at Kupolen (Borlänge), Allum (Partille) and Marieberg (Örebro).

> In **Denmark**, at Field's (Copenhagen), following the recent revamping of the food area and the opening of a 9-screen cinema, Zara recently opened a 2,800-sq.m store. The fashion offering will be complemented by an enlarged H&M store (4,400 sq.m.) and the H&M satellites (Arket, & Other Stories, Monki). Lastly, on the entertainment side, Bounce Trampoline Park recently opened a 3,700-sq.m. space. At Bruun's Galleri (Aarhus), JD Sports joined the center in June (490 sq.m.), while Monki will open a store as well.

4.4 Iberia (10.9% of net rental income)

▶ NRI & EPRA VACANCY RATE IN IBERIA

	Current-Porfolio NRI			Like-for-Like Portfolio NRI			EPRA Vacancy rate	
In €m	06/30/2018	06/30/2017	Change	06/30/2018	06/30/2017	Change	06/30/2018	06/30/2017
Spain	49.7	41.4	20.2%	41.4	38.4	7.8%	3.0%	3.9%
Portugal	10.7	10.0	6.7%	10.7	10.0	6.7%	5.4%	8.3%
IBERIA	**60.4**	**51.4**	**17.5%**	**52.1**	**48.5**	**7.5%**	**3.6%**	**4.9%**

The **Iberian economies** grew at a steady pace, with Spanish and Portuguese GDP growth expected to reach 2.8% and 2.2% respectively in 2018. In **Spain**, the growth was mainly underpinned by private consumption and a net increase in exports. Unemployment should continue to decline from 17.2% in 2017 to a projected 15.5% in 2018. In **Portugal**, GDP growth is expected to reach 2.2% in 2018 (compared to 2.7% in 2017), as major economic indicators remained upbeat in the first six months, and both consumer confidence and business sentiment picked up. The country's unemployment rate should continue to decline to 7.5% in 2018 vs. 8.9% in 2017.

Retailer sales registered sound growth in Iberia (+4.1%) with both countries performing well (Spain +3.4%; Portugal +5.7%). In a still favorable consumption environment, Klépierre continued to benefiting from the leadership of its malls as well as recent re-tenanting actions. Among these malls, Nueva Condomina (Murcia) stood out as one of the best performers (+10.4%), thanks to the enhancement of its retail mix. All segments contributed to this growth: Health & Beauty (+14.9%), Culture, Gifts & Leisure (+4.9%; benefiting from the Sport segment's development), Food & Beverage (+4.8%), Household Goods (+3.0%) and, to a lesser extent, Fashion (+1.1%).

Net rental income saw a like-for-like increase of 7.5% (Spain +7.8%; Portugal +6.7%) over the first half of 2018, largely outperforming Iberian indexation (1.0%). High reversion, a further decrease in vacancy (especially in Portugal: −290 bps at 5.4%), and higher specialty leasing income contributed to the income growth. On a current-portfolio basis, the Spanish portfolio's rental income increased by 20.2% thanks to the contribution of Nueva Condomina (Murcia), where the successful leasing actions drove a further vacancy reduction (reaching 5.9%, down 180 bps vs. December 2017).

The leasing performance remained buoyant in Iberia, as a total of 120 leases (vs. 137 in H1 2017) was signed over the first six months at very high reversion rates on renewals and relets (+22.0% in Spain and +30.1% in Portugal):

> leading **Spanish** malls continued to demonstrate a strong leasing dynamic, while releasing campaign are taking place at Principe Pio (Madrid; 8 leases) and Maremagnum (Barcelone; 5 leases). At La Gavia (Madrid), Sephora, Douglas and Primor have been rightsized and Courir and Snipes opened new stores. At Nueva Condomina (Murcia), a total of 11 leases was signed in the first half, including 5 new stores. Zara opened its enlarged store (3,600 sq.m.) in March, further strengthening the mall's exceptional fashion offer of the mall (Primark, H&M, Bershka and Mango). As such, all the Inditex brands have now been rightsized at Nueva Condomina. In addition, the trendy smartphone brand Xiaomi opened its concept store in June;

> in **Portugal**, the ongoing releasing campaign at Parque Nascente (Porto) helped diversify the retail mix with popular retailers such as Rituals, Tous and Salsa, three brands that opened in the first half 2018. At Aqua Portimão (Portimão), six leasing contracts were signed with retailers including JD Sports, local fashion brand Tiffosi and Parfois. Lastly, at Espaço Guimarães (Guimarães), Klepierre continues to innovate in its leasing strategy by opening a 4,000-sq.m. clinic in a former vacant unit.

4.5 Central Eastern Europe (CEE) and Turkey (10.1% of net rental income)

▶ NRI & EPRA VACANCY RATE IN CEE & TURKEY

	Current-Porfolio NRI			Like-for-Like Portfolio NRI			EPRA Vacancy rate	
In €m	06/30/2018	06/30/2017	Change	06/30/2018	06/30/2017	Change	06/30/2018	06/30/2017
Poland	15.8	15.7	0.6%	15.8	15.9	−0.3%	2.1%	1.5%
Hungary	11.6	10.1	15.4%	11.3	10.0	13.4%	1.9%	4.9%
Czech Republic	16.1	14.9	8.2%	15.9	14.7	8.5%	1.4%	1.5%
Turkey	11.0	14.2	−22.4%	11.1	11.5	−2.9%	8.3%	8.2%
Others	1.5	1.2	24.4%	1.4	1.3	14.4%	10.4%	7.7%
CEE AND TURKEY	**56.0**	**56.0**	**0.0%**	**55.7**	**53.3**	**4.5%**	**4.4%**	**5.2%**

The **Central European economies** (Poland, Czech Republic, and Hungary) grew rapidly, on the back of strong domestic activity, dynamic exports, and shrinking unemployment. In **Poland**, the main drivers of the expansion were fast wage growth, strong consumer confidence, and EU structural funds' investment. The **Czech** GDP is projected to grow at 3.8% over the course of 2018, compared to 4.6% in 2017; despite this deceleration in growth, the economic expansion remained upbeat thanks to solid household spending sustained by wage gains in both the public and private sectors. In **Hungary**, economic growth is expected to accelerate to 4.4% in 2018 (vs. 4.0% in 2017). Lastly, in **Turkey**, following a strong recovery in 2017 (7.4%), GDP growth is forecasted to slow down to 5.1% in 2018. Currency devaluation, geopolitical tensions, a current account deficit, and elevated inflation remain major issues for the economy. The unemployment rate is expected to remain high (10.5%, compared to 10.9% in 2017).

Retailer sales grew by 5.8% over the six-month period, with Turkey increasing by 12.6%, Hungary +10.8%, Czech Republic +1.0%, and Poland being flat. The decision to ban Sunday shopping (effective since March 1st) in the Polish market negatively impacted footfall and sales. The Czech Republic was impacted by temporary restructuring works on the Tesco upper floor (restated in the like-for-like computation) at Nový Smíchov (Prague). In Hungary, increasing footfall continued to contribute to double-digit sales growth at Corvin Plaza (Budapest; +18.6%) and Alba Plaza (Székesfehérvar; +11.4%,). Lastly, sales at all of Klépierre's Turkish malls grew at a double-digit rate despite a difficult economic environment, while inflation remained at a high level.

On a like-for-like basis, **net rental income in CEE & Turkey** grew by 4.5%, outperforming the region's indexation by 290 bps. Performances were mixed across countries. Czech Republic (+8.5%) and Hungary (+13.4%) registered strong growth thank to double-digit reversion rates – especially at Nový Smíchov (Prague) in the Czech Republic and Corvin Plaza (Budapest) in Hungary. In Poland, net rental income was stable as indexation was offset by the negative reversion registered on the renewal campaign at Lublin Plaza (Lublin), Rybnik Plaza (Rybnik), and Sosnowiec Plaza (Sosnowiec). In Turkey, net rental income was down 2.9%, as the depreciation of the Turkish Lira led to higher temporary discounts granted to tenants to soften their OCR.

In the first half of 2018, a total of 241 leasing contracts were signed in **CEE & Turkey** (compared to 219 in H1 2017), with a reversion rate of 10.4% for renewals and relettings. In Poland, the partnership with the leading Polish clothing retailer LPP has been enhanced thanks to 7 deals for 4,200 sq.m. at Ruda Śląska Plaza (Ruda Slaska), Sosnowiec Plaza (Sosnowiec), Sadyba Best Mall (Warsaw), and Lublin Plaza (Lublin). As such, over the past 18 months, Klépierre has signed a total of 17 deals with this group, among them two rightsized stores at Lublin Plaza (Lublin) and Rybnik Plaza (Rybnik). In addition, Sephora renewed 5 leases for a total of 1,400 sq.m. (Sadyba Best Mall, Lublin Plaza, Poznań Plaza, Rybnik Plaza, and Sosnowiec Plaza). At Nový Smìchov (Prague, Czech Republic), the transformation of a former Tesco unit (7,000 sq.m.) was successfully delivered in the first half and will further confirm the positioning of this mall as the number one in Czech Republic (for more information, please refer to section 3.6).

4.6 The Netherlands (4.3% of net rental income)

► **NRI & EPRA VACANCY RATE IN THE NETHERLANDS**

	Current-Porfolio NRI			Like-for-Like Portfolio NRI			EPRA Vacancy rate	
In €m	06/30/2018	06/30/2017	Change	06/30/2018	06/30/2017	Change	06/30/2018	06/30/2017
THE NETHERLANDS	24.1	22.7	6.2%	18.7	17.7	5.6%	5.5%	6.5%

Economic growth in the Netherlands was strong in the first half of 2018 and should keep its momentum for the full year, mainly driven by strong domestic demand. GDP is projected to grow at 3.3% over the course of 2018. Private consumption should continue to expand, supported by higher wages and fast-declining unemployment (3.9% in 2018 vs. 4.9% in 2017). Export growth is forecasted to sustain the current level of growth (6.1% in 2017), but to moderate over 2018 in line with EU and global trade developments.

Net rental income recorded a 5.6% like-for-like increase, largely above indexation of 1.4%, showing a clear improvement compared to 2017 (2.1%). This robust performance was led by higher rent collection, and the ramp-up of revenues from the car park at Hoog Catharijne (Utrecht), and a successful releasing campaigns at Alexandrium (Rotterdam). The EPRA Vacancy rate decreased from 6.5% to 5.5% year-on-year.

On a current-portfolio basis, rental income increased by 6.2%, boosted by the full opening of the North Mile (for more information, please refer to section 6.3.2).

On the **leasing front**, 41 leases were signed in the Dutch portfolio, with a reversion rate of 11.3% (30 renewals and releasing contracts). At Hoog Catharijne (Utrecht), the mall welcomed several major openings in the first half, including Perry Sport (1,230 sq.m.), the Vodafone Ziggo flagship store (900 sq.m.) and Costes (1,240 sq.m.). Leasing for the South Mile advanced smoothly with popular brands like Nelson, Levi's, Ray-Ban, Lindt and Mado restaurant set to join the leading mall in the Netherlands. At Alexandrium (Rotterdam), the existing mix was enriched with the arrival of Five Guys, Starbucks, Pandora, Zizzi, Ecco and Miss Etam, while Flying Tiger will soon complete the offering.

4.7 Germany (3.5% of net rental income)

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

	Current-Porfolio NRI			Like-for-Like Portfolio NRI			EPRA Vacancy rate	
In €m	06/30/2018	06/30/2017	Change	06/30/2018	06/30/2017	Change	06/30/2018	06/30/2017
GERMANY	19.2	21.0	–8.7%	20.2	20.2	0.0%	4.6%	5.9%

While growing more moderately, Germany's economic fundamentals remain strong. GDP is forecasted to grow at 2.1% in 2018 (vs. 2.5% in 2017), supported by robust domestic demand and strong foreign trade. Meanwhile, consumer spending is being fuelled by the rise in real wages. Unemployment is projected to drop to 3.4% from 3.8% in 2017.

Retailer sales were up 2.9% over the first six months. This strong performance was mostly attributable to the successful repositioning of Forum Duisburg (+5.3%) and Centrum Galerie (Dresden; +6.0%), exemplified by the introduction of a 3,000-sq.m. latest concept Zara store in each mall, which led to the strong performance of the fashion segment (+6.8%).

Like-for-like **net rental income** was flat over the first six months of 2018, with no contribution from indexation. As expected, reversion remained negative but was offset by lower vacancy (from 5.9% in H1 2017 to 4.6% in H1 2018) and the increasing contribution from the two Zara deals signed last year.

In the first six months of 2018, 19 **contracts** were signed, among which 13 were renewals and re-leasing contracts. At Boulevard Berlin, Maisons du Monde will open its first store (1,400 sq.m.) in the city during the fourth quarter of 2018; while Vapiano will unveil a 925-sq.m. restaurant in August. At Forum Duisburg, following the successful openings of Zara and Only, the H&M store will be rightsized to 3,000 sq.m. Lastly at Königsgalerie (Duisburg), 1,200 sq.m. have been delivered to Postbank (retail and offices) to serve as a footfall driver and will successfully reposition the mall as a convenience center, becoming a complementary offering to Forum Duisburg.

4.8 Other retail properties (2.2% of net rental income)

► **NRI & EPRA VACANCY RATE OF OTHER RETAIL PROPERTIES**

	Current-Porfolio NRI			Like-for-Like Portfolio NRI			EPRA Vacancy rate	
In €m	06/30/2018	06/30/2017	Change	06/30/2018	06/30/2017	Change	06/30/2018	06/30/2017
OTHER RETAIL PROPERTIES	12.2	14.4	–15.5%	12.1	12.3	–1.9%	5.0%	2.6%

This segment refers to standalone retail units located in France and mostly in the vicinity of large regional retail destinations.

On a current-portfolio basis, the decrease in net rental income is attributable to the disposals completed over the past 18 months (please refer to the "Investments, developments and disposals" section in this document).

5

NET CURRENT CASH-FLOW

▸ NET CURRENT CASH-FLOW & EPRA EARNINGS

	06/30/2018	06/30/2017	Change
Total share *(in €m)*			
Gross rental income	627.1	611.7	2.5%
Rental & building expenses	−72.7	−70.2	3.6%
Net rental income	**554.4**	**541.5**	**2.4%**
Management and other income	45.8	46.8	−2.1%
G&A expenses	−96.0	−93.3	2.9%
EBITDA	**504.2**	**495.0**	**1.9%**
Adjustments to calculate operating cash-flow exclude:			
Employee benefits, stock-options expenses and non-current operating expenses	10.7	6.5	
IFRIC 21 impact	7.0	7.1	
Operating cash-flow	**522.0**	**508.6**	**2.6%**
Net cost of debt	−77.0	−84.3	−8.7%
Adjustments to calculate net current cash-flow before taxes exclude :			
Corio's debt mark-to-market amortization	−9.9	−16.3	
Financial instruments close-out costs	14.9	23.1	
Net current cash-flow before taxes	**450.0**	**431.1**	**4.4%**
Share in equity method investees	26.9	28.6	
Current tax expenses	−15.9	−16.9	
Net current cash-flow	**460.9**	**442.8**	**4.1%**
Group share *(in €m)*			
Net current cash-flow	**395.6**	**377.4**	**4.8%**
Adjustments to calculate EPRA Earnings add back:			
Employee benefits, stock-options expenses and non-current operating expenses	−5.5	−4.4	
Amortization allowances and provisions for contingencies and losses	−7.4	−5.9	
EPRA EARNINGS	**382.7**	**367.1**	**4.3%**
Number of shares[(a)]	301,032,676	309,505,908	
Per share *(in €)*			
NET CURRENT CASH-FLOW	**1.31**	**1.22**	**7.8%**
EPRA EARNINGS	**1.27**	**1.19**	**7.2%**

(a) Average number of shares, excluding treasury shares.

Over the first half of 2018, net current cash-flow per share reached €1.31, implying a **7.8% growth year-on-year**. This strong performance is the combined result of the following:

> **net rental income** increased by 2.4% on a Total-Share basis, thanks to a 3.2% like-for-like growth for shopping centers more than offsetting adverse currency change;

> **operating cash-flow** increased by 2.6% on a Total-Share basis, slightly more than the net rental income, thanks to the strict control of payroll and other general expenses. Indeed, although G&A expenses increased by €2.7 million (to €96.0 million), this is mostly attributable to non-recurring M&A costs;

> **the net cost of debt** declined by €7.3 million to €77.0 million on a Total-Share basis. Restated for non-cash and non-recurring elements (Corio's debt mark-to-market amortization and financial instrument unwinding costs), the net cost of debt reached €72.0 million, which represents a €5.5-million reduction, bringing the cost of date ratio down to 1.6% (a 30-bp reduction year-on-year). This improvement reflects recent refinancing actions (for more information, please refer to section 10.3 "Cost of debt");

> **tax expenses** declined on a Total-Share basis (-€1.0 million at €15.9 million) as a result of the adoption of the SOCIMI regime in Spain for several shopping centers;

> **minority interests** reached €65.3 million, a flat result compared to the net current cash-flow (Total-Share) as a result of minority purchases on several shopping centers in Spain;

> **the reduction in the average number of shares** (−2.7% to 301 million) as a result of the ongoing share repurchase plan.

6

INVESTMENTS, DEVELOPMENT, AND DISPOSALS

6.1 Investment market

In the first quarter of 2018, retail investment volumes reached €11.9 billion in Europe, stable year-on-year[(1)].

The UK and Germany continued to attract the highest volumes of transactions with respectively 16% and 17% of the total European transactions. The investment market was rather soft in France accounting for only 2% of the retail investments for the first quarter of the year compared to an average 9% in the last decade. Looking for higher yielding products, investors have favored new destinations since the beginning of the year, including Central and Eastern Europe. With €1.7 billion worth of transactions, the investment market in Poland was particularly dynamic over the first quarter, with a €1.0-billion transaction for 28 retail assets (mainly shopping centers and hypermarkets). Overall in Europe, the share of shopping center deals in retail investments increased to 50% in the first quarter and prime shopping center yields remained stable in most European markets.

6.2 Capital expenditure

Total capital expenditure incurred in the first six months of 2018 amounted to €176.6 million, distributed as follows:

- €114.5 million devoted to the **development pipeline**, split between greenfield projects (Prado) and extensions (mostly related to Hoog Catharijne and Créteil Soleil). See the "Development pipeline" section below for more information on projects;
- €50.2 million on the **standing portfolio** (excluding investment on extensions), including leasing capex, technical maintenance capex, and refurbishment. Please refer to section 9.6 "EPRA capex" for more information;
- €3.6 million dedicated to an **acquisition** in Norway (additional sq.m. in Gulskogen.);
- €8.3 million of other investments (including **capitalized interest** and leasing fees).

6.3 Development pipeline

6.3.1 Development pipeline overview

Klepierre's development pipeline strategy is defined to ensure tomorrow's growth with reasonable risks. Considering the limited demand from retailers to expand on greenfield projects, the Group has focused its development strategy on extensions. Through this strategy, the Group seeks to transform its assets, while reinforcing their leadership in their catchment area. As a consequence, Klépierre shows a diversified risk profile and invests, on average, €100 million per project, while securing the main anchor retailers early in the process.

At the end of the first half of 2018, the Group's development pipeline represented €2.9 billion worth of potential investments, including €0.6 billion worth of committed projects[(2)] with an average expected yield of 6.3%; €0.9 billion worth of controlled projects[(3)]; and €1.4 billion of identified projects[(4)]. On a Group-Share basis, the total pipeline represented €2.6 billion: €0.6 billion committed, €0.8 billion controlled, and €1.2 billion identified.

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

(1) *Source: JLL, this review considers all investment sales of shopping centers, retail warehouses, factory outlet centers, supermarkets and high streets in Europe. The analysis excludes any investment deal less than $5 million in value.*
(2) *Projects that are in the process of completion, for which Klépierre controls the land and has obtained the necessary administrative approvals and permits.*
(3) *Projects that are in the process of advanced review, for which Klépierre has control over the land (acquisition made or under offer, contingent on obtaining the necessary administrative approvals and permits).*
(4) *Projects that are in the process of being defined and negotiated.*

▶ DEVELOPMENT PIPELINE AS OF JUNE 30, 2018

(on a Total-Share basis)

Development projects	Country	Location	Type	Floor area *(in sq.m.)*	Expected opening date	Klépierre equity interest	Estimated cost[(a)] *(in €m)*	Cost to date *(in €m)*	Targeted yield on cost[(b)]
Hoog Catharijne Phases 2 & 3	The Netherlands	Utrecht	Ext.-refurb.	76,271	2017–2019	100.0%	438	308	6.4%
Créteil Soleil	France	Paris region	Ext.-refurb.	11,187	2019–2020	80.0%	134	30	5.7%
Other projects				12,840			42	31	7.6%
Total committed projects				**100,298**			**615**	**370**	**6.3%**
Gran Reno	Italy	Bologna	Extension	16,358	H2 2020	100.0%	129	16	
Bègles Rives d'Arcins[(c)]	France	Bordeaux	Extension	11,178	H2 2020	52.0%	14	5	
Grenoble Grand Place[(c)]	France	Grenoble	Extension	16,038	H1 2021	100.0%	55	0	
Montpellier Odysseum[(c)]	France	Montpellier	Ext-redev.	16,223	H1 2021	100.0%	46	3	
Lonato[(d)]	Italy	Lombardy	Extension	9,362	H1 2021	50.0%	23	0	
Barcelone Mare Magnum	Spain	Barcelone	Extension	8,000	H2 2021	100.0%	41	0	
L'esplanade	Belgium	Brussels	Extension	19,475	H2 2021	100.0%	131	18	
Val d'Europe	France	Paris region	Extension	10,622	H2 2021	55.0%	48	0	
Grand Portet	France	Toulouse	Extension	7,989	H2 2021	83.0%	64	8	
Turin Le Gru	Italy	Turin	Ext.-refurb.	14,875	H2 2021	100.0%	126	0	
Økernsenteret[(d)]	Norway	Oslo	Redevelopment	53,223	H2 2022	28.1%	88	6	
Viva	Denmark	Odense	New dev.	48,500	H2 2022	56.1%	185	23	
Total controlled projects				**231,843**			**948**	**79**	
Total identified projects				**278,262**			**1,371**	**18**	
TOTAL				**610,403**			**2,934**	**467**	

(a) Estimated cost as of June 30, 2018 including fitting-out (when applicable) and excluding step-up rents (when applicable), internal development fees, and financial costs.
(b) Targeted yield on cost as of June 30, 2018, based on targeted NRI with full occupancy and excluding all lease incentives (when applicable), divided by the estimated cost price as defined above.
(c) Including restructured surfaces: Bègles Rives d'Arcins for 6,950 sq.m., Odysseum for 9,200 sq.m. and Grand Place for 13,400 sq.m.
(d) Assets consolidated under the equity method. For these projects, the estimated cost and cost to date are reported for Klépierre's share of equity. Floor areas are the total area of the projects.

6.3.2 Hoog Catharijne's redevelopment

Hoog Catharijne, located in Utrecht, is the most visited mall in the Netherlands. To enhance its leadership, Klépierre has been pursuing a very ambitious redevelopment project whose aim is both to add new retail and dining space and revamp the existing shopping center with state-of-the-art design to ensure the most pleasant customer experience. The work related to the large-scale redevelopment of this world-class mall has been carried out in several phases and is projected to be fully completed by the end of 2019.

The latest phase of the project was delivered in March 2018 and consisted of opening up a new connection from Utrecht's central train station — which hosts 88 million passengers per annum — to the heart of the mall and the city center. Along this brand new connection are two landmarks, now fully let:

> a new 3,500-sq.m. food pavilion located outside of the mall, between its new entrance and the train station exit, which hosts trendy restaurants in line with Klépierre's Destination Food® approach, such as Vapiano, Wagamama, Exki, Five Guys, TGI Fridays, Illy Café, and the local fine dining concept The Seafood Bar;

> a redeveloped retail space (the "North Mile") spanning 10,500 sq.m. that has added new iconic retailers to the mall's offer, such as JD Sports, Douglas, Lush, G-Star, and a Vodafone experience center. Vodafone Ziggo also took possession of its new 15,300-sq.m. head office.

Since the opening of this latest phase, the center's footfall has increased by 12% to reach 26.9 million.

The next redevelopment phase of Hoog Catharijne is the "South Mile," an 11,200-sq.m. retail space to be delivered by the end of this year. This space will constitute an alternative path for customers from the train station to the city center. It will add new brands to the center's mix, including Guess, Levi's, Pandora, and Ray-Ban. The "City Square," the new heart of the mall organized around a varied F&B offer (such as Starbuck's, Comptoir Libanais, and Leon), will be completed at this occasion and will welcome new restaurants and cafés, such as Mado (the leading café brand in Turkey) and Bistrot Bakery.

Overall, the leasing rate for the entire mall amounts to 82%.

6.3.3 Prado's new scheme

On March 29, 2018, Klépierre successfully opened Prado, a new shopping center in Marseille, following a 30-month construction period. The 23,000-sq.m. downtown scheme meets the best environmental standards (it has a BREEAM Excelent rating) and offers a unique architecture under its impressive glass canopy. 96% of the leasable space is now signed or in advanced negotiations. The center features an unprecedented brand mix in the region, anchored by Galeries Lafayette, Zara, and Auchan Gourmand (a unique gourmet food concept), complemented by differentiating brands such as Repetto, Lush, Kusmi Tea, Izac, Sweet Pants, Comptoir des Cotonniers, Jacadi, Figaret and Lacoste.

6.3.4 Créteil Soleil's extension and refurbishment

Work on the extension of Créteil Soleil is advancing according to plan and is expected to be completed by the end of 2019.

The 11,500-sq.m. extension is located at the main entrance of the shopping center, which welcomes 35% of the 20.3 million footfall. Spread over three floors, it will create an outstanding connection between the subway station and the heart of the center. The program consists of creating 18 new retail premises, 15 restaurants, and 6 additional screens to the existing 12 screen cinema, expanding the capacity to 3,650 seats. The shopping experience will be considerably improved, leveraging the perfect synergy between the restaurants and the cinema. Leasing is progressing well, with 57% of the space already let (signed or in advanced negotiations).

This extension will be complemented by a full refurbishment, due to start in Q4 2018. In particular, the Destination Food® concept will be implemented, combining the existing food offer with the one added by the extension and bringing the total to 35 restaurants set in a welcoming and exciting new environment.

6.4 Disposals

▸ **DISPOSALS COMPLETED SINCE JANUARY 1, 2018**

Assets (City, Country)	Area *(in sq.m.)*	Sale price *(in €m, excl. transfer taxes, total share)*	Date
Grand Vitrolles (Vitrolles, France)	24,347		01/26/2018
Gran Via de Hortaleza (Madrid, Spain)	6,291		01/26/2018
Shopping centers	**30,638**	**202.8**	
Roncalli (Cologne, Germany)	17,300		01/03/2018
Kristianstad (Kristianstad, Sweden)[(a)]	NA		02/01/2018
Portfolio of 4 Bufallo Grill units (France)	2,489		03/12/2018
Land (Caen Mondeville, France)	4,045		05/31/2018
Others	NA		NA
Other properties	**23,834**	**107.2**	
TOTAL DISPOSALS	**54,472**	**310.0**	

(a) Housing building rights.

Since January 1, 2018, the Group has completed a total of €310.0 million worth of disposals (total share, excluding transfer taxes). This amount includes the disposals in France and Spain of Grand Vitrolles (Marseille) and Gran Via de Hortaleza (Madrid) for €202.8 million.

In addition, Klépierre sold other properties in Europe (mainly an office building in Cologne, Germany) for a total amount of €107.2 million.

As of June 30, 2018, taking into account sale promissory agreements, the total Group disposals reached €316.5 million in total.

Overall, the disposals were made at an average EPRA Net Initial Yield of 5.0%, slightly above appraised values.

6.5 Financial investments

Pursuant to the share buyback program of €500 million announced on March 13, 2017, the Group had repurchased, at the end of June 2018, 11,691,968 of its own shares at an average price of €35.64 per share for a total amount of €417 million, of which €67 million (1,930,544 shares at an average price of €34.51) in the first half of 2018.

From June 30, 2018 to July 20, 2018, Klépierre has purchased 654,265 of its own shares, representing a total investment of €21 million (average price of €32.13).

7

PORTFOLIO VALUATION

7.1 Property portfolio valuation

7.1.1 Property portfolio valuation methodology

Scope of the portfolio appraised by external appraisers

As of June 30, 2018, 99% of the value of Klépierre's property portfolio, or €24,428 million (including transfer taxes, on a Total-Share basis)(1), was estimated by external appraisers in accordance with the methodology described below. The remainder of the portfolio was valued as follows:

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

BREAKDOWN OF THE PROPERTY PORTFOLIO VALUE BY TYPE OF VALUATION
(on a Total-Share basis)

Type of asset	Value *(in €m)*
Externally-appraised assets	**24,428**
Acquisitions	0
Investment property at cost	158
Other non-appraissed assets (land, assets held for sale, etc.)	8
TOTAL PORTFOLIO	**24,594**

Methodology used by external appraisers

On December 31 and June 30 of each year, Klépierre updates the fair market value of its properties thanks to valuations provided by independent appraisers(3). Mandates are issued for a 3-year period, covering consequently 6 campaigns, after which Klépierre is committed to rotate a large portion of its portfolio among the main valuation companies on the market.

After a tender process launched in 2017, Klépierre elected new appraisers to serve from June 2018 campaign onwards. As a result, in June 2018, 24% of the portfolio was valued by a different company than in December 2017, which means that 82% of the portfolio has rotated in the past 6 years. The different selected appraisers are BNP Paribas Real Estate, CBRE, Colliers, Cushman & Wakefield and Jones Lang LaSalle. The fees payable to these companies are defined upon the signature of their 3-year mandate and depend on the number of units of each property.

BREAKDOWN BY APPRAISER OF THE APPRAISED PROPERTY PORTFOLIO AS OF JUNE 30, 2018

Appraiser	Countries covered	Share in the total portfolio *(in value)*
Cushman & Wakefield	> France, Belgium > Denmark, Sweden and Norway > Poland, Hungary, and Slovakia	43%
CBRE	> France > Spain and Portugal > Italy, Czech Republic, and the Netherlands	36%
Jones Lang LaSalle	> Italy, Greece, and Turkey	16%
BNP Paribas Real Estate	> Germany > France (other retail properties)	4%
Colliers	> Italy	1%
TOTAL		**100%**

(1) Investments in assets consolidated under the equity method are included based on the fair value of the shares and taking into account receivables and facilities granted by the Group.
(2) From a valuation perspective, a part of Hoog Catharijne is treated as a standing asset (Investment Property), while the other part is treated as a project under development (Investment Property Under Construction, i.e. IPUC). Other projects (Gran Reno, Viva, Økern and Louvain) are carried at their cost price.
(3) Assets worth less than €20 million are externally appraised only once a year; they represented an aggregated valued of €216 million as of June 30, 2018. Half of the other retail property portfolio (ex-Klémurs portfolio) is externally appraised every June 30, while the other half of the portfolio is externally appraised every December 31.

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

To calculate the value per shopping center, appraisers use the discounted cash-flow method over a 10-year period. To determine future cash-flows, appraisers are provided with all relevant information (detailed rent rolls, footfall, retailer sales, occupancy cost ratios, etc.), thanks to which they used to make their own assessment. They factor in their own leasing assumptions (ERV, vacancy, incentives, etc.) as well as future capital expenditures and non-recoverable operating expenses. Eventually, they apply a discount rate that varies from one property to another since it is a combination of the risk-free rate and the risk premium attached to each property due to its location, quality, size, and technical specificities. The terminal value is calculated based on the net rental income for the tenth year, capitalized by an exit yield.

► ASSUMPTIONS USED BY APPRAISERS FOR DETERMINING THE SHOPPING CENTER PORTFOLIO'S VALUATION[(a)]

Countries	Annual rent[(b)] *(in €/sq.m)*	Discount rate[(c)]	Exit rate[(d)]	NRI CAGR[(e)]
France/Belgium	394	5.5%	4.6%	2.7%
Italy	423	7.0%	5.6%	1.6%
Scandinavia	334	6.8%	4.8%	2.2%
The Netherlands	242	6.5%	5.9%	2.5%
Iberia	293	7.5%	5.7%	2.6%
Germany	232	5.2%	4.5%	1.1%
CEE & Turkey	226	8.6%	7.1%	2.4%
TOTAL	**335**	**6.5%**	**5.2%**	**2.3%**

(a) Discount rate and exit rate weighted by shopping center appraised value (including transfer taxes, group share).
(b) Average annual rent (minimum guaranteed rent + sales based rent) per asset per sq.m.
(c) Rate used to calculate the net present value of the 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 to calculate the terminal value of the asset.
(e) Compounded annual growth rate (CAGR) of the net rental income (NRI) as estimated by the appraiser on a 10-year period.

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

7.1.2 Valuation

Property portfolio valuation

► VALUATION OF THE PROPERTY PORTFOLIO
(on a Total-Share basis, including transfer taxes)

			Change over 6 months			Change over 12 months		
In €m	06/30/2018	In % of total portfolio	12/31/2017	Current	LfL*	06/30/2017	Current	LfL*
France	9,255	37.6%	9,171	0.9%	1.5%	8,963	3.3%	1.8%
Belgium	452	1.8%	432	4.7%	4.7%	403	12.2%	12.5%
France-Belgium	**9,707**	**39.5%**	**9,603**	**1.1%**	**1.7%**	**9,365**	**3.7%**	**2.3%**
Italy	**4,112**	**16.7%**	**4,016**	**2.4%**	**2.3%**	**3,916**	**5.0%**	**5.1%**
Norway	1,510	6.1%	1,461	3.4%	−0.5%	1,461	3.4%	1.9%
Sweden	1,232	5.0%	1,295	−4.8%	0.9%	1,292	−4.7%	2.5%
Denmark	1,179	4.8%	1,139	3.6%	3.6%	1,111	6.1%	6.1%
Scandinavia	**3,921**	**15.9%**	**3,894**	**0.7%**	**1.1%**	**3,864**	**1.5%**	**3.3%**
Spain	1,878	7.6%	1,896	−0.9%	1.6%	1,819	3.3%	3.4%
Portugal	394	1.6%	389	1.3%	2.0%	366	7.5%	7.5%
Iberia	**2,271**	**9.2%**	**2,284**	**−0.6%**	**1.7%**	**2,185**	**4.0%**	**4.2%**
Poland	399	1.6%	409	−2.2%	−3.5%	416	−3.9%	−5.4%
Hungary	254	1.0%	252	0.9%	0.4%	246	3.2%	6.2%
Czech Republic	680	2.8%	622	9.2%	9.3%	559	21.6%	16.4%
Turkey	410	1.7%	448	−8.7%	−9.4%	523	−21.7%	−11.0%
Others	25	0.1%	27	−8.5%	−8.5%	36	−30.5%	−21.0%
CEE and Turkey	**1,768**	**7.2%**	**1,758**	**0.5%**	**−0.2%**	**1,780**	**−0.7%**	**1.4%**
Netherlands	**1,471**	**6.0%**	**1,419**	**3.7%**	**0.7%**	**1,354**	**8.7%**	**4.7%**
Germany	**978**	**4.0%**	**1,066**	**−8.2%**	**−0.3%**	**1,062**	**−7.9%**	**−1.8%**
Total shopping centers	**24,229**	**98.5%**	**24,040**	**0.8%**	**1.4%**	**23,527**	**3.0%**	**3.0%**
Total other retail properties	**365**	**1.5%**	**379**	**−3.7%**	**−1.8%**	**386**	**−5.4%**	**−3.3%**
TOTAL PORTFOLIO	**24,594**	**100.0%**	**24,419**	**0.7%**	**1.3%**	**23,913**	**2.8%**	**2.9%**

* *Like-for-like change. For Scandinavia and Turkey change is indicated on constant portfolio and forex basis.*

▶ VALUATION OF THE PROPERTY PORTFOLIO
(on a Group-Share basis, including transfer taxes)

In €m	06/30/2018	In % of total portfolio	Change over 6 months			Change over 12 months		
			12/31/2017	Current	LfL*	06/30/2017	Current	LfL*
France	7,418	35.5%	7,405	0.2%	0.9%	7,271	2.0%	1.5%
Belgium	452	2.2%	432	4.7%	4.7%	403	12.2%	12.5%
France-Belgium	**7,869**	**37.6%**	**7,836**	**0.4%**	**1.1%**	**7,673**	**2.6%**	**2.1%**
Italy	**4,072**	**19.5%**	**3,974**	**2.5%**	**2.3%**	**3,873**	**5.1%**	**5.3%**
Norway	847	4.0%	820	3.4%	-0.5%	819	3.4%	1.9%
Sweden	691	3.3%	726	-4.8%	0.9%	725	-4.7%	2.5%
Denmark	661	3.2%	639	3.6%	3.6%	623	6.1%	6.1%
Scandinavia	**2,200**	**10.5%**	**2,185**	**0.7%**	**1.1%**	**2,168**	**1.5%**	**3.3%**
Spain	1,878	9.0%	1,895	-0.9%	1.6%	1,775	5.8%	3.4%
Portugal	394	1.9%	389	1.3%	2.0%	366	7.5%	7.5%
Iberia	**2,271**	**10.9%**	**2,284**	**-0.5%**	**1.7%**	**2,141**	**6.1%**	**4.2%**
Poland	399	1.9%	409	-2.2%	-3.5%	416	-3.9%	-5.4%
Hungary	254	1.2%	252	0.9%	0.4%	246	3.2%	6.2%
Czech Republic	680	3.2%	622	9.2%	9.3%	559	21.6%	16.4%
Turkey	386	1.8%	426	-9.3%	-10.0%	501	-22.9%	-11.8%
Others	25	0.1%	25	0.1%	-9.1%	33	-24.3%	-20.9%
CEE and Turkey	**1,745**	**8.3%**	**1,733**	**0.7%**	**-0.2%**	**1,755**	**-0.6%**	**1.4%**
Netherlands	**1,471**	**7.0%**	**1,419**	**3.7%**	**0.7%**	**1,354**	**8.7%**	**4.7%**
Germany	**929**	**4.4%**	**1,012**	**-8.2%**	**-0.3%**	**1,009**	**-7.9%**	**-1.8%**
Total shopping centers	**20,557**	**98.3%**	**20,443**	**0.6%**	**1.2%**	**19,973**	**2.9%**	**3.0%**
Total other retail properties	**365**	**1.7%**	**379**	**-3.7%**	**-1.8%**	**386**	**-5.4%**	**-3.3%**
TOTAL PORTFOLIO	**20,922**	**100.0%**	**20,822**	**0.5%**	**1.1%**	**20,359**	**2.8%**	**2.9%**

* *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, 2018 was €24,594 million on a Total-Share basis (€20,922 million on a Group-Share basis). Shopping centers accounted for 98.5% of the portfolio and other retail properties for 1.5%[(1)].

▶ VALUATION RECONCILIATION WITH THE BALANCE SHEET FIGURE
(on a Total-Share basis)

In €m	
Investment property at fair value	**21,890**
Investment property at cost[(a)]	158
Fair value of property held for sale	3
Leasehold & lease incentives	37
Transfer taxes restatement	1,118
Partners' share in assets consolidated under the equity method (incl. receivables)	1,387
TOTAL PORTFOLIO	**24,594**

(a) Including IPUC (Investment property under construction).

Shopping center portfolio valuation

Including transfer taxes, the value of the shopping center portfolio was €24,229 million on a Total-Share basis (€20,557 million, on a Group-Share basis) as of June 30, 2018, an increase of €189 million compared to December 31, 2017 (+€114 million on a Group-Share basis).

On a current-portfolio basis, the valuation change was mostly attributable to the different disposals that occurred during the first half-year of 2018 in France (Vitrolles), Spain (Gran Via de Hortaleza) and Germany. No significant acquisition impacted the current scope.

On a like-for-like basis, the total shopping center portfolio increased by 1.4%, strongly supported by France-Belgium (+1.7%), Italy (+2.3%) and Iberia (+1.7%).

The 10% decrease in the Turkish like-for-like portfolio value, following rent adjustments granted to tenants who have suffered from the Turkish Lira depreciation.

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

▸ 12-MONTH SHOPPING CENTER PORTFOLIO VALUATION BRIDGE

(on a Group-Share basis, including transfer taxes)

In €m	
Shopping center portfolio at 06/30/2017	**19,973**
Disposals	−47
Acquisitions/developments	147
Like for like growth	426
Forex	−56
Shopping center portfolio at 12/31/2017	**20,443**
Disposals	−266
Acquisitions/developments	149
Like-for-like growth	241
Forex	−10
SHOPPING CENTER PORTFOLIO AT 06/30/2018	**20,557**

As of June 30, 2018, the average EPRA NIY rate[1] of the shopping center portfolio[2] stood at 4.8%, stable over 6 months.

▸ CHANGE IN THE EPRA NET INITIAL YIELD OF THE SHOPPING CENTER PORTFOLIO[a]

(on a Group-Share basis, including transfer taxes)

Countries	06/30/2018	12/31/2017	06/30/2017
France	4.2%	4.2%	4.2%
Belgium	3.9%	4.1%	4.3%
France-Belgium	**4.1%**	**4.2%**	**4.2%**
Italy	**5.5%**	**5.4%**	**5.4%**
Norway	4.8%	4.7%	4.7%
Sweden	4.3%	4.4%	4.5%
Denmark	4.4%	4.2%	4.1%
Scandinavia	**4.5%**	**4.4%**	**4.5%**
Spain	5.0%	4.8%	4.9%
Portugal	6.2%	5.8%	6.0%
Iberia	**5.2%**	**5.0%**	**5.1%**
Poland	7.6%	6.8%	6.8%
Hungary	8.9%	8.0%	7.8%
Czech Republic	4.6%	4.9%	4.9%
Turkey	7.0%	7.2%	7.2%
Others	11.3%	10.3%	10.0%
CEE and Turkey	**6.6%**	**6.5%**	**6.5%**
The Netherlands	**5.0%**	**5.1%**	**5.2%**
Germany	**4.6%**	**4.6%**	**4.4%**
EPRA NET INITIAL YIELD	**4.8%**	**4.8%**	**4.8%**

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

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

(2) On a Group-Share basis, including transfer taxes. The shopping center portfolio excludes offices, retail parks, and boxes attached to the shopping centers.

Other retail properties

Including transfer taxes, the value of the other retail property portfolio stood at €365 million, down 3.7% over 6 months, due to the disposal of 7 retail boxes and a 1.8% decrease on a like-for-like portfolio basis. The EPRA NIY rate of the portfolio reached 6.4%.

7.2 Management service activity valuation

On June 30, 2018, the aggregated fair market value of the Klépierre group management business stood at €353.7 million (group share) compared to €326.6 million as of June 30, 2017[1].

(1) The management service activity is valued by an external consultant, Accuracy, using the DCF method. The external valuation is performed once a year as of December 31, unless the main valuation assumptions vary significantly at mid-year.

8

FINANCIAL POLICY

In a still very low interest rate environment, Klépierre's financial policy sought to maintain long-maturity sources of funding while reducing the average cost of debt. Following many initiatives taken in past years to early-refinance the shortest and most expensive of its debts, during the first half of 2018, Klépierre focused on optimizing both its liquidity position and its hedging instruments.

8.1 Financial resources

8.1.1 Change in net debt

As of June 30, 2018, consolidated net debt was €9,153 million, compared to €8,978 million as of December 31, 2017, a €175-million increase mainly attributable to:

> cash outflows for capital-related operations for €736 million (including the dividend payment in April for €589 million, distribution to minority partners for €84 million and the repurchase of Klépierre shares for an aggregate amount of €63 million);

> cash outflows in relation to investments for €161 million (please refer to section 9.6 "EPRA Capital expenditure") including €158 million of capex (€102 million on the pipeline and €55 million on the existing portfolio) and €4 million related to the acquisition of a retail unit at Gulskogen;

> cash outflows of €33 million related to a minority interest acquisition in Spain;

> cash inflows from the proceeds of disposals for €298 million corresponding to assets sold in France, Germany and Spain;

> cash inflows from operations and other effects (foreign exchange, working capital changes) which amounted to €457 million.

8.1.2 Loan-to-Value ratio

Mainly due to the seasonal effect of the full-year 2017 dividend payment in April 2018 — disbursed in a single instalment for the last time this year[1] —, the Loan-to-Value (LTV) ratio increased by 40 bps to 37.2% between year-end 2017 and the end of the 2018 half-year. Year-on-year however, the LTV was reduced by 100 bps (38.2% as of June 30, 2017), confirming the strict financial discipline of Klépierre whose long-term LTV target is between 35% and 40%.

► **LOAN-TO-VALUE CALCULATION AS OF JUNE 30, 2018**
(as per covenant definitions, on a Total-Share basis)

In €m	**06/30/2018**	**06/30/2017**
Current financial liabilities	1,953.4	2,241.8
Bank facilities	252.7	217.9
Non current financial liabilities	7,352.4	7,343.7
Revaluation due to fair value hedge	−23.8	−34.8
Fair value adjustment of debt[a]	−50.6	−78.4
Gross financial liabilities excluding fair value hedge	**9,484.1**	**9,690.2**
Cash and near cash[b]	−331.2	−555.9
Net debt	**9,152.8**	**9,134.3**
Property portfolio value (incl. transfer taxes)	24,594.0	23,913.1
LOAN-TO-VALUE RATIO	**37.2%**	**38.2%**

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

The Net-Debt-to-EBITDA ratio increased slightly to 8.7x as of June 30, 2018, compare to year-end 2017. Year-on-year however, this ratio decreased by 0.2x and is expected to decrease further until the end of the year, reflecting the Group's deleveraging efforts.

(1) From 2019 onwards for the dividend pertaining to fiscal year 2018, the dividend will be paid in two instalments. For more information, please refer to the 2017 full-year earnings press release issued on February 7, 2018 and available online on the following page of the Klépierre website: http://www.klepierre.com/content/uploads/2018/02/PR_KLEPIERRE_2017_FY_EARNINGS_2017_FINAL.pdf.

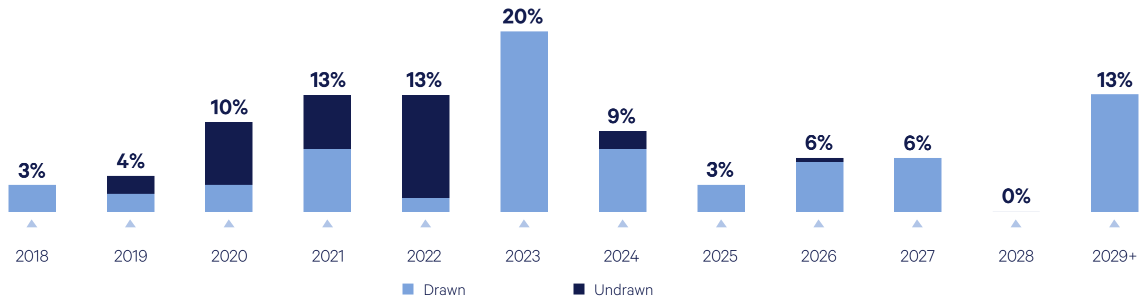
8.1.3 Available resources

During the first half of the year, Klépierre increased its liquidity position up to €2.0 billion as of June 30, 2018 through the following actions:

- €375 million worth of new bilateral Revolving Credit Facilities were signed with a 5-year maturity and two extension options of one year each;
- two bilateral facilities originally maturing in 2022 were extended to 2023 for an aggregate amount of €200 million;
- €875 million worth of existing facilities have been extended and amended reflecting improved market conditions for Klépierre; and
- in early July, the syndicated Revolving Credit Facility maturing in July 2020 was reduced by €275 million.

Taking into account these transactions, the average duration of the debt stood at 6.2 years, a small decrease compared to year-end 2017 (6.3 years); the average remaining maturity of the unused committed credit facility reached 5.1 years compared to 4.8 years in December 2017.

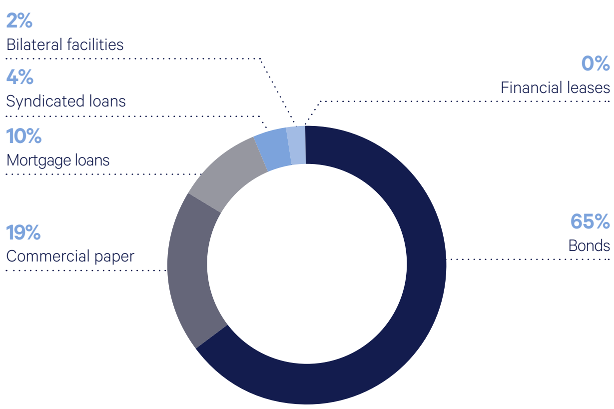
DEBT MATURITY SCHEDULE AS OF JUNE 30, 2018
(% of authorized debt)



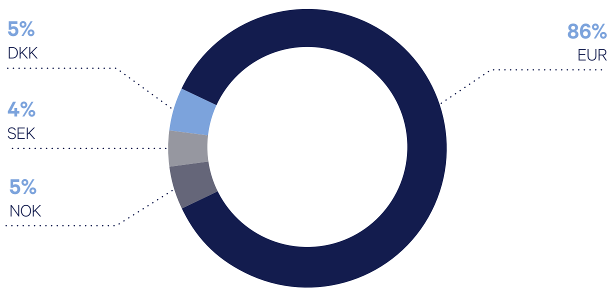
8.1.4 Debt structure

The share of financing from capital markets in the total debt remained above 80% allowing Klépierre to benefit from excellent financing conditions considering the very good state of the European credit market. The breakdown of Klépierre's debt by currency remained consistent with the geographic exposure of its portfolio of assets. Assets located in Turkey for which rents are denominated in USD are hedged through the rolling-over of foreign exchange swaps.

FINANCING BREAKDOWN BY TYPE OF RESOURCE AS OF JUNE 30, 2018
(utilizations)



FINANCING BREAKDOWN BY CURRENCY AS OF JUNE 30, 2018
(utilizations)



8.2 Interest rate hedging

At the beginning of 2018, Klépierre purchased €700 million worth of caps on Euribor with an average maturity of 3 years and an average strike below 0.6%. The aim of these transactions was to replace the same amount of caps set to mature in 2018.

As of June 30, 2018, taking into account the effect of hedging instruments, the portion of fixed-rate debt was stable compared to year-end 2017 at 95%. Its average duration decreased slightly to 5.3 years compared to 5.4 years at the end of last year. Accordingly, the Group cost of debt for the four coming years should remain stable and largely insensitive to interest rate fluctuations.

Based on the interest rate yield curve as of June 30, 2018, the Group's annual cash-cost at risk stood at €2 million. In other words, the annual loss due to short-term interest rate movements would be less than €2 million 99% of the time. This calculation does not factor in any assumption regarding a credit spread change.

8.3 Cost of debt

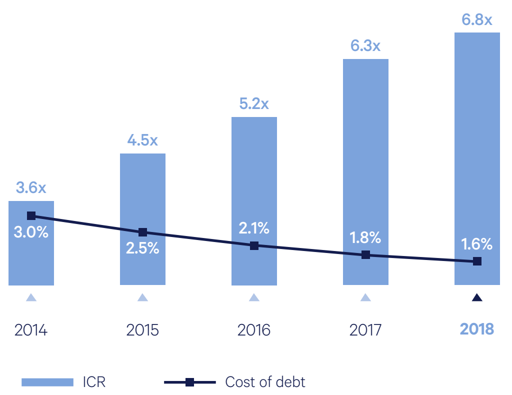
The average Group cost of debt has continued to fall, to 1.6% compared to 1.9% as of June 30, 2017. It continues to benefit from the low level of short-term interest rates and from the attractive refinancing done during the last years. Assuming current debt structure and market conditions and given the upcoming refinancing deals, the cost of debt is expected to remain very low in the next three years.

The low cost of debt, along with robust operating performances, led to a 6.8x coverage of interest expense by EBITDA (ICR).

▶ COST OF DEBT CALCULATION

In €k	06/30/2018	06/30/2017
Net cost of debt (as per IFRS consolidated income statement)	**77,024**	**84,305**
Non-recurring items	−1,646	495
Non-cash impact	−6,068	258
Interest on associate advances	6,879	5,152
Liquidity cost	−3,271	−3,366
Net cost of debt (used for cost of debt calculations)	**72,918**	**86,844**
Average gross debt	**9,121,390**	**9,164,000**
COST OF DEBT *(in %)*	**1.6%**	**1.9%**

▶ INTEREST COVERAGE RATIO (ICR) AND COST OF DEBT



8.4 Financial ratios and rating

As of June 30, 2018, the Group's financing covenants remain in line with the commitments in its financing agreements.

Standard & Poor's currently assigns an A– rating with a stable outlook to Klépierre and Steen & Strøm. Moody's continues to assign a rating of A3 (stable outlook) to the notes initially issued by Corio NV and still outstanding.

► **COVENANTS**

Financing	Ratios/covenants	Limit[a]	06/30/2018	06/30/2017
Syndicated loans and bilateral loans	Net debt/Portfolio value ("Loan to Value")	≤ 60%	37.2%	38.2%
	EBITDA/Net interest expenses[b]	≥ 2.0	6.8	6.0
	Secured debt/Portfolio value[c] (excluding Steen & Strøm)	≤ 20%	0.8%	0.7%
	Portfolio value, group share, including transfer taxes	≥ €10 bn	€20.9 bn	€20.4 bn
Bond issues	Secured debt/Revalued Net Asset Value[c] (excluding Steen & Strøm)	≤ 50%	1.0%	1.1%

(a) Ratios are based on the revolving credit facility 2015.
(b) Exclusive of the impact of the liability management operations.
(c) Exclusive of Steen & Strøm.

A portion of Steen & Strøm's debt is subject to a financial covenant that requires shareholders' equity to be equal to at least 20% of NAV at all times. On June 30, 2018, this ratio was 54.4%.

9

EPRA PERFORMANCE INDICATORS

The following performance indicators have been prepared in accordance with best practices as defined by EPRA (European Public Real Estate Association) in its Best Practices Recommendations guide, available on EPRA's website (www.epra.com).

9.1 EPRA Earnings

EPRA Earnings is a measure of the underlying operating performance of an investment property company excluding fair value gains, investment property disposals, and limited other items that are not considered to be part of the core activity of an investment property company.

► **EPRA EARNINGS**

	06/30/2018	06/30/2017
Group share *(in €m)*		
Net income as per IFRS consolidated statement of comprehensive income	**618.8**	**570.4**
Adjustments to calculate EPRA Earnings, exclude:		
(i) Changes in value of investment properties, development properties held for investment and other interests	386.0	400.5
(ii) Profit or losses on disposal of investment properties, development properties held for investment and other interests	−0.2	15.8
(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	-	-
(vi) Changes in fair value of financial instruments and associated close-out costs	−10.4	−13.4
(vii) Acquisition costs on share deals and non-controlling joint venture interests	−5.3	−0.7
(viii) Deferred tax in respect of EPRA adjustements [(a)]	−67.0	−134.0
(ix) Adjustments (i) to (viii) above in respect of joint ventures (unless already included under proportional consolidation)	9.1	11.0
(x) Non-controlling interests in respect of the above	−76.2	−75.9
EPRA EARNINGS	**382.7**	**367.1**
Number of shares [(b)]	*301,032,676*	*309,505,908*
Per share *(in €)*		
EPRA EARNINGS	**1.27**	**1.19**
Company-specific adjustments		
Employee benefits, stock-options expenses and non-current operating expenses	5.5	4.4
Amortization allowances and provisions for contingencies and losses	7.4	5.9
Net current cash flow	**395.6**	**377.4**
Number of shares [(b)]	*301,032,676*	*309,505,908*
Net current cash-flow per share *(in €)*	**1.31**	**1.22**

(a) Tax adjustment includes €54.7 million of deferred tax, €7.0 million related to the IFRIC adjustment (i.e., property tax annualization) and €5.3 million of non-current taxes (mostly related to disposals).
(b) Average number of shares, excluding treasury shares.

9.2 EPRA Net Asset Value and Triple Net Asset Value

EPRA NAV is a measure of the fair value of net assets assuming a normal investment property company business model. Accordingly, there is an assumption of owning and operating investment property for the long term. EPRA NNNAV (Triple Net Asset Value) is similar to EPRA NAV, except that it includes debt and financial instruments at fair value and the optimized calculation of deferred tax liabilities.

9.2.1 Methodology

The EPRA NAV and NNNAV are calculated by restating consolidated shareholder's equity on several items.

9.2.2 Goodwill

Goodwill as a result of deferred taxes is excluded for NAV calculation as the corresponding deferred tax liability is also eliminated as explained hereunder. Goodwill on other assets related to Klépierre management business is excluded because these assets are taken at their fair market value in NAV calculation.

9.2.3 Unrealized capital gains on management companies

The management companies are appraised annually. The difference between the market values and the book values recorded in the consolidated financial statements is included in NAV and NNNAV calculation.

9.2.4 Fair value of financial instruments

The net mark-to-market adjustment to the value of financial instruments used for hedging purposes—and where the Company has the intention of keeping the position until the end of the contractual duration—is excluded for NAV calculation and added-back for Triple Net Asset Value (NNNAV). NNNAV also incorporates the fair value of debt and interest rate hedging instruments that are not recorded under consolidated net assets pursuant to IAS 32-39, which essentially involves marking to market the fixed rate debt.

9.2.5 Deferred taxes on asset values

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

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

For NNNAV calculation purposes, taxes on unrealized capital gains are then calculated property by property, on the basis of applicable local tax regulations, using the most likely transaction scheme between the direct sale of the property (asset deal) and the disposal through the sale of shares of a company owning the property (share deal).

9.2.6 Transfer taxes restatement

Originally valued by the external appraisers who assume that all properties will be sold through asset deals, transfer taxes on the sale of assets are restated by Klépierre to reflect the most likely transaction scheme between a share deal and an asset deal, as is done to determine the effective tax on unrealized capital gains pursuant to applicable local tax regulations (see section 9.2.5 above).

9.2.7 EPRA NAV and NNNAV calculation

► **EPRA NAV & NNNAV**

	06/30/2018	12/31/2017	06/30/2017	6-month change		12-month change	
Group share *(in €m)*							
Consolidated shareholders' equity[a]	10,242	10,397	9,859	−155	−1.5%	383	3.9%
Unrealized capital gains on management service activity[b]	336	335	300	0	0.1%	35	11.8%
Goodwill restatement[a]	−657	−656	−657	−1	0.2%	0	−0.1%
Fair value of hedging instruments	2	9	10	−8	−83.3%	−9	−85.2%
Deferred taxes on asset values as per balance sheet[a]	1,507	1,470	1,389	37	2.5%	118	8.5%
Transfer taxes restatement[c]	419	396	369	23	5.8%	50	13.7%
EPRA NAV	**11,848**	**11,952**	**11,270**	**−104**	**−0.9%**	**578**	**5.1%**
Optimized deferred taxes on unrealized capital gains	−386	−392	−321	6	−1.5%	−65	20.4%
Fair value of hedging instruments	−2	−9	−10	8	−83.3%	9	−85.2%
Fair value of fixed-rate debt	−116	−189	−172	73	−38.8%	56	−32.6%
EPRA NNNAV	**11,345**	**11,362**	**10,767**	**−17**	**−0.1%**	**578**	**5.4%**
Number of shares, end of period	300,243,165	302,099,375	304,910,597				
Per share *(in €)*[d]							
EPRA NAV PER SHARE	**39.50**	**39.60**	**37.00**	**−0.10**	**−0.3%**	**2.50**	**6.8%**
EPRA NNNAV PER SHARE	**37.80**	**37.60**	**35.30**	**0.20**	**0.5%**	**2.50**	**7.1%**

(a) As per the IFRS consolidated statements of financial position on a Group-Share basis, including items from equity accounted investees.
(b) The external valuation of Klépierre's management service activity stood at €354 million (please see section 7.2), while it was booked at €18 million in the consolidated accounts; hence the unrealized capital gains on this activity reached €336 million.
(c) External appraisers valued transfer taxes payable on the whole portfolio at €985 million, considering that all properties would be sold through asset deals. Klépierre's assessment of such transfer taxes reaches €566 million, as the Group considered it would secure share deals instead of asset deals in several instances. The €419-million restatement is the difference between both valuations.
(d) Per-share figures rounded to the nearest 10 cents.

▶ EPRA NAV 12-MONTH BRIDGE PER SHARE[a]

In € per share	
EPRA NAV at 06/30/2017	**37.00**
Cash-flow	2.60
Like-for-like asset revaluation	1.80
Dividend	−1.96
Forex and others	0.10
EPRA NAV AT 06/30/2018	**39.50**

(a) Figures have been rounded to the nearest 10 cents, except for the dividend.

EPRA NAV per share amounted to €39.50 at the end of June 2018, versus €37.00 one year earlier. This improvement reflects net current cash-flow generation (+€2.60 per share) and the increase in the value of the like-for-like portfolio (+€1.80), partly offset by the dividend payment (-€1.96). Foreign exchange and other effects had a limited impact (+€0.10)[1].

9.3 EPRA Net Initial Yield and "Topped-up" Net Initial Yield

The EPRA NIY (Net Initial Yield) is calculated as the annualized rental income based on passing cash rents, less non-recoverable property operating expenses, divided by the gross market value of the property. The 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 rents). Please refer to the "Shopping center portfolio valuation" section of this document for the EPRA Net Initial Yield geographic breakdown.

▶ EPRA NET INITIAL YIELDS

In €m	Shopping centers	Other retail properties	Total
Investment property – Wholly owned	18,707	342	19,049
Investment property – Share of JVs/Funds	1,307	0	1,307
Total portfolio	**20,014**	**342**	**20,356**
Less: Developments, land and other	−1,118	0	−1,118
Completed property portfolio	**18,897**	**342**	**19,239**
Allowance for estimated purchasers' cost	542	23	565
Gross up completed property portfolio valuation (B)	**19,439**	**365**	**19,804**
Annualised cash passing rental income	1,060	25	1,085
Property outgoings	−118	−2	−119
Annualised net rents (A)	**942**	**24**	**966**
Notional rent expiration of rent free periods or other lease incentives	37	1	38
Topped-up net annualised rent (C)	**979**	**25**	**1,004**
EPRA NET INITIAL YIELD (A/B)	**4.8%**	**6.4%**	**4.9%**
EPRA "TOPPED-UP" NIY (C/B)	**5.0%**	**6.7%**	**5.1%**

(1) Figures have been rounded to the nearest 10 cents (except for the dividend).

9.4 EPRA Vacancy rate

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

▸ EPRA VACANCY RATE[a]

In €k	France-Belgium	Italy	Scandinavia	Iberia	CEE and Turkey	The Netherlands	Germany	Total
Estimated rental value (ERV)	435,534	290,943	189,770	143,747	137,797	37,044	41,418	1,276,252
ERV of vacant space	14,526	4,154	7,396	5,138	6,094	2,048	1,905	41,262
EPRA VACANCY RATE	**3.3%**	**1.4%**	**3.9%**	**3.6%**	**4.4%**	**5.5%**	**4.6%**	**3.2%**

(a) Scope: all shopping centers, including those accounted under the equity method, consolidated at 100%. The estimated rental values of leased and vacant spaces as of June 30, 2018, are based on internal assumptions. Shopping centers (or part of them) under restructuring and strategic vacancies that are excluded from the scope are the following: Bourse and Prado (Marseille), Échirolles (Grenoble), Odysseum (Montpellier), the extension of Val d'Europe (Paris region), Nailloux Village (Toulouse), Økern (Oslo), Allum (Partille) and Hoog Catharijne (Utrecht).

9.5 EPRA Cost ratio

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

▸ EPRA COST RATIO

In €m	06/30/2018	06/30/2017
Administrative & operating expenses [a]	−116.6	−119.4
Net service charge costs [a]	−38.1	−36.2
Net management fees [a]	41.8	42.8
Other net operating income intended to cover overhead expenses [a]	4.0	3.9
Share of joint ventures expenses [b]	−7.0	−8.0
Exclude (if part of the above):		
Service charge costs recovered through rents but not separately invoiced	4.0	3.7
EPRA Costs (including vacancy costs) (A)	**−111.9**	**−113.2**
Direct vacancy costs	−10.9	−11.6
EPRA Costs (excluding vacancy costs) (B)	**−100.9**	**−101.6**
Gross rental income less ground rents [a]	**618.7**	**603.6**
Less: service fee / cost component of Gross Rental Income	−4.0	−3.7
Share of joint ventures (gross rental Income less ground rents) [b]	40.3	44.0
Gross rental income (C)	**655.0**	**643.9**
EPRA COST RATIO (INCLUDING DIRECT VACANCY COSTS) (A/C)	**17.1%**	**17.6%**
EPRA COST RATIO (EXCLUDING DIRECT VACANCY COSTS) (B/C)	**15.4%**	**15.8%**

(a) As per the IFRS consolidated statements of comprehensive income.
(b) For more information, please refer to section 3.5 "Contribution of assets consolidated under the equity method."
(c) The EPRA costs ratio has been restated in H1 2017 as service charges recovered through rents have been reclassified in accordance with EPRA BPR (€3.7 million).

9.6 EPRA Capital expenditure

Investments made over the course of the first half of 2018 are presented in detail in the "Investments, development and disposals" section of this document. The current section presents Klépierre's capital expenditure according to the EPRA financial reporting guidelines.

▶ EPRA CAPITAL EXPENDITURE[(a)]

In €m	06/30/2018	06/30/2017
Acquisitions	3.6	245.7
Development	114.5	86.5
Like-for-like portfolio	50.2	41.6
Others	8.3	9.2
TOTAL	**176.6**	**382.9**

(a) Inclusive of expenses charged to tenants.

9.6.1 Acquisitions

During the 2018 first half, Klépierre bought an additional retail unit for €3.6 million at Gulskogen (Drammen, Norway).

9.6.2 Development

Development capital expenditure include investments related to new constructions and extensions of existing assets. For the 2018 first half, such investments amounted to €114.5 million, mainly including the redevelopment of Hoog Catharijne (Utrecht, The Netherlands), the greenfield project of Le Prado (Marseille, France), as well as Créteil Soleil's (Paris region) extension.

9.6.3 Like-for-like portfolio

Capital expenditure on the "like-for-like portfolio" include investments made to maintain or enhance standing assets without creating additional lettable space. On June 30, 2018, those investments amounted to €50.2 million, split as follows:

- **refurbishment**, consisting in renovation works, mainly in the common areas. In 2018 first half, they were related to Plenilunio (Madrid), Assago (Milan), Grand Portet (Toulouse, France). Most of these expenditures were invoiced to tenants;
- **leasing capital expenditure**, mainly in relation with stores and other leasable units, including restructuring costs for re-leasing and first leasing, fit-out contributions and eviction costs; and
- **technical maintenance** capital expenditure aimed at replacing obsolete or dysfunctional equipment of the asset. A large portion of these investments was invoiced to tenants.

9.6.4 Other capital expenditure

The other capital expenditure consists mainly in capitalized financial interests, which amounted to €3.4 million in the 2018 first half and leasing fees.

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OUTLOOK

In 2018, Klépierre expects to generate net current cash-flow per share of at least €2.62 (i.e., at least +5.6% compared to 2017). This compares with the Group's initial guidance for the year of €2.57-2.62. The upward revision reflects Klépierre's sound business evolution over the first half of 2018. Based on recent leasing activity, Klépierre expects to maintain a sustained level of rental growth during the second half of the year.

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