FINANCIAL REPORT

FIRST-HALF

2018

KLEPIERRE

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MANAGEMENT REPORT

1.1 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.

1.1.1 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.

1.1.2 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.

1.1.3 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®.

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.

1.1.3.1 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.

(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).

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.

1.1.3.2 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.

1.1.3.3 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.

1.1.4 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.

1.1.5 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.

(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).*

1.2 Business overview

1.2.1 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.

1.2.2 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.

(1) Like-for-like change is on a same-center basis and excludes the impact of asset sales, acquisitions and foreign exchange.
(2) Compound index based on the following national retailer indices weighted by the share of each country in Klépierre's total NRI: CNCC (France), ISTAT (Italy), INE (Iberia), Destatis (Germany), Kvarud (Norway), HUI (Sweden), Danmarks statistic (Denmark), PRCH (Poland), KSH (Hungary), CZSO (Czech Republic), CBS (The Netherlands), and AYD (Turkey).

▶ **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%**

1.2.3 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.

1.2.4 Net rental income

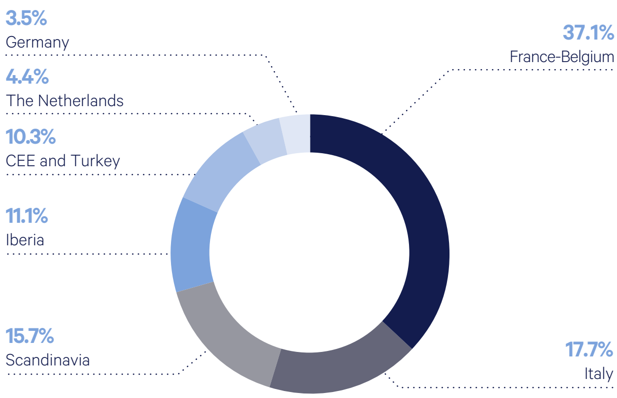
▶ NET RENTAL INCOME (ON A TOTAL-SHARE BASIS)

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 section 1.5 "Investments, development and disposals" 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.*

1.2.5 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%.*

1.2.6 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.

1.3 Business activity by region

1.3.1 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 340 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 1.2.6 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.

1.3.2 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).

1.3.3 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.

1.3.4 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), Klépierre continues to innovate in its leasing strategy by opening a 4,000-sq.m. clinic in a former vacant unit.

1.3.5 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 thanks 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 Smíchov (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 1.2.6).

1.3.6 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 1.5.3.2).

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.

1.3.7 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.

1.3.8 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, development and disposals” section 1.5 in this document).

1.4 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 1.7.3 "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; and

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

1.5 Investments, development, and disposals

1.5.1 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.

1.5.2 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 1.8.6 "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).

1.5.3 Development pipeline

1.5.3.1 Development pipeline overview

Klépierre'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).

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(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	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.

1.5.3.2 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%.

1.5.3.3 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.

1.5.3.4 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.

1.5.4 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.

1.5.5 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).

1.6 Portfolio valuation

1.6.1 Property portfolio valuation

1.6.1.1 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	43%
	> Denmark, Sweden and Norway	
	> Poland, Hungary, and Slovakia	
CBRE	> France	36%
	> Spain and Portugal	
	> Italy, Czech Republic, and the Netherlands	
Jones Lang LaSalle	> Italy, Greece, and Turkey	16%
BNP Paribas Real Estate	> Germany	4%
	> France (other retail properties)	
Colliers	> Italy	1%
TOTAL		**100%**

All appraisers appointed by Klépierre comply with the professional standards applicable in France (*Charte de l'Expertise en Évaluation Immobilière*), the recommendations of the 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

(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.*

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.

1.6.1.2 Valuation

Property portfolio valuation

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 OF THE PROPERTY PORTFOLIO (ON A TOTAL-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	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.*

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

▸ 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%**
The 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.*

▸ 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.

► 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.

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%.

1.6.2 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.[(3)]

(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.
(3) 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. For more information, please refer to note 5.1 to the consolidated financial statements.

1.7 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.

1.7.1 Financial resources

1.7.1.1 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 1.8.6 "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.

1.7.1.2 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.

1.7.1.3 Available resources

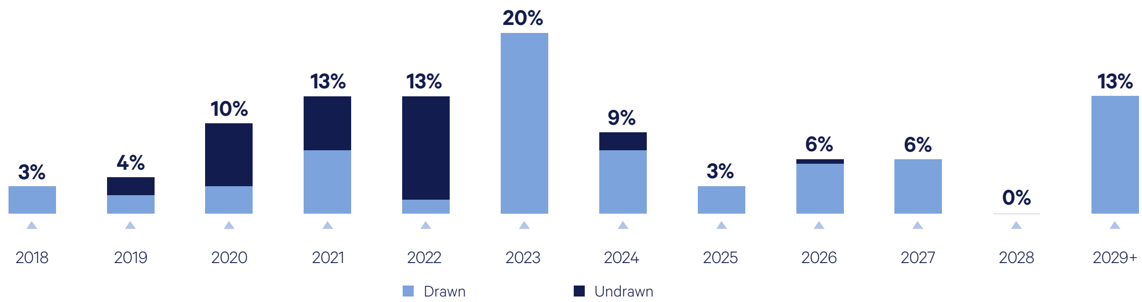
During the first half of the year, Klépierre increased its liquidity position up to €2.0 billion as of June 30, 2018 through the following actions:

- €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.

(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.Klépierre.com/content/uploads/2018/02/PR_Klépierre_2017_FY_EARNINGS_2017_FINAL.pdf

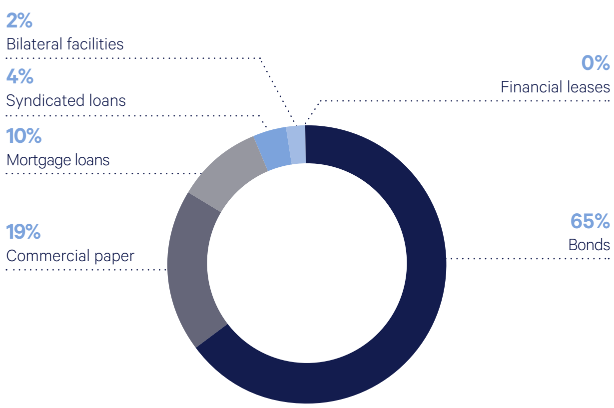
▶ **DEBT MATURITY SCHEDULE AS OF JUNE 30, 2018**
(% of authorized debt)



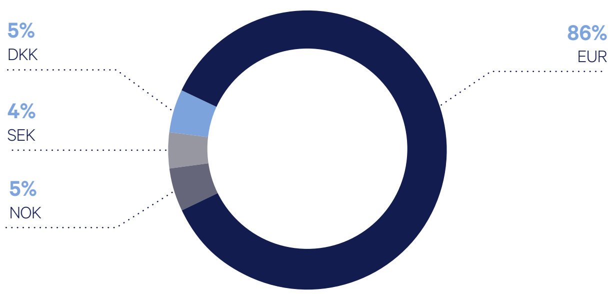
1.7.1.4 Debt structure

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)**



1.7.2 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.

1.7.3 Cost of debt

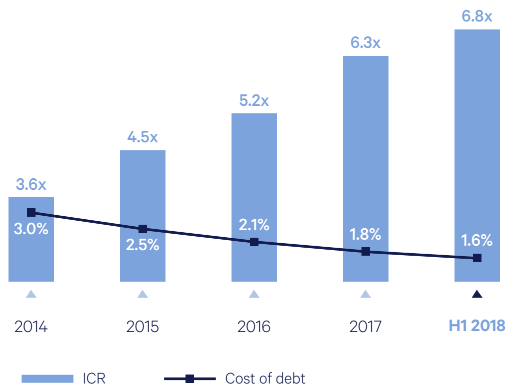
The average Group cost of debt has continued to fall, to 1.6% compared to 1.9% as of June 30, 2017. It continues to benefit from the low level of short-term interest rates and from the attractive refinancing done during the last years. Assuming current debt structure and market conditions and given the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



1.7.4 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%.

1.8 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).

1.8.1 EPRA Earnings

EPRA Earnings is a measure of the underlying operating performance of an investment property company excluding fair value gains, investment property disposals, and limited other items 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 *(in €m)*	**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.

1.8.2 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.

1.8.2.1 Methodology

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

1.8.2.2 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.

1.8.2.3 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.

1.8.2.4 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.

1.8.2.5 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).

1.8.2.6 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 1.8.2.5 above).

1.8.2.7 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	**39.50**	**39.60**	**37.00**	**−0.10**	**−0.3%**	**2.50**	**6.8%**
EPRA NNNAV	**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 1.6.2), 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]

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

1.8.3 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%**

1.8.4 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).*

1.8.5 EPRA Cost ratio

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

► EPRA COST RATIO

In €m	06/30/2018	06/30/2017[c]
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 1.2.5 "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).

1.8.6 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.

1.8.6.1 Acquisitions

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

1.8.6.2 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.

1.8.6.3 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.

1.8.6.4 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.

1.9 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.

2

CONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2018

2.1 Consolidated statements of comprehensive income

In €m	Notes	06/30/2018	06/30/2017
Gross rental income	6.1	627.1	611.7
Land expenses (real estate)	6.2	−8.4	−8.1
Non-recovered rental expenses	6.3	−45.2	−43.3
Building expenses (owner)	6.4	−19.1	−18.8
Net rental income		**554.4**	**541.5**
Management, administrative and related income		41.8	42.8
Other operating revenues	6.5	4.0	3.9
Survey and research costs		−0.5	−0.3
Payroll expenses	10.1	−59.8	−61.4
Other general expenses		−35.7	−31.6
Depreciation and impairment allowance on intangible assets and properties, plant and equipment	6.6	−6.7	−7.4
Provisions		−1.4	0.7
Change in value of investment properties	6.7	386.0	400.5
Proceeds from disposal of investment properties and equity investments	6.8	298.9	198.3
Net book value of investment properties and equity investments sold	6.8	−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			
Financial income		35.5	53.4
Financial expenses		−112.5	−137.7
Net cost of debt	**6.9**	**−77.0**	**−84.3**
Change in the fair value of financial instruments		−5.4	−6.5
Share in earnings of equity method investments	5.5	36.0	39.6
Profit before tax		**835.5**	**853.5**
Corporate income tax	7	−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		−0.1
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**

2.2 Consolidated statements of financial position

In €m	Notes	06/30/2018	12/31/2017
Goodwill	5.1	657.1	655.2
Intangible assets	5.2	36.3	39.3
Property, plant and equipment	5.3	9.9	14.1
Investment properties at fair value	5.4	21,890.3	21,494.2
Investment properties at cost	5.4	158.3	123.1
Equity method investments	5.5	1,078.4	1,074.1
Other non-current assets	5.6	312.3	319.3
Non-current derivatives	5.12	27.4	41.0
Deferred tax assets	7	24.0	24.5
Non-current assets		**24,194.0**	**23,784.6**
Fair value of properties held for sale	5.4	3.3	295.6
Trade accounts and notes receivable	5.7	142.1	144.5
Other receivables	5.8	430.6	346.6
> *Tax receivables*		*146.2*	*137.5*
> *Other debtors*		*284.4*	*209.1*
Current derivatives	5.12	7.2	9.9
Cash and cash equivalents	5.9	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	**5.10**	**12,806.8**	**12,960.4**
Non-current financial liabilities	5.11	7,352.4	7,368.2
Non-current provisions	5.13	28.3	26.9
Pension commitments	10.3	13.8	13.4
Non-current derivatives	5.12	19.2	23.1
Security deposits and guarantees		147.5	145.3
Deferred tax liabilities	7	1,603.1	1,547.7
Non-current liabilities		**9,164.2**	**9,124.6**
Current financial liabilities	5.11	1,953.4	2,217.2
Bank overdrafts	5.9	252.7	130.0
Trade payables		258.8	205.1
Payables to fixed asset suppliers		32.0	16.2
Other liabilities	5.14	342.0	312.4
Current derivatives	5.12	9.3	7.4
Social and tax liabilities	5.14	203.8	172.5
Current liabilities		**3,052.1**	**3,060.7**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**25,023.1**	**25,145.8**

2.3 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
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	–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**

2.4 Statements of changes in consolidated equity

In €m	Capital	Capital related reserves	Treasury stock	Hedging reserves	Consolidated reserves and earnings	Equity, Group share	Equity, non-controlling interests	Total equity
Equity at 12/31/2016	**440.1**	**5,862.1**	**–67.0**	**–99.2**	**3,970.6**	**10,106.6**	**2,429.7**	**12,536.2**
Share capital transactions								
Share-based payments								
Treasury share transactions			–253.0			–253.0		–253.0
Dividends					–562.0	–562.0	–47.4	–609.4
Net income for the period					**570.4**	**570.4**	**140.6**	**711.0**
Gains and losses recognized directly in equity								
> Income from sales of treasury shares					3.3	3.3		3.3
> Income from cash flow hedging				41.9		41.9	3.8	45.8
> Translation profits and losses					–38.2	–38.2	–14.8	–53.1
> Actuarial gains					–0.1	–0.1		–0.1
> Tax on other comprehensive income items				–8.9		–8.9	–0.7	–9.6
Other comprehensive income items				**33.0**	**–35.0**	**–2.0**	**–11.7**	**–13.6**
Changes in the scope of consolidation								
Other movements					–1.2	–1.2	–18.0	–19.2
Equity at 06/30/2017	**440.1**	**5,862.1**	**–320.0**	**–66.2**	**3,942.9**	**9,858.8**	**2,493.2**	**12,352.0**
Share capital transactions								
Share-based payments								
Treasury share transactions			–99.2			–99.2		–99.2
Dividends							–0.1	–0.1
Net income for the period					**658.2**	**658.2**	**128.6**	**786.8**
Gains and losses recognized directly in equity								
> Income from sales of treasury shares					1.4	1.4		1.4
> Income from cash flow hedging				20.2		20.2	1.0	21.2
> Translation profits and losses					–39.7	–39.7	–24.9	–64.6
> Actuarial gain or loss					1.5	1.5		1.5
> Tax on other comprehensive income items				–4.2		–4.2	–0.3	–4.5
Other comprehensive income items				**16.0**	**–36.8**	**–20.8**	**–24.2**	**–45.0**
Changes in the scope of consolidation					–1.7	–1.7	–7.2	–8.9
Other movements					1.3	1.3	–26.4	–25.1
Equity at 12/31/2017	**440.1**	**5,862.1**	**–419.2**	**–50.2**	**4,563.8**	**10,396.6**	**2,563.8**	**12,960.4**
Share capital transactions								
Share-based payments								
Treasury share transactions			–64.7			–64.7		–64.7
Dividends		–168.1			–421.3	–589.4	–60.2	–649.6
Net income for the period					**618.8**	**618.8**	**140.8**	**759.6**
Gains and losses recognized directly in equity								
> Income from sales of treasury shares					1.5	1.5		1.5
> Income from cash flow hedging				16.3		16.3	1.5	17.8
> Translation profits and losses					–124.4	–124.4	–10.6	–135.0
> Actuarial gain or loss					0.0	0.0		0.0
> Tax on other comprehensive income items				–4.9		–4.9	–0.4	–5.4
Other comprehensive income items				**11.3**	**–122.9**	**–111.5**	**–9.6**	**–121.1**
Changes in the scope of consolidation					–8.0	–8.0	–69.8	–77.8
Other movements					0.0	0.0	–0.0	0.0
EQUITY AT 06/30/2018	**440.1**	**5,694.0**	**–483.9**	**–38.8**	**4,630.5**	**10,241.8**	**2,565.0**	**12,806.8**

2.5 Appendices

Note 1 Significant events of the first half of 2018

1.1 Investments

On March 29, 2018, Klépierre inaugurated Prado, a 23,000 square meter shopping mall in the center of Marseille (France).

Renovation and extension works (€134 million investment) started at Créteil Soleil (Paris, France) at the end of January and are expected to be completed in 2020. This project will also enable to connect the subway station with the shopping center.

The other main investments realized during the period concern ongoing projects in The Netherlands: Hoog Catharijne, €41.1 million. This project is progressing on schedule and the new entry that connects the shopping mall with Utrecht central station opened on February 2018.

On May 2, 2018, Klépierre acquired Guldlisten 20 AS, a retail property located next to Gulskogen Shopping Center in Norway, for a total amount of €3.6 million.

1.2 Main disposals

Since January 1, 2018 the Group has completed the following disposals:

> a development plot in Germany (on January 5);

> the Grand Vitrolles shopping center in France (on February 15); and

> the Gran Via Hortaleza shopping center in Spain (on February 15).

Moreover, a house and 2 apartments in Norway, a plot of land and a set of 4 retail units in France, building rights in Sweden and the corridor between the train station and the Hoog Catharijne shopping center in Utrecht (The Netherlands) were disposed over the period.

1.3 Dividend

On April 24, 2018, the Shareholders' Meeting approved the payout of a €1.96 per share dividend in respect of the 2017 fiscal year, and proposed a cash payment. Cash dividend paid by Klépierre totaled €616.0 million (including dividend on treasury shares).

1.4 Share buyback program

On March 13, 2017, Klépierre announced a share buyback program of up to €500 million. As of December 31, 2017, the Group had repurchased 9,761,424 shares for a total amount of €350 million. Over the first half of 2018, the Group repurchased 1,930,544 shares for a total amount of €66.6 million.

1.5 Debt

During the first half of the year, Klépierre has improved its liquidity position through the following actions:

> €375 million of new bilateral Revolving Credit Facilities were signed with a 5 years maturity, including 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;

> €450 million of existing facilities have been amended and extended;

> at June 30, 2018, €175 million of additional facilities were under negotiation. The signing occurred on July 11, 2018; and

> Klépierre obtained commitments from banks to amend and extend €250 million of bilateral facilities by the end of July 2018.

Note 2 Significant accounting principles

2.1 Corporate reporting

Klépierre is a French corporation ("société anonyme" or SA) subject to French company legislation, and more specifically the provisions of the French Commercial Code. The Company's registered office is located 26 boulevard des Capucines in Paris.

On July 20, 2018, the Executive Board approved the consolidated financial statements of Klépierre SA for the period from January 1 to June 30, 2018, and authorized their publication.

Klépierre shares are listed on Euronext Paris (compartment A).

2.2 Application of IFRS

As per Regulation (EC) No. 1126/2008 of November 3, 2008 on the application of International Accounting Standards, the Klépierre Group's consolidated financial statements through June 30, 2018 have been prepared in accordance with IFRS (International Financial Reporting Standards) published by the IASB (International Accounting Standards Board), as adopted by the European Union and applicable on that date.

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

This framework is available on the webpage: http://ec.europa.eu/internal_market/accounting/ias/index_en.htm

The interim consolidated financial statements are prepared and presented in the form of condensed financial statements, according to IAS 34, relative to Interim Financial Reporting. As the accounts are condensed financial statements, they do not include all the information required by IFRS, do not contain all the information and notes required in the annual financial statements. In this respect, the interim financial statements have to be read alongside with the published consolidated financial statements (or the registration document) of the 2017 fiscal year.

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

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

2.2.1 Standards, amendments and applicable interpretations as of January 1, 2018

The accounting principles applied to the consolidated financial statements as of June 30, 2018 are identical to those used in the consolidated financial statements as of December 31, 2017, including in addition the following new standard and interpretations, for which application is mandatory for the Group:

- Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions;
- Annual improvements of IFRS: Cycle 2014-2016;
- Amendment to IAS 40: Transfer of investment property;
- IFRS 15: Revenue from Contracts with Customers including amendments and clarifications to IFRS 15;
- IFRS 9: Financial instruments; and
- IFRIC 22: Foreign currency transactions and advance consideration.

IFRS 15

Effective for annual periods beginning on January 1, 2018, IFRS 15 "Revenue from contracts with customers" replaces IAS 18 and the related IFRIC and SIC interpretations on revenue recognition. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. Leases are excluded from the scope of IFRS 15. Consequently, only service charges and management, administrative & related income are accounted in accordance with IFRS 15.

The Group has therefore performed an inventory and analysis of the differences introduced by the new standard. An assessment was prepared taking into account the existing contractual models in the Group's businesses.

This assessment was validated by a review of major contracts and/or contacts representative of the Group's activities. Work performed during this phase did not identified main issues likely to create differences with the Group's accounting policies.

Principal-Agent analysis: The Group property companies are responsible for arranging the cleaning, maintenance, cooling, security of common areas and are engaging the suppliers on behalf of their tenants. The suppliers are primarily responsible for providing the services, establishing the prices and delivering the goods. The Group assessment is that in most cases, property companies are providing the arrangement for the services delivered to the tenants and are acting as an agent, as they do not control the services according to IFRS 15 criteria and indicators.

Following the assessments and analyses performed by the Group with respect to the first time application, this new standard does not impact significantly the Group accounts.

IFRS 9

IFRS 9 "Financial Instruments" replaces IAS 39 "Financial Instruments": Recognition and Measurement for annual periods beginning on or after January 1, 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group performed an inventory and analysis of the differences resulting from the provisions of this new standard.

The assessment of the Group's financial instruments and respective business models was made as of the date of initial application, January 1, 2018. The assessment of whether contractual cash-flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The adoption of IFRS 9 has changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. For trade and other receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses, based on the Group's historical credit loss experience.

Following the assessments and analyses performed by the Group with respect to the first time application, this new standard does not impact significantly the Group accounts.

2.2.2 Standards, amendments and interpretations of not compulsory application as from January 1, 2018

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

- Annual improvements of IFRS: Cycle 2015-2017;
- IFRIC 23: Uncertainty over Income Tax Treatments;
- Amendment to IAS 28: Long term interests in associate and joint venture;
- IFRS 17: Insurance contracts; and
- IAS 19 amendments: Amendments, curtailments, and settlements.

The following standards and amendments have been adopted by the European Union as of June 30, 2018 but with a later effective date of application:

- IFRS 16: Leases; and
- Amendment to IFRS 9: Prepayment features with negative compensation and modifications of financial liabilities.

The Group is currently assessing the implementation of these new standards and their impact on the consolidated accounts. IFRS 16 "Leases" will replace the standard IAS 17. It will remove the distinction between finance leases and operating leases. This standard is very close to the existing standard for the treatment of leases lessor side. Lessees will have a single on balance sheet accounting model for all leases with two exemptions for "low-value assets" and "short-term leases". In essence, for all leases, the IFRS 16 will require a lessee to:

- recognize lease assets (Right-of-use) and lease liabilities on the balance sheet, initially measured at the present value of unavoidable lease payments;
- recognize amortization of lease assets (Right-of-use) and interest on lease liabilities over the lease term; and
- separate the total amount of cash paid into a principal portion and interest.

2.3 Use of material judgments and estimates

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

The principal assumptions made in respect of future events and other sources of uncertainty relating to the use of year-end estimates for which there is a significant risk of material change to the values of assets and liabilities in subsequent years are presented below.

Measurement of goodwill

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

Investment property

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

Financial instruments

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

2.4 Translation of foreign currencies

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

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

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

For the preparation of the consolidated financial statements of the Group, the assets and liabilities of the subsidiaries are translated into the Klépierre SA presentation currency — the euro — at the exchange rate as of the closing date. Their income statements are translated at the average weighted exchange rate for the year. Any resulting translation differences are allocated directly to shareholder equity under a separate line item.

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

2.5 Distinction between liabilities and equity

The difference between liabilities and equity depends on whether or not the issuer is obliged to make a cash payment to the other party. The fact of being able to make such a decision regarding cash payment is the crucial distinction between these liabilities and equity.

2.6 Net earnings per share

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

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

In accordance with IAS 33, the average number of shares at the balance sheet date is adjusted after payment of the dividend in the form of shares if necessary.

Note 3 Segment information

Accounting policies

Segment information

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

3.1 Segment earnings

For management purposes, the Group is structured into business segments corresponding to geographic regions. There are in total seven operating segments.

These seven operating segments are structured as follows:

> France/Belgium (including Other retail properties);

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

> Italy;

> Iberia (Spain, Portugal);

> The Netherlands;

> Germany; and

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

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

Group financial policy (including the impact of financial income and expenses), corporate activities and tax result calculation are handled at Group level, and are not allocated to the operating segments.

The sector "Scandinavia" includes all the legal entities of the Steen & Strøm Group in which the minority shareholder owns 43.9% of the interests. The share of the minority shareholder in the equity of the Scandinavian sector amounts to €956.2 million as of June 30, 2018, compared to €933.4 million as of December 31, 2017. As of June 30, 2018, the share of the Scandinavian portfolio in the non-current assets equals to €3,878.4 million, in current assets €157.7 million, in non-current liabilities €1,442.3 million and in current liabilities €543.9 million.

	France-Belgium[(a)]		Scandinavia		Italy		Iberia		The Netherlands	
In €m	06/30/2018	06/30/2017	06/30/2018	06/30/2017	06/30/2018	06/30/2017	06/30/2018	06/30/2017	06/30/2018	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 retail properties.

	Germany		CEE & Turkey		Unaffected		Klépierre Group	
In €m	06/30/2018	06/30/2017	06/30/2018	06/30/2017	06/30/2018	06/30/2017	06/30/2018	06/30/2017
Gross rents	**26.2**	**27.3**	**60.3**	**60.8**			**607.555**	**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			−72.727	−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**

3.2 Evolution of investment properties detailed by operating segment

In €m	06/30/2018[a]	12/31/2017[a]
France-Belgium[b]	8,964.8	8,755.8
Scandinavia	3,652.9	3,628.9
Italy	3,390.8	3,300.6
Iberia	2,158.0	2,115.3
The Netherlands	1,377.4	1,325.4
Germany	928.6	928.1
CEE & Turkey	1,576.1	1,563.2
TOTAL	**22,048.6**	**21,617.3**

(a) Including investment properties at fair value and investment properties at cost, excluding investment properties held for sale.
(b) Including other retail properties.

3.3 New investments over the period by operating segment

In €m	Investment properties at fair value	Investment properties at cost	Investments 06/30/2018[a]
Shopping centers	**134.2**	**42.5**	**176.7**
France-Belgium [b]	57.9	41.5	99.4
Scandinavia	11.4		11.4
Italy	3.0	0.9	3.9
Iberia	6.9		6.9
The Netherlands	42.4		42.4
Germany	3.4		3.4
CEE & Turkey	9.3		9.3
TOTAL	**134.2**	**42.5**	**176.7**

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

The main investments of the period (including capitalized interests) in France-Belgium concern the Créteil extension for €41.2 million, the Prado project for €22.2 million and the Odysseum extension in Montpellier for €10.9 million.

In The Netherlands, investments of the period relate mainly to the Hoog Catharijne project.

Note 4 Scope of consolidation

Accounting policies

Scope of consolidation

The Klépierre consolidated financial statements cover all those companies over which Klépierre has control, joint control or significant influence.

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

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

Consolidation method

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

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

Changes in equity of companies consolidated using the equity method are reported on the assets side of the balance sheet under "Equity method investments" and under the corresponding item in shareholder's equity. Goodwill on companies consolidated using the equity method is also reported under "Equity method investments".

Intercompany transactions

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

As of June 30, 2018 the Group's scope of consolidation included 277 companies, including 243 fully consolidated companies and 34 companies consolidated under the equity method.

In accordance with IFRS 12, the Group discloses its control assessment to define the nature of its interest held in its subsidiaries and the associated risks. The main partnerships of the Klépierre Group are described in the 2017 registration document.

The main changes in the scope of consolidation made during the first half of 2018 are as follows:

- on February 15, 2018, the French entity KC11 owning a shopping center in Vitrolles was sold;
- the 4 entities CSPL 2002 KFT, Ipopema 96 FIZ, Newton SNC and Paris Immobilier SAS have been liquidated and Steen & Strøm Norge AS has been merged into Steen & Strøm AS; and
- on May 2, 2018, Gulskogen Senter AS has acquired 100% of the shares of the company Guldlisten 20 AS.

Note 5 Notes to the financial statements: Balance Sheet

5.1 Goodwill

Accounting policies

Accounting for business combination

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

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

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

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

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

As regards the treatment of deferred tax assets, a gain in income for deferred tax assets unrecognized at the acquisition date or during the measurement period must be recognized.

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

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

Transactions that do not affect control (additional acquisition or disposal) is accounted for as an equity transaction between the Group share and the non-controlling interest share without an impact on profit or loss and/or a goodwill adjustment.

Goodwill subsequent measurement and Impairment

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

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

Goodwill corresponding to optimized value of deferred taxes

This goodwill results from the recognition of deferred taxes at business combination accounting date. It represents the difference between the deferred tax liabilities booked in the balance sheet according to IAS 12 and the expected tax to be paid in case of sale by mean of share deal. As a consequence, impairment tests performed on this goodwill at each closing consist on comparing its net book value with the amounts of expected deferred taxes optimization.

Goodwill of management activities

This goodwill relates to management activities. Impairments test are performed annually and are based on valuations as performed by independent external appraisal. These appraisals, which are performed on behalf of Klépierre by Accuracy, are based on the Discounted Cash-Flow (DCF) method in every country where the Klépierre Group conducts management activity. This method consists of three stages.

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

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

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

The impairment test done at least annually based on external appraisal consists in comparing the net book asset value of the entities with the Net Asset Value measured by the independent appraiser.

The main assumptions used to calculate the enterprise value according to the last appraisals are the following:

> the discount rate applied is 7.6%;

> the free cash-flows over the duration of the business plan are based on business volume and operating margin assumptions that take into account economic and market assumptions on the date on which the plan was established;

> a growth rate for the 2018-2023 period based on the assumptions of the internal business plan approved by the management; and

> Klépierre Management's end value was determined with a growth rate applied from 2023 of 1%.

In €m	12/31/2017	Change in scope	Disposals, retirement of assets	Impairment	Currency fluctuations	06/30/2018
Goodwill of management activities	**258.2**				**0.3**	**258.5**
France	117.7					117.7
Italy	53.7					53.7
Spain	32.0					32.0
Portugal	7.4					7.4
The Netherlands	16.6					16.6
Germany	14.8					14.8
Turkey	3.1					3.1
Scandinavia	9.6				0.3	9.9
Hungary	3.4					3.4
Deferred taxes goodwill	**397.0**	**0.3**			**1.2**	**398.5**
Ex-Corio assets	307.3					307.3
Plenilunio	1.4					1.4
IGC	35.7					35.7
Oslo City	35.5				1.2	36.7
Guldlisten 20		0.3			0.0	0.4
Nueva Condo Murcia	12.3					12.3
Other	4.9					4.9
NET GOODWILL	**655.2**	**0.3**			**1.5**	**657.1**

At June 30, 2018, goodwill totaled €657.1 million, compared to €655.2 million at December 31, 2017. The main movement of the period is due to currency fluctuation.

The change in scope relates to Guldlisten 20 AS acquisition (see note 4). The goodwill recognized on Guldlisten 20 AS transaction represents the difference between the deferred tax liability on the investment property recorded according to IAS 12 and the one expected from a most tax efficient disposal scheme.

As of June 30, 2018, no impairment triggering event has been identified on the goodwill.

5.2 Intangible assets

Accounting policies

Intangible assets

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

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

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

Impairment of intangible assets

After initial recognition, other intangible assets are recognized at cost, less any related depreciation and impairment losses. Intangible assets with finite useful lives are straight-line depreciated over their useful life.

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

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

In €m	12/31/2017	Acquisitions and capitalised expenses	Reduction by disposals, retirement of assets	Allowances for the period	Currency fluctuations	Changes in the scope of consolidation	Reclassification	06/30/2018
Leasehold right	2.8							2.8
Goodwill	4.2							4.2
Software	90.1	2.4			0.6			93.1
Concessions, patents and similar rights	1.8							1.8
Other intangible assets	5.2							5.2
Total gross value	**104.1**	**2.4**			**0.6**			**107.1**
Leasehold right	−1.0			−0.1				−1.1
Goodwill	−2.5							−2.5
Software	−55.5			−5.5	−0.3			−61.3
Concessions, patents and similar rights	−1.3							−1.3
Other intangible assets	−4.4							−4.4
Total depreciation and amortization	**−64.8**			**−5.6**	**−0.3**			**−70.8**
INTANGIBLE ASSETS – NET VALUE	**39.3**	**2.4**		**−5.6**	**0.3**			**36.3**

5.3 Property, plant and equipment

Accounting policies

Property, plant and equipment

According to IAS 16, property plant and equipment are valued at their historic cost, less cumulative depreciation and any decreases in value. Depreciation is calculated using the useful life of each operating assets class. Property, plant and equipment include operating assets such as fixtures and other office equipment related to headquarter and offices.

In €m	12/31/2017	Acquisitions and capitalized expenses	Reduction by disposals, retirement of assets	Allowances for the period	Currency fluctuations	Changes in the scope of consolidation	Reclassification[a]	06/30/2018
Non-depreciable assets								
Depreciable assets and work in progress	41.1	0.3	−0.2		−1.2		−5.9	34.1
Total gross value	**41.1**	**0.3**	**−0.2**		**−1.2**		**−5.9**	**34.1**
Depreciable assets	−27.0		0.2	−1.3	0.7		3.2	−24.2
Total depreciation and amortization	**−27.0**		**0.2**	**−1.3**	**0.7**		**3.2**	**−24.2**
Impairment								
PROPERTY, PLANT AND EQUIPMENT AND WORK IN PROGRESS – NET VALUE	**14.1**	**0.3**		**−1.3**	**−0.5**		**−2.7**	**9.9**

(a) Dutch offices premises have been let to an external tenant, consequently the previously own-occupied premises have been transferred from Property, plant & equipment to Investment properties.

5.4 Investment properties

Accounting policies

Investment properties (IAS 40 & IFRS 13)

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

Land held under operating leases is classified and accounted for by the Group as investment property when the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

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

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

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

> the stage of completion;

> the level of reliability of cash inflows after completion; and

> the development risk specific to the property.

Additions to investment properties consist of capital expenditures, evictions costs, capitalized financial interests, letting fees and other internal costs related to development. Certain internal staff and associated costs directly attributable to the management of major schemes during the construction phase are also capitalized.

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

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

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

Borrowing costs

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

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

Fair value of investment property

The fair value of Klépierre's investment properties is appraised by the independent professionally qualified appraisers who hold a recognized relevant professional qualification and have recent sectorial experience in the locations and segments of the investment properties valued. They are responsible for valuing the Group's assets on June 30 and December 31 of each year.

Klépierre elected new appraisers from June 2018 campaign onwards. As a result, 24% of the portfolio is valued by a different company compared with December 2017 implying 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 fair value excludes transfer duties and fees (fees are measured on the basis of a direct sale of the asset, even though these costs can, in some cases, be reduced by selling the company that owns the asset). The fair values are determined in compliance with evaluation rules described in IFRS 13. In addition, given the complexity of real estate asset valuations and the nature of certain non-public data (such as rental growth projection, capitalization and actualization rates), the fair values of the investment properties have been classified as level 3 according to IFRS 13 criteria. Accordingly, there are no transfers of properties between the fair value hierarchies.

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

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

Shopping centers are appraised by:

> Jones Lang LaSalle (JLL) appraises all Greek and Turkish assets and most of the Italian portfolio;
> CBRE appraises all Portuguese, Spanish, Czech and Dutch assets, and several French and Italian assets;
> BNP Paribas Real Estate appraises all German assets;
> Colliers appraises the Italian assets of the K2 fund;
> Cushman & Wakefield appraises a part of French portfolio, all Danish, Swedish, and Norwegian assets, and most of the Eastern European assets (Poland, Hungary, and Slovakia).

Other retail properties are appraised by BNP Paribas Real Estate.

All appraisals are conducted in accordance with the recommendations of the French stock exchange authority AMF dated February 8, 2010, and the RICS (Royal Institute of Chartered Surveyors) standards. The fees paid to appraisers, agreed prior to their appraisal of the properties concerned, are fixed on a lump sum basis to reflect the number and complexity of the assets appraised. The fee is entirely unrelated to the appraised value of the assets concerned.

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

All Klépierre Group assets are systematically appraised using two methods: yield method and discounted cash-flows.

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

The present value of rebates on minimum guaranteed rent payments, expenses payable on currently vacant premises and non-chargeable work is then deducted from the fair market value calculated above.

A standard vacancy rate is then defined for each asset. The discount rate applied is the same as the yield rate used in the fair market value calculation.

Gross rent includes the minimum guaranteed rent, the variable part of the rent and the market rental price for vacant properties. The net total rent is calculated by deducting the following expenses from the gross rent: management charges, non-reinvoiced charges, expenses relating to provisions for vacant premises and the average loss on bad debts over the previous five years.

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

The discounted cash-flows method calculates the value of an asset as the sum of discounted future cash-flows based on a discount rate defined by the appraiser.

The appraiser estimates anticipated total revenues and expenses relating to the asset, and then measures a “terminal value” at the end of an average ten-year analytical period. By comparing the market rental values with face rental values, the appraiser assesses the reversion potential of the asset, using the market rental value at the end of the lease, after deduction of the expenses incurred in remarketing the property. Lastly the appraiser discounts the forecast cash-flow to determine the present value of the property.

The discount rate adopted reflects the market risk-free rate (ten-year government bond) plus a property market risk and liquidity premium and an asset-specific premium reflecting the location, specification and tenancy of each building.

5.4.1 Investment properties at fair value

In €m	
INVESTMENT PROPERTIES AT FAIR VALUE – NET VALUE AS OF 12/31/2017	**21,494.2**
Acquisition	-
Entries in the scope of consolidation	3.6
Investments	128.0
Capitalized interests	2.6
Disposals and exits from the scope of consolidation	−10.1
Other movements, reclassifications	5.8
Currency fluctuations	−119.6
Fair value variations	385.8
INVESTMENT PROPERTIES AT FAIR VALUE – NET VALUE AS OF 06/30/2018	**21,890.3**

The investments for €128.0 million realized during the period mainly concern:

> the redevelopment project of Hoog Catharijne in Utrecht for €41.1 million;

> the Prado shopping center in Marseille for €21.3 million, completed on March 29, 2018; and

> the extension of Odysseum in Montpelier for €10.9 million.

The entrance in the scope of consolidation concerns the acquisition of Guldlisten 20 AS company in Norway.

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

	06/30/2018			
Shopping centers	**Annual rent** *(in € per sq.m.)*[(a)]	**Discount rate**[(b)]	**Exit rate**[(c)]	**CAGR of NRI**[(d)]
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 GROUP	**335**	**6.5%**	**5.2%**	**2.3%**

(a) Average annual rent (minimum guaranteed rent + sales based rent) per asset per sq. m.
(b) Rate used to calculate the net present value of future cash flows; average rate weighted by the value of the shopping centers (including transfer taxes, Group share).
(c) Rate used to capitalize the exit rent to determine the exit value of an asset; average rate weighted by the value of the shopping centers (including transfer taxes, Group share).
(d) Compounded Annual Growth Rate of NRI determined by the appraiser at 10 years.

5.4.2 Investment properties at cost

In €m	
INVESTMENT PROPERTIES AT COST MODEL – NET VALUE AS OF 12/31/2017	**123.1**
Investments	42.1
Capitalized interests	0.4
Disposals and exits from the scope of consolidation	–0.3
Other movements, reclassifications	–6.9
Currency fluctuations	–0.3
Fair value variations	
Impairments and reversals	0.2
INVESTMENT PROPERTIES AT COST MODEL – NET VALUE AS OF 06/30/2018	**158.3**

The investments over the period are mainly related to the Créteil Soleil extension works in France.

As of June 30, 2018, the main investment properties at cost consist of:

> in Scandinavia: a project under construction in Kristianstad and a land in Odense;

> in Belgium: building rights attached to Louvain La Neuve development project;

> in Italy: the extension of the shopping center Shopville Gran Reno;

> in France: the extension of the shopping center Créteil Soleil.

5.4.3 Investment properties held for sale

Accounting policies

Investment properties held for sale

Investment properties under sale commitment or sales mandate are presented according to IFRS 5.

The accounting impacts are as follows:

> reclassification as held for sale at the lower of its carrying amount and fair value less costs to sell; and

> presentation on a separate line as current assets.

In €m	
INVESTMENT PROPERTIES HELD FOR SALE – NET VALUE AS OF 12/31/2017	**295.6**
Disposals and exits from the scope of consolidation	–293.4
Other movements, reclassifications	1.1
Currency fluctuations	
Fair value variations	
INVESTMENT PROPERTIES HELD FOR SALE – NET VALUE AS OF 06/30/2018	**3.3**

During the half year 2018, the main assets disposed (€293.4 million) were:

> the development plot in the city center of Köln in Germany;

> the Grand Vitrolles retail mall (Klépierre equity interest 83%; CNP 17%) near Marseille in France and the Gran Via de Hortaleza retail mall (fully owned by Klépierre) located in Madrid (Spain); and

> 4 other retail units in France.

5.4.4 Investment property portfolio reconciliation

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

	06/30/2018			
In €m	**Investment properties held by fully consolidated companies**	**Investment in equity method companies[(a)]**	**Transfer taxes optimization**	**Total Portfolio valuation**
Investment Properties at fair value	21,890.3	1,387.4	1,117.7	24,395.4
Investment properties at cost	158.3			158.3
Investment properties held for sale	3.3			3.3
Ground leases	26.9			26.9
Operating lease incentives	10.0			10.0
TOTAL	**22,088.8**	**1,387.4**	**1,117.7**	**24,593.9**

(a) 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.

5.5 Equity method investments

In €m	12/31/2017 Group share	Share in net income 2017	Dividends received	Capital increases and reductions	Currency fluctuations	Changes in scope of consolidation and other movements	06/30/2018 Group share
Investments in jointly-controlled companies	900.5	7.0	−9.1	2.2	5.6		906.2
Investments in companies under significant influence	173.7	29.0	−8.5		−21.9		172.3
EQUITY METHOD INVESTMENTS	**1,074.1**	**36.0**	**−17.6**	**2.2**	**−16.3**	**-**	**1,078.4**

34 companies are consolidated under the equity method as of June 30, 2018, of which 26 are jointly controlled and 8 are under significant influence.

The main elements of the balance sheet and income statement of joint ventures or jointly-controlled companies(1) are presented below (the values shown below include consolidation restatements):

	06/30/2018		12/31/2017	
In €m	100%	% of integration in consolidation	100%	% of integration in consolidation
Non-current assets	2,581.4	1,276.3	2,583.5	1,276.9
Current assets	92.1	45.4	91.7	45.3
Cash and cash equivalents	83.6	40.0	78.5	37.8
Non-current external financial liabilities	−102.1	−48.6	−108.7	−51.8
Non-current financial liabilities Group and Partners	−539.7	−269.3	−557.2	−278.6
Non-current liabilities	−245.8	−125.8	−235.1	−120.5
Current external financial liabilities	−13.1	−6.5	−12.9	−6.3
Current liabilities	−10.8	−5.2	−4.2	−2.3
NET ASSETS	**1,845.5**	**906.2**	**1,835.8**	**900.5**

	06/30/2018		12/31/2017	
In €m	100%	% of integration in consolidation	100%	% of integration in consolidation
Revenues from ordinary activities	71.3	35.3	73.6	36.3
Operating expenses	−12.7	−6.3	−12.6	−6.3
Change in value of investment properties	−21.3	−10.1	86.7	43.6
Financial income	−10.4	−5.2	−11.7	−5.8
Profit before tax	26.9	13.7	136.2	67.8
Tax	−13.4	−6.7	−26.0	−13.0
NET INCOME	**13.5**	**7.0**	**110.1**	**54.8**

Klépierre's share in the external net debt (current and non-current external financial liabilities adjusted by cash and cash equivalent) of its jointly-controlled companies amounts to €15.1 million as of June 30, 2018, compared to €20.3 million as of December 31, 2017.

The main elements of the balance sheet and income statement of companies under significant influence(2) are presented below (the values shown below include consolidation restatements):

	06/30/2018		12/31/2017	
In €m	100%	% of integration in consolidation	100%	% of integration in consolidation
Non-current assets	399.2	175.3	394.1	174.4
Current assets	1.1	0.4	2.2	0.9
Cash and cash equivalents	7.3	3.3	7.4	3.3
Non-current external financial liabilities	−0.8	−0.3	−0.8	−0.3
Non-current financial liabilities Group and Partners	−1.1	−0.3	−0.5	−0.1
Non-current liabilities	−1.7	−0.6	−1.8	−0.7
Current external financial liabilities				
Current liabilities	−11.8	−5.5	−8.2	−3.8
NET ASSETS	**392.3**	**172.3**	**392.3**	**173.7**

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

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

In €m	06/30/2018 100%	06/30/2018 % of integration in consolidation	06/30/2017 100%	06/30/2017 % of integration in consolidation
Revenues from ordinary activities	14.8	6.6	17.8	8.0
Operating expenses	–4.6	–2.2	–4.2	–2.0
Change in value of investment properties	55.5	24.2	–46.1	–21.3
Financial income	0.7	0.3	0.4	0.2
Profit before tax	66.4	29.0	–32.1	–15.2
Tax				
NET INCOME	**66.4**	**29.0**	**–32.1**	**–15.2**

5.6 Other non-current assets

Accounting policies

Financial assets

Financial assets include long-term financial investments, current assets representing accounts receivable, debt securities, investment securities (including derivatives) and cash.

Except for certain trade receivables, under IFRS 9, financial asset are measured at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Measurement and recognition of financial assets

Loans and receivables

These include receivables from investments, other loans and receivables. All are recognized at amortized cost, which is calculated using the effective interest rate method. The effective interest rate is the rate that precisely discounts estimated future cash-flows to the net carrying amount of the financial instrument.

The impairment losses is based on a forward-looking expected credit loss (ECL) approach.

Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition

This category only includes equity instruments, which the Group intends to hold for the foreseeable future and which the Group has irrevocably elected to so classify upon initial recognition or transition. The Group classified its unquoted equity instruments as equity instruments at FVOCI. Equity instruments at FVOCI are not subject to an impairment assessment under IFRS 9. Under IAS 39, the Group's unquoted equity instruments were classified as AFS financial assets.

Cash and cash equivalents

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

In €m	12/31/2017	Change in scope	Increases	Reductions	Other	06/30/2018
Other long-term investments	0.1					0.1
Loans and advances to non-consolidated companies and companies consolidated using the equity method	302.3		28.8	–35.1	–1.0	295.0
Loans	0.1		1.0	–0.7		0.3
Deposits	15.7		2.5	–2.4		15.8
Other long-term financial investments	1.1					1.1
TOTAL	**319.3**		**32.3**	**–38.2**	**–1.0**	**312.3**

5.7 Trade accounts and notes receivable

Accounting policies

Trade and other receivable

Trade receivables are recognized and measured at invoice face value minus accruals for non-recoverable amounts, according to IFRS 9, as described in section 2 "significant accounting principles".

Trade accounts include the effect of spreading lease incentives (stepped rents and rent-free periods) granted to tenants. All receivables have a maturity of less than one year, except stepped rents and rent-free periods, which are spread over the fixed term of the lease.

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

In €m	06/30/2018	12/31/2017
Trade receivables	180.0	182.3
Stepped rents and rent-free periods of leases	34.3	31.9
Gross value	**214.3**	**214.1**
Provisions on bad debts	−72.2	−69.6
NET VALUE	**142.1**	**144.5**

5.8 Other receivables

	06/30/2018			12/31/2017
In €m	Total	Less than one year	More than one year	Total
Tax receivables	**146.2**	**146.2**		**137.5**
Corporate income tax	50.5	50.5		54.9
VAT	77.6	77.6		63.4
Other tax receivable	18.2	18.1		19.1
Other receivables	**284.4**	**246.4**	**38.0**	**209.1**
Service charges due	10.6	10.6		11.1
Down payments to suppliers	112.2	112.0	0.2	57.4
Prepaid expenses	37.3	10.5	26.9	39.6
Funds from principals	85.2	85.2		83.3
Other	39.0	28.0	10.9	17.8
TOTAL	**430.6**	**392.6**	**38.0**	**346.6**

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

Upfront payments on building leases or emphyteutic rights are amortized over the lifetime of the lease and recognized under prepaid expenses, totaling €26.9 million.

Funds managed by Klépierre Management on behalf of its principals stand at €85.2 million as of June 30, 2018 compared to €83.3 million as of December 31, 2017. The management accounts of the principals are recognized under "Other liabilities" (see note 5.14) for the same amount.

5.9 Cash and cash equivalents

In €m	06/30/2018	12/31/2017
Cash equivalents	4.0	3.9
Treasury and certificates of deposit	0.1	0.1
Money market investments	3.9	3.8
Cash	242.0	560.6
Gross cash and cash equivalents	**246.0**	**564.5**
Bank overdrafts	**−252.7**	**−130.0**
NET CASH AND CASH EQUIVALENTS	**−6.6**	**434.5**

Cash equivalents are composed of French UCITS-type monetary funds for €3.9 million and Italian treasury bills for €0.1 million. During the period, available cash has been partially used to bonds repayments.

5.10 Shareholders' equity

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

At June 30, 2018, the capital is composed of 314,356,063 shares each of €1.40 par value. The capital is fully paid up. Shares are either registered or bearer.

In €	Number of shares	Capital	Issue premiums	Merger premiums	Other premiums
As of January 1, 2018	314,356,063	440,098,488	4,906,584,902	310,095,156	601,384,000
Issuing of new shares over the 2018 year					
AS OF JUNE 30, 2018	**314,356,063**	**440,098,488**	**4,906,584,902**	**310,095,156**	**601,384,000**

On April 24, 2018, the Shareholders' Meeting approved the payout of a €1.96 per share dividend in respect of the 2017 fiscal year, and proposed a cash payment. The dividend approved by Klépierre shareholders totaled €616 million (including dividend on treasury shares) and €589 million (excluding dividend on treasury shares) of which a €168 million distribution of capital-related reserves.

5.10.2 Treasury shares

Accounting policies

Treasury shares

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

	06/30/2018					12/31/2017				
	Stock options	Free shares	Liquidity	External growth	Share repurchase program March 2017	Stock options	Free shares	Liquidity	External growth	Share repurchase program March 2017
Number of shares	524,536	891,600	246,669	758,125	11,691,968	506,631	872,091	231,347	885,195	9,761,424
> *Of which allocated*	*231,972*	*891,600*				*324,401*	*872,091*			
Acquisition value *(in €m)*	15.3	28.4	8.0	15.5	416.7	14.3	28.6	7.9	18.3	350.0
Income from sale *(in €m)*	−0.3					1.9				

On March 13, 2017, Klépierre announced a share buyback program of up to €500 million. As of June 30, 2018, the Group had repurchased 11,691,968 shares (of which 1,930,544 shares over the semester) for an aggregated amount of €416.7 million (of which €66.6 million over the semester).

5.10.3 Other consolidated reserves

The increase of other consolidated reserves is mainly due to the allocation of the profits of fiscal year 2017 for €1,228.6 million (before distribution) and the deduction of the remaining dividend distribution related to 2017 for €421.3 million.

5.10.4 Non-controlling interests

Non-controlling interests increased by €1.2 million during the first half of 2018.

This change mainly reflects the net income of the period of non-controlling interests (€140.8 million), the change in scope due to the 17% acquisition of Klecar Europe Sud SCS (−€69.8 million), the payment of dividends (−€60.2 million) to minority shareholders and the exchange impact (−€10.6 million).

5.11 Current and non-current financial liabilities

5.11.1 Change in indebtedness

Accounting policies

Financial liabilities

Financial liabilities include borrowings, other forms of financing, bank overdrafts, derivatives and accounts payable.

IFRS 9 “Financial instruments”: describes how financial assets and liabilities must be measured and recognized.

Measurement and recognition of financial liabilities

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

Recognition of liabilities at amortized cost

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

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

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

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

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

Measurement and recognition of derivatives

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

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

> hedges to cover balance sheet items whose fair value fluctuates in response to interest rate, credit or exchange rate risks (fair value hedge);

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

The Klépierre portfolio meets all IFRS 9 hedge definition and effectiveness criteria.

The adoption of hedge accounting has the following consequences:

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

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

Recognition date: trade or settlement

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

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

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

Klépierre applies the following rules:

- derivatives are recognized at their trade date, since their measurement effectively takes account of any deferred start dates; and
- other financial instruments (especially liabilities) are recognized on the basis of their settlement date.

Method used to calculate fair value of financial instruments

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

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

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

Most OTC (Over The Counter) derivatives, swaps, futures, caps, floors and simple options are traded on active markets. They are measured using generally-accepted models (Discounted Cash-Flow, Black and Scholes, interpolation techniques, etc.) based on the market prices of such instruments or similar underlying values.

Tax treatment of changes in fair value of financial instruments

In Klépierre's case:

- the non-SIIC part of the deferred tax on financial instruments recognized at fair value is calculated pro rata of net financial income; and
- the financial instruments of foreign subsidiaries recognized at fair value generate a deferred tax calculation on the basis of the rates applying in the country concerned.

Current and non-current financial liabilities amount to €9,306 million as of June 30, 2018.

Net indebtedness totaled €9,153 million, compared to €8,978 million at December 31, 2017. Net indebtedness is the difference between financial liabilities (excluding both fair value hedge and market value adjustment of Corio's debts recorded at the acquisition date) plus bank overdrafts minus available cash and marketable securities.

The €175 million increase is mainly explained by:

- the 2017 dividend payment in April 2018, for €589 million and the purchase of own shares for an aggregate amount of €63 million. In addition, €84 million net amount was distributed to minority shareholders;
- total investments amounted to €194 million including €158 million of development expenses (€102 million) and investments on existing portfolio (€55 million) and €37 million of acquisition (of which €33 million related to minorities interest acquisition in Spain and €4 million related to the acquisition of a retail unit at Gulskogen). In the meantime, Klépierre received €298 million related to asset disposals in France, Scandinavia and Spain;
- the free cash-flow reduce net debt by €435 million; and
- the appreciation of the euro against the Scandinavian currencies generated €4 million of negative foreign-exchange impact on debt.

In €m	06/30/2018	12/31/2017
Non-current		
Bonds net costs/premiums	**5,955.6**	**5,952.3**
> of which revaluation due to fair value hedge	23.8	28.8
Loans and borrowings from credit institutions – more than one year	**1,201.6**	**1,240.2**
Fair value adjustment of debt[a]	**50.5**	**60.4**
Other loans and borrowings	**144.7**	**115.4**
> Advance payments to the Group and associates	137.5	107.9
> Other Loan	7.2	7.5
TOTAL NON-CURRENT FINANCIAL LIABILITIES	**7,352.4**	**7,368.2**
Current		
Bonds net costs/premiums	**32.2**	**331.9**
> of which revaluation due to fair value hedge		
Loans and borrowings from credit institutions – less than one year	**124.0**	**76.9**
Accrued interest	**69.5**	**95.1**
> on bonds	63.2	87.2
> on loans from credit institutions	5.3	6.1
> on advance payments to the Group and associates	1.0	1.8
Commercial paper	**1,726.4**	**1,711.6**
Other loans and borrowings	**1.2**	**1.6**
> Advance payments to the Group and associates	1.2	1.6
TOTAL CURRENT FINANCIAL LIABILITIES	**1,953.4**	**2,217.2**
TOTAL NON-CURRENT AND CURRENT FINANCIAL LIABILITIES	**9,305.8**	**9,585.4**

(a) Corresponds to the remaining amount of the market value adjustment of Corio's debt recorded at the acquisition date.

5.11.2 Principal sources of financing

The Group's main financial resources are detailed in the table below.

During the first semester, Klépierre redeemed bond at maturity in January for €291 million.

	Group's financing						
In €m	Borrower	Issue currency	Reference rate	Maturity date	Repayment profile	Maximum amount	Amount used as at 06/30/2018
Bonds						**5 024**	**5 024**
	Klépierre SA	EUR	2,750 %	17/09/2019	In fine	275	275
	Klépierre SA	EUR	4,625 %	14/04/2020	In fine	300	300
	Klépierre SA	EUR	4,750 %	14/03/2021	In fine	564	564
	Klépierre SA	EUR	1,000 %	17/04/2023	In fine	750	750
	Klépierre SA	EUR	1,750 %	06/11/2024	In fine	630	630
	Klépierre SA	EUR	2,125 %	22/10/2025	In fine	255	255
	Klépierre SA	EUR	1,875 %	19/02/2026	In fine	500	500
	Klépierre SA	EUR	1,375 %	16/02/2027	In fine	600	600
	Klépierre SA	EUR	4,230 %	21/05/2027	In fine	50	50
	Klépierre SA	EUR	1,250 %	29/09/2031	In fine	600	600
	Klépierre SA	EUR	1,625 %	13/12/2032	In fine	500	500
Bonds						**634**	**634**
	Klépierre (ex-Corio)	EUR	5,448 %	10/08/2020	In fine	250	250
	Klépierre (ex-Corio)	EUR	3,250 %	26/02/2021	In fine	299	299
	Klépierre (ex-Corio)	EUR	3,516 %	13/12/2022	In fine	85	85
Bonds						**342**	**342**
	Steen & Strøm	NOK	NIBOR	21/02/2019	In fine	32	32
	Steen & Strøm	NOK	2,620 %	08/06/2022	In fine	47	47
	Steen & Strøm	NOK	NIBOR	14/09/2022	In fine	79	79
	Steen & Strøm	NOK	NIBOR	23/03/2023	In fine	84	84
	Steen & Strøm	NOK	2,400 %	07/11/2023	In fine	53	53
	Steen & Strøm	SEK	1,093 %	08/12/2022	In fine	48	48
Bank loans						**3 600**	**425**
	Klépierre	EUR	Euribor	04/06/2020	In fine	750	
	Klépierre	EUR	Euribor	07/07/2022	In fine	850	
	Klépierre	EUR	Euribor		In fine	1 650	75
	Klépierre Nederland	EUR	Euribor	14/01/2021	In fine	350	350
Mortgage loans						**852**	**830**
	K2	EUR	E3m	15/01/2023	Amortized	21	21
	Massalia Shopping Mall[(d)]	EUR	Euribor	23/06/2026	In fine	134	111
	Steen & Strøm[(c)]	SEK	STIBOR			292	292
	Steen & Strøm[(c)]	DKK	CIBOR/Fixed[(b)]			405	405
Property finance leases						**28**	**28**
Short-term lines and bank overdrafts						**404**	**176**
Commercial papers						**1 726**	**1 726**
	Klépierre	EUR			In fine	1 500	1 500
	Steen & Strøm	NOK			In fine	168	168
	Steen & Strøm	SEK			In fine	57	57
TOTAL FOR THE GROUP[(a)]						**11 109**	**9 184**

(a) Totals are calculated excluding the backup lines of funding since the maximum amount of the "commercial paper" line includes that of the backup line.
(b) Of which fixed rate debt for €87 million.
(c) Steen & Strøm has several loans in SEK and DKK.
(d) Including €3 million of VAT financing credit with a shorter maturity.

5.11.3 Financial covenants relating to financing and rating

The Group's main credit agreements contain financial covenants, which could lead to a mandatory prepayment of the debt.

As of June 30, 2018, the Group's financing covenants remain in line with the commitments agreed to under its contracts. The financial ratios are disclosed in the management report (section 1.7.4 "Financial ratios and rating").

5.11.4 Breakdown of borrowings by maturity date

▶ BREAKDOWN OF CURRENT AND NON-CURRENT FINANCIAL LIABILITIES

In €m	Total	Less than one year	One to five years	More than five years
NON-CURRENT				
Bonds net costs/premiums	**5,955.6**		**2,768.0**	**3,187.6**
> of which revaluation due to fair value hedge	23.8		23.8	
Loans and borrowings from credit institutions – more than one year	**1,201.6**		**589.7**	**611.9**
Fair value adjustment of debt[(a)]	**50.5**		**50.5**	
Other loans and borrowings	**144.7**		**137.5**	**7.2**
> Advance payments to the Group and associates	137.5		137.5	
> Other loans	7.2			7.2
TOTAL NON-CURRENT FINANCIAL LIABILITIES	**7,352.4**		**3,545.7**	**3,806.7**
CURRENT				
Bonds net costs/premiums	**32.2**	**32.2**		
> of which revaluation due to fair value hedge				
Loans and borrowings from credit institutions – less than one year	**124.0**	**124.0**		
Accrued interest	**69.5**	**69.5**		
> on bonds	63.2	63.2		
> on loans from credit institutions	5.3	5.3		
> on advance payments to the Group and associates	1.0	1.0		
Commercial paper	**1,726.4**	**1,726.4**		
Other loans and borrowings	**1.2**	**1.2**		
> Advance payments to the Group and associates	1.2	1.2		
TOTAL CURRENT FINANCIAL LIABILITIES	**1,953.4**	**1,953.4**		
TOTAL NON-CURRENT AND CURRENT FINANCIAL LIABILITIES	**9,305.8**	**1,953.4**	**3,545.7**	**3,806.7**

(a) Corresponds to the remaining amount of the market value adjustment of Corio's debt recorded at the acquisition date.

At June 30, 2018, maturity schedule of contractual flows including principal and interests (non-discounted) amounts are as follows:

Repayment year *In €m*	2018	2019	2020	2021	2022	2023	2024	2025	2026 and after	Total
Principal	1,723	575	588	1,256	311	1,001	711	290	2,728	9,184
Interest	75	148	129	90	84	67	61	51	157	862
TOTAL FOR THE GROUP (PRINCIPAL + INTERESTS)	**1,798**	**723**	**718**	**1,346**	**394**	**1,069**	**772**	**341**	**2,885**	**10,046**

Most of commercial papers in euros will mature during 2018 (€1,269 million). Commercial paper is essentially short term resources used on a rollover basis. They are fully covered by back-up lines.

In Scandinavian currencies, 1,650 million Norwegian Kroner and 600 million Swedish Kroner of commercial papers (€226 million) and several loans in Swedish Kroner (€39 million) will mature in 2018.

At December 31, 2017, the amortization table for these contractual flows was as follows:

Repayment year *In €m*	2017	2018	2019	2020	2021	2022	2023	2024	2025 and after	Total
Principal	2,117	345	590	1,258	395	894	713	293	2,725	9,331
Interest	149	149	131	92	80	67	62	51	158	940
TOTAL FOR THE GROUP (PRINCIPAL + INTERESTS)	**2,266**	**494**	**722**	**1,350**	**475**	**961**	**775**	**344**	**2,884**	**10,271**

5.12 Hedging instruments

5.12.1 Interest Rate hedging portfolio

As part of its risk management policy (see note 8), Klépierre has settled interest rate swap or cap agreements allowing to switch from floating rate to fixed rate debt and vice-versa. Thanks to these instruments, the Group's hedging rate (the proportion of gross financial debt arranged or hedged at fixed rate) was 95% as of June 30, 2018 (notional amounts).

At June 30, 2018, the breakdown of derivatives by maturity date was as follows:

Hedging relationship *In €m*	Derivatives of Klépierre Group												
	Currency	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**Total**
Cash flow hedge													**941**
	EUR				350					114			464
	NOK		168			53	32						252
	SEK	19		57	57	29							163
	DKK				63								63
Fair value hedge													**344**
	EUR			250	94								344
	NOK												
	SEK												
	DKK												
Trading													**3,244**
	EUR	150	410	1,600	750	100							3,010
	NOK												
	SEK			48	38								86
	DKK			40		107							148
TOTAL FOR THE GROUP		**169**	**578**	**1,995**	**1,352**	**289**	**32**			**114**			**4,529**

The "trading" category includes a portfolio of caps (€1.37 billion of notional), a portfolio of €1.26 billion of payer swaps and one receiver swap maturing in 2020 for €400 million.

At June 30, 2018, the corresponding contractual flows (interest) break down as follows (positive flows = payer flows):

In €m	**Hedging relationship**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**Total**
Swaps	Cash-Flow Hedge	1	2	1				−1	−1	−1			2
Swaps	Fair value hedge	−9	−17	−8	−1								−34
Swaps/cap	Trading	−3	−7	17									7
EUR-denominated derivatives		**−10**	**−22**	**10**				**−1**	**−1**	**−1**			**−25**
NOK-denominated derivatives		**1**	**1**										**1**
SEK-denominated derivatives		**2**	**4**	**3**	**1**								**11**
DKK-denominated derivatives		**1**	**2**	**2**	**1**								**6**
TOTAL FOR THE GROUP		**−6**	**−16**	**15**	**2**		**−1**	**−1**	**−1**	**−1**			**−7**

At December 31, 2017, the breakdown of derivatives by maturity date was as follows:

Hedging relationship *In €m*		Derivatives of Klépierre Group											
	Currency	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**Total**
Cash flow hedge													**943**
	EUR				350					114			464
	NOK		163			51	30						244
	SEK	20		61	61	30							173
	DKK				63								63
Fair value hedge													**344**
	EUR			250	94								344
	NOK												
	SEK												
	DKK												
Trading													**3,099**
	EUR	700	410	1,450	300								2,860
	NOK												
	SEK			51	41								91
	DKK			40		107							148
TOTAL FOR THE GROUP		**720**	**573**	**1,852**	**908**	**189**	**30**			**114**			**4,386**

At December 31, 2017, the corresponding contractual flows (interest) break down as follows (positive flows = payer flows):

In €m	**Hedging relationship**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**Total**
Swaps	Cash-Flow Hedge	2	1					−1	−1	−1			
Swaps	Fair value hedge	−17	−16	−7	−1								−42
Swaps/cap	Trading	−6	−8	16									2
EUR-denominated derivatives		**−21**	**−23**	**8**	**−1**			**−1**	**−1**	**−1**			**−40**
NOK-denominated derivatives		**2**											**2**
SEK-denominated derivatives		**5**	**4**	**3**	**1**								**14**
DKK-denominated derivatives		**2**	**2**	**1**	**1**								**6**
TOTAL FOR THE GROUP		**−12**	**−17**	**13**	**1**		**−1**	**−1**	**−1**	**−1**			**−18**

Fair value of the interest rate hedging portfolio

In €m	**Fair value net of accrued interest as of 06/30/2018**	**Change in fair value during 2018**	**Counterparty**
Cash flow hedge	−18.4	3.3	Shareholders' equity
Fair value hedge	23.8	−5.0	Borrowings/Earnings
Trading	−3.0	−5.3	Earnings
TOTAL	**2.4**	**−7.0**	

5.12.2 Exchange rate hedging

Klépierre manages its exposure to foreign exchange risk linked to some Turkish malls owned with rents denominated in USD, by selling forward USD ($171 million) against €. These transactions are qualified as Net Investment Hedges.

Fair value of the exchange rate hedging portfolio

In €m	Fair value net of accrued interest as of 06/30/2018	Change in fair value during 2018	Counterparty
Net investment hedge	0.6	−0.9	Shareholders' equity
Trading FX		1.6	Borrowings/Earnings
TOTAL	**0.6**	**0.7**	**-**

5.13 Non-current provisions

Accounting policies

Provisions and contingent liabilities

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

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

Non-current provisions amount to €28.3 million as of June 30, 2018 compared to €26.9 million as of December 31, 2017, dedicated mainly to cover risks related to tax and business-related litigations in different countries where Klépierre operates.

5.14 Social and tax liabilities and other liabilities

In €m	06/30/2018	12/31/2017
Social and tax liabilities	**203.8**	**172.5**
Staff and related accounts	33.3	36.6
Social security and other bodies	13.3	14.1
Tax payables		
> Corporate income tax	67.2	48.1
> VAT	43.5	33.7
Other taxes and duties	46.6	40.1
Other liabilities	**342.0**	**312.4**
Creditor customers	13.1	18.4
Prepaid income	43.4	47.3
Other liabilities	285.5	246.7

The €13.1 million of advance payments received from tenants related to call of charges is recognized in "Creditor customers".

The "Other liabilities" item also includes funds representing the management accounts of Klépierre Management's principals, balanced by an equal amount in "Other receivables" on the asset side of the balance sheet. These funds totaled €85.2 million at June 30, 2018, compared to €83.3 million at December 31, 2017.

Note 6 Notes to the financial statements: Comprehensive Income Statement

6.1 Gross rental income

Accounting policies

Leases

According to IAS 17, the Group distinguishes two types of leases:

> finance lease, which is a lease that transfers substantially all the risks and rewards inherent in the ownership of an asset to the lessee. Title to the asset may or may not eventually be transferred at the end of the lease term;

> other leases are classified as operating leases.

Recognition of stepped rents and rent-free periods

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

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

The reference period adopted is the first firm lease term.

Entry fees

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

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

Early termination indemnities

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

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

Gross rental income includes:

> rents from investment property and rent-related income, such as car park rentals and early termination indemnities;

> other rental income: income from entry fees and other income.

Stepped rents, rent-free periods and entry fees are spread over the fixed term of the lease.

Charges invoiced to tenants are not included in gross rental income but deducted from rental expenses (with minor exceptions in Scandinavia and Turkey) in accordance with IFRS 15.

6.2 Land expenses (real estate)

Accounting policies

Building leases: IAS 40 and IAS 17

Land and building leases are classified as operating or finance leases, and are treated in the same way as leases for other types of assets. Klépierre considered for the majority of land and building lease contracts the criterion of operating lease was fulfilled. Initial payments made in this respect therefore constitute pre-lease payments, and are amortized over the term of the lease in accordance with the pattern of benefits provided. Analysis is on a lease-by-lease basis.

Land expenses (real estate) correspond to lease payments (or depreciation of initial payments) for properties built on land subject to a building lease or an operating contract (concession).

6.3 Non-recovered rental expenses

These expenses are stated net of charges re-invoiced to tenants and mainly comprise expenses on vacant premises.

6.4 Owners' building expenses

These expenses are composed of owners' rental expenses, expenses related to construction work, legal costs, expenses on bad debts and costs related to real estate management.

6.5 Other operating revenue

Other operating revenue includes:

> building works re-invoiced to tenants;

> other income.

6.6 Depreciation and impairment allowance on tangible and intangible assets

As of June 30, 2018, the depreciation and impairment allowance on tangible and intangible assets amounts to €6.7 million, a decrease of €0.7 million compared to June 30, 2017.

6.7 Change in value of investment properties

In €m	06/30/2018	06/30/2017
Change in value of investment properties at fair value	385.8	407.8
Change in value of investment properties at cost	0.2	−7.3
TOTAL	**386.0**	**400.5**

6.8 Income from disposals of investment properties and equity investments

Income from disposals totaled −€0.2 million and mainly resulted from the disposal of:

> the shares of the shopping center Grand Vitrolles in France and the shopping center Gran Via de Hortaleza, located in Madrid in Spain;

> the Roncalli shopping center in Germany;

> the corridor between the train station and the shopping center Hoog Catharijne in Utrecht in the Netherlands;

> the Domus 3's building rights in Sweden;

> four retail units, house and two apartments in Norway, and a plot of land in Caen in France.

Income from disposals also includes transfer costs and related expenses.

6.9 Net cost of debt

The net cost of debt amounts to €77.0 million, compared to €84.3 million at June 30, 2017.

The decrease in net cost of debt mainly due from the repayment at maturity of the bond in January 2018, which was refinanced earlier in 2017.

In €m	06/30/2018	06/30/2017
Financial income	**35.5**	**53.4**
Income from sale of securities	0.0	
Interest income on swaps	17.3	23.7
Deferral of payments on swaps	0.0	0.1
Capitalized interest	3.0	5.5
Interest on associates' advances	5.0	5.8
Sundry interest received	3.3	2.7
Other revenue and financial income	2.9	3.4
Currency translation gains	4.0	12.0
Financial expenses	**−112.5**	**−137.7**
Expenses from sale of securities		
Interest on bonds	−71.7	−83.0
Interest on loans from credit institutions	−6.4	−8.4
Interest expense on swaps	−13.3	−16.1
Deferral of payments on swaps	−16.1	−18.1
Interest on associates' advances	−1.1	−1.8
Sundry interest paid	−0.3	−1.5
Other financial expenses	−12.6	−17.8
Currency translation losses	−3.0	−10.1
Transfer of financial expenses	2.1	2.8
Amortization of the fair value of debt[a]	9.9	16.3
NET COST OF DEBT	**−77.0**	**−84.3**

(a) Corresponds to the amortization of the market value adjustment of Corio's debt at the acquisition date.

Note 7 Taxes

Accounting policies

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

At the General Meeting of shareholders held on September 26, 2003, Klépierre was authorized to adopt the SIIC tax status.

General features of the SIIC tax status

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

In return for tax exemption SIIC have to pay out 95% of rental income and 60% of the capital gains made on property disposals. In addition they must pay out 100% of any dividends received from subsidiaries.

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

Discounting of exit tax liability

The exit tax liability is discounted on the basis of its payment schedule.

Following initial recognition in the balance sheet, the liability is discounted and an interest expense is recognized in the income statement on each balance sheet date. In this way, the liability is reduced to its net present value on that date. The discount rate is calculated on the basis of the interest rate curve, taking into account the deferment period and the Klépierre refinancing margin.

Corporate income tax on companies not eligible for SIIC status

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

Corporate income tax on non-SIIC French entities is calculated in accordance with French common law.

Tax regime of Dutch companies (FBI)

After various meetings held between Klépierre and the Dutch ministry of finance on Klépierre Group's eligibility to the FBI regime, the latter considered that some activities carried out by the Group were not compliant with the FBI regime (tax regime providing for a CIT exemption applicable to Dutch subsidiaries). Due to business consideration of the activities concerned, Klépierre chose to waive the FBI regime application with retroactive effect from January 1, 2015.

Tax regime of Spanish SOCIMI entities

SOCIMIs are listed Spanish companies whose principal activity is the acquisition, promotion and rehabilitation of urban real estate assets for their leasing, either directly or through equity investments in other REITs (Real Estate Investments Trusts).

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

Furthermore, mandatory minimum distributions of profits must be carried out by SOCIMIs in accordance with the following criteria:

- 100% of the dividends received from participating entities;
- 80% of the profit resulting from leasing of real estate and ancillary activities;
- 50% of the profits resulting from the transfer of properties and shares linked to the Company activity provided that the remaining profits are reinvested in other real estate properties or participations within a maximum period of three years from the date of the transfer or, if not, 100% of the profits must be distributed as dividends once such period has elapsed.

Corporate income tax and deferred tax

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

Both current and future income taxes are offset where such offsetting is legally permissible and where they originate within the same tax consolidation Group and are subject to the same tax authority.

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

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

Deferred tax assets and liabilities are measured using the liability method and the tax rate expected to apply when the asset is realized or the liability settled on the basis of the tax rates and tax regulations adopted, or to be adopted before the balance sheet date. The measurement of deferred tax assets and liabilities must reflect the tax consequences arising as a result of the way in which the Company expects to recover or settle the carrying amounts of its assets and liabilities at the balance sheet date.

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

Deferred tax is calculated at the local rate known at the closing date taking into account the expected recovery date. The rates applied are: France 32.03%, Spain 25%, Italy 27.90%, Belgium 25%, Greece 29%, Portugal 22.5%, Poland 19%, Hungary 9%, Czech Republic 19%, Slovakia 21%, Sweden 20.6%, Norway 23%, Luxembourg 26.01%, The Netherlands 25%, Denmark 22%, Turkey 22%, Germany 34.03%.

In €m	**06/30/2018**	**06/30/2017**
Current tax	−21.2	−14.5
Deferred tax	−54.7	−128.0
TOTAL	**−75.9**	**−142.4**

A breakdown of tax expense between France (SIIC sector and common law) and foreign companies is shown in the reconciliation between theoretical and actual tax expense:

	France			
In €k	**SIIC sector**	**Common law**	**Foreign companies**	**Total**
Pre-tax earnings and earnings from equity-method companies	260.6	3.0	535.9	799.5
Theoretical tax expense at 34.43%	**−89.7**	**−1.0**	**−184.5**	**−275.3**
Exonerated earnings of the SIIC and SOCIMI tax regimes	**95.0**		**22.8**	**117.8**
Taxable sectors				
Impact of permanent time lags	−1.6	−1.2	−3.0	−5.8
Untaxed consolidation restatements	−2.1	1.6	28.1	27.6
Impact of non-capitalized losses	−2.7	−0.3	−3.2	−6.2
Assignment of non-capitalized losses	0.1	0.2	2.6	2.9
Change of tax regime				
Discounting of deferred tax following restructuring				
Discounting of tax rates and other taxes	6.3		2.5	8.8
Rate differences		0.4	53.8	54.3
Actual tax expense	**5.3**	**−0.2**	**−80.9**	**−75.9**

Deferred taxes are composed of:

In €m	12/31/2017	Change in scope	Change in net income	Cash flow hedging reserves	Asset, liability reclassifications	Other changes	06/30/2018
Investment properties	−1,584.8	−0.5	−51.4		0.2	11.8	−1,624.6
Derivatives	4.7		−0.2	−1.1		−0.1	3.4
Losses carried forward	32.0		−7.5			−0.2	24.4
Other items	0.3		0.2			−6.7	−6.2
Total for entities in a net liability position	**−1,547.7**	**−0.5**	**−58.8**	**−1.1**	**0.2**	**4.8**	**−1,603.1**
Investment properties	1.2		5.0		1.0		7.2
Derivatives	11.5			−4.4			7.1
Losses carried forward	13.8		−1.0				12.8
Other items	−2.0		0.1		−1.2		−3.1
Total for entities in a net asset position	**24.5**		**4.2**	**−4.4**	**−0.2**		**24.0**
NET POSITIONS	**−1,523.2**	**−0.5**	**−54.7**	**−5.5**		**4.8**	**−1,579.0**

The deferred tax in the income statement shows a charge of €54.7 million and is mainly comprised of:

> a €56.7 million expense resulting from the variation of deferred taxes on temporary differences arising from the changes in the fair market value and the tax value of investment properties;

> a €10.4 million gain mainly resulting from the decrease in tax rate in Sweden according to the tax law approved as of June 30 (€9.8 million);

> a €8.5 million expense, of which €8.2 million resulting from the use of losses carried forward partially offset by the activation of losses of the period and €0.3 million due to tax rate change in Sweden.

The ordinary tax losses carried forward are capitalized when their realization is deemed probable. The expected time scale for recovering tax loss carried forward capitalized for all entities within the Group is three to nine years in average.

Non-capitalized deferred taxes on tax losses carried forward amount to €244.6 million at June 30, 2018 compared to €259.6 million at December 31, 2017.

The "Change in scope" column mainly corresponds to the effect of the first consolidation of Guldlisten 20 AS in Norway.

The "Other changes" column, showing a variation of €4.8 million, mainly records the effect of currency fluctuations.

Note 8 Exposure to risk and hedging strategy

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

8.1 Interests rate risk

8.1.1 Interest rate risk – exposure to variable-rate debt

Recurrence of variable-rate financing requirement

Floating debt represents 36% of the Group's borrowings at June 30, 2018 (before hedging). It includes: bank loans (secured and unsecured), commercial papers and the use of authorized overdrafts.

Identified risk

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

Measurement of risk exposure

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

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

Interest rate position after hedging *In €m*	Amount	Change in financial expenses caused by a 1% increase in interest rates
Gross position before hedging (floating rate debt)	**3,291.7**	**32.9**
> Net hedge	−2,864.7	−16.4
Gross position after hedging	**427.0**	**16.6**
> Marketable securities	−4.0	−0.0
NET POSITION AFTER HEDGING	**423.0**	**16.5**

Fair value of cash flow hedge *In €m*	**Notional**	**Fair value net of accrued interest**	**Change in shareholders' equity caused by a 1% increase in interest rates**
Cash-flow hedge swaps at 06/30/2018			
> Euro-denominated portfolio	463.5	−1.7	17.1
> Steen & Strøm portfolio	478.0	−16.6	11.9
CASH-FLOW HEDGE SWAPS AT 06/30/2018	**941.5**	**−18.4**	**28.8**

Break-down of financial borrowings after interest rate hedging:

	Fixed-rate borrowings or converted to fixed-rate			**Variable-rate borrowings**			**Total gross borrowings**		**Average all-in cost of debt at closing date** [(a)]
In €m	**Amount**	**Rate**	**Fixed part**	**Amount**	**Rate**	**Variable part**	**Amount**	**Rate**	
12/31/2015	6,851	2.43%	77%	1,999	1.15%	23%	8,850	2.14%	2.20%
12/31/2016	7,205	2.15%	81%	1,725	1.12%	19%	8,930	1.96%	2.00%
12/31/2017	8,880	1.68%	95%	450	1.06%	5%	9,331	1.65%	1.69%
06/30/2018	8,754	1.57%	95%	430	0.97%	5%	9,184	1.54%	1.58%

(a) Including the spreading of issue costs premium.

The average all-in cost of debt as calculated as of June 30, 2018 does not constitute a forecast over the coming period.

Hedging strategy

Klépierre has set a target hedging rate of approximately 70%. This rate is defined as the proportion of fixed-rate debt (after hedging) to gross borrowings. At June 30, 2018, the hedging rate is above the objective and reached 95%.

In order to achieve its target rate, Klépierre focuses on the use of swap agreements, which enable fixed rates to be transformed in variable rates, and vice-versa.

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

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

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

8.1.2 Interest rate risk – exposure to fixed-rate debt

Description of fixed-rate borrowing

The majority of Klépierre's fixed-rate borrowing currently consists of bonds (€, NOK and SEK) and mortgage loans in Denmark.

Identified risk

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

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

Measurement of risk exposure and hedging strategy

At June 30, 2018, fixed rate debt totaled €5,893 million before hedging.

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

The duration of fair value hedge instruments is never longer than that of the debt hedged, since Klépierre wishes to obtain a very high level of effectiveness, as defined by IFRS 9.

8.1.3 Marketable securities

At June 30, 2018, Klépierre held €4.0 million of marketable securities.

Cash equivalents refer only to amounts invested in French open-ended money market funds (€3.9 million) and Treasury bills (€0.1 million).

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

8.1.4 Fair value of financial assets and liabilities

The Group recognizes the borrowings in the balance sheet at amortized cost.

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

- floating bank debt: the fair value is equal to the nominal value;
- fixed-rate bank debt: the fair value is calculated solely on the basis of rate fluctuations;
- bonds: use of market quotations where these are available.

	06/30/2018			12/31/2017		
In €m	Par value	Fair value	Change in fair value caused by a 1% increase in interest rate[(a)]	Par value	Fair value	Change in fair value caused by a 1% increase in interest rate[(a)]
Fixed-rate bonds	5,805.5	6,014.0	−219.0	6,096.4	6,420.8	−276.7
Fixed-rate bank loans	87.1	88.1	−1.2	90.8	91.6	−0.7
Other variable-rate loans	3,291.7	3,291.7		3,143.4	3,143.4	
TOTAL	**9,184.3**	**9,393.7**	**−220.3**	**9,330.6**	**9,655.7**	**−277.4**

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

Derivatives are recognized in the balance sheet at their fair value. At June 30, 2018, a 100 basis point rise in rates would have resulted in a €42.7 million increase in the value of the Group's euro-denominated interest rate derivatives.

8.2 Liquidity risk

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

The average duration of indebtedness at June 30, 2018 was 6 years, with borrowings spread between different markets (the bond market and commercial papers represent 84%, with the balance being raised in the banking market). Within the banking market, the Company uses a range of different loans types (syndicated loans, mortgage loans, etc.) and counterparties.

Outstanding commercial paper, which represents the bulk of short-term financing, never exceeds the backup lines. This means that the Company can refinance immediately if it has difficulty renewing its borrowings on the commercial paper market.

At June 30, 2018, Klépierre has unused credit lines (including bank overdrafts) totaling €1,925 million and €119 million available on its bank accounts. These resources are sufficient to absorb the main refinancing scheduled for the next two years.

Generally speaking, access to finance for real estate companies is facilitated by the security offered to lenders in the form of the companies' property assets.

Some Klépierre sources of funding (bilateral loans, bonds, etc.) are accompanied by financial covenants which could lead to a mandatory prepayment of the debt. These covenants are based on the standard ratios applying to real estate companies, and the limits imposed leave Klépierre with sufficient flexibility. Failure to comply with these covenants may result in mandatory prepayment.

Some of Klépierre SA bonds (€5,658 million) include a bearer put option, providing the possibility of requesting early repayment in the event of a change of control generating a change of Klépierre's rating to "non-investment grade". Apart from this clause, no other financial covenant refers to Standard & Poor's rating for Klépierre.

The main financial covenants are detailed in the financial report.

8.3 Currency risk

The bulk of Klépierre's business was conducted within the Eurozone with the exception of Norway, Sweden, Denmark, Czech Republic, Hungary, Poland and Turkey.

Except Scandinavia and Turkey, the currency risk in these countries has not been assessed sufficiently high to warrant derivative hedging, since the acquisitions and the acquisition financing were denominated in euros.

Generally, rents are invoiced to lessees in euros and converted into the local currency on the billing date. Lessees have the choice of paying their rents in local currency or in euros. The currency risk on minimum guaranteed rents is therefore limited to any variance between the rent as invoiced and the rent actually collected if the currency should fall in value against the euro between the invoice date and the date of payment in local currency by the lessee.

At the same time, Klépierre ensures that rent payments from tenants do not represent an excessively high proportion of their revenue in order to avoid any worsening of their financial position in the event of a sharp increase in the value of the euro, which could increase the risk of their defaulting on payments due to Klépierre.

In Scandinavia though, leases are denominated in local currency. Funding is therefore also raised in local currency. The principal exposure of the Klépierre Group to Scandinavian currency risk is therefore limited essentially to the funds invested in the Company (share in equity of Steen & Strøm), which were financed in euros.

In Turkey, the leases are denominated either in € or USD. Turkish investments with USD denominated leases are fully hedged by selling forward contracts in USD against €.

8.4 Counterparty risk

Counterparty risk is limited by the fact that Klépierre is structurally a borrower. This risk is therefore limited essentially to investments made by the Group and the Group's derivative transactions counterparties.

8.4.1 Counterparty risk on marketable securities

The counterparty risk on investments is limited by the type of products used:

> monetary UCITS managed by recognized institutions, and therefore carrying a range of signatures;

> government debt (loans or borrowings) of countries in which Klépierre operates; and

> occasionally, deposit certificates issued by leading banks.

8.4.2 Counterparty risk on hedging instruments

Klépierre conducts derivative instrument transactions only with financial institutions recognized as financially sound.

8.5 Equity risk

As of June 30, 2018, Klépierre holds no equities shares quoted on an exchange market other than its own shares (14,112,898 shares at June 30, 2018), which are recognized in equity at their acquisition cost.

Note 9 Finance and guarantee commitments

9.1 Commitments given

In €m	06/30/2018	12/31/2017
Commitments related to the Group's consolidated scope	**3.0**	**3.0**
Purchase commitments	3.0	3.0
Commitments related to Group financing	**829.4**	**861.0**
Financial guarantees given	829.4	861.0
Commitments related to the Group's operating activities	**123.2**	**93.7**
Commitments under conditions precedent	13.3	11.9
Work completion commitments	77.3	41.9
Rental guarantees and deposits	7.1	7.7
Other commitments given	25.6	32.3
TOTAL	**955.7**	**957.7**

9.1.1 Commitments related to the Group's consolidated scope

Purchase commitments

At June 30, 2018, this item includes a possible earn-out payment related to the acquisition of a project in France, contractually limited to €3 million excluding duties.

9.1.2 Commitments related to Group financing

Financial guarantees given

The Group finances its assets with equity or debt mostly contracted by Klépierre SA. In some cases, especially in Scandinavian countries, Steen & Strøm mainly relies on local currency mortgages to fund its activities.

The breakdown by country of guaranteed debts, mortgages and pledged rents is shown in the following table:

In €m	Loan amount as of 06/30/2018	Mortgage and pledges amount as of 06/30/2018
France(a)	111.3	156.1
Italy	20.9	90.0
Norway	-	-
Sweden	292.2	342.8
Denmark	405.1	462.0
TOTAL	**829.4**	**1,050.9**

(a) Mortgage related to the credit contract of Massalia Shopping Mall.

9.1.3 Commitments related to the Group's operating activities

Commitments under conditions precedent

The commitments under conditions precedent relate to purchase promissory agreements on land or assets and earn-out payments on acquisitions. At June 30, 2018, this item is composed of a potential earn-out related to on an acquisition in Belgium.

Work completion commitments

The work completion commitments concern amounts to be paid on works not yet realized in connection with Klépierre development pipeline. The increase of €35.4 million compared to 2017 relates mainly to the extension and renovation of Créteil Soleil in Paris (€46.8 million) partially compensated by Prado completion in Marseille (−€7.8 million).

Rental guarantees and deposits

The "Rental guarantees and deposits" item is mainly composed of deposits for the business premises of the Group's management subsidiaries (Klépierre Management) abroad.

Other commitments given

Other commitments given mainly include payment guarantees given to Tax Authorities in several countries (€16.0 million).

Other commitments given related to lease contracts

The construction of the Saint-Lazare shopping center (Paris, France) has been authorized as part of the temporary occupation license of the public estate. This license was concluded in July 2008 between SOAVAL (Klépierre Group) and SNCF (National French Rail Network) over a 40-year period.

At predetermined deadlines, SNCF has several opportunities with a financial and contractual compensation: first to exercise a call option on the SOAVAL shares, and secondly to put an end to the Temporary Occupation License.

9.2 Mutual commitments

Mutual commitments amount to €170.6 million and are related to financial warranties given to contractors on Hoog Catharijne in The Netherlands (€129.9 million) and Créteil Soleil extension (€40.7 million). Reciprocally, Klépierre received financial warranties to complete the works from contractors.

9.3 Commitments received

In €m	06/30/2018	12/31/2017
Commitments related to Group financing	**1,697.2**	**1,509.8**
Financing agreements obtained and not used	1,697.2	1,509.8
Commitments related to the Group's operating activities	**413.1**	**482.4**
Sale commitments	3.3	96.8
Financial warranty received in connection with management activity (Loi Hoguet)	205.0	190.0
Financial warranties received from tenants	204.9	195.6
TOTAL	**2,110.4**	**1,992.2**

9.3.1 Commitments related to Group financing

Financing agreements obtained and not used

At June 30, 2018, Klépierre has €1,697 million of committed and undrawn credit lines on bilateral and syndicated loans.

9.3.2 Commitments related to the Group's operating activities

Sale commitments

At June 30, 2018, the sale commitments are related to a land in Cahors and a retail unit, in France.

Financial warranty received in connection with management activity (Loi Hoguet)

As part of its real-estate and property management activities, banking guarantees have been delivered to Klépierre Management for an amount capped at €205 million as of June 30, 2018.

Financial warranties received from tenants

As part of its rental business, the Group receives payment guarantees issued by financial institutions guaranteeing the amounts owed by tenants.

To the best of our knowledge, we have not omitted any significant or potentially significant off-balance sheet commitment as defined by the applicable accounting standards.

9.4 Shareholders' agreements

The Group is subject to the shareholders' and partners' agreements previously signed and which correspond to those applied in 2017, as indicated in paragraph 9.4 of the notes to the consolidated financial statements at December 31, 2017.

9.5 Commitments under operating leases – Lessors

The main clauses contained in the lessor's lease agreement correspond to those applied in 2017, as indicated in paragraph 9.5 of the notes to the consolidated financial statements at December 31, 2017.

At June 30, 2018, the total future minimum rents receivable under non-cancelable operating leases were as follows:

In €m	06/30/2018
Less than one year	974.7
Between one and five years	1,825.2
More than five years	732.2
TOTAL	**3,532.2**

9.6 Commitments under operating leases – Lessees

The Group is bound as lessee by operating lease contracts in the course of its business. Those contracts concern mainly offices, vehicles and equipment rentals.

At June 30, 2018, the total future minimum rents payable under non-cancelable operating leases were as follows:

In €m	06/30/2018
Less than one year	9.0
Between one and five years	27.2
More than five years	3.6
TOTAL	**39.8**

Note 10 Employee compensation and benefits

10.1 Payroll expenses

At June 30, 2018, total payroll expenses amounted to €59.8 million.

Fixed and variable salaries and wages plus incentives and profit sharing totaled €44.2 million, pension-related expenses, retirement expenses and other staff benefits were €14.3 million, taxes and similar compensation-related payments were €1.3 million.

10.2 Employees

At June 30, 2018, the Group had in average 1,178 employees: 718 employees work outside France-Belgium, including 140 employees in the Scandinavian real estate company Steen & Strøm. The average headcount of the Klépierre Group at June 30, 2018 breaks down as follows:

	06/30/2018	12/31/2017
France-Belgium	460	470
Scandinavia	140	147
Italy	177	176
Iberia	112	116
The Netherlands	61	65
Germany	59	57
CEE & Turkey	169	169
TOTAL	**1,178**	**1,200**

10.3 Employee benefits

Accounting policies

Employee benefits

Employee benefits are recognized as required by IAS 19, which applies to all payments made for services rendered, except for share-based payment, which is covered by IFRS 2.

All employee benefits, whether paid in cash or in kind, short term or long term, must be classified into one of the following four main categories:

> short-term benefits, such as salaries and wages, annual vacation, mandatory and discretionary profit-sharing schemes and Company contributions;

> post-employment benefits: these relate primarily to supplementary pension payments in France, and private pension schemes elsewhere;

> other long-term benefits, which include paid vacation, long-service payments, and some deferred payment schemes paid in monetary units; and

> severance pay.

Measurement and recognition methods vary depending on the category of benefit.

Short-term benefits

The Company recognizes an expense when it uses services provided by its employees and pays agreed benefits in return.

Post-employment benefits

In accordance with generally-accepted principles, the Group makes a distinction between defined contribution plans and defined benefit plans.

“Defined contribution plans” do not generate a liability for the Company, and therefore are not provisioned. Contributions paid during the period are recognized as an expense.

Only “Defined benefit plans” generate a liability for the Company, and are therefore measured and provisioned.

The classification of a benefit into one or other of these categories relies on the economic substance of the benefit, which is used to determine whether the Group is required to provide the promised benefit to the employee under the terms of an agreement or an implicit obligation.

Post-employment benefits classified as “Defined benefit plans” are quantified actuarially to reflect demographic and financial factors.

The amount of the commitment to be provisioned is calculated on the basis of the actuarial assumptions adopted by the Company and by applying the projected unit credit method. The value of any hedging assets (plan assets and redemption rights) is deducted from the resulting figure. According to IAS 19R, the actuarial gain or loss is recognized in Equity.

Long-term benefits

These are benefits other than post-employment benefits and severance pay, which are not payable in full within twelve months of the end of the financial year in which the employees concerned provided the services in question.

The actuarial measurement method applied is similar to that used for post-employment defined benefit plans, and the actuarial gains or losses are recognized immediately. Furthermore, any gain or loss resulting from changes in the plan, but deemed to apply to past services, is recognized immediately.

Severance pay

Employees receive severance pay if their employment with the Group is terminated before they reach the statutory retirement age or if they accept voluntary redundancy. Severance pay falling due more than twelve months after the balance sheet date is discounted.

Share-based payments

According to IFRS 2, all share-based payments must be recognized as expenses when use is made of the goods or services provided in return for these payments.

For the Klépierre Group, this standard applies primarily to the purchase of shares to meet the commitments arising from its employee stock option scheme.

Stock subscription options granted to employees are measured at their fair value determined on the date of allocation. This fair value is not subsequently remeasured for equity-settled share-based payment transactions, even if the options are never exercised.

This value, which is applied to the number of options eventually vested at the end of the vesting period (estimate of the number of options canceled owing to departures from the Company) is booked as an expense, with a corresponding increase in equity which is spread over the vesting period (i.e. the period during which employees must work for the Company before they can exercise the options granted to them).

This employee expense reflecting the options granted (corresponding to the fair value of services rendered by employees) is measured by a specialist independent third-party company. The model adopted complies with the basic assumptions of the Black & Scholes model, adapted to the specific characteristics of the options concerned.

10.3.1 Defined contribution pension plans

In France, the Klépierre Group contributes to a number of national and inter-profession core and supplementary pension organizations.

10.3.2 Defined benefit pension plans

The defined benefit pension plans set up by Klépierre, as well as their actuarial appraisals, correspond to those indicated in section 10.3 of the notes to the Group's consolidated financial statements for the year ended December 31, 2017.

The provisions recognized for defined benefit pension plans totaled €13.8 million at June 30, 2018.

In €m	12/31/2017	Allowances for the period	Write-backs (provision used)	Write-backs (provision unused)	Other movements	Changes in the scope of consolidation	06/30/2018
Provisions for employee benefit commitments							
> Defined benefit schemes	10.4	0.3					10.7
> Other long term benefits	3.0	0.1					3.1
TOTAL	**13.4**	**0.4**					**13.8**

The assumptions as at June 30, 2018 are in line with those used at previous year-end closing and are disclosed in section 10.3.2 of the notes to the Group's consolidated financial statements for the year ended December 31, 2017.

10.4 Stock-options

To date, 5 stock option plans have been set up for Group executives and employees. Plan No. 1, plan No. 2 and plan No. 3 expired respectively in 2014, 2015 and 2017. Plan No. 4 expired during the first semester of 2018.

	Plan No. 4		Plan No. 5	
	Without performance conditions	With performance conditions	Without performance conditions	With performance conditions
Date of the General Meeting of Shareholders	04/09/2009	04/09/2009	04/09/2009	04/09/2009
Date of the Executive Board meeting	06/21/2010	06/21/2010	05/27/2011	05/27/2011
Start date for exercising options	06/21/2014	06/21/2014	05/27/2015	05/27/2015
Expiration date	06/20/2018	06/20/2018	05/26/2019	05/26/2019
Subscription or purchase price	22.31	Between 22.31 and 26.77	27.94	Between 27.94 and 33.53
Stock purchase options originally granted	403,000	90,000	492,000	114,000
Stock purchase options canceled or obsolete at June 30, 2018	73,505	0	124,500	6,000
Stock purchase options exercised at June 30, 2018	329,495	90,000	215,028	28,500
Outstanding stock purchase options at June 30, 2018	0	0	152,472	79,500

Plan No. 5 is performance-related for Executive Board members and partly performance-related for the Executive Committee. No expense was recognized for the period.

10.5 Performance shares

There are currently 5 performance shares plans in place for Group executives and employees. Plan No. 1 and plan No. 2 expired respectively in 2016 and 2017.

	Plan No. 3	
Plan authorized in 2014	**France**	**Foreign countries**
Date of the General Meeting of Shareholders	04/12/2012	04/12/2012
Date of the Executive Board meeting	03/10/2014	03/10/2014
End of acquisition period	03/10/2017	03/10/2018
End of conservation period	03/10/2019	-
Shares originally granted	208,000	47,500
Reduction of shares with performance in 2018	196,065	34,268
Shares canceled at June 30, 2018	2,000	11,500
Shares definitively acquired in 2018	9,935	1,732
Outstanding shares at June 30, 2018	0	0

	Plan No. 4	
Plan authorized in 2015	**France**	**Foreign countries**
Date of the General Meeting of Shareholders	04/14/2015	04/14/2015
Date of the Executive Board meeting	05/04/2015	05/04/2015
End of acquisition period	05/04/2018	05/04/2019
End of conservation period	05/04/2021	-
Shares originally granted	235,059	54,900
Reduction of shares with performance in 2018	221,059	35,500
Additional shares granted	0	0
Shares canceled at June 30, 2018	14,000	17,000
Outstanding shares at June 30, 2018	0	2,400

	Plan No. 5	
Plan authorized in 2016	**France**	**Foreign countries**
Date of the General Meeting of Shareholders	04/19/2016	04/19/2016
Date of the Executive Board meeting	05/02/2016	05/02/2016
End of acquisition period	05/02/2019	05/02/2020
End of conservation period	05/02/2021	-
Shares originally granted	240,500	84,000
Additional shares granted	0	0
Shares canceled at June 30, 2018	16,000	15,000
Outstanding shares at June 30, 2018	224,500	69,000

	Plan No. 6	
Plan authorized in 2017	**France**	**Foreign countries**
Date of the General Meeting of Shareholders	04/18/2017	04/18/2017
Date of the Executive Board meeting	04/18/2017	04/18/2017
End of acquisition period	04/18/2020	04/18/2021
End of conservation period	04/18/2022	-
Shares originally granted	216,300	94,600
Additional shares granted	0	0
Shares canceled at June 30, 2018	9,000	13,000
Outstanding shares at June 30, 2018	207,300	81,600

On April 24, 2018, 309,300 shares have been allocated to management and Group employees, as part of a performance share plan authorized by the Executive Board. The allocation is divided into two fractions with the following characteristics:

	Plan No. 7	
Plan authorized in 2018	**France**	**Foreign countries**
Date of the General Meeting of Shareholders	04/24/2018	04/24/2018
Date of the Executive Board meeting	04/24/2018	04/24/2018
End of acquisition period	04/24/2021	04/24/2022
End of conservation period	04/24/2023	-
Shares originally granted	220,500	88,800
Additional shares granted	0	0
Shares canceled at June 30, 2018	0	2,500
Outstanding shares at June 30, 2018	220,500	86,300

The total expense recognized for the period for all performance share plans amounts to €2.1 million and takes into account an estimate of the population of beneficiary at the end of each vesting period, as a beneficiary may lose his or her entitlements should he or she leave the Klépierre Group during this period.

Note 11 Additional information

11.1 Transactions with related parties

11.1.1 Transactions with the Simon Property Group

At Company's knowledge and including treasury shares, the Simon Property Group holds a 20.33% equity stake in Klépierre SA as of June 30, 2018.

At this date, there are no transactions between the two companies.

11.1.2 Transactions with the APG Group

At Company's knowledge and including treasury shares, the APG Group holds a 11.94% equity stake in Klépierre SA as of June 30, 2018.

At this date, there are no transactions between the two companies.

11.1.3 Relationships between Klépierre Group consolidated companies

Transactions between related parties were governed by the same terms as those applying to transactions subject to normal conditions of competition. The end-of-period balance sheet positions and transactions conducted during the period between fully consolidated companies are completely eliminated.

The following tables show the positions and transactions of companies consolidated under equity method (over which the Group has significant influence or a joint control) that have not been eliminated in consolidation. A full list of Klépierre Group companies consolidated under equity method is given in section 11.6 "List of consolidated entities".

► BALANCE SHEET POSITIONS WITH RELATED PARTIES AT PERIOD-END

In €m	06/30/2018 Companies consolidated under equity method	12/31/2017 Companies consolidated under equity method
Loans and advances to companies consolidated using the equity method	269.4	278.7
Non-current assets	**269.4**	**278.7**
Trade accounts and notes receivable	5.5	5.3
Other receivables	12.3	7.0
Current assets	**17.8**	**12.3**
TOTAL ASSETS	**287.2**	**291.0**
Loans and advances from companies consolidated using the equity method	0.8	1.4
Non-current liabilities	**0.8**	**1.4**
Trade payables	0.2	0.4
Other liabilities	0.1	0.1
Current liabilities	**0.3**	**0.5**
TOTAL LIABILITIES	**1.1**	**1.9**

► "INCOME" ITEMS RELATED TO TRANSACTIONS WITH RELATED PARTIES

In €m	06/30/2018 Companies consolidated under equity method	12/31/2017 Companies consolidated under equity method
Management, administrative and related income	3.1	3.2
Operating income	**3.1**	**3.2**
Net cost of debt	5.0	5.8
Profit before tax	**8.1**	**9.0**
NET INCOME OF THE CONSOLIDATED ENTITY	**8.1**	**9.0**

Most of these items relate to management and administration fees and income on financings provided mainly to equity accounted investees.

11.2 Post-employment benefit plans

The main post-employment benefits are severance pay and defined benefit or defined contribution pension plans.

Post-employment benefit plans are administered by insurance companies and other independent management companies external to the Klépierre Group.

11.3 Contingent liabilities

During the period, neither Klépierre nor its subsidiaries have been the subject of any governmental or arbitration action (including any action of which the issuer has knowledge, which is currently suspended or is threatened) which has recently had a significant impact on the financial position or profitability of the issuer and/or the Group.

It is mentioned that part of the land of the Anatolium shopping center is subject to a jurisdictional action since 2012 involving Bursa Municipality (Turkey) and previous land owners. Should any adverse court decision be taken, Klépierre preserves its rights to request compensation from the municipality.

11.4 Subsequent events

On July 11, 2018, €175 million of additional facility was signed. In addition, Klépierre obtained commitments from banks to amend and extend €250 million of bilateral facilities by the end of July 2018. In the meantime, Klépierre cancelled €275 million on it syndicated credit facility maturing in July 2020.

11.5 Identity of the consolidating companies

At June 30, 2018, Klépierre is consolidated using the equity method by Simon Property Group, which holds a 20.33% stake in the equity of Klépierre (including treasury shares).

Klépierre is included in consolidated accounts of APG, which holds a 11.94% stake in the equity of Klépierre (including treasury shares).

11.6 List of consolidated entities

List of consolidated companies Full consolidated Companies	Country	% of interest 06/30/2018	% of interest 12/31/2017	% of interest Change	% of control 06/30/2018	% of control 12/31/2017	% of control Change
HOLDING – HEAD OF THE GROUP							
Klépierre SA	France	100.00%	100.00%	-	100.00%	100.00%	-
SHOPPING CENTERS – FRANCE							
KLE 1 SAS	France	100.00%	100.00%	-	100.00%	100.00%	-
SCOO SC	France	53.64%	53.64%	-	53.64%	53.64%	-
Klécar France SNC	France	83.00%	83.00%	-	83.00%	83.00%	-
KC3 SNC	France	83.00%	83.00%	-	100.00%	100.00%	-
KC4 SNC	France	83.00%	83.00%	-	100.00%	100.00%	-
KC5 SNC	France	83.00%	83.00%	-	100.00%	100.00%	-
KC9 SNC	France	83.00%	83.00%	-	100.00%	100.00%	-
KC10 SNC	France	83.00%	83.00%	-	100.00%	100.00%	-
KC12 SNC	France	83.00%	83.00%	-	100.00%	100.00%	-
KC20 SNC	France	83.00%	83.00%	-	100.00%	100.00%	-
LP7 SAS	France	100.00%	100.00%	-	100.00%	100.00%	-
Klécar Europe Sud SCS	France	100.00%	83.00%	17.00%	100.00%	83.00%	17.00%
Solorec SC	France	80.00%	80.00%	-	80.00%	80.00%	-
Centre Bourse SNC	France	100.00%	100.00%	-	100.00%	100.00%	-
Bègles Arcins SCS	France	52.00%	52.00%	-	52.00%	52.00%	-
Bègles Papin SNC	France	100.00%	100.00%	-	100.00%	100.00%	-
Sécovalde SCI	France	55.00%	55.00%	-	55.00%	55.00%	-
Cécoville SAS	France	100.00%	100.00%	-	100.00%	100.00%	-
Soaval SCS	France	100.00%	100.00%	-	100.00%	100.00%	-
Klémurs SCA	France	100.00%	100.00%	-	100.00%	100.00%	-
Nancy Bonsecours SCI	France	100.00%	100.00%	-	100.00%	100.00%	-
Sodevac SNC	France	100.00%	100.00%	-	100.00%	100.00%	-
Odysseum Place de France SNC	France	100.00%	100.00%	-	100.00%	100.00%	-
Klécar Participations Italie SAS	France	83.00%	83.00%	-	83.00%	83.00%	-
Pasteur SNC	France	100.00%	100.00%	-	100.00%	100.00%	-
Holding Gondomar 1 SAS	France	100.00%	100.00%	-	100.00%	100.00%	-
Holding Gondomar 3 SAS	France	100.00%	100.00%	-	100.00%	100.00%	-
Combault SNC	France	100.00%	100.00%	-	100.00%	100.00%	-
Beau Sevran Invest SCI	France	83.00%	83.00%	-	100.00%	100.00%	-
Valdebac SCI	France	55.00%	55.00%	-	55.00%	55.00%	-
Progest SAS	France	100.00%	100.00%	-	100.00%	100.00%	-
Belvedere Invest SARL	France	55.00%	55.00%	-	55.00%	55.00%	-
Haies Haute Pommeraie SCI	France	53.00%	53.00%	-	53.00%	53.00%	-
Plateau des Haies SNC	France	100.00%	100.00%	-	100.00%	100.00%	-
Forving SARL	France	93.15%	93.15%	-	93.15%	93.15%	-
Saint Maximin Construction SCI	France	55.00%	55.00%	-	55.00%	55.00%	-
Pommeraie Parc SCI	France	60.00%	60.00%	-	60.00%	60.00%	-
Champs des Haies SCI	France	60.00%	60.00%	-	60.00%	60.00%	-
La Rive SCI	France	85.00%	85.00%	-	85.00%	85.00%	-
Rebecca SCI	France	70.00%	70.00%	-	70.00%	70.00%	-
Le Mais SCI	France	80.00%	80.00%	-	80.00%	80.00%	-
Le Grand Pré SCI	France	60.00%	60.00%	-	60.00%	60.00%	-
LC SCI	France	88.00%	88.00%	-	100.00%	100.00%	-
Kle Projet 1 SAS	France	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Créteil SCI	France	100.00%	100.00%	-	100.00%	100.00%	-
Albert 31 SCI	France	83.00%	83.00%	-	100.00%	100.00%	-
Galeries Drancéennes SNC	France	100.00%	100.00%	-	100.00%	100.00%	-
Portes de Claye SCI	France	55.00%	55.00%	-	55.00%	55.00%	-
Klecab SCI	France	100.00%	100.00%	-	100.00%	100.00%	-

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Kleber Odysseum SCI	France	100.00%	100.00%	-	100.00%	100.00%	-
Klé Arcades SCI	France	53.69%	53.69%	-	100.00%	100.00%	-
Le Havre Colbert SNC	France	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Massalia SAS	France	100.00%	100.00%	-	100.00%	100.00%	-
Massalia Shopping Mall SCI	France	60.00%	60.00%	-	100.00%	100.00%	-
Massalia Invest SCI	France	60.00%	60.00%	-	60.00%	60.00%	-
Kle Start SAS	France	100.00%	100.00%	-	100.00%	100.00%	-
Corio et Cie SNC	France	100.00%	100.00%	-	100.00%	100.00%	-
Sanoux SCI	France	75.00%	75.00%	-	75.00%	75.00%	-
Centre Deux SNC	France	100.00%	100.00%	-	100.00%	100.00%	-
Mob SC	France	100.00%	100.00%	-	100.00%	100.00%	-
Corio Alpes SAS	France	100.00%	100.00%	-	100.00%	100.00%	-
Galerie du Livre SAS	France	100.00%	100.00%	-	100.00%	100.00%	-
Les Portes de Chevreuse SNC	France	100.00%	100.00%	-	100.00%	100.00%	-
Caetoile SNC	France	100.00%	100.00%	-	100.00%	100.00%	-
Corio Echirolles SNC	France	100.00%	100.00%	-	100.00%	100.00%	-
Sagep SAS	France	100.00%	100.00%	-	100.00%	100.00%	-
Maya SNC	France	100.00%	100.00%	-	100.00%	100.00%	-
Ayam SNC	France	100.00%	100.00%	-	100.00%	100.00%	-
Dense SNC	France	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Grand Littoral SASU	France	100.00%	100.00%	-	100.00%	100.00%	-
SERVICE PROVIDERS – FRANCE							
Klépierre Management SNC	France	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Conseil SAS	France	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Brand Ventures SNC	France	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Gift Cards SAS	France	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Finance SAS	France	100.00%	100.00%	-	100.00%	100.00%	-
Financière Corio SAS	France	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Procurement International SNC	France	100.00%	100.00%	-	100.00%	100.00%	-
SHOPPING CENTERS – INTERNATIONAL							
Klépierre Management Deutschland GmbH	Germany	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Duisburg GmbH	Germany	94.99%	94.99%	-	94.99%	94.99%	-
Klépierre Duisburg Leasing GmbH	Germany	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Duisburg Leasing II GmbH	Germany	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Dresden Leasing GmbH	Germany	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Duisburg II GmbH	Germany	94.99%	94.99%	-	94.99%	94.99%	-
Klépierre Dresden GmnH	Germany	94.99%	94.99%	-	94.99%	94.99%	-
Klépierre Köln Holding GmbH	Germany	100.00%	100.00%	-	100.00%	100.00%	-
Unter Goldschmied Köln GmbH	Germany	94.99%	94.99%	-	94.99%	94.99%	-
Klépierre Hildesheim Holding GmbH	Germany	100.00%	100.00%	-	100.00%	100.00%	-
Projekt A GmbH & CoKG	Germany	94.90%	94.90%	-	94.90%	94.90%	-
Projekt A Vermietung GmbH	Germany	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Berlin GmbH	Germany	94.99%	94.99%	-	94.99%	94.99%	-
Klépierre Berlin Leasing GmbH	Germany	100.00%	100.00%	-	100.00%	100.00%	-
Coimbra SA	Belgium	100.00%	100.00%	-	100.00%	100.00%	-
Les Cinémas de L'esplanade SA	Belgium	100.00%	100.00%	-	100.00%	100.00%	-
Foncière de Louvain-La-Neuve SA	Belgium	100.00%	100.00%	-	100.00%	100.00%	-
Steen & Strøm Holding AS	Denmark	56.10%	56.10%	-	100.00%	100.00%	-
Bryggen, Vejle A/S	Denmark	56.10%	56.10%	-	100.00%	100.00%	-
Bruun's Galleri ApS	Denmark	56.10%	56.10%	-	100.00%	100.00%	-
Field's Copenhagen I/S	Denmark	56.10%	56.10%	-	100.00%	100.00%	-
Viva, Odense A/S	Denmark	56.10%	56.10%	-	100.00%	100.00%	-
Field's Eier I ApS	Denmark	56.10%	56.10%	-	100.00%	100.00%	-
Field's Eier II A/S	Denmark	56.10%	56.10%	-	100.00%	100.00%	-
Steen & Strøm CenterUdvikling VI A/S	Denmark	56.10%	56.10%	-	100.00%	100.00%	-

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Klecar Foncier Iberica SL	Spain	100.00%	83.06%	16.94%	100.00%	100.00%	-
Klecar Foncier España SL	Spain	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Vallecas SA	Spain	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Molina SL	Spain	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Plenilunio Socimi SA	Spain	100.00%	100.00%	-	100.00%	100.00%	-
Principe Pio Gestion SA	Spain	100.00%	100.00%	-	100.00%	100.00%	-
Corio Torrelodones Office Suite SL	Spain	100.00%	100.00%	-	100.00%	100.00%	-
Corio Real Estate España SL	Spain	100.00%	100.00%	-	100.00%	100.00%	-
SC Nueva Condo Murcia SLU	Spain	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Nea Efkarpia AE	Greece	100.00%	83.00%	17.00%	100.00%	100.00%	-
Klépierre Foncier Makedonia AE	Greece	100.00%	83.01%	16.99%	100.00%	100.00%	-
Klépierre Athinon AE	Greece	100.00%	83.00%	17.00%	100.00%	100.00%	-
Klépierre Peribola Patras AE	Greece	100.00%	83.00%	17.00%	100.00%	100.00%	-
Nyiregyhaza Plaza KFT	Hungary	100.00%	100.00%	-	100.00%	100.00%	-
SA Duna Plaza ZRT	Hungary	100.00%	100.00%	-	100.00%	100.00%	-
Sarl GYR 2002 KFT	Hungary	100.00%	100.00%	-	100.00%	100.00%	-
Uj Alba 2002 KFT	Hungary	100.00%	100.00%	-	100.00%	100.00%	-
Miskolc 2002 KFT	Hungary	100.00%	100.00%	-	100.00%	100.00%	-
Kanizsa 2002 KFT	Hungary	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Corvin KFT	Hungary	100.00%	100.00%	-	100.00%	100.00%	-
Corvin Vision KFT	Hungary	66.67%	66.67%	-	66.67%	66.67%	-
Immobiliare Gallerie Commerciali S.p.A	Italy	100.00%	100.00%	-	100.00%	100.00%	-
Klecar Italia S.p.A	Italy	83.00%	83.00%	-	100.00%	100.00%	-
Klefin Italia S.p.A	Italy	100.00%	100.00%	-	100.00%	100.00%	-
Galleria Commerciale Di Collegno S.r.l	Italy	100.00%	100.00%	-	100.00%	100.00%	-
Galleria Commerciale Serravalle S.p.A	Italy	100.00%	100.00%	-	100.00%	100.00%	-
Galleria Commerciale Assago S.r.l	Italy	100.00%	100.00%	-	100.00%	100.00%	-
Galleria Commerciale Klépierre S.r.l	Italy	100.00%	100.00%	-	100.00%	100.00%	-
Galleria Commerciale Cavallino S.r.l	Italy	100.00%	100.00%	-	100.00%	100.00%	-
Galleria Commerciale Solbiate S.r.l	Italy	100.00%	100.00%	-	100.00%	100.00%	-
K2	Italy	95.06%	95.06%	-	95.06%	95.06%	-
Klépierre Matera S.r.l	Italy	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Caserta S.r.l	Italy	83.00%	83.00%	-	100.00%	100.00%	-
Shopville Le Gru S.r.l	Italy	100.00%	100.00%	-	100.00%	100.00%	-
Grandemilia S.r.l	Italy	100.00%	100.00%	-	100.00%	100.00%	-
Shopville Gran Reno S.r.l	Italy	100.00%	100.00%	-	100.00%	100.00%	-
Il Maestrale S.p.A.	Italy	100.00%	100.00%	-	100.00%	100.00%	-
Comes – Commercio e Sviluppo S.r.l	Italy	100.00%	100.00%	-	100.00%	100.00%	-
Globodue S.r.l	Italy	100.00%	100.00%	-	100.00%	100.00%	-
Globotre S.r.l	Italy	100.00%	100.00%	-	100.00%	100.00%	-
Generalcostruzioni S.r.l	Italy	100.00%	100.00%	-	100.00%	100.00%	-
B.L.O S.r.l	Italy	100.00%	100.00%	-	100.00%	100.00%	-
Corio Italia S.r.l	Italy	100.00%	100.00%	-	100.00%	100.00%	-
Reluxco International SA	Luxembourg	100.00%	100.00%	-	100.00%	100.00%	-
Storm Holding Norway AS	Norway	56.10%	56.10%	-	100.00%	100.00%	-
Steen & Strøm AS	Norway	56.10%	56.10%	-	100.00%	100.00%	-
Slagenveien 2 AS	Norway	56.10%	56.10%	-	100.00%	100.00%	-
Amanda Storsenter AS	Norway	56.10%	56.10%	-	100.00%	100.00%	-
Farmandstredet Eiendom AS	Norway	56.10%	56.10%	-	100.00%	100.00%	-
Nerstranda AS	Norway	56.10%	56.10%	-	100.00%	100.00%	-
Hamar Storsenter AS	Norway	56.10%	56.10%	-	100.00%	100.00%	-
Stavanger Storsenter AS	Norway	56.10%	56.10%	-	100.00%	100.00%	-
Vinterbro Senter DA	Norway	56.10%	56.10%	-	100.00%	100.00%	-
Steen & Strøm Mediapartner Norge AS	Norway	56.10%	56.10%	-	100.00%	100.00%	-
Oslo City Kjopesenter AS	Norway	56.10%	56.10%	-	100.00%	100.00%	-

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Oslo City Parkering AS	Norway	56.10%	56.10%	-	100.00%	100.00%	-
Gulskogen Senter AS	Norway	56.10%	56.10%	-	100.00%	100.00%	-
Guldlisten 20 AS	Norway	56.10%	0.00%	56.10%	100.00%	0.00%	100.00%
Capucine BV	The Netherlands	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Nordica BV	The Netherlands	100.00%	100.00%	-	100.00%	100.00%	-
Corio Beleggingen I BV	The Netherlands	100.00%	100.00%	-	100.00%	100.00%	-
Corio Nederland Kantoren BV	The Netherlands	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Management Nederland BV	The Netherlands	100.00%	100.00%	-	100.00%	100.00%	-
Hoog Catharijne BV	The Netherlands	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Nederland BV	The Netherlands	100.00%	100.00%	-	100.00%	100.00%	-
Bresta I BV	The Netherlands	100.00%	100.00%	-	100.00%	100.00%	-
CCA German Retail I BV	The Netherlands	100.00%	100.00%	-	100.00%	100.00%	-
CCA German Retail II BV	The Netherlands	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Participaties I BV	The Netherlands	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Participaties II BV	The Netherlands	100.00%	100.00%	-	100.00%	100.00%	-
KLP Polska Sp. z o.o. Sadyba SKA w likwidacji	Poland	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Kraków Sp. z o.o. w likwidacji	Poland	100.00%	100.00%	-	100.00%	100.00%	-
KLP Polska Sp. z o.o. Poznań SKA	Poland	100.00%	100.00%	-	100.00%	100.00%	-
KLP Polska Sp. z o.o. Ruda Śląska sp.k.	Poland	100.00%	100.00%	-	100.00%	100.00%	-
Sadyba Best Mall Sp. z o.o. sp.k.	Poland	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Pologne Sp. z o.o.	Poland	100.00%	100.00%	-	100.00%	100.00%	-
KLP Polska Sp. z o.o. Rybnik SKA	Poland	100.00%	100.00%	-	100.00%	100.00%	-
Sosnowiec Property KLP Polska Sp. z o.o. sp.k.	Poland	100.00%	100.00%	-	100.00%	100.00%	-
KLP Polska Sp. z o.o. Movement SKA w likwidacji	Poland	100.00%	100.00%	-	100.00%	100.00%	-
KLP Polska Sp. z o.o. Lublin sp.k.	Poland	100.00%	100.00%	-	100.00%	100.00%	-
KLP Polska Sp. z o.o. Kraków sp.k.	Poland	100.00%	100.00%	-	100.00%	100.00%	-
Sadyba Best Mall Sp. z o.o.	Poland	100.00%	100.00%	-	100.00%	100.00%	-
KLP Poznań Sp. z o.o.	Poland	100.00%	100.00%	-	100.00%	100.00%	-
Ruda Śląska Property KLP Polska Sp. z o.o. sp.k.	Poland	100.00%	100.00%	-	100.00%	100.00%	-
KLP Investment Poland Sp. z o.o.	Poland	100.00%	100.00%	-	100.00%	100.00%	-
Rybnik Property KLP Polska Sp. z o.o. sp.k.	Poland	100.00%	100.00%	-	100.00%	100.00%	-
KLP Lublin Sp. z o.o.	Poland	100.00%	100.00%	-	100.00%	100.00%	-
KLP Polska Sp. z o.o.	Poland	100.00%	100.00%	-	100.00%	100.00%	-
Klelou Imobiliaria Spa SA	Portugal	100.00%	100.00%	-	100.00%	100.00%	-
Galeria Parque Nascente SA	Portugal	100.00%	100.00%	-	100.00%	100.00%	-
Gondobrico SA	Portugal	100.00%	100.00%	-	100.00%	100.00%	-
Klenord Imobiliaria SA	Portugal	100.00%	100.00%	-	100.00%	100.00%	-
Kletel Imobiliaria SA	Portugal	100.00%	100.00%	-	100.00%	100.00%	-
Kleminho Imobiliaria SA	Portugal	100.00%	100.00%	-	100.00%	100.00%	-
Corio Espaço Guimarães SA	Portugal	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Cz SRO	Czech Republic	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Praha SRO	Czech Republic	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Plzen AS	Czech Republic	100.00%	100.00%	-	100.00%	100.00%	-
Nový Smíchov First Floor SRO	Czech Republic	100.00%	100.00%	-	100.00%	100.00%	-
Arcol Group SRO	Slovakia	100.00%	100.00%	-	100.00%	100.00%	-
Nordica Holdco AB	Sweden	56.10%	56.10%	-	56.10%	56.10%	-
Steen & Strøm Holding AB	Sweden	56.10%	56.10%	-	100.00%	100.00%	-
FAB CentrumInvest	Sweden	56.10%	56.10%	-	100.00%	100.00%	-
FAB Emporia	Sweden	56.10%	56.10%	-	100.00%	100.00%	-
FAB Borlänge Köpcentrum	Sweden	56.10%	56.10%	-	100.00%	100.00%	-
FAB Marieberg Galleria	Sweden	56.10%	56.10%	-	100.00%	100.00%	-
FAB Allum	Sweden	56.10%	56.10%	-	100.00%	100.00%	-
FAB P Brodalen	Sweden	56.10%	56.10%	-	100.00%	100.00%	-
Partille Lexby AB	Sweden	56.10%	56.10%	-	100.00%	100.00%	-
FAB P Åkanten	Sweden	56.10%	56.10%	-	100.00%	100.00%	-

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FAB P Porthälla	Sweden	56.10%	56.10%	-	100.00%	100.00%	-
Fastighets Västra Götaland AB	Sweden	56.10%	56.10%	-	100.00%	100.00%	-
Grytingen Nya AB	Sweden	36.35%	36.35%	-	64.79%	64.79%	-
FAB Lackeraren Borlänge	Sweden	56.10%	56.10%	-	100.00%	100.00%	-
FAB Centrum Västerort	Sweden	56.10%	56.10%	-	100.00%	100.00%	-
Klépierre Gayrimenkul Yönetimi ve Yatirim Ticaret AS	Turkey	100.00%	100.00%	-	100.00%	100.00%	-
Miratur Turizm Insaat ve Ticaret AS	Turkey	100.00%	100.00%	-	100.00%	100.00%	-
Tan Gayrimenkul Yatirim Insaat Turizm Pazarlama ve Ticaret AS	Turkey	51.00%	51.00%	-	51.00%	51.00%	-
SERVICE PROVIDERS – INTERNATIONAL							
Klépierre Mall Management II GmbH	Germany	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Mall Management I GmbH	Germany	100.00%	100.00%	-	100.00%	100.00%	-
Projekt Arnekenstrasse Verwaltung GmbH	Germany	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Management Belgique SA	Belgium	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Finance Belgique SA	Belgium	100.00%	100.00%	-	100.00%	100.00%	-
Steen & Strøm CenterService A/S	Denmark	56.10%	56.10%	-	100.00%	100.00%	-
Steen & Strøm Danemark A/S	Denmark	56.10%	56.10%	-	100.00%	100.00%	-
Klépierre Management Espana SL	Spain	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Management Hellas AE	Greece	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Management Magyarorszag KFT	Hungary	100.00%	100.00%	-	100.00%	100.00%	-
KFI Hungary KFT	Hungary	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Trading KFT	Hungary	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Management Italia S.r.l	Italy	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Finance Italia S.r.l	Italy	100.00%	100.00%	-	100.00%	100.00%	-
Steen & Strøm Senterservice AS	Norway	56.10%	56.10%	-	100.00%	100.00%	-
Klépierre Vastgoed Ontwikkeling BV	The Netherlands	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Management Polska Sp. z o.o.	Poland	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Management Portugal SA	Portugal	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Management Ceska Républika SRO	Czech Republic	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Energy CZ SRO	Czech Republic	100.00%	100.00%	-	100.00%	100.00%	-
Klépierre Management Slovensko SRO	Slovakia	100.00%	100.00%	-	100.00%	100.00%	-
Steen & Strøm Sverige AB	Sweden	56.10%	56.10%	-	100.00%	100.00%	-

List of consolidated companies Equity Method Companies: jointly controlled	Country	% of interest 06/30/2018	12/31/2017	Change	% of control 06/30/2018	12/31/2017	Change
Cécobil SCS	France	50.00%	50.00%	-	50.00%	50.00%	-
Du Bassin Nord SCI	France	50.00%	50.00%	-	50.00%	50.00%	-
Le Havre Vauban SNC	France	50.00%	50.00%	-	50.00%	50.00%	-
Le Havre Lafayette SNC	France	50.00%	50.00%	-	50.00%	50.00%	-
Girardin SCI	France	33.40%	33.40%	-	33.40%	33.40%	-
Société Immobilière de la Pommeraie SC	France	50.00%	50.00%	-	50.00%	50.00%	-
Parc de Coquelles SNC	France	50.00%	50.00%	-	50.00%	50.00%	-
Kleprim's SCI	France	50.00%	50.00%	-	50.00%	50.00%	-
Celsius Le Murier SNC	France	40.00%	40.00%	-	40.00%	40.00%	-
Celsius Haven SNC	France	40.00%	40.00%	-	40.00%	40.00%	-
Clivia S.p.A	Italy	50.00%	50.00%	-	50.00%	50.00%	-
Galleria Commerciale Il Destriero S.p.A	Italy	50.00%	50.00%	-	50.00%	50.00%	-
CCDF S.p.A	Italy	49.00%	49.00%	-	49.00%	49.00%	-
Galleria Commerciale Porta di Roma S.p.A	Italy	50.00%	50.00%	-	50.00%	50.00%	-
Galleria Commerciale 9 S.r.l	Italy	50.00%	50.00%	-	50.00%	50.00%	-
Italian Shopping Centre Investment S.r.l	Italy	50.00%	50.00%	-	50.00%	50.00%	-
Holding Klege S.r.l	Luxembourg	50.00%	50.00%	-	50.00%	50.00%	-
Nordbyen Senter 2 AS	Norway	28.05%	28.05%	-	50.00%	50.00%	-
Metro Senter ANS	Norway	28.05%	28.05%	-	50.00%	50.00%	-
Økern Sentrum ANS	Norway	28.05%	28.05%	-	50.00%	50.00%	-
Økern Eiendom ANS	Norway	28.05%	28.05%	-	50.00%	50.00%	-
Metro Shopping AS	Norway	28.05%	28.05%	-	50.00%	50.00%	-
Nordbyen Senter DA	Norway	28.05%	28.05%	-	50.00%	50.00%	-
Økern Sentrum AS	Norway	28.05%	28.05%	-	50.00%	50.00%	-
Nordal ANS	Norway	28.05%	28.05%	-	50.00%	50.00%	-
Klege Portugal SA	Portugal	50.00%	50.00%	-	50.00%	50.00%	-

List of consolidated companies Equity Method Companies: significant influence	Country	% of interest 06/30/2018	12/31/2017	Change	% of control 06/30/2018	12/31/2017	Change
La Rocade SCI	France	38.00%	38.00%	-	38.00%	38.00%	-
La Rocade Ouest SCI	France	36.73%	36.73%	-	36.73%	36.73%	-
Du Plateau SCI	France	19.65%	19.65%	-	30.00%	30.00%	-
Achères 2000 SCI	France	30.00%	30.00%	-	30.00%	30.00%	-
Le Champs de Mais SC	France	40.00%	40.00%	-	40.00%	40.00%	-
Société du bois des fenêtres SARL	France	20.00%	20.00%	-	20.00%	20.00%	-
Step In Sas	France	24.46%	24.46%	-	24.46%	24.46%	-
Akmerkez Gayrimenkul Yatirim Ortakligi AS	Turkey	46.92%	46.92%	-	46.92%	46.92%	-

List of deconsolidated companies at 06/30/2018	Country	% of interest 06/30/2018	12/31/2017	% of control 06/30/2018	12/31/2017	Comments
KC11 SNC	France	0.00%	83.00%	0.00%	100.00%	Disposed
CSPL 2002 KFT	Hungary	0.00%	100.00%	0.00%	100.00%	Liquidation
Steen & Strøm Norge AS	Norway	0.00%	56.10%	0.00%	100.00%	Merged
IPOPEMA 96 Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych	Poland	0.00%	100.00%	0.00%	100.00%	Liquidation
Paris Immoblier SAS	France	0.00%	100.00%	0.00%	100.00%	Liquidation
Newton SNC	France	0.00%	100.00%	0.00%	100.00%	Liquidation

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STATUTORY AUDITORS' REVIEW REPORT ON THE HALF-YEARLY FINANCIAL INFORMATION

Period from January 1 to June 30, 2018

This is a free translation into English of the Statutory Auditors' review report on the half-yearly financial information issued in French and is provided solely for the convenience of English-speaking users. This report includes information relating to the specific verification of information given in the Group's half-yearly management report. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meeting and in accordance with the requirements of Article L. 451-1-2 III of the French Monetary and Financial Code (Code Monétaire et Financier), we hereby report to you on:

> our review of the accompanying condensed half-yearly consolidated financial statements of Klépierre covering the period from January 1, to June 30, 2018;

> the verification of the information contained in the half-yearly management report.

These condensed half-yearly consolidated financial statements are the Executive Board's responsibility. Our role is to express a conclusion on these financial statements based on our review.

1. Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France.

A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed half-yearly consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 – standard of the IFRSs as adopted by the European Union applicable to interim financial information.

2. Specific verification

We have also verified the information presented in the half-yearly management report on the condensed half-yearly consolidated financial statements subject to our review.

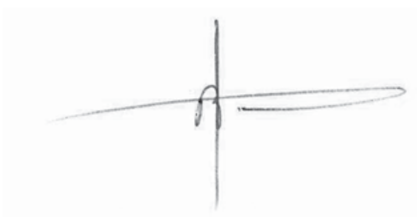
We have no matters to report as to its fair presentation and consistency with the condensed half-yearly consolidated financial statements.

Paris-La Défense, July 27, 2018

The Statutory Auditors

French original signed by

ERNST & YOUNG Audit



Bernard Heller

Deloitte & Associés

Laure Silvestre-Siaz

Damien Leurent

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PERSONS RESPONSIBLE FOR THE DISCLOSURES

4.1 Statement of the person responsible for the half-year financial report

Paris – July 31, 2018

I certify that, to the best of my knowledge, these condensed consolidated financial statements for the first half of the year, have been drawn up in accordance with the applicable accounting standards and accurately reflect the assets, financial position and earnings of the Company and all of its consolidated subsidiaries, and that the present half-year management report presents a faithful description of the important events arisen during the first six months of the fiscal year, their incidence on the accounts, the main related-party transactions as well as a description of the principal risks and uncertainties for the remaining six months of the fiscal year.

Jean-Marc Jestin
Chairman of the Executive Board

4.2 Persons responsible for audits & financial disclosures

4.2.1 Persons responsible for audits

Statutory Auditors

Deloitte & Associés

185, avenue Charles de Gaulle
92200 Neuilly-sur-Seine

572028041 RCS NANTERRE

Laure Silvestre-Siaz/Damien Leurent

Appointed: Ordinary General Meeting of June 28, 2006
End of term: Ordinary General Meeting of 2022 to approve the financial statements for fiscal year 2021

Ernst & Young Audit

1-2, place des saisons
92400 Courbevoie – Paris-La Défense 1

344366315 RCS NANTERRE

Bernard Heller

Appointed: Ordinary General Meeting of April 19, 2016
End of term: Ordinary General Meeting of 2022 to approve the financial statements for fiscal year 2021

Alternate Statutory Auditors

Société BEAS

7-9, villa Houssay
92200 Neuilly-sur-Seine

315172445 RCS NANTERRE

Appointed: Ordinary General Meeting of April 19, 2016
End of term: Ordinary General Meeting of 2022 to approve the financial statements for fiscal year 2021

Picarle & Associés

1-2, place des saisons
92400 Courbevoie – Paris-La Défense 1

410 105 894 RCS Nanterre

Appointed: Ordinary General Meeting of April 19, 2016
End of term: Ordinary General Meeting of 2022 to approve the financial statements for fiscal year 2021

4.2.2 Person responsible for financial disclosures

Jean-Michel Gault

Member of the Executive Board, Deputy CEO
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KLEPIERRE