

**MANAGEMENT REPORT
OF THE EXECUTIVE BOARD
FOR FISCAL YEAR 2016**



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1 CONSOLIDATED FINANCIAL STATEMENTS

1.1 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

<i>in millions of euros</i>	12/31/2016 Fair value	12/31/2015 Fair value
Gross rental income	1,214.0	1,208.4
Land expenses (real estate)	-14.9	-14.8
Non-recovered rental expenses	-73.9	-67.0
Building expenses (owner)	-41.9	-57.1
Net rental income	1,083.4	1,069.6
Management, administrative and related income	86.5	86.8
Other operating revenue	18.4	13.9
Survey and research costs	-2.8	-2.8
Payroll expenses	-131.4	-149.2
Other general expenses	-63.4	-77.4
Depreciation and impairment allowance on intangible assets and properties, plant and equipment	-14.8	-17.1
Provisions	-5.2	-0.3
Change in value of investment properties	828.8	883.4
Proceeds from disposal of investment properties and equity investments	416.1	850.8
Net book value of investment properties and equity investments sold	-392.5	-852.0
Income from the disposal of investment properties and equity investments	23.5	-1.1
Goodwill impairment	0.0	-922.6
Operating income	1,822.8	882.9
Net dividends and provisions on non-consolidated investments	0.1	0.1
Financial income	109.0	161.1
Financial expenses	-306.7	-378.2
Net cost of debt	-197.7	-217.1
Change in the fair value of financial instruments	-12.1	-30.6
Share in earnings of equity method investments	89.5	97.5
Profit before tax	1,702.5	732.9
Corporate income tax	-225.6	-204.6
Net income of consolidated entity	1,476.9	528.3
Of which		
Group share	1,191.3	274.7
Non-controlling interests	285.7	253.6
Undiluted average number of shares	311,736,861	306,803,561
Undiluted net income per share (euro) - Group share	3.8	0.9
Diluted average number of shares	311,736,861	306,803,561
Diluted net income per share (euro) - Group share	3.8	0.9

<i>in millions of euros</i>	12/31/2016 Fair value	12/31/2015 Fair value
Net income of consolidated entity	1,476.9	528.3
Other comprehensive income items recognized directly as equity	-87.7	-13.5
Effective portion of profits and losses on cash flow hedging instruments	23.2	70.7
Translation profits and losses	-95.1	-90.6
Tax on other comprehensive income items	-16.0	0.6
Items that will be reclassified subsequently to profit or loss	-87.9	-19.3
Result from sales of treasury shares	-0.1	4.1
Actuarial gains	0.3	1.8
Items that will not be reclassified subsequently to profit or loss	0.2	5.9
Share of other comprehensive income items of equity method investees		
Total comprehensive income	1,389.2	514.8
Of which		
Group share	1,098.7	271.3
Non-controlling interests	290.5	243.6
Undiluted comprehensive income per share (euro) - Group Share	3.5	0.9
Diluted comprehensive income per share (euro) - Group share	3.5	0.9

In accordance with IAS 1 and IAS 8, restated information is presented for December 31st, 2015. For further details on the consolidated statement of comprehensive income at fair value as of December 31, 2015, please refer to the note 11.1 of the published Consolidated Financial Statements of the Klépierre Group as of December 31, 2015.

1.2 CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

<i>in millions of euros</i>	12/31/2016 Fair value	12/31/2015 Fair value	01/01/2015 Fair value
Goodwill	648.4	612.5	125.9
Intangible assets	45.2	45.7	46.5
Property, plant and equipment	16.0	20.6	13.0
Investment properties at fair value	20,390.2	18,750.5	12,362.2
Investment properties at cost	282.6	1,076.1	304.1
Equity method investments	1,067.5	1,455.9	663.8
Other non-current assets	350.8	371.8	173.0
Non-current derivatives	74.0	96.5	118.1
Deferred tax assets	40.7	67.6	54.1
NON-CURRENT ASSETS	22,915.4	22,497.1	13,860.7
Fair value of properties held for sale	284.4	23.9	3.2
Trade accounts and notes receivable	152.6	164.3	103.2
Other receivables	401.1	380.3	167.3
<i>Tax receivables</i>	180.4	180.4	37.4
<i>Other debtors</i>	220.7	199.9	129.9
Current derivatives	4.8	4.3	3.7
Cash and cash equivalents	578.8	413.7	140.6
CURRENT ASSETS	1,421.7	986.5	418.0
TOTAL ASSETS	24,337.1	23,483.6	14,278.7
Share capital	440.1	440.1	279.3
Additional paid-in capital	5,818.1	5,818.1	1,773.6
Legal reserves	44.0	44.0	27.9
Consolidated reserves	2,613.1	2,949.6	3,000.7
<i>Treasury shares</i>	-67.0	-78.4	-82.0
<i>Hedging reserves</i>	-99.2	-104.0	-172.0
<i>Other consolidated reserves</i>	2,779.4	3,132.0	3,254.8
Consolidated earnings	1,191.3	274.7	328.5
Shareholders' equity, group share	10,106.6	9,526.4	5,410.0
Non-controlling interests	2,429.7	2,202.9	1,892.7
SHAREHOLDERS' EQUITY	12,536.2	11,729.3	7,302.7
Non-current financial liabilities	6,745.6	6,714.1	4,880.4
Non-current provisions	23.5	43.1	17.4
Pension commitments	13.2	13.0	17.6
Non-current derivatives	65.3	76.2	173.4
Security deposits and guarantees	141.0	145.7	110.8
Deferred tax liabilities	1,375.7	1,176.9	588.2
NON-CURRENT LIABILITIES	8,364.4	8,169.0	5,787.7
Current financial liabilities	2,562.1	2,584.0	697.4
Bank overdrafts	110.9	265.1	53.8
Trade payables	220.8	227.1	117.7
Payables to fixed asset suppliers	7.9	17.7	13.0
Other liabilities	317.5	298.7	182.8
Current derivatives	27.4	0.5	25.3
Social and tax liabilities	189.9	192.2	98.3
CURRENT LIABILITIES	3,436.5	3,585.4	1,188.3
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	24,337.1	23,483.6	14,278.7

In accordance with IAS 1 and IAS 8, comparative data is presented for January 1st, 2015. For further details on the consolidated statement of financial position at fair value as of January 1st, 2015, please refer to the note 11.1 of the published Consolidated Financial Statements of the Klépierre Group as of December 31, 2014.

1.3 SEGMENT EARNINGS

In millions of euros (Fair Value)	France-Belgium (1)		Scandinavia		Italy		Iberia	
	12/31/16	12/31/15	12/31/16	12/31/15	12/31/16	12/31/15	12/31/16	12/31/15
Gross rental income	459.0	453.3	197.6	177.0	204.7	201.1	113.1	107.2
Rental and building expenses	-41.7	-40.5	-17.4	-20.4	-14.9	-16.2	-14.7	-16.4
Net rental income	417.3	412.8	180.3	156.6	189.8	184.9	98.4	90.8
Management and other income	56.4	47.5	10.5	14.4	13.5	12.4	7.9	7.4
Payroll and other general expenses	-70.9	-70.5	-23.5	-29.0	-23.0	-25.1	-13.2	-15.0
EBITDA	402.9	389.8	167.2	142.0	180.3	172.2	93.1	83.1
Depreciation and allowance	-7.2	-7.4	-3.1	-3.7	-0.6	-1.8	-0.7	-0.5
Change in value of investment properties	289.4	294.8	212.7	218.5	87.9	182.1	155.6	102.2
Income from disposals	6.3	4.8	33.9	3.6	-0.1	0.7	-14.4	-0.9
Share in earnings of equity method investees	8.2	1.2	11.1	-7.4	44.7	53.8	1.1	0.3
SEGMENT INCOME	699.5	683.2	421.9	353.1	312.3	407.1	234.6	184.2
Goodwill impairment								
Net cost of debt								
Change in the fair value of financial instruments								
PROFIT BEFORE TAX								
Corporate income tax								
NET INCOME								

In millions of euros (Fair Value)	Netherlands		Germany		CEE & Turkey		Unaffected		Klepierre Group	
	12/31/16	12/31/15	12/31/16	12/31/15	12/31/16	12/31/15	12/31/16	12/31/15	12/31/16	12/31/15
Gross rental income	61.1	94.1	57.2	56.5	121.3	119.3	0.0	0.0	1214.0	1208.4
Rental and building expenses	-15.5	-18.1	-15.2	-14.0	-11.2	-13.2	0.0	0.0	-130.6	-138.8
Net rental income	45.5	76.0	42.0	42.4	110.1	106.1	0.0	0.0	1083.4	1069.6
Management and other income	6.7	6.7	5.4	6.2	4.4	6.0	0.0	0.1	104.8	100.7
Payroll and other general expenses	-14.3	-29.4	-10.0	-11.2	-12.8	-13.3	-29.9	-35.8	-197.6	-229.4
EBITDA	37.9	53.4	37.3	37.4	101.8	98.7	-29.9	-35.8	990.6	940.9
Depreciation and allowance	0.4	-3.0	-0.4	-0.2	-8.4	-0.9	0.0	0.0	-20.1	-17.5
Change in value of investment properties	1.8	-6.2	-38.5	34.3	119.9	57.5	0.0	0.0	828.8	883.3
Income from disposals	0.0	2.9	0.0	0.0	-2.1	-12.2	0.0	0.0	23.5	-1.1
Share in earnings of equity method investees	0.0	0.0	0.0	0.0	24.4	49.6	0.0	0.0	89.5	97.5
SEGMENT INCOME	40.0	47.1	-1.6	71.5	235.5	192.7	-29.9	-35.8	1912.4	1903.1
Goodwill impairment									0.0	-922.6
Net cost of debt									-197.7	-217.1
Change in the fair value of financial instruments									-12.1	-30.6
PROFIT BEFORE TAX									1702.6	732.8
Corporate income tax									-225.6	-204.5
NET INCOME									1476.9	528.3

(1) Shopping centers and other activities

1.4 CONSOLIDATED CASH FLOW STATEMENTS

<i>in millions of euros</i>	12/31/2016 Fair value	12/31/2015 Fair value
Cash flows from operating activities		
Net income from consolidated companies	1,476.9	528.3
Elimination of expenditure and income with no cash effect or not related to operating activities		
• Depreciation, amortization and provisions	20.1	14.2
• Change in the fair value of investment properties	-828.8	-883.3
• Goodwill impairment		922.6
• Capital gains and losses on asset disposals	-23.6	1.4
• Income taxes	225.6	204.6
• Share in earnings of equity method investees	-89.5	-97.6
• Reclassification of financial interests and other items	253.4	280.2
Gross cash flow from consolidated companies	1,034.1	970.4
Paid taxes	-61.8	-25.5
Change in operating working capital	-16.1	-19.0
Cash flows from operating activities	956.2	926.0
Cash flows from investing activities		
Proceeds from sales of investment properties	196.6	833.3
Proceeds from sales of other fixed assets		
Proceeds from disposals of subsidiaries (net of cash disposed)	217.9	-5.2
Acquisitions of investment properties		-114.2
Acquisition costs of investment properties	-0.3	-0.8
Payments in respect of construction work in progress	-337.0	-294.1
Acquisitions of other fixed assets	-10.5	-11.3
Acquisitions of subsidiaries and deduction of acquired cash	-2.5	-543.4
Movement of loans and advance payments granted and other investments	37.7	-276.6
Net cash flows from investing activities	102.0	-412.1
Cash flows from financing activities		
Dividends paid to the parent company's shareholders	-530.0	-393.2
Dividends paid to non-controlling interests ⁽²⁾	-48.2	-58.3
Capital increase of parent company		-
Change in capital from subsidiaries with non controlling interests ⁽²⁾	30.8	63.8
Repayment of share premium		
Acquisitions/disposal of treasury shares	11.4	3.6
New loans, borrowings and hedging instruments	1,610.3	2,999.9
Repayment of loans, borrowings and hedging instruments	-1,611.1	-2,636.0
Interest paid	-204.8	-331.1
Other cash flows related to financing activities ⁽¹⁾		-103.8
Net cash flows from financing activities	-741.6	-455.1
Effect of foreign exchange rate changes on cash and cash equivalents	2.8	3.0
CHANGE IN CASH AND CASH EQUIVALENTS	319.3	61.8
Cash at year-start	148.6	86.8
Cash at year-end	467.9	148.6

(1) The flow of the fiscal year 2015 corresponds to the interim dividend of 103,8 million euros paid out by Corio on January 12, 2015

(2) As of December 31 2015, these items were presented aggregated.

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 at 26 boulevard des Capucines in Paris, France.

On January 30, 2017, the Executive Board approved Klépierre SA’s consolidated financial statements for the period from January 1 to December 31, 2016 and authorized their publication.

Klépierre shares are traded on Euronext Paris (compartment A) and Klépierre has been part of the CAC 40 index—the French stock market’s leading index—since December 21, 2015. Klépierre shares were also admitted for trading on Euronext Amsterdam on January 15, 2015, before being delisted on November 7, 2016 in order to consolidate the company’s listing on a single stock exchange, i.e., Euronext Paris.

2.2 APPLICATION OF IFRS

In accordance with Regulation (EC) No. 1126/2008 of November 3, 2008, on the application of international accounting standards, the Klépierre group’s consolidated financial statements through December 31, 2016 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 framework¹ as adopted by the European Union includes the IFRS, the IAS (International Accounting Standards), and their interpretations (SIC and IFRIC).

The Group makes a continuous assessment of the impacts of new IFRS standards and interpretations on the consolidated financial statements.

The changes in accounting principles applied to the consolidated financial statements as of December 31, 2016 compared to December 31, 2015 are the following:

- The application of the fair value option according to IAS 40 (see section “Change in accounting policies (IAS 8) – Fair value option according to IAS 40” of this document”); and
- The application of new IFRS standards and interpretations in 2016, had no impact on the consolidated financial statements.

2.3 CHANGE IN ACCOUNTING POLICIES (IAS 8) – FAIR VALUE OPTION ACCORDING TO IAS 40

In the second half of 2016, Klépierre decided to choose the fair value method of IAS 40 for the accounting of its investment properties. Therefore, the Group is presenting comparative financial statements (consolidated statements of comprehensive income, and consolidated statements of financial position) for 2015 showing the items affected by this change in accounting method. This fair value method has been adopted because it is the preferred method under the provisions of IAS 40 and the one recommended by the EPRA (European Public Real Estate Association). It facilitates comparisons with the financial statements of other property companies, the majority of which have opted to apply the fair value model.

¹ http://ec.europa.eu/internal_market/accounting/ias/index_en.htm

Impact change of method: Consolidated Statements of Comprehensive Income in millions of euros	12/31/2015 Cost model	Fair value restatements	12/31/2015 Fair value model
Gross rental income	1,208.4		1,208.4
Land expenses (real estate)	-15.4	0.6	-14.8
Non-recovered rental expenses	-67.0		-67.0
Building expenses (owner)	-58.0	1.0	-57.1
Net rental income	1,068.0	1.5	1,069.6
Management, administrative and related income	86.8		86.8
Other operating revenue	13.9		13.9
Survey and research costs	-2.8		-2.8
Payroll expenses	-149.2		-149.2
Other general expenses	-77.4		-77.4
Depreciation and impairment allowance on investment properties	-444.2	444.2	0.0
Depreciation and impairment allowance on intangible assets and properties, plant and equipment	-17.1		-17.1
Provisions	-0.3		-0.3
Change in value of investment properties		883.3	883.3
Proceeds on the disposal of investment properties and equity investments	850.8		850.8
Net book value of investment properties and equity investments sold	-836.8	-15.2	-852.0
Income from the disposal of investment property and equity investments	14.1	-15.2	-1.1
Goodwill impairment	-704.5	-218.1	-922.6
Operating income	-212.8	1,095.7	882.9
Net dividends and provisions on non-consolidated investments	0.1		0.1
Financial income	161.1		161.1
Financial expenses	-378.2		-378.2
Net cost of debt	-217.1		-217.1
Change in the fair value of financial instruments	-30.6		-30.6
Share in earnings of equity method investments	19.1	78.5	97.5
Profit before tax	-441.3	1,174.1	732.9
Corporate income tax	3.6	-208.2	-204.6
Net income of consolidated entity	-437.7	966.0	528.3
of which			
Group share	-499.8	774.5	274.7
Non-controlling interests	62.1	191.6	253.6
Undiluted average number of shares	306,803,561		306,803,561
Undiluted net income per share (euro)	-1.6		0.9
Diluted average number of shares	306,803,561		306,803,561
Diluted net income per share (euro)	-1.6		0.9
<i>in millions of euros</i>	12/31/2015 Cost model	Fair value restatements	12/31/2015 Fair value model
Net income of consolidated entity	-437.7	966.0	528.3
Other comprehensive income items recognized directly as equity	-6.9	-6.5	-13.5
Effective portion of profits and losses on cash flow hedging instruments	70.7		70.7
Translation profits and losses	-84.0	-6.5	-90.6
Tax on other comprehensive income items	0.6		0.6
Items that will be reclassified subsequently to profit or loss	-12.8	-6.5	-19.3
Result from sales of treasury shares	4.1		4.1
Actuarial gains	1.8		1.8
Items that will not be reclassified subsequently to profit or loss	5.9		5.9
Share of other comprehensive income items of equity method investees			
Total comprehensive income	-444.6	959.4	514.8
Of which			
Group share	-501.6	772.9	271.3
Non-controlling interests	57.0	186.7	243.6
Undiluted comprehensive income per share (euro)	-1.6		0.9
Diluted comprehensive income per share (euro)	-1.6		0.9

Impact change of method: Consolidated Statements of Financial Position in millions of euros	12/31/2015 Cost model	Fair value restatements	12/31/2015 Fair value model
Goodwill	834.6	-222.1	612.5
Intangible assets	45.7		45.7
Property, plant and equipment	20.6		20.6
Investment properties	13,901.6	-13,901.6	
Investment properties under construction	807.9	-807.9	
Investment properties at fair value		18,750.5	18,750.5
Investment properties at cost		1,076.1	1,076.1
Equity method investments	1,161.5	294.4	1,455.9
Other non-current assets	371.8		371.8
Non-current derivatives	96.5		96.5
Deferred tax assets	53.0	14.6	67.6
NON-CURRENT ASSETS	17,293.2	5,203.9	22,497.1
Investment property held for sale	23.9	-23.9	
Fair value of property held for sale		23.9	23.9
Trade accounts and notes receivable	164.3		164.3
Other receivables	410.4	-30.1	380.3
<i>Tax receivables</i>	180.4		180.4
<i>Other debtors</i>	230.1	-30.1	199.9
Current derivatives	4.3		4.3
Cash and cash equivalents	413.7		413.7
CURRENT ASSETS	1,016.6	-30.1	986.5
TOTAL ASSETS	18,309.8	5,173.8	23,483.6
Share capital	440.1		440.1
Additional paid-in capital	5,818.1		5,818.1
Legal reserves	44.0		44.0
Consolidated reserves	-30.3	2,979.9	2,949.5
<i>Treasury shares</i>	-78.4		-78.4
<i>Hedging reserves</i>	-104.0		-104.0
<i>Other consolidated reserves</i>	152.1	2,979.9	3,132.0
Consolidated earnings	-499.8	774.5	274.7
Shareholders' equity, group share	5,772.0	3,754.4	9,526.4
Non-controlling interests	1,267.2	935.7	2,202.9
SHAREHOLDERS' EQUITY	7,039.2	4,690.1	11,729.3
Non-current financial liabilities	6,714.1		6,714.1
Non-current provisions	43.1		43.1
Pension commitments	13.0		13.0
Non-current derivatives	76.2		76.2
Security deposits and guarantees	145.7		145.7
Deferred tax liabilities	693.1	483.7	1,176.9
NON-CURRENT LIABILITIES	7,685.3	483.7	8,169.0
Current financial liabilities	2,584.0		2,584.0
Bank overdrafts	265.1		265.1
Trade payables	227.1		227.1
Payables to fixed asset suppliers	17.7		17.7
Other liabilities	298.7		298.7
Current derivatives	0.5		0.5
Social and tax liabilities	192.2		192.2
CURRENT LIABILITIES	3,585.4		3,585.4
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	18,309.8	5,173.8	23,483.6

3 SCOPE OF CONSOLIDATION

As of December 31, 2016, the Group's scope of consolidation includes 282 companies, compared to 309 as of December 31, 2015, including 247 fully consolidated companies and 35 companies consolidated under the equity method.

The main changes in the scope of consolidation since December 31, 2015 were:

- Steen & Strøm, the 56.1% Scandinavian-controlled subsidiary of Klépierre, jointly with its partner Entra, completed the acquisition of the Oslo City shopping center on December 31, 2015. According to the initial Shareholder's Agreement, Steen & Strøm and Entra demerged the holding company that previously owned the Oslo City assets by creating two new legal entities in 2016. This operation is treated as a Business Combination under the revised IFRS 3 standard. Following the demerger, the company Oslo City Kjøpsenter AS, whose only asset is the shopping center, is 100% owned by Steen & Strøm and fully consolidated by Klépierre. The other newly created company, Oslo City Parkering AS, owns 50% of the parking lot. This company is 100% owned by Steen & Strøm and fully consolidated by Klépierre.

For Oslo City Kjøpsenter AS—owner of the shopping center—, the net amount of the identifiable assets and liabilities acquired at their fair value at the acquisition date was 283 million euros. The 34.6 million euro goodwill is justified by the difference between the deferred tax liability recorded in accordance with IAS 12 and the deferred tax expected from a tax efficient disposal scheme. Since the acquisition date, Oslo City shopping center has contributed with 18 million euros to the Group's gross rental income and 17.0 million euros to net rental income.

For Oslo City Parkering AS—owner of the parking lot—, the net amount of the identifiable assets and liabilities at their fair value at the acquisition date was 14.8 million euros. Since the acquisition date, Oslo City parking has contributed 0.9 million euros to the Group's gross rental income and 0.8 million euros to net rental income.

- On November 7, 2016, Steen & Strøm completed the sale of two shopping centers: Åsane Storsenter (49.9% stake held by Steen & Strøm) in Norway and Torp Köpcentrum in Sweden. As a consequence, four Norwegian companies (Åsane Storesenter Drift AS, Åsane Storesenter DA, Åsane Kontorutvikling AS, and Åsane Senter AS) and four Swedish companies (FAB Uddevallatorpet, Vastra Torp Mark AB, NorthMan Sverige AS, and Masscenter Torp AB) were sold and removed from the scope of consolidation.
- On September 12, 2016, the Hungarian company Debrecen 2002 Kft owning the Debrecen Plaza shopping center was sold.
- In addition, during the year 2016, 23 shell companies have been merged or liquidated and 5 new companies have been created.

4 SHOPPING CENTER OPERATIONS OVERVIEW

4.1 ECONOMIC ENVIRONMENT

For 2016,² GDP (gross domestic product) growth for the Euro zone as a whole is expected to reach 1.7%, in line with the level forecasted in June 2016. Despite supportive monetary policy, corporate investment remained relatively low due to subdued demand, banking sector weaknesses, and challenges faced by European integration. Employment, although slightly improved, and real wage growth were moderate, which consequently translated into a moderate rise in domestic demand, while exports were impacted by a slowdown in global trade. Discrepancies were nevertheless observed among countries where Klépierre operates with Sweden (+3.3%) and Spain (+3.2%) expected to finally post GDP growth levels above 3%, followed by Turkey (+2.9%), Poland (+2.6%), Czech Republic (+2.4%), and the Netherlands (+2.0%). Hungary and Germany should record 1.7% growth, while other countries, such as France (+1.2%), Italy (+0.8%), and Norway (+0.7%) recorded lower growth rates.

According to the OECD (Organization for Economic Co-operation and Development), in the countries where the Group operates, GDP is expected to grow at approximately the same pace in 2017 and slightly more rapidly in 2018.

2017 and 2018 GDP growth forecasts by country³

	2017E	2018E	
France	1.3%	1.6%	
Belgium	1.3%	1.5%	
Italy	0.9%	1.0%	
Scandinavia	Norway	0.5%	1.4%
	Sweden	2.7%	2.2%
	Denmark	1.5%	1.9%
Iberia	Spain	2.3%	2.2%
	Portugal	1.2%	1.3%
CEE and Turkey	Poland	3.2%	3.1%
	Hungary	2.5%	2.2%
	Czech Rep.	2.5%	2.6%
	Turkey	3.3%	3.8%
The Netherlands	2.0%	1.9%	
Germany	1.7%	1.7%	

² Source: OECD Economic Outlook, November 2016.

³ Ibid.

4.2 CHANGE IN RETAILER SALES

In 2016, retailer sales at Klépierre malls were up 1.6% on a like-for-like basis⁴ for the 12 months of the year versus the same period last year. In the European economic context described earlier, this solid sales level reflects the resilience of Klépierre's business model derived from the diversified geographical mix of its portfolio.

Health & Beauty and Restaurants, which accounted for 23% of the total sales, were the best performing segments, with sales growth of 5.3% and 4.3%, respectively. Sales in the Fashion segment (39% of total sales) were up 1.1% for 2016 as a whole thanks to good figures posted in the fourth quarter (+4.6%) after a 0.3% decrease over the first 9 months of the year mainly due to adverse weather conditions. Culture, gifts and leisure sales were up 1.3%.

On a geographic basis, the overall retailer sales performance in 2016 was driven by Scandinavia (+2.7%), Iberia (+2.4%), Central Eastern Europe, and Turkey (+5.8%) and, to a lesser extent, by Italy (+0.9%) and Germany (+0.8%). In France and Belgium, retailer sales were only slightly up compared with last year's level (+0.2%).

2016 full-year retailer sales like-for-like change

	Like-for-Like
France	0.2%
Belgium	0.4%
France-Belgium	0.2%
Italy	0.9%
Norway	2.3%
Sweden	3.4%
Denmark	2.5%
Scandinavia	2.7%
Spain	2.6%
Portugal	2.2%
Iberia	2.4%
Poland	3.2%
Hungary	10.0%
Czech Republic	5.9%
Turkey	7.5%
CEE and Turkey	5.8%
The Netherlands	N/A
Germany	0.8%
SHOPPING CENTERS	1.6%

⁴ Retailer sales performance for 2016 compared to full-year 2015. Like-for-like excludes the impact of asset sales and acquisitions. Retailer sales from the Dutch portfolio are not included in these numbers as retailers do not report sales to Klépierre.

4.3 GROSS RENTAL INCOME

in million euros (total share)	12/31/2016	12/31/2015	Change current
France-Belgium	428.4	418.7	2.3%
Italy	204.7	201.1	1.8%
Scandinavia	197.6	177.0	11.7%
Iberia	113.1	107.2	5.6%
CEE and Turkey	121.3	119.3	1.7%
The Netherlands	61.1	94.1	-35.1%
Germany	57.2	56.5	1.3%
TOTAL SHOPPING CENTERS	1,183.4	1,173.8	0.8%
Other activities	30.6	34.6	-11.6%
TOTAL	1,214.0	1,208.4	0.5%

Shopping center gross rental income (total share) amounted to 1,183.4 million euros for full year 2016, versus 1,173.8 million euros for 2015. This change reflects the like-for-like growth in gross rental income and the impact of the acquisition of Plenilunio (Spain) and Oslo City (Norway) completed in 2015, which more than offset the disposals completed since January 1, 2015 in the Netherlands (August 2015) and, to a lesser extent, in Scandinavia (November 2016).⁵

Adding in gross rental income generated by other activities (down 11.6% due to asset disposals), gross rental income reached 1,214 million euros, versus 1,208.4 million euros for 2015.

4.4 NET RENTAL INCOME

in million euros (total share)	12/31/2016	12/31/2015	Change current	Change like-for-like	Index-linked rental adjustments
France-Belgium	388.0	379.7	2.2%	3.0%	-0.1%
Italy	189.8	184.9	2.7%	2.7%	0.1%
Scandinavia	180.3	156.6	15.1%	5.5%	1.4%
Iberia	98.4	90.8	8.4%	5.3%	0.2%
CEE and Turkey	110.1	106.1	3.8%	5.6%	0.8%
The Netherlands	45.5	76.0	-40.1%	-5.3%	0.6%
Germany	42.0	42.4	-1.1%	-0.2%	0.0%
TOTAL SHOPPING CENTERS	1,054.1	1,036.6	1.7%	3.5%	0.3%
Other activities	29.3	33.0	-11.3%		
TOTAL	1,083.4	1,069.6	1.3%		

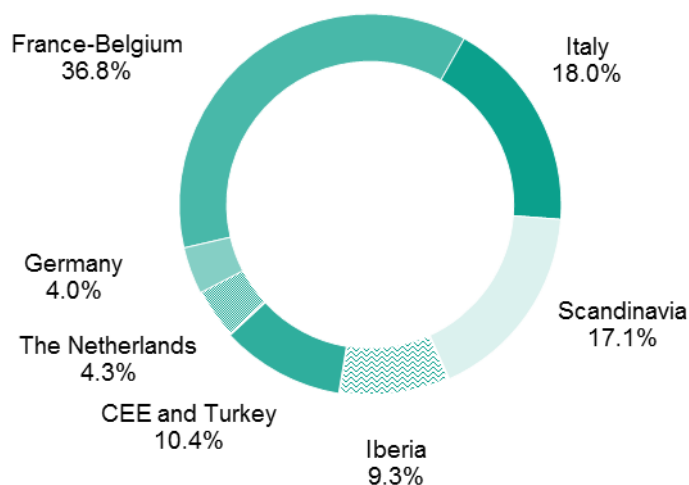
Net rental income generated by shopping centers reached 1,054.1 million euros, up 17.5 million euros on a current portfolio basis compared to 2015, which resulted from:

- A 33.2 million euro increase reflecting net rental income growth on a like-for-like basis (+3.5%);
- 22.0 million euros in additional net rental income from the 2015 acquisitions—Plenilunio (Madrid) and Oslo City;
- A 35.7 million euro decrease due to asset disposals, in particular the portfolio of 9 Dutch community shopping centers sold to Wereldhave in August 2015;
- A 1.9 million euro decrease linked to foreign exchange rate impacts, mostly related to the Norwegian Krona depreciation.

⁵ For more information, please refer to the "Investments, Developments and Disposals" section of this document.

On a like-for-like portfolio basis,⁶ shopping center net rental income was up by 3.5%, a 320 basis point outperformance over index-linked rental adjustments of +0.3%.

Shopping center net rental income breakdown by region
Period ended December 31, 2016 (total share)



Foreign exchange impact on like-for-like net rental income over 12 months

	constant forex	current forex
Norway	2.7%	-1.0%
Sweden	6.4%	5.1%
Denmark	7.6%	7.8%
Scandinavia	5.5%	3.8%
Poland	1.8%	1.6%
Hungary	15.4%	15.9%
Czech Republic	12.4%	12.0%
Turkey	-1.5%	0.8%
CEE and Turkey	5.6%	6.2%
SHOPPING CENTERS	3.5%	3.3%

⁶ Like-for-like excludes the contribution of new spaces (acquisitions, new centers, and extensions), spaces being restructured, disposals completed since January 2015, and foreign exchange impacts.

4.5 CONTRIBUTION OF ASSETS CONSOLIDATED UNDER THE EQUITY METHOD

The net income contribution of assets consolidated under the equity method to Klépierre's consolidated financial statement amounted to 89.5 million euros in 2016. These assets are:

- France: Espace Coty (Le Havre), Le Millénaire (Paris), Les Passages (Boulogne-Billancourt), Centre Mayol (Toulon);
- Italy: Porta di Roma (Rome), Il Corti Venete (Verona), Il Leone di Lonato (Lonato), Il Destriero (Vittuone), Città Fiera (Udine);
- Norway: Økernsenteret (Oslo), Metro Senter (Oslo region), Nordbyen (Larvik);
- Portugal: Aqua Portimão (Portimão);
- Turkey: Akmerkez (Istanbul).

In 2016, one asset consolidated under the equity method was sold in France (Maisonément in the Greater Paris Area) and another one in Norway (Åsane Storsenter in Bergen).

The tables below present the contributions in terms of gross and net rental income, cash flows, and net income, broken down by country. These contributions include investments in jointly-controlled companies and investments in companies under significant influence.

Gross rental income - total share		
in million euros	12/31/2016	12/31/2015
France	24.4	25.7
Italy	39.0	37.6
Norway (*)	13.3	14.8
Iberia	3.0	2.7
Turkey	15.8	16.5
Total EAls	95.5	97.4

Net rental income - total share		
in million euros	12/31/2016	12/31/2015
France	19.2	19.9
Italy	33.2	32.7
Norway (*)	11.2	12.8
Iberia	2.6	2.0
Turkey	10.8	12.7
Total EAls	76.9	80.2

Net current cash flow - total share		
in million euros	12/31/2016	12/31/2015
France	15.9	16.2
Italy	23.4	21.2
Norway (*)	11.3	12.8
Iberia	0.2	-0.3
Turkey	10.2	12.6
Total EAls	61.0	62.6

Net income - total share		
in million euros	12/31/2016	12/31/2015
France	8.2	1.2
Italy	44.7	53.8
Norway (*)	11.1	-7.4
Iberia	1.1	0.3
Turkey	24.4	49.6
Total EAls	89.5	97.5

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

4.6 SHOPPING CENTER BUSINESS SUMMARY

4.6.1 Leasing highlights

	Volume of leases renewed and relet (€M)	Reversion (%)	Reversion (€M)	OCR ⁽¹⁾	EPRA Vacancy rate	Late payment rate ⁽²⁾
France-Belgium	35.9	10.9%	3.9	12.4%	3.2%	1.8%
Italy	21.9	16.7%	3.7	11.2%	1.7%	1.8%
Scandinavia	26.8	10.1%	2.7	10.8%	3.5%	0.4%
Iberia ⁽³⁾	10.5	20.0%	2.1	13.5%	4.9%	0.5%
CEE and Turkey ⁽³⁾	16.3	21.7%	3.5	12.8%	5.7%	3.0%
The Netherlands	2.1	7.2%	0.1	-	5.6%	3.1%
Germany	4.4	-4.9%	-0.2	11.7%	6.4%	2.2%
TOTAL	117.8	13.4%	15.8	11.9%	3.5%	1.6%

Scope includes assets consolidated under the equity method

(1) Occupancy cost ratio. Data not provided for the Netherlands as retailers do not report sales to Klépierre.

(2) 12-month rolling rate.

Property management in 2016 led to the signature of 1,789 leases, translating into additional annual minimum guaranteed rents of 29 million euros. These signatures included:

- 306 lease-ups for additional annual minima guaranteed rents of 13.1 million euros;
- 1,483 leases that were renewed or relet, representing 15.8 million euros worth of additional annual minima guaranteed rents, i.e., an average reversion rate of 13.4%.

At the Group level, after significant improvements posted in 2015, the shopping center vacancy rate (EPRA format) was reduced by 30 bps to 3.5%, while the late payment rate was reduced by 10 bps to 1.6%, highlighting the positive outcome of re-tenanting campaigns, the improvement in rent collection across the portfolio, and the quality of our pan-European platform.

In 2016, Klépierre has estimated that retailers were committed to invest ca. 318 million euros in 2016 in the renovation of their stores at Klépierre shopping malls.⁷ This illustrates the quality of Klépierre's portfolio and evidences that the positioning of its assets meets the needs of leading retailers.

4.6.2 Sustainable development performance

Since 2013, Klépierre has been implementing its Good Choices[®] plan, a comprehensive sustainable development strategy covering three areas.⁸

First, Klépierre pursues operational and sustainable excellence with a view to managing more cost effective and energy efficient buildings. As a result, the Group decreased its energy consumption by 17% in 3 years across its portfolio, which translated into cumulative savings worth 18 million euros on energy budgets over the same period. As of 2016 year-end, 81 Klépierre's shopping malls were certified BREEAM in Use or ISO 14001 in 13 countries, which represented 4 more malls compared to 2015. In addition, the Group diverted 75% of its shopping center waste from landfill across all countries—a stable and high performance.

Second, Klépierre wishes to act as a responsible and innovative sector leader by offering the best solutions and services to its stakeholders. As of December 31, 2016:

⁷ Estimated amount based on a representative sample of leases signed in 2016 and extrapolated for the entire portfolio.

⁸ All figures in this paragraph were being externally audited as at the publication date of this document.

- More than 58% of its electricity consumption originated from renewable sources;
- Carbon emissions had been reduced by 15% since 2013; and
- 80% of its key providers (cleaning, maintenance and security) were certified.

Third, Klépierre aims at ensuring the best possible work experience to its staff while having the most talented employees. This objective relies on strong measures for improving training and internal mobility. As a result, training access rate reached 82% as of December 31, 2016, a 11-bp increase compared to 2015 year-end.

In September 2016, Klépierre obtained outstanding extra-financial ratings, recognizing the efficiency of its Good Choices® strategy and the effectiveness of the measures implemented in recent years. Klépierre was ranked second among listed companies in the retail sector worldwide and 10th across all industries by the Global Real Estate Sustainability Benchmark (GRESB); it was once again awarded a “Green Star” with a score of 93/100. Klépierre reached the 97th percentile in the World Dow Jones Sustainability Index (DJSI) based on the review by RobecoSAM, which deemed the company the most efficient in the world out of 177 real estate companies for its environmental initiatives. In addition, the Group integrated the Carbon Disclosure Project’s ‘A’-list.

Overall, Klépierre is considered best-in-class by both GRESB and RobecoSAM for its environmental strategy, the monitoring of its performance, and the disclosure of its results. The quality of the latter was also recognized by the European Public Real Estate Association (EPRA), which granted Klépierre a Sustainability “Gold Award” for the fifth consecutive year—an achievement that only five companies have attained.

Klépierre is integrated in the following ISR indices: FTSE4Good, DJSI Europe & World index, STOXX Global ESG Leaders, Euronext Vigeo France 20, Europe 120 & World 120, Ethibel Sustainability Index Excellence Europe & Global.

4.7 SHOPPING CENTER LEASE EXPIRY SCHEDULE

Country/Area	≤ 2017	2018	2019	2020	2021	2022	2023	2024	2025+	TOTAL	Average lease length
France	21.6%	5.8%	8.2%	8.9%	10.9%	12.0%	9.7%	8.4%	14.5%	100.0%	4.5
Belgium	1.9%	1.4%	9.9%	1.2%	1.1%	3.3%	61.5%	5.8%	13.9%	100.0%	6.3
France-Belgium	20.9%	5.6%	8.3%	8.6%	10.5%	11.7%	11.8%	8.3%	14.5%	100.0%	4.5
Italy	18.6%	9.6%	14.2%	12.5%	12.1%	9.7%	6.7%	2.0%	14.7%	100.0%	4.3
Denmark											
Norway	19.0%	21.5%	20.4%	12.6%	11.8%	3.0%	3.1%	2.4%	6.2%	100.0%	3.2
Sweden	19.0%	19.5%	21.0%	14.6%	8.6%	7.2%	2.3%	1.4%	6.4%	100.0%	2.4
Scandinavia	19.0%	20.6%	20.7%	13.5%	10.4%	4.9%	2.7%	2.0%	6.3%	100.0%	2.8
Spain	6.4%	7.7%	10.0%	8.3%	11.4%	9.1%	5.0%	7.6%	34.5%	100.0%	7.3
Portugal	19.0%	5.7%	7.5%	9.6%	17.3%	11.1%	2.3%	7.0%	20.6%	100.0%	5.0
Iberia	9.2%	7.3%	9.4%	8.6%	12.7%	9.5%	4.4%	7.4%	31.5%	100.0%	6.8
Poland	34.6%	5.9%	7.3%	22.7%	13.1%	2.0%	1.0%	2.4%	11.0%	100.0%	3.5
Hungary	16.2%	21.7%	16.1%	21.9%	16.6%	0.3%	2.3%	2.2%	2.7%	100.0%	3.7
Czech Republic	25.9%	16.3%	8.4%	8.4%	19.5%	7.5%	4.0%	1.1%	9.1%	100.0%	3.3
Turkey	26.1%	19.8%	11.5%	11.1%	8.5%	5.6%	8.0%	0.6%	8.7%	100.0%	3.3
CEE and Turkey	26.9%	15.3%	10.3%	15.4%	13.8%	4.2%	4.1%	1.5%	8.5%	100.0%	3.4
The Netherlands	35.9%	10.7%	14.8%	4.6%	6.3%	9.7%	2.8%	4.0%	11.3%	100.0%	3.6
Germany	4.9%	19.0%	10.3%	1.2%	9.2%	29.8%	4.8%	4.9%	15.8%	100.0%	5.4
TOTAL	19.3%	10.2%	11.8%	10.2%	11.2%	10.2%	7.4%	5.0%	14.7%	100.0%	4.4

5 BUSINESS ACTIVITY BY REGION

5.1 FRANCE-BELGIUM (35.8% of net rental income)

in million euros (total share)	Net rental income current			Net rental income like-for-like			EPRA Vacancy rate
	12/31/2016	12/31/2015	Change	12/31/2016	12/31/2015	Change	12/31/2016
France	372.3	364.8	2.1%	366.9	356.4	2.9%	3.3%
Belgium	15.7	14.9	5.2%	15.7	14.9	5.2%	0.5%
France-Belgium	388.0	379.7	2.2%	382.6	371.3	3.0%	3.2%

5.1.1 France

In 2016, GDP posted a 1.1% growth, a level in line with the increase recorded in 2015⁹. Tax cuts and low energy prices favored a rebound in consumption and business investment in mid-2016, together with a decrease in the unemployment rate, which was projected to be slightly down for the full 2016 (9.9%). Recent indicators show that GDP growth has resumed over the last two quarters of 2016. It should strengthen to reach 1.3% in 2017 and 1.6% in 2018, as further tax cuts and employment growth support private consumption¹⁰.

In 2016, retailer sales were slightly up (+0.2%) compared to 2015 which recorded a strong 2.1% increase. For the first 11 months of 2016, Klépierre malls sales outperformed the CNCC index by a 150-bp margin.¹¹ Weak results were posted in the third quarter for the fashion segment due to adverse weather conditions. In the fourth quarter, sales increased by 1.7% year-on-year, with the fashion segment up 3.6%. November sales growth reached a strong +5.5% year-on-year, due to the low level of November 2015 sales following the terrorist attacks in Paris and to the positive impact of the “XXL Days” events organized by a growing number of shopping centers.

On a like-for-like portfolio basis,¹² net rental income was up 2.9%, outperforming index-linked rental adjustments by 310 basis points (-0.2%), reflecting the positive effect of re-tenanting actions and 2014-2015 rightsizing operations. These rightsizing actions (see below), aimed at providing leading retailers with the most suitable format for deploying their latest concepts, contributed to retailer sales and a strong rise in turnover rents at Créteil Soleil, Val d'Europe and St.Lazare Paris (Paris region), Grand'Place (Grenoble), Blagnac (Toulouse), and Jaude (Clermont-Ferrand). Net rental income growth further accelerated in the second half of 2016 thanks to a reduction in operating costs due to the broad implementation of centralized procurement.

On a current portfolio basis, net rental income was positively impacted by the full-year contribution of Les Passages Pasteur: a new 11,200 sq.m. downtown shopping center that opened in Besançon in November 2015 and is now nearly fully let.

Leasing activity remained sustained: a total of 360 leases were signed of which 306 on relet or renewed spaces, with an average 10.3% reversion rate. As of December 31, 2016, vacancy was reduced by 10 bps as compared to June 30, 2016. The Group continued to sign deals with leading fashion brands, including Uniqlo, which opened its first store in South-Western France at Blagnac (943 sq.m.), Mango in Lattes (1,011 sq.m.), Bershka at Créteil Soleil (807 sq.m.), H&M at Saint-Jacques (Metz; 3,221 sq.m.), and Zara, which is currently expanding and refurbishing its stores at both Grand'Place (3,200 sq.m.) and Ecully (2,080 sq.m.). Kiabi implemented its latest concept at Arcades (Paris area) over 1,360 sq.m. in August. In the Health & Beauty segment, leases were signed with Kiko at Mondeville (Caen) and NYX at Grand Littoral (Marseille), Val d'Europe (Paris region), and Odysseum (Montpellier). In Nailloux Outlet Village (Toulouse region), the Group reduced

⁹ Source: Insee, *Quarterly National Accounts in Q4 2016*, January 2017.

¹⁰ Source: *OECD Economic Outlook*, November 2016.

¹¹ The CNCC index was down 1.3% for the first 11 months of 2016 compared to the same period last year.

¹² Like-for-like excludes the contribution of new spaces (acquisitions, new centers and extensions) and spaces being restructured.

vacancy by signing new leases with L'Oréal, IKKS, Kusmi Tea, Pepe Jeans, and Diesel, while Galeries Lafayette Outlet opened its 1,513 sq.m. store in February. The latter also opened a new store at La Seguinère Outlet (Nantes region) in December 2015. Lastly, Kusmi Tea opened its new digital store concept in Val d'Europe in addition to new stores in Jaude and Le Havre Coty.

5.1.2 Belgium

2016 GDP growth is expected to be 1.2%, in line with 2015, as domestic demand, the main driver of growth, remained weak due to a decline in real wages and government spending. 2017 GDP is forecasted to be up 1.3%.¹³

Eleven years after it opened, L'esplanade shopping center (in Louvain-la-Neuve) continues to post strong operating performances thanks to active letting efforts. On a like-for-like basis, net rental income growth of 5.2% was driven by positive reversion since the beginning of 2015 and by the termination of the center's management contract, which Klépierre teams have assumed since July 1, 2016. The center should soon attract more visitors thanks to a new regional express train line that will link Louvain-la-Neuve and Brussels in 30 minutes by 2020. Footfall will also be boosted with the opening 2,300 additional parking slots.

5.2 ITALY (17.5% of net rental income)

in million euros (total share)	Net rental income current			Net rental income like-for-like			EPRA Vacancy rate 12/31/2016
	12/31/2016	12/31/2015	Change	12/31/2016	12/31/2015	Change	
Italy	189.8	184.9	2.7%	189.8	184.9	2.7%	1.7%

After 0.6% growth in 2015, GDP is expected to be up 0.8% in 2016 on the back of higher levels of employment, household income, and thus private consumption. This positive trend has recently begun to weaken due to rising uncertainties with respect to the banking sector and the country's political situation following the rejection of the constitutional reform in December 2016. In 2017, GDP growth is expected to remain in line with the levels forecasted for 2016 (+0.9%).¹⁴

On a like-for-like basis, retailer sales grew by 0.9% in 2016 compared to 2015. This figure is attributable to the good results posted at Nave de Vero (Venice; +14.6%), Campania (Naples; +8.2%), and Porta di Roma (Rome; +2.6%), mitigated by sales for the malls located in the Milan area, which recorded strong increases in the second half-year of 2015 thanks to the World Fair, and which are now facing increasing competition.

The Italian portfolio recorded a sound 260 basis point outperformance in net rental income like-for-like growth versus index-linked rental adjustments (+0.1%). 2015 and 2016 re-tenanting actions, with the introduction of particularly dynamic new retailers—among which FootLocker, Pandora, O'Bag, Mondo Convenienza and the Inditex brands—translated into an increase in revenues and as a consequence, into a rise in variable rents for most of the centers.

The reversion rate of the 265 lease renewals and relets reached a solid 16.7%, evidencing the Klépierre portfolio's appeal for leading retailers. The portfolio is almost fully let: the EPRA vacancy rate was reduced to 1.7% on December 31, 2016, a 90 basis point decrease versus year-end 2015. Porta di Roma's retail mix has been further strengthened with the signature of leases with the Inditex Group, including the extension and the full refurbishment of the Zara unit (from 2,911 sq.m. to 3,326 sq.m.) and the enlargement of both Zara Home and Oysho. AW Lab, Bialetti, and Michael Kors also joined the center (1st store in a Klépierre shopping mall in Italy). In Nave de Vero, re-tenanting actions translated into the implementation of new stores, improving the fashion mix

¹³ Source: OECD Economic Outlook, November 2016.

¹⁴ Ibid.

with Levi's, Napapijri, Timberland, and Tommy Hilfiger. The L'Oréal brand NYX opened stores in four centers—Porta di Roma, Campania, La Romanina, and Città Fiera—completing the cosmetics offer of these centers. Lego signed 4 leases with Klépierre in Italy during the second half of the year: at Porta di Roma, Le Gru, Campania, and Nave de Vero. Romagna Shopping Valley (Rimini) confirms its status as a major regional retail destination after its extension opened in 2013, which includes H&M, OVS, and Terra Nova. The merchandizing mix was further strengthened in 2016 with close to 5,300 sq.m. leased to the Inditex Group—including a 4,000 sq.m. Zara store, Pull & Bear, and Stradivarius stores—and the arrival of Cisalfa (1,640 sq.m.). America Graffiti (681 sq.m.; thematic restaurant) improved the food offer and, together with synergies with the cinema, ultimately helped to increase dwell time and footfall. Nespresso chose this center to open its first store in Klépierre malls in Italy in September. Pandora pursued its expansion with the opening of stores during the 4th quarter at Le Gru, Milanofiori, and Le Vele. Lastly, Ferrari Store opened its first store in a shopping center at Campania.

5.3 SCANDINAVIA (16.6% of net rental income)

in million euros (total share)	Net rental income current			Net rental income like-for-like			EPRA Vacancy rate
	12/31/2016	12/31/2015	Change	12/31/2016	12/31/2015	Change	12/31/2016
Norway	66.4	51.1	29.8%	50.8	49.4	2.7%	2.6%
Sweden	61.6	60.8	1.3%	53.4	50.1	6.4%	2.7%
Denmark	52.3	44.7	16.9%	47.4	44.0	7.6%	5.7%
Scandinavia	180.3	156.6	15.1%	151.5	143.6	5.5%	3.5%

5.3.1 Norway

GDP is estimated to grow by a slight 0.7% in 2016. Declining petroleum investment has continued to affect oil-related industries, translating into a new rise in the unemployment rate—which nevertheless remained at a very low 4.7%—while the exchange rate depreciation turned into a strong rise in consumer prices. Economic growth is expected to strengthen gradually in the second half of 2017, to reach 1.4% in 2018, driven by higher private consumption levels.¹⁵

Retailer sales were up 2.3% in 2016 to be compared to a 2.0% rise posted in the first half of the year. This good performance is partly attributable to the success of Black Friday events in late November (retailer sales were up 6.3%), which boosted fashion sales. Centers located in the Oslo area outperformed: Vinterbro (+6.3%), Metro (+4.4%), and Gulsbogen (+5.4%). Oslo City—acquired in December 2015—posted strong 6.9% growth in retailer sales over the same period.

On a like-for-like portfolio basis,¹⁶ net rental income was up by 2.7%, outperforming index-linked adjustments (+2.5%). The solid net rental growth recorded by centers in the Oslo area (Gulsbogen, Vinterbro) and at Farmanstredet offsets the results of Hamar Maxi (impacted by new competition) and Arkaden (in Stavanger, one of the most impacted cities by the slowdown in investments in the oil industry).

On a current portfolio basis, the 29.8% net rental income growth is attributable to the contribution of Oslo City. The depreciation of the Norwegian krone versus the euro during 2016 (3.7% on the average FX rate) translated into a -1.9 million euro impact on net rental income on a current basis. The disposal of Åsane Storsenter in Bergen, completed on November 7, 2016, is not recorded in net rental income change as the center was consolidated under the equity method.

¹⁵ Source: *OECD Economic Outlook*, November 2016.

¹⁶ Like-for-like excludes the contribution of new spaces (acquisitions, new centers and extensions), spaces being restructured, disposals completed since January 2015, and foreign exchange impacts.

For the full year, the Group recorded a 13.2% reversion rate on relet and renewed leases, with the top 3 contributing centers being Gulskogen, Farmandstredet, and Vinterbro. New retailers include G Max (sport anchor), which opened a 1,925 sq.m. store in Maxi Storsenter. In Farmandstredet, leases have been signed with BikBok (530 sq.m.) and Carlings (239 sq.m.) to strengthen the fashion offer and with Rituals (92 sq.m.). Gulskogen (Drammen) welcomed a new Levi's store and a Toys'R'Us store over 1,067 sq.m. In January, the first COS (H&M Group) in Klépierre's portfolio was signed with Arkaden. At Vinterbro, Coop (hypermarket) signed a new 15-year term lease. The trendy new Norwegian jeweler On:U chose Gulskogen and Oslo City to open stores.

5.3.2 Sweden

After a 3.9% growth rate posted in 2015, GDP is expected to be up 3.3% in 2016, boosted by a decline in the unemployment rate and strong private and government spending levels. For 2017, economic growth is expected to remain sustained at 2.7%.¹⁷

For the full year 2016, retailer sales recorded solid 3.4% growth fueled by the strong performance posted by retailers at Emporia (+5.9%). The rise in sales was particularly high in November (+9.3%), thanks to the broad success of Black Friday events organized across all centers.

On a like-for-like portfolio basis, net rental income recorded strong 6.4% growth for the full year, a 640 basis point outperformance versus index-linked rental adjustments. This performance is attributable to higher variable rents resulting from solid retailer sales growth and to the positive impact of re-tenanting actions.

Torp Köpcentrum (31,600 sq.m; Uddevalla), whose disposal was completed on November 7, 2016, made a 5.5 million euro contribution to net rental income over the period.

On the leasing front, H&M stores at Emporia, Marieberg Galleria, and Kupolen were rightsized and refurbished when the H&M Home concept was introduced in these three centers. Emporia welcomed new retailers, enriching the offer: Odd Molly (womenswear: 111 sq.m.), the e-retailer Hobbex (its first store in Klépierre's Sweden network: 113 sq.m.), Kitch'n (kitchen supplies: 225 sq.m.), Söstrene Grene (household equipment; 212 sq.m.), and Guess (fashion, 177 sq.m.), together with a second Espresso House outlet (401 sq.m.). The food offer was reinforced at Kupolen with the arrival of Pizza Hut (379 sq.m.) and Enellys (284 sq.m; new hamburger concept), and at Marieberg with the implementation of a new food court gathering 4 restaurants (Basilica, Sushiyama, Naked Juice Bar, and Kosheli). At Torp, the arrival of Body Shop and Rituals strengthened the cosmetics offer, while the Swedish kidswear brand Polarn O. Pyret opened a 144 sq.m unit. Lastly, Levi's opened 2 stores, in Allum (154 sq.m.), and in Marieberg (170 sq.m.).

5.3.3 Denmark

In 2016, GDP is forecasted to post a 1% growth, which nevertheless helped to reduce unemployment. This supported a rise in household income and thus domestic demand. In 2017, GDP growth is expected to accelerate at 1.5%.¹⁸

Retailer sales posted a 2.5% rise through 2016, with increases in the country's 3 centers.

Net rental income was up by 7.6% on a like-for-like portfolio basis, outperforming index-linked rental adjustments by 570 bps. The major leasing and re-letting initiatives carried out in 2015 and throughout 2016 at Bruun's Galleri, Bryggen, and Field's contributed to this upside. The performance was mainly driven by Field's, which has continued to post increasing sales and footfall since 2015, strengthening its leading position in the

¹⁷ Source: OECD Economic Outlook, November 2016.

¹⁸ Ibid.

Copenhagen region. The Nordisk Film Biografer flagship cinema, which opened in August 2015 as an anchor for the new extension, also helped to reinforce the center's attractiveness for retailers, together with an enlarged and renovated food offer featuring new gourmet restaurants (Loft Gastrogrill, Dalle Valle, Gorm's Pizza). The center will also benefit from the opening in February 2017 of the Royal Arena located in the immediate vicinity (up to 16,000 spots for concerts).

The 16.9% net rental income growth recorded on a current portfolio basis was boosted by (i) a non-recurring property tax refund for Field's in the first half of 2016, and (ii) the contribution of the aforementioned extension.

A 7.3% reversion rate on renewals and relets was recorded for the period. The vacancy rate is down by 260 basis points versus December 31, 2015. At Field's, after having operated a popup store, Nespresso opened a permanent location last May, the first one in a Danish shopping center. It was joined by Espresso House and Pandora. At Bruun's Galleri, the American sneaker brand Skechers opened a 252 sq.m. unit and Det Grønne Køkken, a new Danish grab and go food concept, will open in the second half of the year. Guess (fashion) chose Field's and Bruun's Galleri to open its first two stores in the country.

5.4 IBERIA (9.1% of net rental income)

in million euros (total share)	Net rental income current			Net rental income like-for-like			EPRA Vacancy rate	
	12/31/2016	12/31/2015	Change	12/31/2016	12/31/2015	Change	12/31/2016	
Spain	79.4	72.5	9.5%	73.9	70.0	5.7%	3.8%	
Portugal	19.0	18.3	3.9%	19.0	18.3	3.9%	8.1%	
Iberia	98.4	90.8	8.4%	92.9	88.3	5.3%	4.9%	

5.4.1 Spain

2016 GDP growth is expected to be in line with 2015, 3.2%, fueled by domestic demand supported by fiscal stimulus and a further decline in unemployment. For 2017 (+2.3%) and 2018 (+2.2%), GDP growth is expected to be further driven by an ongoing rise in consumption.¹⁹

For 2016, retailer sales recorded a 2.6% increase attributable to the solid performances of Meridiano, Plenilunio, and Principe Pio. Sales at La Gavia were slightly up versus the level of 2015 (+0.9%) due to the impact of tramway works which are now completed.

On a like-for-like portfolio basis, net rental income was up by 5.7%, outperforming average index-linked rental adjustments by 570 basis points. This sound performance highlights the quality of the streamlined portfolio, concentrated in 5 leading assets in Madrid, Barcelona, and the Canary Islands. This achievement is also the direct result of strong reversion levels posted in 2015 and throughout 2016. The change in net rental income on a current portfolio basis reflects the impact of the Plenilunio (Madrid) acquisition in March 2015 and, to a lesser extent, the impact of asset sales completed in July 2016.²⁰

Spain continues to act as a magnet for international brands, backed by a solid economic recovery. Close to 200 leases were signed in 2016, with an average reversion rate of 18.5% for renewals and relets. The vacancy rate is down by 150 basis points versus December 31, 2015. In the fashion segment, the Group further reinforced its positioning with major brands such as H&M (new 2,150 sq.m. store in Meridiano), Victoria's Secret (Maremagnum; first opening in a Spanish shopping center), Massimo Dutti (Principe Pio; expansion with a 450 sq.m. store), Pull & Bear (Principe Pio; 530 sq.m. expanded store) and Skechers (Meridiano). Stradivarius will expand its premises while implementing its latest concept in Plenilunio over 550 sq.m. In the Sporting goods segment,

¹⁹ Source: OECD Economic Outlook, November 2016.

²⁰ Sexta Avenida (downtown Madrid; 16,800 sq.m.), Espacio Torrelodones (Northern Madrid; 21,600 sq.m.), and Ruta de la Plata (Cáceres; 8,400 sq.m.).

Plenilunio welcomed Adidas and Sprinter (800 sq.m. store), and Foot Locker fully renovated its store. The Italian brand O Bag (an innovative brand specialized in customized bags) selected Principe Pio, La Gavia, and Meridiano to establish its first stores in shopping centers in Spain. The Health & Beauty segment remained dynamic, with the opening of an Inglot store in Principe Pio, the continuing expansion of NYX (Plenilunio), Rituals (new opening in La Gavia), The Body Shop (Maremagnum), and Kiko (Meridiano). Lush will inaugurate a new store in Maremagnum in early 2017. In the Food and restaurants segment, Enrique Thomas (high quality Spanish charcuterie) opened two stores (Principe Pio and Maremagnum) and Amorino (Italian ice cream) opened its first store in Klépierre's Iberian portfolio (Meridiano). The new concept of Friday's was unveiled at La Gavia in August. Nespresso decided to open two pop-up stores (Principe Pio and La Gavia). Samsung implemented its latest concept at Principe Pio and Plenilunio.

In addition, work has been launched in the 4th quarter to upgrade the customer experience to meet Clubstore® standards at Plenilunio.

5.4.2 Portugal

GDP growth is expected to be moderate in 2016 (+1.2%) due to weak public and private investment. Employment is increasing. For 2017 and 2018, GDP is forecasted to post steady growth, in line with those recorded in 2016.²¹

Retailer sales were up 2.2% in 2016, boosted by strong rises posted at Aqua Portimão (+7.1%) and at Espaço Guimarães (+2.1%). Sales at Parque Nascente are up slightly (+0.4%) due to a decline in sales in the Household goods segment.

The 3.9% net rental income growth—a 290-bp outperformance versus index-linked rental adjustments—is attributable to the positive impact of reversion achieved across the portfolio and cost streamlining.

International retailers are also expanding in Portugal. Leasing activity was particularly intense throughout the year, with 58 new contracts signed, translating into a strong reversion rate of 25.5%. The vacancy rate was reduced to 8.1% (from 9.7% at year-end 2015). The large-scale re-tenanting campaign at Espaço Guimarães continued. Renewals have been signed with international brands such as Sephora (relocated into the fashion area), Calzedonia, Tezenis, and Intimissimi with improved rental conditions. In the Sporting goods segment, Adidas has chosen Espaço Guimarães and Parque Nascente to reinforce its presence in the country. The Health & Beauty offer was also significantly improved at Parque Nascente (Porto) with the implementation of Sephora and NYX.

5.5 CENTRAL EASTERN EUROPE (CEE) AND TURKEY (10.2% of net rental income)

in million euros (total share)	Net rental income current			Net rental income like-for-like			EPRA Vacancy rate	
	12/31/2016	12/31/2015	Change	12/31/2016	12/31/2015	Change	12/31/2016	
Poland	32.1	32.9	-2.4%	32.1	31.5	1.8%	1.3%	
Hungary	19.2	17.9	7.0%	18.2	15.8	15.4%	4.6%	
Czech Republic	26.7	23.9	11.4%	26.7	23.7	12.4%	0.7%	
Turkey	30.1	29.6	1.6%	30.1	30.6	-1.5%	9.7%	
Others	2.1	1.8	NA	2.3	2.0	NA	6.4%	
CEE and Turkey	110.1	106.1	3.8%	109.4	103.5	5.6%	5.7%	

²¹ Source: OECD Economic Outlook, November 2016.

5.5.1 Poland

After 3.9% growth in 2015, GDP is forecasted to be up 2.6% in 2016, boosted by a rise in exports due to strong cost competitiveness. Ongoing gains in employment and wages, higher social transfers, and low energy prices are supporting private consumption and housing construction, while infrastructure investments have eased due to lower inflows from EU funds. The latter are expected to fuel GDP in 2017 and 2018, which should post growth rates above 3%.²²

For the full year 2016, Klépierre's Polish malls recorded a 3.2% increase in retailer sales thanks to stronger performances posted in the second half of the year, with a strong contribution of Poznan Plaza following its re-tenanting campaign (see below).

On a current basis, the 0.8 million euro decrease in net rental income is attributable to the disposal of Krakow Plaza (30,520 sq.m.) in December 2015. Like-for-like net rental income growth posted a 160bp outperformance versus index-linked rental adjustments. Poznań Plaza and Lublin Plaza results were impacted by competition.

Leasing activity was sustained throughout the year. At Poznań Plaza, the large scale re-tenanting campaign initiated in 2015 was pursued with the arrival of New Balance (140 sq.m.) and Tezenis, which chose the center to open its first store in the country (240 sq.m.). Many leases were signed at Sadyba Best Mall, including ISpot (Apple reseller), M.A.C., New Balance, Pizza Hut Express, Starbucks and Yves Rocher. Lublin welcomed a new McDonald's restaurant in December. At Rybnik Plaza, CCC (shoes) unveiled a new 1,267 sq.m. flagship store.

5.5.2 Hungary

For 2016, GDP growth is expected to reach 1.7%. Private consumption remains robust thanks to rising real wages and lower unemployment rates. Economic growth is forecasted to be higher in 2017 (+2.5%) on the back of a new cycle of EU structural funding.²³

In this favorable context and following the portfolio streamlining completed in 2015 and 2016, Hungarian shopping centers recorded strong 10% growth in retailer sales in 2016. Every center posted higher sales. This growth is also partly attributable to the end of the Sunday closure regulation since April 2016 and the growing implementation of Black Friday operations by the centers.

On a like-for-like basis, net rental income was up 15.4%, driven by the significant positive outcome of leasing actions implemented since the beginning of 2015, the significant decrease in vacancy, and the reduction in bad debt allowances to a historically low level. Each of the country's centers recorded net rental income growth that more than offset the impact of the disposals completed in 2015 (Zala, Csepel, and Szeged in March, Kaposvar and Szolnok in November) and in September of 2016 (Debrecen Plaza).

The reversion rate on relet or renewed leases reached 26.1%. The vacancy rate is down by 340 basis points versus December 31, 2015. At Corvin Plaza, Decathlon opened a 1,829 sq.m. store in December. It is the first location for this major sports goods brand in downtown Budapest and it will therefore significantly enhance the attractiveness of the shopping center. CCC (shoes) opened its new concept at Győr Plaza in September over 456 sq.m.

²² Source: *OECD Economic Outlook*, November 2016.

²³ Ibid.

5.5.3 Czech Republic

2016 GDP growth is forecasted to reach 2.4%. Increasing labor shortages are contributing to the rise in wages and hours worked and, consequently, private consumption. Economic growth will strengthen in 2017 and 2018 (+2.5% and + 2.6% estimated).²⁴

For the full-year 2016, the three centers of the country recorded strong increases in retailer sales translating into average growth of 5.9%. In November, retailer sales were up 11.1% thanks to the broad success of Black Friday events.

Net rental income was up 12.4% on a like-for-like basis thanks to sound performances—in particular at Nový Smíchov (+16.1%)—which far exceeded low indexation (+0.2%). This increase was driven by highly successful re-tenanting efforts—89 spaces let or relet, translating into a 50.3% reversion rate—and a reduction in operating costs. The vacancy rate is down by 40 basis points versus December 31, 2015.

At Nový Smíchov, leases were signed with Calvin Klein Jeans (126 sq.m.), CCC (Polish shoes retailer; 550 sq.m.), Douglas (399 sq.m.), NYX (65 sq.m.; first implementation of the brand in all Central Europe), Starbucks (120 sq.m.), Stradivarius (404 sq.m.), and Tiger (365 sq.m.).

5.5.4 Turkey

GDP growth is estimated to have slowed to 2.9% in 2016. The Turkish economy continues to face geopolitical headwinds and uncertain political conditions, together with recent terrorist attacks that have weighed negatively on the national currency and tourism. Household consumption remains strong, nevertheless, helped by rising wages.²⁵

Retailer sales (in local currency) are up 7.5% for the full year, which is 60 bps above the AYD (Turkish Shopping center Council) sales index (January to November) This performance is attributable to the arrival of particularly dynamic new tenants such as Nike in Tarsu and both Koctas (DIY) and H&M in Anatolium.

Net rental income is down 1.5% on a like-for-like basis, mainly due to higher vacancy, notably at Ada, which faces increasing competition. On a current basis, the 1.6% net rental income increase mainly includes a positive currency impact.

Anatolium confirms its status as a dominant center at Bursa (4th with leases signed with H&M (2,219 sq.m.) and Starbucks. At Akmerkez, Inditex decided to increase its presence with a full size Zara (2,100 sq.m.; to open next March). Zara Home, Massimo Dutti, and Oysho leases were also renewed.

5.6 THE NETHERLANDS (4.2% of net rental income)

in million euros (total share)	Net rental income current			Net rental income like-for-like			EPRA Vacancy rate 12/31/2016
	12/31/2016	12/31/2015	Change	12/31/2016	12/31/2015	Change	
The Netherlands	45.5	76.0	-40.1%	23.9	25.2	-5.3%	5.6%

GDP is growing steadily and is expected to be up by 2.0% in 2016, mainly driven by domestic demand, supported by rising wages and declining unemployment levels. 2017 and 2018 economic growth projections are in line with the level posted in 2016 (+2.0% and +1.9% respectively).²⁶

On a current portfolio basis, net rental income reflects the disposal in August 2015 of a portfolio of 9 community shopping centers for a total consideration of 730 million euros (excluding duties). These assets

²⁴ Source: OECD Economic Outlook, November 2016.

²⁵ Ibid.

²⁶ Source: OECD Economic Outlook, November 2016.

contributed 28.2 million euros to net rental income in 2015. Markthal—a 11,200 sq.m. retail scheme featuring a fresh food market and a unique array of gourmet restaurants acquired in July 2015—contributed to the current performance. On a like-for-like basis, net rental income like-for-like was down by 5.3%, reflecting an increase in interim vacancies and late payment rates in the first half of 2016 related to bankruptcies of a few domestic retailers. Leasing actions nevertheless helped to reduce both vacancy and late payments during the second half of the year.

Lease agreements for four Inditex brands were signed at Hoog Catharijne: Bershka, Stradivarius, Zara Home, and Zara Man. They will open in the first phase of the newly redeveloped center in April 2017 over more than 4,000 sq.m. At Alexandrium (Rotterdam), leases were signed with Rituals, which unveiled a bigger store together with its latest concept, Foot Locker (278 sq.m.), JD Sports (617 sq.m.), and Hunkemöller (expanded store). These leasing actions will enhance the center’s appeal and contribute to reducing vacancy. In Almere, Kiko opened a 121 sq.m. store in November and Hunkemöller signed for a bigger store.

5.7 GERMANY (3.9% of net rental income)

in million euros (total share)	Net rental income current			Net rental income like-for-like			EPRA Vacancy rate
	12/31/2016	12/31/2015	Change	12/31/2016	12/31/2015	Change	12/31/2016
Germany	42.0	42.4	-1.1%	27.9	28.0	-0.2%	6.4%

After a 1.5% growth rate recorded in 2015, GDP is expected to be up 1.7% for 2016, helped by a strong labor market, low interest rates, and a slightly expansionary fiscal policy, which supported household consumption and residential investment. For 2017 and 2018, GDP is forecasted to be up 1.7%.²⁷

For the year 2016, retailer sales were up slightly (+0.8%) thanks to sound performances recorded at Boulevard Berlin following the completion of the refurbishment, which helped to increase sales and drive footfall to the basement level.

Net rental income on a like-for-like basis was virtually unchanged for 2016 (-0.2%), reflecting negative reversion (-4.9%) offset by higher occupancy and the introduction of new tenants, which helped to reduce late payment rates.

Significant re-tenanting actions were completed throughout the year and translated into the signing of 29 leases. In particular, Zara will join Centrum Galerie (Dresden), leaving the premises it occupied at a competitor mall. The new store, covering 3,300 sq.m., is expected to open in September 2017 and will further strengthen the center’s appeal. The Bestseller Group decided to increase its presence at the same center, signing two leases, with Jack & Jones (250 sq.m.) and Vero Moda (306 sq.m.). Zara also chose Forum Duisburg to expand in Germany with a 3,000 sq.m. new store scheduled to open in November 2017.

5.8 OTHER ACTIVITIES (2.7% of net rental income)

in million euros (total share)	Net rental income current			Net rental income like-for-like			EPRA Vacancy rate
	12/31/2016	12/31/2015	Change	12/31/2016	12/31/2015	Change	12/31/2016
Other activities	29.3	33.0	-11.3%	28.2	28.9	-2.3%	2.6%

This segment refers to standalone retail units located in France and mostly in the vicinity of shopping center areas (former Klémurs assets).

²⁷ Ibid.

On a current portfolio basis, the decrease in net rental income is attributable to the disposals completed since January 1, 2015 for a total amount of 40 million euros excluding duties (please refer to the “Investments, developments and disposals” section in this document).

5.9 FEE INCOME

Fee income totaled 86.5 million euros, compared with 86.8 million euros for the same period last year. This change includes the termination, effective June 30 2015, of a management contract for 13 Danish shopping centers owned by the pension fund Danica, which was offset by additional fees, particularly on joint venture operations.

5.10 TOTAL REVENUES

Total revenues amounted to 1,300.5 million euros, versus 1,295.1 million euros for full-year 2015.

6 INVESTMENTS, DEVELOPMENTS AND DISPOSALS

6.1 INVESTMENT MARKET

Investment volumes in shopping centers reached 8.7 billion euros in Continental Europe for the first 9 months of 2016. The most active markets were Germany (18% of transactions), Spain (14%), and Finland (10%), followed by France, Poland, and the Netherlands (7% transactions for each).

Total investment flows are down by 35% compared to the level recorded over the same period in 2015 (13.3 billion euros). This decrease is primarily due to the scarcity of large dominant schemes and portfolios available for sale especially in France and Germany, despite the significant weight of capital targeting this sector across Europe. All in all, investment flows remain very high, with total amounts ranking among the 2nd highest in more than 15 years.²⁸

Investors have started to move on the risk curve, with more added value recorded, while prime and super prime yields in France, Germany, Spain, and the Nordics have continued to compress on the back of ever lower interest rates.

As a consequence, appraisers have compressed yields based on transaction evidence and liquid real estate investment markets, in particular for prime and core assets. This market pattern is widespread across Europe.

6.2 INVESTMENTS MADE IN 2016

Development investments amounted to 212.6 million euros for the full year 2016 as follows:

- 177.9 million euros were devoted to the development of the shopping center portfolio, more specifically:
 - To the Group's pipeline, which concentrates the bulk of the investments dedicated to three main projects aimed to strengthen the Group's positions in the most dynamic regions of Continental Europe: Hoog Catharijne (The Netherlands), Prado (Marseille) and Val d'Europe (Paris region) in France (see "Development pipeline" section for more information on projects);
 - To recently opened or redeveloped assets such as: Bourse (France), a 45,600 sq.m. mall in the very heart of Marseille, whose new façades were unveiled in June 2015, Field's (Denmark), whose extension and new cinema were inaugurated in August 2015 in Copenhagen, Besançon Pasteur (France), a 14,700 sq.m. downtown mall that opened in November 2015, and Boulevard Berlin, whose restructuring was finalized in October 2015.
- 34.7 million euros were allocated to the construction of an office building in Pantin (France) which was sold in June 2016 (see section "Disposals" of the present document).

Additionally, 35.5 million euros were dedicated to the acquisition of retail units surrounding Blagnac shopping center (Toulouse, France) in order to secure neighboring real estate ownership to allow future asset management and development operations on this powerful retail hub.

Investments made on the current portfolio to renovate and maintain our shopping malls reached 64.8 million euros.

²⁸ Source: Jones Lang LaSalle

6.3 DEVELOPMENT PIPELINE

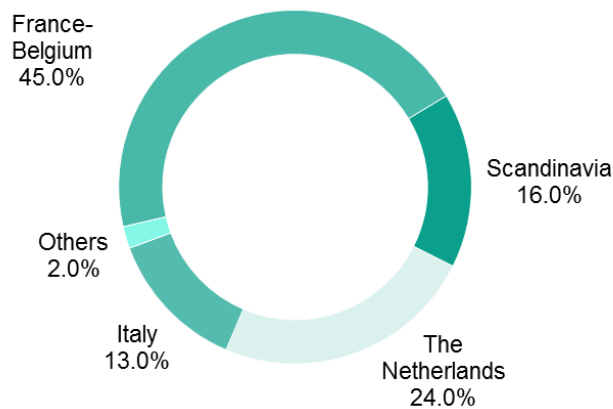
6.3.1 Development pipeline overview

The Group's development pipeline represents 3.3 billion euros worth of investments, including 0.7 billion euros worth of committed projects²⁹ with an average expected yield of 6.7%, 1.1 billion euros worth of controlled projects,³⁰ and 1.5 billion euros of identified projects.³¹ On a group share basis, the total pipeline represents 2.8 billion euros: 0.6 billion euros committed, 0.9 billion euros controlled, and 1.3 billion euros identified.

The Group focuses its development capabilities on France, Belgium, Scandinavia, Italy, the Netherlands, and Spain:

- 75% of committed and controlled projects are extension-refurbishment schemes aimed both at capitalizing on shopping destinations that have demonstrated their leadership and at accelerating the retail offer transformation;
- 25% of committed and controlled projects are greenfield projects located in some of the most dynamic cities of Europe and integrated into large urban development programs supported by efficient transportation networks and residential building projects.

**Shopping center committed and controlled development pipeline
breakdown by region (total share)**



²⁹ Projects that are in the process of completion, for which Klépierre controls the land and has obtained the necessary administrative approvals and permits

³⁰ 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)

³¹ Projects that are in the process of being put together and negotiated

Development project	Country	City	Type	Floor area (sq.m.)	Expected opening date	Klépierre equity interest	Estimated cost (€M) ⁽¹⁾	Cost to date (€M)	Targeted yield on cost ⁽²⁾
Val d'Europe	France	Paris region	extension	17,000	Q2 2017	55.0%	102	78	7.7%
Hoog Catharijne Phases 2 & 3	The Netherlands	Utrecht	extension-refurbishment	61,982	2017-2019	100.0%	426	227	6.3%
Other projects (incl. Prado)				33,406			178	88	7.2%
TOTAL COMMITTED PROJECTS				112,388			706	393	6.7%
Créteil Soleil - Phase 1	France	Paris region	extension-refurbishment	10,300	H1 2019	80.0%	67	3	
Gran Reno	Italy	Bologna	extension	15,900	H2 2020	100.0%	122	1	
Bègles Rives d'Arcins	France	Bordeaux	extension	25,080	H2 2020	52.0%	38	5	
Grand Portet	France	Toulouse region	extension-refurbishment	8,000	H2 2021	83.0%	65	8	
Grand Littoral	France	Marseille	extension	12,000	H1 2020	100.0%	30	-	
Grenoble Grand Place	France	Grenoble	extension	16,682	H2 2019	100.0%	46	-	
Odysseum	France	Montpellier	extension	15,900	H1 2020	100.0%	36	-	
L'esplanade	Belgium	Brussels region	extension	19,475	H1 2021	100.0%	131	17	
Vitrolles	France	Marseille region	extension	18,050	H2 2020	83.0%	80	-	
Val d'Europe	France	Paris region	extension	10,620	H2 2020	55.0%	51	-	
Lonato ⁽³⁾	Italy	Lombardy	extension	15,000	H2 2020	50.0%	30	-	
Le Gru	Italy	Turin	extension	12,000	H2 2021	100.0%	80	-	
Maremagnum	Spain	Barcelona	extension	8,000	H2 2020	100.0%	45	0	
Økernsenteret ⁽³⁾	Norway	Oslo	redevelopment	53,220	H2 2021	28.1%	95	6	
Viva	Denmark	Odense	new development	48,500	H2 2020	56.1%	176	39	
Other projects				2,520			5	-	
TOTAL CONTROLLED PROJECTS				291,247			1,095	79	
TOTAL IDENTIFIED PROJECTS				262,260			1,509	5	
TOTAL				665,895			3,309	477	

(1) Estimated cost as of December 31, 2016, including fit out (when applicable) and excluding lease step-ups (when applicable), internal development fees and financial costs.

(2) Targeted yield on cost as of December 31, 2016, based on targeted NRI with full occupancy and excluding all lease incentives (when applicable), divided by the estimated cost of the project as defined above.

(3) Assets consolidated under equity method. For these projects estimated cost and cost to date are reported for Klépierre share of equity. Floor areas are the total area of the projects.

6.3.2 Val d'Europe extension-refurbishment

Construction work continued throughout 2016 and the building is air and water tight since October 2016. Marble floors, lighting, and all decoration work are well on track for the scheduled opening date of April 26, 2017. It will create a majestic place inspired by the *Grand Palais* architecture, located at the heart of the mall, featuring a large glass roof and impressive double height shopfronts. The handover of tenant premises has started and will continue until the end of February. The adjacent 1,000 slot deck car park will be completed for the opening date. The Group is also refurbishing existing spaces in the shopping center to bring the center to ClubStore® standards.

Leasing is almost completed, with 91% of the leasable space already signed. Primark (7,500 sq.m.), Uniqlo (1,600 sq.m.), Bershka (1,340 sq.m.), and an extended H&M (3,280 sq.m.) are the main anchors of the extension. Eight kiosks dedicated to food and beverages will animate the central square.

6.3.3 Hoog Catharijne redevelopment

In 2016, construction work on the North Mile continued. In the fourth quarter of 2016, the Pavillon and the Entrance building from the station were successfully tendered and their construction started. The North Mile is scheduled to open in 2 phases, in the second and in the fourth quarter of 2017. The customer flow will then run through this mall, in which major brands such as Bershka, C&A, H&M, Nike, Stradivarius, Zara Man, Zara Home and We will be present, notably. Shell preparation for tenants started in the fourth quarter 2016. Construction work on

the South mile will begin in the second quarter of 2017 and is scheduled for delivery in the fourth quarter of 2018. The central part of the scheme will then be completed. The new underground parking (1,196 places on 5 levels) opened to the public in August of 2016.

Leasing is progressing well. Lease contracts with major anchor tenants were signed in the fourth quarter of 2016 and include the 4 aforementioned Inditex brands for a total of 4,000 sq.m. Together with the existing Zara, the Inditex Group is now present with 5 brands and therefore confirms the high level of brand interest in the scheme. Handover of shells to Inditex occurred in January 2017. Fit out work by the tenants has started. A further series of shell handovers to other tenants (We, Sissy Boy, Rituals, Claudia Sträter, etc.) is planned for February 2017. 85% of the GLA set to open in April is leased up.

When completed, Hoog Catharijne will be the largest mall in the Netherlands and among the top five in Europe in terms of visitor traffic, offering international brands flagship store opportunities in a state-of-the-art setting with the latest Clubstore® standards.

6.3.4 Prado's new scheme

Work is progressing according to schedule. Structural work is completed for building one and nearly completed for building two. The first pieces of the magnificent 2,400 sq.m. glass roof are in place. The innovative open canopy system will be completed in July 2017. The shell handover to the main anchor (Galeries Lafayette) will occur in April 2017 and the grand opening is expected for the first quarter of 2018. 60% of spaces are already leased up or under advanced negotiations.

6.3.5 Créteil Soleil extension-refurbishment

The 10,300 sq.m. extension is located on the main entrance of the shopping center welcoming 35 % of the 20.3 million footfall. Spread over two floors it will create an outstanding connection between the subway station and the heart of the center. The program consists in 18 new retail premises, 12 restaurants and 6 new screens as extension of the existing 12 screen cinema growing the capacity to 3,650 seats. Customer path will be greatly improved together with a perfect synergy between food court and cinema.

6.3.6 Gran Reno extension refurbishment

Gran Reno shopping center is located in Casalecchio di Reno, the main retail and leisure destination in the region with a total retail offer of 160,000 sq.m. with Gran Reno, Carrefour, Ikea and Leroy Merlin plus the Unipol arena complex, the largest and most modern complex for sport and cultural events in Italy. The 16,000 sq.m. extension will create 55,000 sq.m. regional shopping center with no comparable competitive offer in a very wealthy catchment area ranked number one in Italy. The existing gallery will be fully refurbished in line with the extension that will be designed according to the best standards inspired by Nave de Vero shopping center (Venice), which opened in 2014.

6.4 DISPOSALS COMPLETED SINCE JANUARY 1, 2016

Assets	GLA (sq.m.)	Sale price (€M, excl. duties, total share)	Date
Capodrise (Caserta - Italy)	6,327		1-Apr-16
Sexta Avenida (Madrid - Spain)	16,788		19-Jul-16
Ruta de la Plata (Caceres - Spain)	8,428		19-Jul-16
Espacio Torrelorones (Madrid - Spain)	21,606		19-Jul-16
Debrecen (Hungary)	14,600		12-Sep-16
Asane (Norway)	46,833		7-Nov-16
Torp (Sweden)	31,425		7-Nov-16
Maisonément, Cesson-Boissenart (France)	40,800		16-Dec-16
Lillestrom (Norway)	21,601		23-Jan-17
Charras	6,300		31-Jan-17
Total shopping centers	214,708	536.8	
Pornic (vacant)	697		20-Jan-16
Pizzahuset Allum (Sweden)	2,660		23-Feb-16
TNT (France) (Office TNT)	10,600		22-Jan-16
Pantin	18,300		17-Jun-16
Vannes Kerlann	6,847		6-Oct-16
Buffalo Grill (8 assets)	4,566		6-Oct-16
Sainte Marie aux Chênes	2,048		28-Oct-16
Newton (France) (land)	24,616		24-janv.-17
Total other activities	70,334	148.4	
TOTAL DISPOSALS	285,042	685.2	

Since January 1, 2016, the Group has completed a total of 685.2 million euros worth of disposals,³² total share, excluding duties. Sales were completed across the whole portfolio, specifically:

- 3 shopping centers in Scandinavia: 2 centers in Norway (Åsane Storsenter in Bergen and Lillestrøm Torv) and 1 in Sweden (Torp Köpcentrum);
- Retail assets in France and an office building in Pantin, for which the agreement is dated December 2014;
- A portfolio composed of 3 retail galleries in Spain—which entered the portfolio in 2015 through the Corio acquisition—for a total consideration of 61 million euros (excluding duties): Sexta Avenida (downtown Madrid; 16,800 sq.m.), Espacio Torrelorones (Northern Madrid; 21,600 sq.m.), and Ruta de la Plata (Cáceres; 8,400 sq.m.).

These transactions were completed at prices in line with the latest appraisal values.

Adding in sales and purchase promissory agreements signed for an amount of 47.6 million euros, total disposals signed or completed since January 1, 2016 reach 732.8 million euros.

³² Considering 100% of the sale price of Åsane Storsenter (which was owned at 49.9%) and 100% of Maisonément (which was owned at 50%).

7 CONSOLIDATED EARNINGS AND CASH-FLOW

7.1 CONSOLIDATED EARNINGS

in millions euros	12/31/2016 Fair value	12/31/2015 Fair value	12/31/2015 Published	Change Fair value
Gross rental income	1214.0	1208.4	1208.4	5.6
Rental & building expenses	-130.6	-138.8	-140.3	8.2
Net rental income	1083.4	1069.6	1068.0	13.8
Management and other income	86.5	86.8	86.8	-0.3
Other operating income	18.4	13.9	13.9	4.4
Payroll expense	-131.4	-149.2	-149.2	17.8
Survey & research costs	-2.8	-2.8	-2.8	-0.1
Other general expenses	-63.4	-77.4	-77.4	14.0
EBITDA	990.6	940.9	939.4	49.7
Depreciation and allowance	-14.8	-17.1	-461.3	2.3
Provisions	-5.2	-0.3	-0.3	-4.9
Income from disposals	23.5	-1.1	14.1	24.7
Goodwill impairment	0.0	-922.6	-704.5	922.6
Change in value of investment properties	828.8	883.3	0.0	-54.5
Results of operations	1822.9	882.9	-212.8	940.0
Net cost of debt	-197.7	-217.0	-217.0	19.3
Change in the fair value of financial instruments	-12.1	-30.6	-30.6	18.5
Share in earnings for equity method investees	89.5	97.5	19.1	-8.0
Pre-tax current income	1702.6	732.9	-441.3	969.7
Corporate income tax	-225.6	-204.6	3.6	-21.0
Profit before tax	1476.9	528.3	-437.7	948.7
Non-controlling interests	-285.7	-253.6	-62.1	-32.1
NET INCOME (GROUP SHARE)	1191.3	274.7	-499.8	916.6

Net rental income for the year came to 1,083.4 million euros, an increase of 13.8 million euros compared with the year ended December 31 2015. For further explanations, please refer to the “Shopping center operations overview” and “Business activity by region” sections of this document.

Management and administrative income (fees) from service businesses totaled 86.5 million euros, mainly deriving from the development pipeline and real-estate management fees. The effect linked to the termination, effective June 30 2015, of a management contract for 13 Danish shopping centers owned by the pension fund Danica was offset by additional fees, particularly on joint venture operations.

Other operating income of 18.4 million euros primarily included gains on work invoiced to tenants as well as various indemnities. It also takes into account a 7.3 million euro in one-off income generated by the reversal of a provision related to a past acquisition. This income was excluded from the net current cash flow calculation.

Payroll and other general expenses totaled 194.8 million euros, versus 226.6 million euros for the prior year; this cost base reduction is directly linked to the synergy plan of the Corio integration. In 2015, these expenses also included one-off costs related to the implementation of synergies for a significant amount (15 million euros versus 9 million this year). Additional, yet lower savings are expected to reach a total of 35 million euros in 2017.

EBITDA for 2016 was 990.6 million euros.

Depreciation and impairment allowance was 14.8 million euros and provisions were 5.2 million euros for 2016 fiscal year.

Net proceeds from the sale of assets reached 23.5 million euros, compared with -1.1 million euros for the same period last year. In particular, the Group disposed on June 17, 2016 of a recently developed office building in Pantin that was accrued at cost last year. In addition, the Group recorded the disposal of its stakes in two

shopping centers in Scandinavia. For more information on disposals completed throughout the year please refer to section “Disposals completed since January 1, 2016” of this document.

Change in value of investment properties showed an income of 828.8 million euros compared to 883.3 million euros last year. For further information, please refer to the “Property portfolio valuation” section of this document.

The net cost of debt amounted to 197.7 million euros, down 9%, due to both a decrease in average debt versus the same period last year and to a strong decrease in cost of debt (2.1% at December 31, 2016).

The debt restructuring (bond buyback and hedging adjustments) set up in 2015 has allowed the Group to refinance itself at lower rates for longer durations. The debt position was further strengthened in 2016 with several financial transactions. Klépierre’s financial policy and structure are described in more detail in the “Financial policy” section of this document.

Following the Corio acquisition and in accordance with IFRS rules, Corio’s debt has been reappraised at market value in the consolidated financial statements. As a consequence, the net cost of debt for the year includes a 38.5 million euro positive restatement. This amount has been eliminated from the net current cash flow (see section “Change in Net current cash flow”).

The change in the fair value of financial instruments had a negative impact of 12.1 million euros in connection with the interest trading swaps portfolio.

The share of earnings for equity investees reached 89.5 million euros.

Corporate income tax for the period was 225.6 million euros:

- Tax payable was 29.0 million euros. This amount includes the 3% tax levied on cash dividend paid by French companies for 11.7 million euros. The 3% tax is not included in the net current cash flow calculation.
- Deferred tax was 196.6 million euros, due mainly to the increase in deferred tax liabilities as a result of the revaluation of the Group’s real estate assets.

Total share, consolidated net income was 1476.9 million euros. The minority share of net income (non-controlling interests) for the period was 285.7 million euros, mainly reflecting the shopping center segments in France and Scandinavia, bringing group share consolidated net income to 1191.3 million euros. Last year it amounted to 274.7 million, and was impacted by a non-recurring technical effect of 922.6 million euros impairment and write-off related to the Corio acquisition.

7.2 CHANGE IN NET CURRENT CASH-FLOW

in millions euros	12/31/2016 Fair value	12/31/2015 Fair value	12/31/2015 published	Change Fair value
Total share				
Rental income	1214.0	1208.4	1208.4	0.5%
Rental & building expenses	-130.6	-138.8	-140.3	-5.9%
Net rental income	1083.4	1069.6	1068.0	1.3%
Management and other income	104.8	100.7	100.7	4.1%
G&A expenses	-197.6	-229.4	-229.4	-13.8%
EBITDA	990.6	940.9	939.4	5.3%
<i>Adjustments to calculate operating cash flow exclude :</i>				
Employee benefits, stock-options expenses and non-current operating expenses	8.3	22.7	22.7	
Acquisition costs on share deals and non-controlling joint venture interests	0.0	4.5	4.5	
Operating cash flow	998.8	968.2	966.6	3.2%
Net cost of debt	-197.7	-217.0	-217.0	-8.9%
<i>Adjustments to calculate net current cash flow before taxes exclude :</i>				
Corio's debt mark to market amortization	-38.5	-72.5	-72.5	
Financial instruments close-out costs	54.6	75.8	75.8	
Net current cash flow before taxes	817.3	754.4	752.9	8.3%
Share in equity method investees	61.0	62.6	62.4	
Current tax expenses	-26.6	-32.8	-32.8	
Net current cash flow (total share)	851.6	784.2	782.5	8.6%
Group share				
Net current cash flow (group share)	721.1	664.6	663.1	8.5%
<i>Adjustments to calculate EPRA Earnings add-back :</i>				
Employee benefits, stock-options expenses and non-current operating expenses	-7.9	-4.2	-4.2	
Amortization allowances and provisions for contingencies and losses	-18.8	-15.2	-15.2	
EPRA Earnings	694.4	645.2	643.6	7.6%
Number of shares ¹	311,736,861	306,803,561	306,803,561	
Per share				
Net current cash flow per share (in euros)	2.31	2.17	2.16	6.8%
EPRA Earnings per share (in euros)	2.23	2.10	2.10	5.9%

(1) Average number of shares, excluding treasury shares. Further to the Corio acquisition, the average number of shares takes into account the creation of 96 589 672 new shares on January 8, 2015, 10 976 874 new shares on January 15, 2015, and 7 319 177 new shares in March 2015.

Net current cash flow for the period came to 851.6 million euros. Group share, it amounted to 721.1 million euros. On a per share basis, net current cash flow is up 6.8% to 2.31 euros.

EPRA Earnings are presented in section 10 "EPRA Performance Indicators" of this document.

8 PARENT COMPANY EARNINGS AND DISTRIBUTION

8.1 SUMMARY EARNINGS STATEMENT FOR THE PARENT COMPANY KLEPIERRE SA

in million euros	12/31/2016	12/31/2015
Operating income	36.9	34.9
Operating expenses	-40.9	-48.0
Operating income	-4.0	-13.1
Share income from subsidiaries	77.7	75.4
Net financial income	501.6	29.2
Net income from ordinary operations before tax	575.3	91.5
Non-recurring income	1.0	-202.5
Corporate income tax	-0.7	0.1
NET INCOME	575.6	-110.9

Net income for Klépierre SA was 575.6 million euros for fiscal year 2016, compared to -110.9 million euros for fiscal year 2015 which included a non-recurring technical effect of -184.6 million euros impairment related to the Corio acquisition. This evolution is also attributable to the following items:

- The increase in operating income in line with exceptional expenses in 2015;
- The improved net financial income related mainly to the impact of reversals of provisions for impairments of shares of Klepierre Netherland BV for 349.3 million euros, and 157.8 million euros of cross border merger result of Klémentine BV.

8.2 DISTRIBUTION

The Executive Board will recommend that the shareholders present or represented at the shareholders' meeting on April 18, 2017 approve the payment of a cash dividend in respect of fiscal year 2016 of 1.82 euros per share, versus 1.70 euros in respect of fiscal year 2015 (+7.1% per share). This amount reflects a payout of 79% of the net current cash flow on a group share basis and will come from the SIIC related activity of Klépierre for 1.41 euros. The proposed payment date is April 25, 2017 (ex-date: April 21, 2017).

9 PROPERTY PORTFOLIO VALUATION

9.1 METHODOLOGY

9.1.1 Property portfolio

On December 31 and June 30 of each year, Klépierre updates the fair market value of its real estate assets. Since June 2015, Klépierre has entrusted the task of appraising these values to the following 5 international independent appraisers: Cushman & Wakefield (formerly DTZ), Jones Land LaSalle, CBRE, BNP Paribas Real Estate and Savills. These appointments were made for a three-year period after a tender process to which many different appraisal firms participated.

The valuation process is centralized to ensure consistency in methodology, timeframe and reports. This process relies on an international approach to the valuation of shopping centers in line with the size of the investment market for this sector. For Klépierre's main regions (France, Italy), Klépierre has selected 2 appraisers per country to provide additional benchmark and reliability of valuation work. For some joint ventures with equity investors, other appraisers have been appointed.

Appraisers	Portfolios	Number of assets	Valuation ¹	%	June report	December report
JLL 30%	France	43	4,057	17.1%	summarized	detailed + summarized
	Belgium	2	366	1.5%	summarized	detailed + summarized
	Italy	20	2,090	8.8%	summarized	detailed + summarized
	Greece	3	18	0.1%	summarized	detailed + summarized
	Turkey	4	597	2.5%	summarized	detailed + summarized
CUSHMAN & WAKEFIELD 41%	France	20	3,747	15.8%	summarized	detailed + summarized
	Norway	10	1,571	6.6%	summarized	detailed + summarized
	Sweden	5	1,302	5.5%	summarized	detailed + summarized
	Denmark	3	1,034	4.4%	summarized	detailed + summarized
	Italy	1	673	2.8%	summarized	detailed + summarized
	Poland	6	424	1.8%	summarized	detailed + summarized
	Hungary	8	221	0.9%	summarized	detailed + summarized
	Czech Republic and Slovakia	4	523	2.2%	summarized	detailed + summarized
	Netherlands	4	157	0.7%	summarized	detailed + summarized
Turkey	3	159	0.7%	summarized	detailed + summarized	
CBRE 21%	France	11	1,282	5.4%	summarized	detailed + summarized
	Italy	12	1,438	6.1%	summarized	detailed + summarized
	Spain	13	1,528	6.5%	summarized	detailed + summarized
	Portugal	8	389	1.6%	summarized	detailed + summarized
	Netherlands	2	383	1.6%	summarized	detailed + summarized
BNPP Real Estate 6%	France (retail properties)	255	426	1.8%	summarized	detailed + summarized
	Germany	5	1,024	4.3%	summarized	detailed + summarized
SAVILLS 1%	Italy (Fund K2)	4	266	1.1%	summarized	detailed + summarized

(1) Valuations in millions of euros, including transfer duties

All appraisals are conducted in accordance 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.

The fees paid to appraisers, agreed on at the signature of the 3-year mandates, prior to their appraisal of the properties concerned, are fixed on a lump sum basis to reflect the number and size of the assets appraised. The fees are entirely unrelated to the appraised value of the assets concerned. The appraisal documents are reviewed by the Group's legal auditors and the Audit Committee. Dated and signed reports for each property are issued once a year, with an update at mid-year.

More than 95% of the Klépierre shopping center portfolio in value is appraised with a discounted cash flow (DCF) method, which measures the value of an asset by the present value of its future cash flows. DCFs are run on a 10-year period of revenue. Appraisers are given all relevant information (detailed rent rolls, footfall, retailer sales, occupancy cost ratios) and make their own assessment of the future cash flows generated by the asset. They factor in leasing risks, either in the cash flow itself (rental values, periods of vacancy, incentives, fit out works) or in the discount rate applied. The discount rate is a combination of the 10-year risk free rate and the risk premium attached to each asset. The terminal value is the cash flow of the tenth year, capitalized by an exit yield, to which transfer duties are added, when applicable.

The value obtained by a DCF method is then back tested with (i) an income capitalization method,³³ and (ii) a market approach (with metrics such as EPRA net initial yield for comparable property, value per sq.m., recent market transactions).

9.1.2 Management service activity

The appraisal of Klépierre's management service activity as of December 31, 2016 was performed by Accuracy on behalf of Klépierre and is based on the Discounted Cash Flow (DCF) method. This method, which is used in every country where Klépierre conducts management service activity, consists of three stages. The first stage consists in calculating cash flows that may be generated in the future by activity strictly interpreted (i.e., before consideration of explicit or implicit financing costs), estimated on the basis of the specific business plans developed in each country where the Group conducts management service activity for itself and for third parties. In the second stage, forecasted 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 into account 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.

9.2 RESULTS OF APPRAISALS

9.2.1 Property portfolio valuation

Excluding transfer duties,³⁴ the value of the property portfolio as of December 31, 2016 was 22.8 billion euros on a total share basis, and 19.4 billion euros on a group share basis. On a total share basis, shopping centers accounted

³³ The income capitalized approach is conducted by applying a market capitalization rate to the net rental Income generated by the asset, i.e. its gross rental income reduced by all recurring charges supported by the landlord. This amount is then reduced by the Net Present Value of the non-recurring expenses such as the incentives and the capital expenditure charges.

for 98.3% of the portfolio and other activities for 1.7%. Projects under development are taken into account at fair value, whenever a reliable value can be established, based on an internal assessment of leasing and construction status. Projects that are not appraised are carried at their cost price.³⁵ Acquisitions made less than six months before year-end are valued at their acquisition cost. Assets for sale with a binding agreement signed by a buyer are valued at the bid price. As at December 31, 2016, 99% of the portfolio is valued at fair value, either through independent appraisals or evidenced transactions.

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. As of December 31, 2016, these shopping center assets were valued at 1,425 million euros (1,347 million euros on a group share basis)³⁶ compared to 1,858 million euros as of December 31, 2015. This decline is due primarily to the disposal of Åsane and the full consolidation of Oslo City previously consolidated using the equity method.

Markthal (Rotterdam), Les Passages Pasteur (Besançon), and Oslo City (Oslo), respectively acquired in July, November and December 2015, previously carried at their cost price, have been appraised externally.

Valuation of the property portfolio (total share, excluding duties)

in millions euros	12/31/2016	In % of total portfolio	Change over 6 months			Change over 12 months		
			06/30/2016	Current portfolio basis	Like-for-like* change	12/31/2015	Current portfolio basis	Like-for-like* change
France	8,420	36.9%	8,181	2.9%	2.3%	8,032	4.8%	4.2%
Belgium	385	1.7%	377	2.2%	2.2%	371	3.7%	3.9%
France- Belgium	8,805	38.6%	8,558	2.9%	2.3%	8,403	4.8%	4.2%
Italy	3,707	16.2%	3,603	2.9%	1.5%	3,606	2.8%	3.6%
Norway	1,595	7.0%	1,650	-3.3%	2.3%	1,510	5.6%	7.3%
Sweden	1,316	5.8%	1,430	-7.9%	3.3%	1,389	-5.2%	11.4%
Denmark	1,097	4.8%	1,103	-0.6%	0.2%	1,057	3.8%	5.7%
Scandinavia	4,008	17.6%	4,183	-4.2%	2.1%	3,955	1.3%	8.1%
Spain	1,485	6.5%	1,470	1.1%	6.9%	1,461	1.6%	9.3%
Portugal	346	1.5%	336	2.9%	2.6%	324	6.9%	4.7%
Iberia	1,831	8.0%	1,806	1.4%	6.0%	1,785	2.6%	8.4%
Poland	423	1.9%	437	-3.1%	-3.3%	439	-3.5%	-3.7%
Hungary	227	1.0%	222	1.9%	4.3%	216	4.8%	7.9%
Czech Republic	509	2.2%	463	9.9%	9.8%	424	19.9%	19.9%
Turkey	563	2.5%	603	-6.6%	-9.9%	617	-8.9%	-11.5%
Others	36	0.2%	36	-0.8%	-0.9%	39	-8.3%	-9.1%
CEE and Turkey	1,757	7.7%	1,762	-0.2%	-1.0%	1,736	1.3%	0.9%
Netherlands	1,234	5.4%	1,181	4.5%	1.1%	1,139	8.3%	3.9%
Germany	1,074	4.7%	1,092	-1.6%	-2.2%	1,068	0.6%	0.6%
TOTAL SHOPPING CENTERS	22,418	98.3%	22,184	1.1%	1.9%	21,693	3.3%	4.7%
TOTAL OTHER ACTIVITIES	399	1.7%	431	-7.5%	-3.4%	434	-8.1%	-4.0%
TOTAL PORTFOLIO	22,817	100.0%	22,615	0.9%	1.8%	22,127	3.1%	4.5%

*For Scandinavia and Turkey change is indicated on constant portfolio and forex basis

³⁴ Please refer to section 6.2 for transfer duties calculation methodology.

³⁵ Val d'Europe extension project and Hoog Catharijne redevelopment (Netherlands) have been included at fair value and appraised externally. Other projects (including Prado, Gran Reno and Louvain) are carried at their cost price for a total amount of 283 million euros.

³⁶ The assets consolidated under the equity method are: Espace Coty (Le Havre), Le Millénaire (Paris), Passages (Paris), Centre Mayol (Toulon), Porta di Roma (Rome), Il Corti Venete (Verona), Il Leone di Lonato (Lonato), Il Destriero (Vittuone), Udine (Città Fiera), Økernsenteret (Oslo), Metro Senter (Oslo region), Nordbyen (Larvik), Aqua Portimão (Portimão) and Akmerkez (Istanbul).

Valuation of the property portfolio (group share, excluding duties)

in millions euros	12/31/2016	In % of total portfolio	Change over 6 months			Change over 12 months		
			06/30/2016	Current portfolio basis	Like-for- like* change	12/31/2015	Current portfolio basis	Like-for- like* change
France	6,880	35.5%	6,725	2.3%	2.1%	6,631	3.8%	3.7%
Belgium	385	2.0%	377	2.2%	2.2%	371	3.7%	3.9%
France- Belgium	7,265	37.5%	7,102	2.3%	2.1%	7,002	3.8%	3.7%
Italy	3,665	18.9%	3,561	2.9%	1.5%	3,560	3.0%	3.7%
Norway	895	4.6%	925	-3.3%	2.3%	847	5.6%	7.3%
Sweden	738	3.8%	802	-7.9%	3.3%	779	-5.2%	11.4%
Denmark	616	3.2%	619	-0.6%	0.2%	593	3.8%	5.7%
Scandinavia	2,249	11.6%	2,346	-4.2%	2.1%	2,219	1.3%	8.1%
Spain	1,444	7.5%	1,431	0.9%	6.9%	1,423	1.5%	9.3%
Portugal	346	1.8%	336	2.9%	2.6%	324	6.9%	4.7%
Iberia	1,791	9.3%	1,767	1.3%	6.0%	1,747	2.5%	8.4%
Poland	423	2.2%	437	-3.1%	-3.3%	439	-3.5%	-3.7%
Hungary	227	1.2%	222	1.9%	4.3%	216	4.8%	7.9%
Czech Republic	509	2.6%	463	9.9%	9.8%	424	19.9%	19.9%
Turkey	540	2.8%	579	-6.7%	-9.6%	593	-9.0%	-11.2%
Others	33	0.2%	33	-0.7%	-0.8%	35	-7.8%	-8.7%
CEE and Turkey	1,732	8.9%	1,735	-0.2%	-0.7%	1,708	1.4%	1.2%
Netherlands	1,234	6.4%	1,181	4.5%	1.1%	1,139	8.3%	3.9%
Germany	1,021	5.3%	1,037	-1.6%	-2.2%	1,014	0.6%	0.6%
TOTAL SHOPPING CENTERS	18,956	97.9%	18,730	1.2%	1.8%	18,390	3.1%	4.3%
TOTAL OTHER ACTIVITIES	399	2.1%	431	-7.5%	-3.4%	434	-8.1%	-4.0%
TOTAL PORTFOLIO	19,354	100.0%	19,161	1.0%	1.7%	18,824	2.8%	4.1%

*For Scandinavia and Turkey change is indicated on constant portfolio and forex basis

As of December 31, 2016, the value of the portfolio, transfer duties excluded, amounted to 22,817 million euros total share (19,354 million euros group share). Including duties, this value was 23,416 million euros total share (19,872 million euros group share).

Portfolio valuation reconciliation with the balance sheet figure (on a total share basis)

in million euros	
Investment property at fair value	20,390
+ Investment property at cost model ⁽¹⁾	283
+ Fair value of property held for sale	284
+ Leasehold & lease incentives	36
+ Duties & fees on the sale of asset optimization	399
+ Equity account investees (including receivables)	1,425
TOTAL PORTFOLIO VALUATION (total share)	22,817

(1) Including IPUC (Investment property under construction)

9.2.2 Shopping center portfolio valuation

The value of the shopping center portfolio, transfer duties excluded, was 22,418 million euros (18,956 million euros group share) on December 31, 2016, an increase of 725 million euros compared to December 31, 2015 (+566 million euros in group share).

This change is attributable to the like-for-like³⁷ increase in the portfolio valuation for 4.7% or 939 million euros (+4.3% or +729 million euros in group share), and from the investments devoted to the Group's committed pipeline projects, in particular Hoog Catharijne, Val d'Europe, and Prado. This was partly neutralized by divestments, mainly related to the disposal of a portfolio composed of 3 retail galleries in Spain in July 2016 (Ruta de la Plata, Sexta Avenida, Espacio Torreladones) and stakes in two Scandinavian shopping centers in November 2016 (49.9% of Åsane Storsenter in Norway and 100% of Torp Köpcentrum in Sweden). The change on a current portfolio basis also includes the exchange rate impact related to the appreciation of the Norwegian krone and the depreciation of the Swedish krone versus the euro since December 31, 2015 (impact of +46 million euros in total share and +29 million euros in group share).

A change in 10 bps in yields would result in a 355 million euro change in the group share portfolio valuation.

12-month shopping center portfolio valuation bridge (group share)

in million euros	
Shopping center portfolio group share at 12/31/2015	18,390
Disposals	-52
Acquisitions / developments	49
Like for like growth	338
Forex	5
Shopping center portfolio group share at 06/30/2016	18,730
Disposals	-249
Acquisitions / developements	132
Like-for-like growth	318
Forex	25
SHOPPING CENTER PORTFOLIO VALUATION at 12/31/2016	18,956

³⁷ Excluding foreign exchange impacts, assets disposed during the period (mainly consisting of 3 retail galleries in Spain and stakes in two Scandinavian shopping centers), investment properties under construction (including Hoog Catharijne and Prado), acquisitions (Blagnac additional spaces), first external appraisal effect (Besançon Pasteur) and works expensed during the year as well as other capitalized costs (financial interests, fees, eviction indemnities). Regarding investments in assets consolidated under the equity method, effects other than those related to property value changes are excluded.

Change in EPRA Net Initial Yield (group share, including duties)
Shopping center portfolio

	12/31/2016	06/30/2016	12/31/2015
France	4.4%	4.5%	4.6%
Belgium	4.4%	4.4%	4.3%
France-Belgium	4.4%	4.5%	4.6%
Italy	5.5%	5.6%	5.8%
Norway	4.7%	4.8%	5.0%
Sweden	4.6%	4.4%	4.7%
Denmark	4.2%	4.1%	4.1%
Scandinavia	4.5%	4.5%	4.6%
Spain	4.7%	5.0%	5.1%
Portugal	6.1%	6.3%	7.0%
Iberia	5.0%	5.2%	5.5%
Poland	7.1%	6.6%	6.8%
Hungary	8.2%	8.0%	7.6%
Czech Republic	5.2%	5.2%	5.4%
Turkey	7.6%	7.1%	6.9%
Others	10.0%	8.5%	8.6%
CEE and Turkey	6.8%	6.6%	6.6%
The Netherlands	5.2%	5.3%	5.3%
Germany	4.5%	4.4%	4.8%
EPRA NET INITIAL YIELD	4.9%	5.0%	5.1%

As of December 31, 2016, the average EPRA NIY rate³⁸ of the portfolio³⁹ stood at 4.9% (including duties), down by 20 basis points over 12 months. This change is attributable to a yield compression reflecting a buoyant investment market and the decrease in long-term interest rates.

9.2.3 Other activities

The value of the retail asset portfolio excluding transfer duties stands at 399 million euros, down by 8.1% over 12 months. The change on a current portfolio basis is due to the disposal of 10 units in October 2016.

On constant portfolio basis, the value of the retail assets is down by 4.0% over 12 months.

The EPRA NIY rate of the portfolio stood at 7.0%, up by 20 bps compared with December 31, 2015.

9.2.4 Management service activity

On December 31, 2016, the estimated market value of the Klépierre Group management business stood at 326.6 million euros compared to 322.4 million euros as of December 31, 2015.

³⁸ 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 duties).

³⁹ Group share for the shopping center portfolio appraised (i.e excluding retail parks and cinemas).

10 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).

10.1 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

in million euros, group share	12/31/2016	12/31/2015
Earnings per IFRS income statement	1,191.2	274.6
<i>Adjustments to calculate EPRA Earnings, exclude:</i>		
(i) Changes in value of investment properties, development properties held for investment and other interests	828.8	883.3
(ii) Profit or losses on disposal of investment properties, development properties held for investment and other interests	23.5	-1.1
(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	-	-922.6
(vi) Changes in fair value of financial instruments and associated close-out costs	-28.3	-33.8
(vii) Acquisition costs on share deals and non-controlling joint venture interests	-	-24.4
(viii) Deferred tax in respect of EPRA adjustments	-199.0	-171.7
(ix) Adjustments (i) to (viii) above in respect of joint ventures (unless already included under proportional consolidation)	28.5	35.0
(x) Non-controlling interests in respect of the above	-156.8	-135.1
EPRA Earnings	694.4	645.2
<i>Number of shares ⁽¹⁾</i>	<i>311,736,861</i>	<i>306,803,561</i>
EPRA Earnings per share (in euros)	2.23	2.10
<i>Company specific adjustments</i>		
Employee benefits, stock-options expenses and non-current operating expenses	7.9	4.2
Amortization allowances and provisions for contingencies and losses	18.8	15.2
Net current cash flow	721.1	664.6
<i>Number of shares ⁽¹⁾</i>	<i>311,736,861</i>	<i>306,803,561</i>
Net current cash flow per share (in euros)	2.31	2.17

(1) Average number of shares, excluding treasury shares. Further to the Corio acquisition, the average number of shares takes into account the creation of 96 589 672 new shares on January 8, 2015, 10 976 874 new shares on January 15, 2015, and 7 319 177 new shares in March 2015.

10.2 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.

10.2.1 Methodology

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

10.2.2 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.

10.2.3 Unrealized capital gains on management companies

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

10.2.4 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.

10.2.5 Deferred tax on asset values

The EPRA NAV measures the fair value of net assets on an ongoing, long-term basis. As such, deferred taxes included in the financial statement under IFRS are excluded as they would only become payable if the assets were sold. Deferred taxes recognized pursuant to accounting regulations in force, for the portion which corresponds to the difference between the net book values and the tax values, as determined by capital gains tax rates in force in each country, are restated for NAV calculation.

For NNNAV calculation purposes, the tax on unrealized capital gains is then calculated property by property, on the basis of applicable local tax regulations, using the most likely scenario, between the direct sale of the property and the disposal through the sale of shares of a company owning the property.

10.2.6 Duties and fees on the sale of assets

Transfer duties and fees on the sale of assets are calculated property by property using the same approach as that used to determine effective tax on unrealized capital gains on the basis of applicable local tax regulations.

10.2.7 EPRA NAV and NNNAV calculation

EPRA NAV & NNNAV

in millions euros	12/31/2016	06/30/2016	12/31/2015	Change over 6 months		Change over 12 months	
Consolidated shareholders' equity (group share)	10,107	9,534	9,526	573	6.0%	580	6.1%
Unrealized capital gains on other assets	300	293	293	8	2.6%	8	2.6%
Goodwill restatement	-647	-625	-608	-22	3.5%	-39	6.4%
Fair value of financial instruments	48	46	38	2	4.2%	11	28.1%
Deferred taxes on asset values on the balance sheet	1,270	1,223	1,159	47	3.8%	111	9.5%
Optimized duties and fees on the sale of assets	368	388	384	-21	-5.3%	-16	-4.3%
EPRA NAV	11,446	10,859	10,792	587	5.4%	654	6.1%
Optimized deferred taxes on unrealized capital gains	-245	-227	-257	-19	8.3%	12	-4.6%
Fair value of financial instruments	-48	-46	-38	-2	4.2%	-11	28.1%
Fair value of fixed-rate debt	-185	-321	-146	136	-42.4%	-38	26.3%
EPRA NNNAV	10,967	10,265	10,351	702	6.8%	616	6.0%
Number of shares, end of period	311,827,611	311,773,309	311,457,530				
Per share (€)							
EPRA NAV per share	36.7	34.8	34.7	1.9	5.4%	2.1	5.9%
EPRA NNNAV per share	35.2	32.9	33.2	2.2	6.8%	1.9	5.8%

10.2.8 EPRA NNNAV 12-month bridge per share

in euros per share	
EPRA NNNAV at 12/31/2015	33.2
Cash flow	2.3
Like-for-like asset revaluation	2.3
Non LFL	-0.4
Dividend	-1.7
Forex and others	-0.5
EPRA NNNAV at 12/31/2016	35.2
Change in fair value of financial instruments	0.0
EPRA NNNAV at 12/31/2016	35.2

EPRA NNNAV per share amounted to 35.2 euros at the end of December 2016, versus 33.2 euros one year earlier. This improvement reflects net current cash flow generation (+2.3 euros per share) and the increase in the value of the like-for-like portfolio (+2.3 euros), partly offset by the dividend payment (-1.7 euros), a change in duty calculations and non like-for-like fair value adjustments (-0.4 euro), as well as foreign exchange and other effects (-0.5 euro).

10.3 EPRA NET INITIAL YIELD AND EPRA “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).

EPRA Yields

	12/31/2016		12/31/2015	
	Shopping centers	Retail assets	Shopping centers	Retail assets
Market yields ⁽¹⁾	5.4%	7.4%	5.7%	7.4%
Effect of vacant units	-0.3%	-0.2%	-0.3%	-0.2%
Effect of EPRA adjustments on rents	0.1%	0.3%	-0.1%	-0.2%
Effect of estimated transfer taxes and transaction costs	-0.1%	-0.5%	-0.1%	-0.3%
EPRA “TOPPED-UP” NET INITIAL YIELD	5.1%	7.0%	5.2%	6.8%
Effect of lease incentives	-0.1%	0.0%	-0.1%	0.0%
EPRA NET INITIAL YIELD	4.9%	7.0%	5.1%	6.8%

(1) Annualized rental income based on the passing cash rents, plus ERV on vacant spaces, less non-recoverable property operating expenses, divided by the market value of the property, excluding duties.

Please refer to section 9.2.2 for EPRA Net Initial Yield geographical breakdown.

10.4 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 whole property portfolio (including vacant spaces).

EPRA Vacancy rate

in thousands euros	France-Belgium	Italy	Scandinavia	Iberia	CEE and Turkey	The Netherlands	Germany	TOTAL
Estimated rental value (ERV)	444,316	267,045	192,872	128,208	148,261	34,296	34,760	1,249,758
ERV of vacant space	14,086	4,429	6,691	6,293	8,450	1,928	2,218	44,096
EPRA VACANCY RATE	3.2%	1.7%	3.5%	4.9%	5.7%	5.6%	6.4%	3.5%

Total shopping centers, including Greece and Slovakia

Estimated rental values of leased and vacant spaces as of 12/31/2016

10.5 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 million euros		12/31/2016	06/30/2016	12/31/2015
(i)	Administrative / operating expense line per IFRS income statement	-254.3	-121.2	-280.1
(ii)	Net service charge costs/fees	-73.9	-36.1	-67.0
(iii)	Management fees less actual/estimated profit element	86.5	43.8	86.8
(iv)	Other operating income/recharges intended to cover overhead expenses less any related profit	18.4	6.1	13.9
(v)	Share of Joint Ventures Expenses	-18.5	-9.2	-17.3
Exclude (if part of the above):				
(vi)	Investment Property depreciation	NA	NA	NA
(vii)	Ground rents costs	NA	NA	NA
(viii)	Service charge costs recovered through rents but not separately invoiced	NA	NA	NA
EPRA Costs (including vacancy costs) (A)		-241.9	-116.6	-263.6
(ix)	Direct vacancy costs	-24.7	-14.2	-27.9
EPRA Costs (excluding vacancy costs) (B)		-217.2	-102.4	-235.7
(x)	Gross Rental Income less ground rents - per IFRS	1199.1	596.2	1193.0
(xi)	Less: service fee / cost component of Gross Rental Income	NA	NA	NA
(xii)	Add: share of Joint ventures (Gross Rental Income less ground rents)	95.9	48.9	97.6
Gross Rental Income (C)		1295.0	645.0	1290.6
EPRA Cost Ratio (including direct vacancy costs) (A/C)		18.7%	18.1%	20.4%
EPRA Cost Ratio (excluding direct vacancy costs) (B/C)		16.8%	15.9%	18.3%

The EPRA cost ratio (including vacancy costs) decreased by more than 170 bps since December 31, 2015 as G&A expense synergies resulting from the Corio acquisition last year are being delivered. Vacancy costs are also being reduced as a direct result of the decrease in vacancy rate at the Group level.

11 FINANCIAL POLICY

11.1 FINANCIAL RESOURCES

11.1.1 Change in net debt

As of December 31, 2016, consolidated net debt is 8,613 million euros, compared to 8,857 million euros on December 31, 2015. This 244 million euro decrease is mainly attributable to:

- The dividend payment in April 2016, for 530 million euros;
- Investments outlays during the year amounting to 323.7 million euros of development expenses, mainly Hoog Catharijne, Val d'Europe, and Prado. In the meantime, Klépierre collected 452.2 million euros related to asset disposals in France, Scandinavia, Spain and Central Europe;
- The free cash flow, minority contribution, and early closeout costs on debt and financial instruments represent the remainder and helped to reduce net debt by 670 million euros;
- The appreciation of the euro against the Scandinavian currencies generated 25 million euros of positive foreign-exchange impact on debt.

11.1.2 Loan-to-Value ratio

As a consequence of the decrease in net debt and the strong rise of property values, the Loan-to-Value ratio has continued to improve, reaching 36.8% at the end of the year. Compared to year-end 2015 this ratio has decreased by 240 bps. Medium-term, the Group aims at maintaining its Loan-to-Value ratio in the 35% to 40% area.

Loan-to-Value Calculation

in million euros, total share	
Current financial liabilities (total share)	2,562.1
+ Bank facilities	110.9
+ Non current financial liabilities	6,745.6
- Fair Value revaluation of debt	-46.9
- Purchase price adjustments impact	-94.7
Gross financial liabilities excluding fair value hedge	9,277.0
Cash and near cash (incl. Cash managed for principals)	-664.0
Net debt	8,613.0
Value of property portfolio including duties	23,415.6
LOAN-TO-VALUE RATIO	36.8%

11.1.3 Available resources

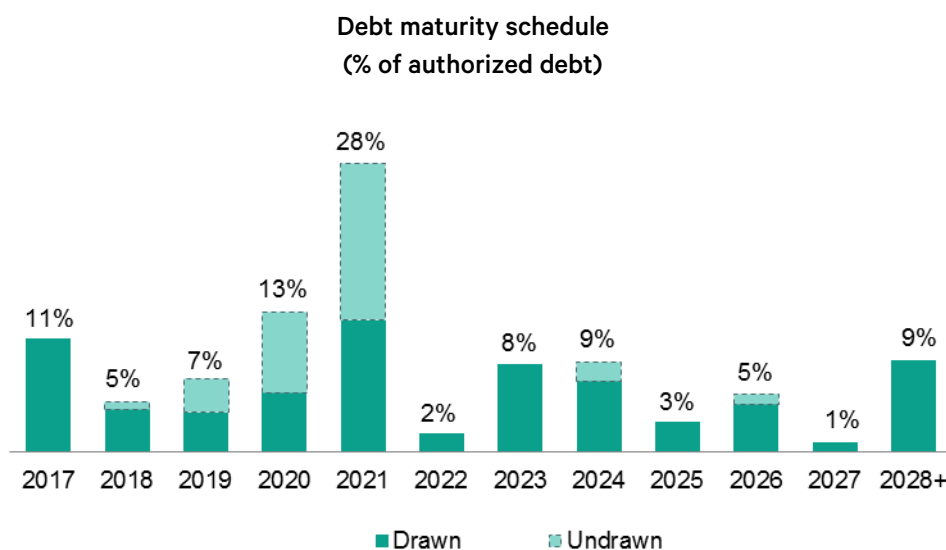
During 2016 fiscal year, Klépierre raised 1.7 billion euros worth of new financing in both the bond and the banking markets. These transactions were completed mainly to both replace former debts falling due during the year and finance future development needs:

- In January, Klépierre Nederland signed a new 5-year term loan for 350 million euros with a pool of 4 banks;
- In February, Klépierre issued 500 million euros worth of new long-term notes (10 years) bearing a 1.875% coupon. This issuance covered the repayment at maturity of 526 million euros worth of 4.25% notes maturing in March 2016;

- At the end of June, a 133.5 million euro mortgage-backed facility with a 10-year maturity was put in place in order to finance the Prado project;
- In September, Klépierre raised 600 million euros from a new 15-year bond issuance (1.25% coupon) on the euro market. The proceeds have more than covered the repurchase of 349 million euros of existing short-dated bonds maturing in 2019 and 2021 with an average coupon of ca. 3%.

On the liquidity front, at the end of June Klépierre received banking syndicate approval to extend the 850 million euro syndicated revolving credit facility signed last year for an additional year. The new final maturity on this line is now July 2021. A new bilateral 5-year revolving credit facility was also signed in July for 100 million euros.

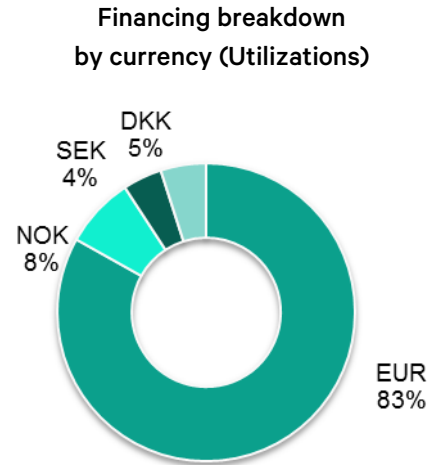
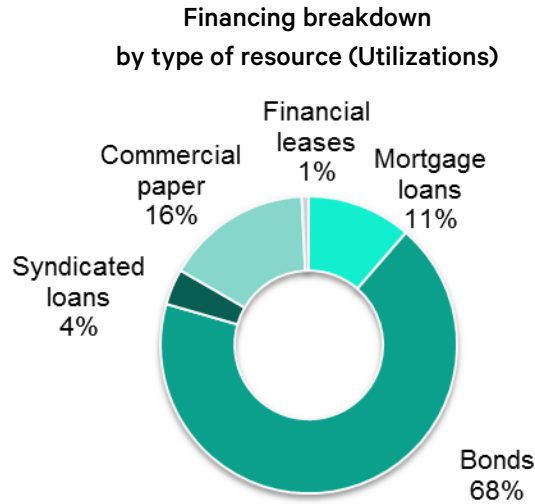
At the end of the year, the average duration of the debt is 6 years (versus 5.5 at year-end 2015). The Group's level of liquidity remains high at more than 2.6 billion euros, a total which includes 1.9 billion euros worth of unused committed credit lines with an average remaining maturity of 5.2 years. This amount largely covers upcoming refinancing needs for debt falling due in 2017, 2018 and 2019.



11.1.4 Debt structure

The share of capital market sources in the Group's indebtedness has reached 80%. This access to capital market resources has also enabled the Group to further reduce the weight of secured debts in the total balance, which mainly concerns Scandinavian financings.

The breakdown by currency remains consistent with the geographic exposure of the Group's portfolio of assets. Assets located in Turkey that generate rents denominated in USD are hedged through the rolling of FX swaps.



11.2 INTEREST RATE HEDGING

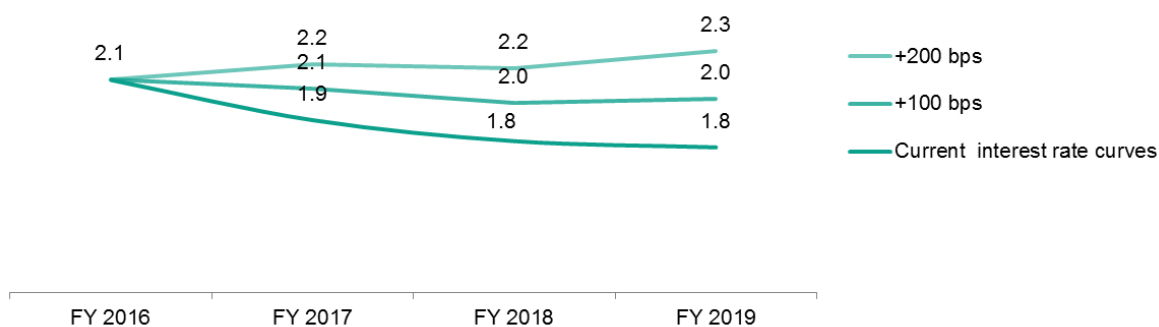
Since most of the transactions completed during the year were either fixed or swapped back to fixed-rate, the hedging ratio remained largely above the 70% target. At year end, it stood at 81%, and the average duration of the fixed-rate position has been increased to 5.2 years compared to 4.6 years in June 2016 and 4.5 years in December 2015.

In January 2017, Klépierre adjusted its fixed-rate position with the early termination of a 200 million payer swap and the implementation of a new 1.9 billion euro hedging portfolio comprised of payer swaps, caps and swaptions. The aim of this adjustment is first to replace swaps and caps which mature during the first quarter of 2017, to pre hedge shortly expiring fixed rate debt and to increase the Group's hedging ratio over 90%. Consequently, the Group's cost of debt for the 3 years ahead should remain more stable and less sensitive to interest-rate fluctuations. After implementation of these transactions, the hedging ratio stands at 97% (spot) and is expected to reach 92% on average for 2017, 83% for 2018, and 77% for 2019. Given the increase in the hedging ratio and based on the structure of interest rates on December 31, 2016, the Group's cash-cost at risk for the year is 4 million euros, i.e., the loss due to short-term interest rate movements would be less than 4 million euros 99% of the time.⁴⁰

Assuming the debt of the Group and its average credit spreads remain stable until 2019 and considering the interest-rates curves of the currencies used by the Group (EUR, NOK, SEK & DKK) as of December 31, 2016, the Group cost of debt is expected to remain below 2% until 2019. Should all curves be shifted by 100 bps the Group cost of debt is expected to remain below 2.0% in 2019. For another shift of the curves of further 100 bps (+200 bps), the Group cost of debt would remain below 2.3% over the period.

⁴⁰ 99% cost at risk: The cost of interest over the next 12 months has been simulated through a Monte Carlo method, based on the debt structure (currencies, fixed, variable, capped), on historical volatilities and on correlations of interest rates in the 4 funding currencies of Klépierre (EUR, NOK, SEK, DKK). There is a 99% probability that, in case of rising interest rates, the overcost is lower than the 99% cost at risk.

Net cost of debt (%) change under 3 interest rates scenarios



11.3 COST OF DEBT

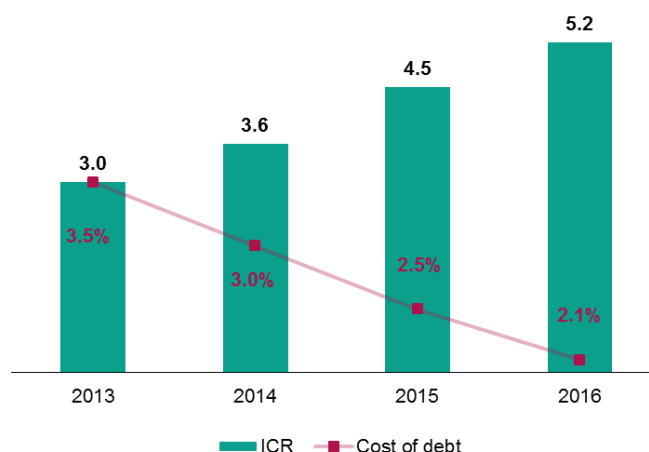
The average Group cost of debt continued to fall over the period, to 2.1%. This figure reflects the low level of short-term interest rates, the impacts of the financing cost synergies following the merger of Corio into Klépierre, and favorable funding conditions in all the markets in which the Group operates. Assuming current market conditions and given the upcoming refinancing transactions, the cost of debt is expected to fall below 2.0% in 2017. The low cost of debt, along with robust operating performances, led to stronger 5.2x coverage of interest expense by EBITDA (ICR).

The average cost of liquidity stood at 0.25% over the period. This corresponds to the commitment fees paid to the bank related to the committed available credit lines (3.1 billion euros on average in 2016).

Cost of debt calculation

	2016
Net cost of debt (P&L)	197.7
Non-recurring items	-28.6
Non cash impact	17.8
Interest on associate advances	13.0
Liquidity cost	-7.7
NET COST OF DEBT (used for cost of debt calculations)	192.3
AVERAGE GROSS DEBT	9,100.3
COST OF DEBT (%)	2.1%

Interest coverage ratio and cost of debt



11.4 FINANCIAL RATIOS AND RATING

As of December 31, 2016, the Group's financing covenants remain in line with the commitments in its financing agreements.

In December 2015, Standard's & Poor's confirmed the A- rating and its stable outlook. Moody's continues to assign a rating of A3 (stable outlook) to the notes initially issued by Corio NV.

Financing	Ratios / covenants	Limit ¹	12/31/2016	12/31/2015
Syndicated loans and bilateral loans Klépierre SA	Net debt / Portfolio value ("Loan to Value")	≤ 60%	36.8%	39.2%
	EBITDA / Net interest expenses ²	≥ 2.0	5.2	4.5
	Secured debt / Portfolio value (excluding Steen & Strøm)	≤ 20%	0.7%	0.9%
	Portfolio value, group share	≥ €8 Bn	€19.9 Bn	€19.2 Bn
Bond issues Klépierre SA	Secured debt / Revalued Net Asset Value (excluding Steen & Strøm)	≤ 50%	1.1%	1.5%

(1) Ratios are based on the 2015 revolving credit facility

(2) The ICR does not include the liability management impact

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 December 31, 2016, this ratio was 51.7%.

12 GOVERNANCE

On November 7, 2016, the Supervisory Board decided unanimously to promote Jean-Marc Jestin to the role of Chairman of the Executive Board of Klépierre. This decision was part of the Supervisory Board's succession plan, which included Jean-Marc Jestin's appointment in 2012 as Chief Operating Officer and member of Klépierre's Executive Board. Since November 7, 2016, Klépierre has been managed by an Executive Board composed of Jean-Marc Jestin and Jean-Michel Gault, Deputy CEO.

13 EVENTS SUBSEQUENT TO THE ACCOUNTING CUT-OFF DATE

On January 21, 2017, Steen & Strøm completed the sale of SSI Lillestrøm Torv AS, a company which owned Lillestrøm Torv shopping center (Norway).

In January 2017, Klépierre adjusted its fixed-rate position with the early termination of a 200 million payer swap and the implementation of a new 1.9 billion euro hedging portfolio comprised of payer swaps, caps and swaptions (please refer to section "Interest rate hedging" of the present document).

14 OUTLOOK

In 2017, provided that the European macroeconomic context does not deviate from OECD forecasts, Klépierre expects to generate a net current cash flow per share of between 2.35 euros and 2.40 euros, assuming a stable or lower level of net debt.