FULL-YEAR EARNINGS

SUPPLEMENTAL INFORMATION TO THE PRESS RELEASE

2017

KLEPIERRE

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CONSOLIDATED FINANCIAL STATEMENTS

1.1 Consolidated statements of comprehensive income

In millions of €	12/31/2017 Fair value	12/31/2016 Fair value
Gross rental income	1,236.0	1,214.0
Land expenses (real estate)	-16.0	-14.9
Non-recovered rental expenses	-72.4	-73.9
Building expenses (owner)	-42.0	-41.9
Net rental income	**1,105.6**	**1,083.4**
Management, administrative and related income	85.6	86.5
Other operating revenues	10.5	18.4
Survey and research costs	-1.0	-2.8
Payroll expenses	-124.9	-131.4
Other general expenses	-63.6	-63.4
Depreciation and impairment allowance on intangible assets and properties, plant and equipment	-15.2	-14.8
Provisions	-0.6	-5.2
Change in value of investment properties	825.9	828.8
Proceeds from disposal of investment properties and equity investments	243.0	416.1
Net book value of investment properties and equity investments sold	-236.1	-392.5
Income from the disposal of investment properties and equity investments	**6.8**	**23.5**
Goodwill impairment	**-1.7**	
Operating income	**1,827.5**	**1,822.8**
Net dividends and provisions on non-consolidated investments	0.0	0.1
Financial income	80.8	109.0
Financial expenses	-250.6	-306.7
Net cost of debt	**-169.8**	**-197.7**
Change in the fair value of financial instruments	-15.1	-12.1
Share in earnings of equity method investments	74.4	89.5
Profit before tax	**1,717.0**	**1,702.5**
Corporate income tax	-219.2	-225.6
Net income of consolidated entity	**1,497.8**	**1,476.9**
Of which		
- Group share	*1,228.6*	*1,191.3*
- Non-controlling interests	*269.2*	*285.7*
Undiluted average number of shares	**306,084,849**	**311,736,861**
Undiluted net income per share (€) - Group share	**4.01**	**3.82**
Diluted average number of shares	**306,084,849**	**311,736,861**
Diluted net income per share (€) - Group share	**4.01**	**3.82**

In millions of €	12/31/2017 Fair value	12/31/2016 Fair value
Net income of consolidated entity	**1,497.8**	**1,476.9**
Other comprehensive income items recognized directly as equity	-58.6	-87.7
- Effective portion of profits and losses on cash flow hedging instruments	67.0	23.2
- Translation profits and losses	-117.7	-95.1
- Tax on other comprehensive income items	-14.1	-16.0
Items that will be reclassified subsequently to profit or loss	**-64.8**	**-87.9**
- Result from sales of treasury shares	4.7	-0.1
- Actuarial gains	1.4	0.3
Items that will not be reclassified subsequently to profit or loss	**6.2**	**0.2**
Share of other comprehensive income items of equity method investees		
Total comprehensive income	**1,439.1**	**1,389.2**
Of which		
- Group share	*1,205.8*	*1,098.7*
- Non-controlling interests	*233.3*	*290.5*
Undiluted comprehensive income per share (€) - Group Share	**3.94**	**3.52**
Diluted comprehensive income per share (€) - Group share	**3.94**	**3.52**

1.2 Consolidated statements of financial position

In millions of €	12/31/2017 Fair value	12/31/2016 Fair value
Goodwill	655.2	648.4
Intangible assets	39.3	45.2
Property, plant and equipment	14.1	16.0
Investment properties at fair value	21,494.2	20,390.2
Investment properties at cost	123.1	282.6
Equity method investments	1,074.1	1,067.5
Other non-current assets	319.3	350.8
Non-current derivatives	41.0	74.0
Deferred tax assets	24.5	40.7
Non-current assets	**23,784.6**	**22,915.4**
Fair value of properties held for sale	295.6	284.4
Trade accounts and notes receivable	144.5	152.6
Other receivables	346.6	401.1
- Tax receivables	137.5	180.4
- Other debtors	209.1	220.7
Current derivatives	9.9	4.8
Cash and cash equivalents	564.5	578.8
Current assets	**1,361.2**	**1,421.7**
TOTAL ASSETS	**25,145.8**	**24,337.1**
Share capital	440.1	440.1
Additional paid-in capital	5,818.1	5,818.1
Legal reserves	44.0	44.0
Consolidated reserves	2,865.8	2,613.1
- Treasury shares	-419.2	-67.0
- Hedging reserves	-50.2	-99.2
- Other consolidated reserves	3,335.2	2,779.4
Consolidated earnings	1,228.6	1,191.3
Shareholders' equity, group share	10,396.6	10,106.6
Non-controlling interests	2,563.8	2,429.7
Shareholders' equity	**12,960.4**	**12,536.2**
Non-current financial liabilities	7,368.2	6,745.6
Non-current provisions	26.9	23.5
Pension commitments	13.4	13.2
Non-current derivatives	23.1	65.3
Security deposits and guarantees	145.3	141.0
Deferred tax liabilities	1,547.7	1,375.7
Non-current liabilities	**9,124.6**	**8,364.4**
Current financial liabilities	2,217.2	2,562.1
Bank overdrafts	130.0	110.9
Trade payables	205.1	220.8
Payables to fixed asset suppliers	16.2	7.9
Other liabilities	312.4	317.5
Current derivatives	7.4	27.4
Social and tax liabilities	172.5	189.9
Current liabilities	**3,060.7**	**3,436.5**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**25,145.8**	**24,337.1**

1.3 Segment earnings

in millions of euros	France-Belgium[a] 12/31/2017	France-Belgium[a] 12/31/2016	Scandinavia 12/31/2017	Scandinavia 12/31/2016	Italy 12/31/2017	Italy 12/31/2016	Iberia 12/31/2017	Iberia 12/31/2016	The Netherlands 12/31/2017	The Netherlands 12/31/2016
Gross rental income	**466.0**	**459.0**	**192.5**	**197.6**	**210.3**	**204.7**	**123.6**	**113.1**	**64.6**	**61.1**
Rental & building expenses	-44.1	-41.7	-19.9	-17.4	-15.1	-14.9	-13.6	-14.7	-15.3	-15.5
NET RENTAL INCOME	**421.9**	**417.3**	**172.6**	**180.3**	**195.2**	**189.8**	**110.0**	**98.4**	**49.3**	**45.5**
Management and other income	49.5	56.4	9.8	10.5	13.6	13.5	7.3	7.9	6.9	6.7
Payroll and other general expenses	-66.1	-70.9	-21.5	-23.5	-23.9	-23.0	-13.8	-13.2	-13.6	-14.3
EBITDA	405.3	402.9	160.8	167.2	184.8	180.3	103.5	93.1	42.7	37.9
Depreciation and allowance	-8.6	-7.2	-2.4	-3.1	-0.4	-0.6	-0.7	-0.7	-2.0	0.4
Change in value of investment properties	234.4	289.4	150.1	212.7	203.8	87.9	153.4	155.6	37.2	1.8
Income from the disposal of investment properties and equity investments	-3.3	6.3	13.0	33.9		-0.1	-3.9	-14.4	1.2	
Share in earnings of equity method investments	2.5	8.2	22.5	11.1	56.8	44.7	3.1	1.1		
SEGMENT INCOME	630.3	699.5	344.0	421.9	445.0	312.3	255.4	234.6	79.0	40.0
Goodwill impairment										
Net cost of debt										
Change in the fair value of financial instruments										
PROFIT BEFORE TAX										
Corporate income tax										
NET INCOME										

(a) Shopping centers and other retail properties

in millions of euros	Germany 12/31/2017	Germany 12/31/2016	CEE & Turkey 12/31/2017	CEE & Turkey 12/31/2016	Unaffected 12/31/2017	Unaffected 12/31/2016	Klepierre Group 12/31/2017	Klepierre Group 12/31/2016
Gross rental income	**54.4**	**57.2**	**124.5**	**121.3**			**1,236.0**	**1,214.0**
Rental & building expenses	-11.6	-15.2	-10.7	-11.2			-130.4	-130.6
NET RENTAL INCOME	**42.8**	**42.0**	**113.8**	**110.1**			**1,105.6**	**1,083.4**
Management and other income	4.8	5.4	4.4	4.4			96.1	104.8
Payroll and other general expenses	-10.2	-10.0	-12.5	-12.8	-27.9	-29.9	-189.5	-197.6
EBITDA	37.4	37.3	105.8	101.8	-27.9	-29.9	1,012.2	990.6
Depreciation and allowance	-0.4	-0.4	-1.2	-8.4			-15.8	-20.1
Change in value of investment properties	-13.4	-38.5	60.4	119.9			825.9	828.8
Income from the disposal of investment properties and equity investments			-0.0	-2.1			6.8	23.5
Share in earnings of equity method investments			-10.6	24.4			74.4	89.5
SEGMENT INCOME	23.5	-1.6	154.3	235.5	-27.9	-29.9	1,903.6	1,912.4
Goodwill impairment							-1.7	
Net cost of debt							-169.8	-197.7
Change in the fair value of financial instruments							-15.1	-12.1
PROFIT BEFORE TAX							1,717.0	1,702.5
Corporate income tax							-219.2	-225.6
NET INCOME							1,497.8	1,476.9

1.4 Consolidated cash flow statements

In millions of €	12/31/2017 Fair value	12/31/2016 Fair value
Cash flows from operating activities		
Net income from consolidated companies	1,497.8	1,476.9
Elimination of expenditure and income with no cash effect or not related to operating activities		
– Depreciation, amortization and provisions	*15.9*	*20.1*
– Change in value of investment properties	*-825.9*	*-828.8*
– Goodwill impairment	*1.7*	
– Capital gains and losses on asset disposals	*-6.8*	*-23.6*
– Current and deferred Income taxes	*219.2*	*225.6*
– Share in earnings of equity method investees	*-74.4*	*-89.5*
– Reclassification of financial interests and other items	*210.8*	*253.4*
Gross cash flow from consolidated companies	**1,038.3**	**1,034.1**
Paid taxes	11.5	-61.8
Change in operating working capital	-15.5	-16.1
Cash flows from operating activities	**1,034.3**	**956.2**
Cash flows from investing activities		
Proceeds from sales of investment properties	126.3	196.6
Proceeds from sales of other fixed assets		
Proceeds from disposals of subsidiaries (net of cash disposed)	115.9	217.9
Acquisitions of investment properties	-22.9	
Acquisition costs of investment properties	-1.1	-0.3
Payments in respect of construction work in progress	-296.3	-337.0
Acquisitions of other fixed assets	-8.9	-10.5
Acquisitions of subsidiaries and deduction of acquired cash[a]	-259.3	-2.5
Movement of loans and advance payments granted and other investments	-2.9	37.7
Net cash flows from investing activities	**-349.2**	**102.0**
Cash flows from financing activities		
Dividends paid to the parent company's shareholders	-562.0	-530.0
Dividends paid to non-controlling interests	-47.6	-48.2
Capital increase of parent company		
Change in capital from subsidiaries with non controlling interests	14.7	30.8
Repayment of share premium		
Acquisitions/disposal of treasury shares	-352.2	11.4
New loans, borrowings and hedging instruments	3,096.3	1,610.3
Repayment of loans, borrowings and hedging instruments	-2,647.6	-1,611.1
Interest paid	-212.7	-204.8
Other cash flows related to financing activities		
Net cash flows from financing activities	**-711.0**	**-741.6**
Effect of foreign exchange rate changes on cash and cash equivalents	**-7.5**	**2.8**
CHANGE IN CASH AND CASH EQUIVALENTS	**-33.5**	**319.3**
Cash at year-start	**467.9**	**148.6**
Cash at year-end	**434.5**	**467.9**

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

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 26 boulevard des Capucines in Paris.

On January 29, 2018, the Executive Board approved the consolidated financial statements of Klépierre SA for the period from January 1 to December 31, 2017 and authorized their publication.

Klépierre shares are admitted to trading on Euronext Paris (compartment A).

2.2 Application of IFRS

As per Regulation (EC) No. 1126/2008 of November 3, 2008, on the application of international accounting standards, the Klépierre Group's consolidated financial statements through December 31, 2017, have been prepared in accordance with IFRS (International Financial Reporting Standards) published by the IASB (International Accounting Standards Board), as adopted by the European Union and applicable on that date.

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

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

The accounting principles applied to the consolidated financial statements as of December 31, 2017, are identical to those used in the consolidated financial statements as of December 31, 2016, with the exception of the following new standards and interpretations, for which application is mandatory for the Group:

- Amendment to IAS 7: Disclosure Initiative: Statement of Cash Flows
- Amendment to IAS 12: Recognition of Deferred Tax Assets for Unrealized Losses
- Amendment to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4.

3

SCOPE OF CONSOLIDATION

As of December 31, 2017 the Group's scope of consolidation included 282 companies, including 248 fully consolidated companies and 34 companies consolidated under the equity method.

The main changes in the scope of consolidation of the year 2017 compare to 2016 were the following:

> On May 22, 2017, Klépierre acquired 100% of the shares of SC Nueva Condo Murcia for an amount of €124.1 million. This company owns Nueva Condomina, the leading shopping mall in the region of Murcia, Spain. The acquisition was treated as a business combination according to IFRS 3 revised. The net amount of the identifiable assets and liabilities at their fair value at the acquisition date stands at €111.8 million. The €12.3 million goodwill is allocated to the possibility of optimizing income taxes when disposing the assets. In accordance with IFRS 3, the purchase price allocation is provisional and could be subject to change for a period of 12 months after the acquisition date. Since the acquisition date, Nueva Condomina has contributed with €9.8 million to rental income and €9.0 million to the net rental income of the Group. If the acquisition had taken place at the beginning of the year, the contribution of the company would have been €16.1 million to rental income and €14.2 million to the net rental income;

> During the first half 2017, Steen & Strøm, the 56.1% Scandinavian controlled subsidiary of Klépierre, completed the sale of two properties. On January 23, 2017, the Lillestrøm shopping center was sold in Norway, and the offices of Emporia in Malmö, Sweden, were sold on March 31, 2017. As a consequence, the Norwegian company SSI Lillestrøm Torv AS and the Swedish company Phasmatidae Holding AB were disposed and excluded from the scope of consolidation;

> On December 1, 2017, Klépierre became 100% owner of the company Principe Pio in Spain by acquiring 5% of the shares from the minority shareholder;

> On December 19, 2017, Klépierre acquired a company in the Czech Republic, Nový Smíchov First Floor. This entity owns the first floor of the Tesco Hypermarket in the Nový Smíchov shopping center in Prague;

> On December 28, 2017, the Bulgarian company Corio Lulin owning a plot in Sofia was sold;

> On March 13, 2017, Corio SAS has been merged into Klépierre SA. Furthermore, 3 new companies have been created (Klepierre Finance Italia, KFI Hungary KFT and Klepierre Energy CZ S.R.O.) and 3 other empty companies have been merged or liquidated (Steen & Strøm Centerdrift AS, La Plaine du Moulin à Vent SCI and Pivoines SCI) during the year.

4

APPROACH TO BUSINESS

Klépierre is the owner and operator of the leading shopping center platform in Europe. Klépierre has a property portfolio of more than 100 leading shopping centers, attracting 1.1 billion visitors each year and valued at close to €24 billion as of December 31, 2017. Since 2013, Klépierre has focused on retail assets only and has constantly upgraded the quality of its portfolio by pursuing a clear strategy aimed at anticipating retail trends to continuously enrich the shopping experience in the malls it owns and manages.

4.1 A leading, pan-European platform

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

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

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

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

Klépierre owns iconic leading centers in 16 European countries, incuding Créteil Soleil and Val d'Europe (Paris), Saint-Lazare (Paris), Blagnac (Toulouse) in France; Porta di Roma (Rome), Le Gru (Turin), Campania (Naples), Nave de Vero (Venice) in Italy; L'esplanade (Louvain-la-Neuve) in Belgium; Field's (Copenhagen), Emporia (Malmö), Oslo City (Oslo) in Scandinavia; Hoog Catharijne (Utrecht) in the Netherlands; Maremagnum (Barcelona), Plenilunio, and La Gavia (Madrid) in Spain; Nový Smíchov (Prague) in the Czech Republic; and Boulevard Berlin in Germany.

4.2 Shop. Meet. Connect.™

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

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

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(1) Average population in the catchment areas of Klépierre's shopping centers (30 min drive radius) weighted by their value as of December 31, 2017.
(2) Average GDP per capita of the regions where Klépierre's shopping centers are located weighted by their asset value as of December 31, 2017, vs. European GDP per capita average (Source: Eurostat, purchase power standard).
(3) Average demographic growth between 2015 and 2025 in the catchment areas of Klépierre's shopping centers weighted by their asset value as of December 31, 2017 (Source: Eurostat, Klépierre's calculations).
(4) In countries where Klépierre is positioned in Europe, including Turkey (Source: Eurostat).

4.3 Customer-centric mall management

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

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

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

4.3.1 Retail First

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

Retail First consists of several initiatives that Klépierre implements as part of its leasing management. The main two are:

> **"Rightsizing"** consists of ensuring that retailers are able to offer the right format at the right location. In many cases, it implies expanding or reducing the size of their stores, and/or relocating them in more appropriate locations within a given shopping center;

> **Destination Food®** is a comprehensive plan to develop and enhance the food and beverage offer in Klépierre malls.

4.3.2 Let's Play®

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

4.3.3 Clubstore®

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

4.4 Corporate and social responsibility policy: Act for Good®

Driven by strong convictions, Klépierre's CSR approach integrates sustainable development at the heart of its performance. Through the implementation of its Act for Good® policy, Klépierre reconciles the requirements of operational excellence with environmental, societal, and social performance. As a key player in regional development, Klépierre is strengthening the appeal of its assets by ensuring that they are sustainably integrated into their environment.

4.5 Targeted development and strict financial discipline

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

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

5
BUSINESS OVERVIEW

5.1 Economic environment

The Eurozone economy has improved since the beginning of 2017, with Gross Domestic Product (GDP) growth expected to reach 2.4% for the entire year, compared to 1.8% in 2016.(5) Solid economic improvement from the Eurozone's larger economies contributed to this growth, with economic confidence rising to its highest level in 17 years.(6) Labor market conditions continued to improve, with unemployment declining in virtually all countries (9.1% in 2017, vs. 10.0% in 2016). Private consumption remained resilient (+1.8% in 2017, vs. +1.9% in 2016), while inflation accelerated to 1.5%, from 0.2% in 2016.

Overall, economic improvements are expected to be sustained into 2018, backed by the European Central Bank's accommodative monetary policy, a highly positive consumer sentiment, and an improving labor market. GDP is projected to grow by 2.2%, and inflation is forecasted to remain at 1.5%.

Exhibit 1. 2017 and 2018 macroeconomic forecasts by country

	Real GDP growth rate			Unemployment rate			Inflation rate		
Country	**2016**	**2017E**	**2018E**	**2016**	**2017E**	**2018E**	**2016**	**2017E**	**2018E**
EUROZONE	**1.8%**	**2.4%**	**2.2%**	**10.0%**	**9.1%**	**8.5%**	**0.2%**	**1.5%**	**1.5%**
France	1.1%	1.8%	1.8%	10.1%	9.4%	9.2%	0.3%	1.1%	1.1%
Belgium	1.5%	1.7%	1.7%	7.9%	7.2%	6.7%	1.8%	2.2%	1.6%
Italy	1.1%	1.6%	1.5%	11.7%	11.2%	10.5%	-0.1%	1.4%	1.2%
Scandinavia									
Norway	1.1%	2.1%	1.8%	4.7%	4.3%	4.0%	3.5%	1.9%	1.6%
Sweden	3.1%	3.1%	2.8%	6.9%	6.6%	6.0%	1.0%	1.9%	2.1%
Denmark	2.0%	2.2%	2.0%	6.2%	5.8%	5.7%	0.2%	1.2%	1.6%
Iberia									
Spain	3.3%	3.1%	2.3%	19.6%	17.2%	15.4%	-0.3%	2.0%	1.3%
Portugal	1.5%	2.6%	2.3%	11.0%	9.1%	8.2%	0.6%	1.5%	1.1%
CEE & Turkey									
Poland	2.9%	4.3%	3.5%	6.2%	4.8%	4.3%	-0.7%	1.9%	2.0%
Czech Republic	2.5%	4.3%	3.5%	3.9%	3.0%	2.8%	0.7%	2.3%	2.2%
Hungary	2.2%	3.9%	3.6%	5.1%	4.2%	4.0%	0.4%	2.3%	2.7%
Turkey	3.3%	6.1%	4.9%	10.9%	11.1%	11.0%	7.8%	10.7%	9.9%
The Netherlands	2.1%	3.3%	3.1%	6.0%	4.9%	4.5%	0.1%	1.3%	1.7%
Germany	1.9%	2.5%	2.3%	4.2%	3.7%	3.5%	0.4%	1.7%	1.8%

Source: OECD Economic Outlook, December 2017. Yearly data is change in % over previous year.

5.2 Retailer sales

On a like-for-like basis, (7) total retailer sales at Klépierre's malls rose by 2.1% for the last 12 months (1.3% excluding extensions). Over the first 11 months of the year, they outperformed aggregated national retailer sales indices by 120 basis points. (8) In addition to a better economic climate and improved consumer confidence,

(5) *Except indicated otherwise, all macroeconomic data in chapters 5 and 6 of this document are extracted from the OECD Economic Outlook, December 2017.*
(6) *As measured by the economic sentiment indicator (ESI) of the European Commission as of December 2017.*
(7) *Like-for-like change is on a same-center basis and excludes the impact of asset sales and acquisitions.*
(8) *Compound index based on the following national retailer indices weighted by the share of each country in Klépierre's total NRI. France: CNCC, Italy: ISTAT, Spain: INE, Portugal: INE, Norway: Kvarud, Sweden: HUI, Denmark: Danmarks statistik, Poland: PRCH, Hungary: KSH, Czech Republic: CZSO, the Netherlands: CBS; Turkey: AYD.*

releasing transactions and marketing initiatives, such as the Black Friday campaign rolled out at 113 malls in 12 countries, contributed to this performance.

On a geographic basis, retailer sales rose by 2.4% in France, with particularly solid results in leading shopping centers such as Val d'Europe (Paris), Créteil Soleil (Paris), and Écully Grand Ouest (Lyon). In Italy, retailer sales were flat for the year as a whole, but improved in the second half (+0.8%) with the dissipation of an adverse competitive impact in the northern part of the country. Spain and Portugal continued to post impressive results, with retailer sales growing by 4.5% and 4.7%, respectively, reflecting Klépierre's strong positioning in these countries. In Central Europe & Turkey (+7.2%), Hungary was the best performer (+10.9%), followed by Turkey (+9.8%), the Czech Republic (+5.2%), and Poland (+4.3%). Lastly, retailer sales in Germany grew at a steady pace (+1.9%), benefiting from recent leasing initiatives in Forum Duisburg (near Düsseldorf) and Centrum Galerie (Dresden).

Exhibit 2. Last 12-month retailer sales like-for-like change by country

	Like-for-like change[a]	Share in Total Reported Retailer Sales	Like-for-Like change (excluding extensions)
France	2.4%	31%	0.9%
Belgium	-1.6%	2%	-1.6%
France-Belgium	**2.2%**	**33%**	**0.7%**
Italy	**-0.1%**	**25%**	**-0.1%**
Norway	-1.6%	9%	-1.6%
Sweden	1.5%	7%	1.5%
Denmark	-1.4%	4%	-1.4%
Scandinavia	**-0.4%**	**20%**	**-0.4%**
Spain	4.5%	7%	4.5%
Portugal	4.7%	3%	4.7%
Iberia	**4.6%**	**10%**	**4.6%**
Poland	4.3%	3%	4.3%
Hungary	10.9%	2%	10.9%
Czech Republic	5.2%	2%	5.2%
Turkey	9.8%	2%	9.8%
CEE and Turkey	**7.2%**	**9%**	**7.2%**
The Netherlands[b]	**n.s.**	**n.s**	**n.s.**
Germany	**1.9%**	**3%**	**1.9%**
TOTAL	**2.1%**	**100%**	**1.3%**

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

On a segment basis, health & beauty (12% of total sales) was the best performing segment with 3.5% growth, followed by food & restaurant (11% of total sales), for which sales grew by 3.3% thanks to Klépierre's Destination Food® strategy roll-out across the portfolio. Fashion sales (40% of total sales) grew by 2.6% for the entire portfolio total and remained solid in France, Sweden, and CEE & Turkey, though growth was negative in Norway and Denmark due to adverse weather effects in the first six months. Culture & leisure (18% of total sales) sales were up by 1.6%.

Exhibit 3. Last 12-month retailer sales change by segment

	Like-for-Like change	Share in Total Reported Retailer Sales
Fashion	2.6%	40%
Culture, Gifts & Leisure	1.6%	18%
Health & Beauty	3.5%	12%
Household equipment	-1.6%	12%
Food & Restaurants	3.3%	11%
Others	2.3%	8%
TOTAL	**2.1%**	**100%**

5.3 Gross rental income

Exhibit 4. Gross rental income (on a Total-Share basis)

In €m	12/31/2017	12/31/2016	Current Change
France-Belgium	438.1	428.4	2.3%
Italy	210.3	204.7	2.7%
Scandinavia	192.5	197.6	-2.6%
Iberia	123.6	113.1	9.3%
CEE and Turkey	124.5	121.3	2.7%
The Netherlands	64.6	61.1	5.8%
Germany	54.4	57.2	-4.8%
TOTAL SHOPPING CENTERS	**1,208.0**	**1,183.4**	**2.1%**
Other retail properties	28.0	30.6	-8.7%
TOTAL	**1,236.0**	**1,214.0**	**1.8%**

On a Total-Share basis, shopping center gross rental income amounted to €1,208.0 million in 2017, versus €1,183.4 million in 2016. This increase reflects the combination of a solid like-for-like growth, the impact of the acquisition of Nueva Condomina (Murcia, Spain), and the opening of Val d'Europe's (Paris) extension and Hoog Catharijne's redevelopment (Utrecht, the Netherlands), which more than offset the impact of the disposals of the last 18 months.[9]

Adding in gross rental income generated by other retail properties (down 8.7%, mostly due to asset disposals), total gross rental income reached €1,236.0 million, versus €1,214.0 million in 2016, a 1.8% growth.

5.4 Net rental income

Exhibit 5. Net rental income (on a Total-Share basis)

In €m	12/31/2017	12/31/2016	Current change	Like-for-like change	Index-linked rental adjustments
France-Belgium	394.9	388.0	1.8%	2.5%	0.1%
Italy	195.2	189.8	2.8%	2.9%	0.3%
Scandinavia	172.6	180.3	-4.3%	4.6%	2.4%
Iberia	110.0	98.4	11.8%	6.8%	1.1%
CEE and Turkey	113.8	110.1	3.4%	3.1%	1.1%
The Netherlands	49.3	45.5	8.4%	2.1%	1.0%
Germany	42.8	42.0	2.1%	0.1%	0.0%
TOTAL SHOPPING CENTERS	**1,078.6**	**1,054.1**	**2.3%**	**3.3%**	**0.7%**
Other retail properties	27.1	29.3	-7.5%		
TOTAL	**1,105.6**	**1083.4**	**2.1%**		

Net rental income (NRI) generated by shopping centers reached €1,078.6 million in 2017, up 2.3% on a current-portfolio, Total-Share basis compared to the same period in 2016. This increase reflects a combination of the following items:

> a €32.5-million increase on a like-for-like basis (+3.3%);

> a negative scope effect of €8.0 million, with the impact of disposals more than offsetting that of acquisitions and development.

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

On a like-for-like portfolio basis,[10] shopping center NRI was up by 3.3%, outperforming by 260 bps index-linked rental adjustments of +0.7%.

Chart 1. Shopping center NRI breakdown by region for the twelve-month period ended December 31, 2017
(on a Total-Share basis)

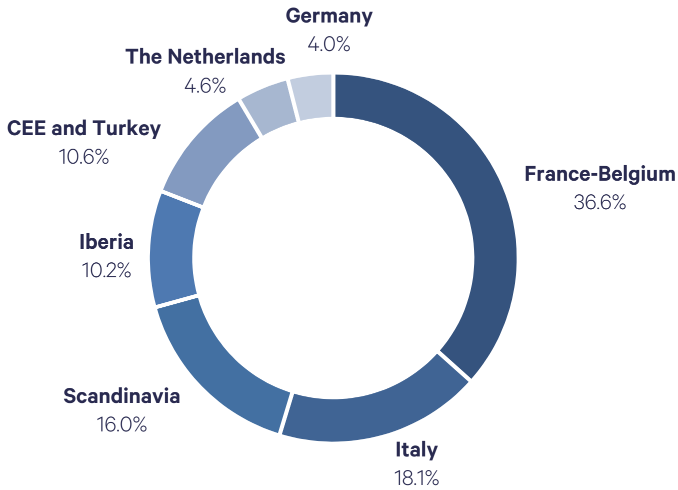

Exhibit 6. Foreign exchange impact on like-for-like NRI over the twelve-month period ended December 31, 2017

	NRI like-for-like change		Forex impact on NRI like-for-like change
	At constant forex	At current forex	
Norway	4.3%	3.9%	-40 bps
Sweden	4.7%	2.9%	-180 bps
Denmark	4.7%	4.8%	10 bps
Scandinavia	**4.6%**	**3.8%**	**-70 bps**
Poland	-1.9%	-1.7%	25 bps
Hungary	14.7%	14.7%	-10 bps
Czech Republic	12.9%	13.5%	60 bps
Turkey*	-6.9%	-4.9%	200 bps
CEE and Turkey	**3.1%**	**4.0%**	**90 bps**
TOTAL	**3.3%**	**3.3%**	**0 bps**

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

5.5 Contribution of assets consolidated under the equity method

The net rental income contribution of assets consolidated under the equity method to Klépierre's consolidated financial statement amounted to €65.7 million in 2017. These assets are:

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

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

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

> Portugal: Aqua Portimão (Portimão);

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

> Turkey: Akmerkez (Istanbul).

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

Exhibit 7. Contribution of assets consolidated under the equity method

Gross rental income - total share

In €m	12/31/2017	12/31/2016
France	21.9	24.4
Italy	39.6	39.0
Norway (*)	7.9	13.3
Iberia	3.1	3.0
Turkey	9.9	15.8
TOTAL	**82.5**	**95.5**

Net rental income - total share

In €m	12/31/2017	12/31/2016
France	15.9	19.2
Italy	34.1	33.2
Norway (*)	6.4	11.2
Iberia	2.7	2.6
Turkey	6.5	10.8
TOTAL	**65.7**	**76.9**

Net current cash flow - total share

In €m	12/31/2017	12/31/2016
France	13.1	15.9
Italy	25.4	23.4
Norway (*)	6.4	11.3
Iberia	0.3	0.2
Turkey	6.3	10.2
TOTAL	**51.5**	**61.0**

Net income - total share

In €m	12/31/2017	12/31/2016
France	2.5	8.2
Italy	56.8	44.7
Norway (*)	22.5	11.1
Iberia	3.1	1.1
Turkey	-10.6	24.4
TOTAL	**74.4**	**89.5**

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

5.6 Shopping center business summary

5.6.1 Leasing highlights

Exhibit 8. Key performance indicators

	Renewed and re-let leases (€m)	Reversion (%)	Reversion (€m)	OCR[(a)]	EPRA Vacancy rate	Bad debt rate[(b)]
France-Belgium	38.4	11.0%	4.2	12.7%	3.3%	1.9%
Italy	25.4	15.8%	4.0	11.5%	1.2%	1.7%
Scandinavia	20.6	12.4%	2.5	11.5%	3.1%	0.1%
Iberia	16.8	20.2%	3.4	13.1%	4.2%	0.2%
CEE and Turkey	21.9	8.9%	2.0	12.9%	3.9%	2.6%
The Netherlands	1.7	13.5%	0.2	-	6.0%	1.2%
Germany	1.7	-4.6%	-0.1	10.9%	5.9%	2.3%
TOTAL	**126.5**	**12.9%**	**16.2**	**12.2%**	**3.2%**	**1.5%**

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

In 2017, leasing activity was very strong, with all key performance indicators showing a clear acceleration compared to 2016:

> 1,864 deals were signed, which represents an 8% increase[(11)];

(11) In 2017, Klépierre discontinued the separate counting of storage unit leases in Scandinavia for harmonization purposes; 2016 figures have been restated accordingly.

- €126.5 million in minimum guaranteed rents (MGR) were renegotiated (+7%; renewal or re-let), with a high 12.9% reversion;
- €35 million in additional annual MGR, up 20% compared to 2016.

This robust performance reflects Klépierre's increased focus on key account management, which translated into steady deal flow with expanding international retailers: 37 leases were signed with the Calzedonia group, 21 with Inditex, 19 with Yves Rocher, 14 with Pandora, 11 with JD Sports, 10 with Kiko, and 8 with Sephora. Many of these retailers collaborated with Klépierre to open "right-sized" stores featuring their latest retail concepts and to expand their reach throughout Europe.

Last but not least, Klépierre remained extremely active in rolling out its Destination Food® concept. With food & beverage retailer sales growing twice as fast as total retailer sales at Klépierre malls since 2013, this approach enriches the retail mix through a more innovative and expanded food offering, which ultimately contributes to increased footfall, dwell time and retailer sales. In 2017, the Destination Food® concept was notably implemented at Val d'Europe in France, Hoog Catharijne (Utrecht) in the Netherlands, Campania (Naples) and Le Gru (Turin) in Italy, Field's (Copenhagen) in Denmark, and Meridiano (Santa Cruz) in Spain. Among the trendy restaurants to be introduced to various malls are Five Guys, burger chain Big Fernand, Wagamama, Exki, Leon, Comptoir Libanais and Johnny Rockets.

In addition, Klépierre has estimated that in 2017 retailers were committed to invest ca. €344 million (vs. €318 million in 2016) in the renovation of their stores at Klépierre shopping malls.[12]

On a geographic basis, France was the most dynamic country, with 374 deals signed in 2017 (+4% vs. 2016; with an 11% reversion rate on renewal and relet). This strong performance was supported by a successful re-leasing campaign at Saint-Lazare (Paris), significant leasing progress at Prado (Marseille, France), the extension project at Val d'Europe, and the ongoing reletting and renewal campaigns across the country.

The Italian portfolio recorded 337 new or renewed contracts (+11.2% vs. 2016; +15.8% reversion), supported by the ongoing re-leasing campaigns at Globo (Busnago, 27 leases), Porta di Roma (Rome, 26), Campania (Naples, 19), Il Leone (Lonato, 19), and Romagna Shopping Valley (Emilia-Romagna region, 17).

Lastly, leasing activity remained buoyant in Iberia, with 321 deals (+21.1% versus 2016) posting record high reversion of 20.2%. These performances reflect the economic recovery of Spain and Portugal and the quality of Klépierre's portfolio.

(12) Estimated amount based on a representative sample of leases signed in 2017 and extrapolated for the entire portfolio. Investment may be spread-out over several years.

5.6.2 Lease expiry schedule

Exhibit 9. Shopping center lease expiry schedule

Country/Area	≤ 2017	2018	2019	2020	2021	2022	2023	2024	2025+	TOTAL	Average lease length left
France	13.5%	5.3%	7.7%	7.8%	10.0%	11.6%	10.8%	7.5%	25.8%	100.0%	4.7
Belgium	0.0%	2.0%	9.8%	1.1%	1.1%	3.2%	58.2%	5.8%	18.7%	100.0%	5.6
France-Belgium	**13.0%**	**5.2%**	**7.8%**	**7.5%**	**9.6%**	**11.3%**	**12.7%**	**7.4%**	**25.5%**	**100.0%**	**4.7**
Italy	**8.6%**	**10.4%**	**14.5%**	**11.8%**	**12.9%**	**13.1%**	**7.2%**	**3.9%**	**17.5%**	**100.0%**	**4.1**
Denmark*											
Norway	1.9%	21.5%	21.1%	12.9%	13.1%	10.0%	5.9%	3.8%	9.7%	100.0%	3.3
Sweden	3.1%	18.7%	23.0%	18.1%	11.7%	14.0%	1.8%	2.2%	7.4%	100.0%	2.8
Scandinavia	**2.4%**	**20.4%**	**21.9%**	**15.0%**	**12.5%**	**11.7%**	**4.2%**	**3.2%**	**8.8%**	**100.0%**	**3.1**
Spain	0.0%	6.3%	8.5%	7.3%	10.1%	9.4%	11.6%	8.0%	38.8%	100.0%	7.0
Portugal	0.5%	5.3%	6.6%	8.0%	15.5%	12.2%	16.4%	5.8%	29.7%	100.0%	6.0
Iberia	**0.1%**	**6.1%**	**8.1%**	**7.5%**	**11.3%**	**10.0%**	**12.7%**	**7.5%**	**36.8%**	**100.0%**	**6.8**
Poland	2.1%	10.4%	11.9%	25.0%	14.7%	18.8%	3.8%	0.9%	12.3%	100.0%	3.2
Hungary	0.8%	21.5%	16.5%	22.5%	14.9%	14.2%	2.6%	2.1%	5.0%	100.0%	3.0
Czech Republic	0.9%	18.2%	10.3%	9.5%	18.7%	25.3%	7.2%	3.1%	6.9%	100.0%	3.6
Turkey	6.5%	27.0%	9.7%	10.1%	10.5%	14.5%	8.8%	2.7%	10.3%	100.0%	3.2
CEE and Turkey	**2.8%**	**19.3%**	**11.6%**	**16.0%**	**14.6%**	**18.5%**	**6.0%**	**2.2%**	**9.0%**	**100.0%**	**3.3**
The Netherlands	**2.5%**	**20.8%**	**11.1%**	**2.2%**	**6.4%**	**5.1%**	**7.6%**	**6.5%**	**37.8%**	**100.0%**	**5.6**
Germany	**0.0%**	**10.3%**	**11.0%**	**1.1%**	**8.8%**	**34.0%**	**10.4%**	**5.2%**	**19.2%**	**100.0%**	**5.2**
TOTAL	**7.5%**	**10.3%**	**11.5%**	**9.6%**	**11.2%**	**13.0%**	**9.6%**	**5.5%**	**21.7%**	**100.0%**	**4.5**

* *Under Danish law, lease contracts are open-ended.*

6

BUSINESS ACTIVITY BY REGION

6.1 France-Belgium (35.7% of net rental income)

Exhibit 10. NRI & EPRA Vacancy rate in France-Belgium

	Current-Porfolio NRI			Like-for-Like Portfolio NRI			EPRA Vacancy rate	
In €m	12/31/2017	12/31/2016	Change	12/31/2017	12/31/2016	Change	12/31/2017	12/31/2016
France	378.0	372.4	1.5%	370.4	362.2	2.3%	3.5%	3.3%
Belgium	16.8	15.7	7.5%	16.8	15.7	7.5%	0.2%	0.5%
France-Belgium	**394.9**	**388.0**	**1.8%**	**387.2**	**377.9**	**2.5%**	**3.3%**	**3.2%**

Economic growth in France was robust in 2017, with GDP increasing by 1.8%, which marks a significant acceleration compared to 2016 (+1.1%), on the back of strong private consumption, robust business confidence, and an improved labor market (unemployment dropped to 9.4% from 10.1% in 2016).

In 2017, Klépierre's **retailer sales** were up by 2.4% on a like-for-like basis (+0.9% excluding the extension of Val d'Europe), corroborating the improved consumption environment in France (+0.2% in 2016). For the first 11 months of 2017, retailer sales at Klépierre malls outpaced the national index by 370 basis points,[13] compared to a 150 basis-point outperformance in 2016. In the last quarter, retailer sales were particularly strong, boosted by the successful Black Friday campaign (+19% over 3 days).

Sales at Val d'Europe (Paris) posted a 19% increase, benefiting from its extension (opened in April 2017) and the inauguration of Primark (in September 2017).

Entertainment and fashion were the best performing segments, growing by 9.0% and 4.6%, respectively, over the last 12 months. Food & beverage (+1.5%), culture & leisure (+1.5%), and health & beauty (0.8%) recorded good results, while the household equipment segment was slightly lagging (-0.6%).

Net rental income increased by 2.5% on a like-for-like basis over 2017, outperforming indexation by 240 basis points. This performance derived from the recent leasing actions and the positive reversion, especially at Val d'Europe and Saint-Lazare (Paris), where the Group benefited from the first renewal campaign (see below), capturing the remarkable success of the shopping center since opening. Additionally, the recent renegotiation of the Clear Channel contract generated higher revenues and lower operating costs through procurement initiatives, which also contributed to the solid like-for-like growth.

Leasing activity remained dynamic in 2017, with 374 leases signed (vs. 360 in 2016) at an average 11.0% reversion rate for relets and renewals (France and Belgium). The EPRA vacancy rate ended the year at 3.3% (vs. 3.2% in 2016). Over the year, the increased focus on key account management triggered a strong deal-flow with retailers such as Inditex (8 deals), JD Sports (7), Sephora (6), Claire's (6), Celio (5), and Yves Rocher (4).

From a mall-by-mall perspective, the re-leasing campaign at Saint-Lazare stood out as particularly successful, with 41 deals signed. Undiz, Yves Rocher, and Petit Bateau renewed their contracts, while popular retailers including NYX, Celio, Nespresso, Rituals, Levi's, Bialetti, Lacoste, and Histoire d'Or will enhance the leasing mix. In January 2018, Sephora opened its second largest store in France at Saint-Lazare, showcasing its new concept store over 1,100 sq.m. At Grand'Place (Grenoble), the re-leasing campaign yielded the signature of 22 contracts. Fnac (2,900 sq.m.), André (250 sq.m.), Nature & Découvertes (430 sq.m.), and Morgan renewed their leases, while JD Sports and NYX have unveiled new stores. Lastly, leasing operations advanced at Prado (Marseille), with 17 leasing contracts signed with Zara (3,290 sq.m.), Auchan (2,280 sq.m.; new gourmet concept), Lush, Courir, Repetto, Big Fernand, and Wagamama. The diversified retail offer, in addition to the Galeries Lafayette flagship store, will greatly enhance the mall's position in the region.

(13) The CNCC index was down 1.1% for the first 11 months of 2017, year-on-year.

6.2 Italy (17.7% of net rental income)

Exhibit 11. NRI & EPRA Vacancy rate in Italy

	Current-Porfolio NRI			Like-for-Like Portfolio NRI			EPRA Vacancy rate	
In €m	12/31/2017	12/31/2016	Change	12/31/2017	12/31/2016	Change	12/31/2017	12/31/2016
Italy	**195.2**	**189.8**	**2.8%**	**181.6**	**176.5**	**2.9%**	**1.2%**	**1.7%**

The **Italian economy** saw accelerated recovery in 2017, supported by improved private consumption and stronger exports. GDP grew by 1.6% in 2017 (vs. 1.1% in 2016) and is expected to continue growing at 1.5% in 2018. Unemployment improved slightly, from 11.7% last year to 11.2%.

Retailer sales at Klépierre's Italian malls were flat (-0.1%) in 2017, gradually improving in H2 (+0.8%). While rising competition in the North of Italy negatively impacted Klépierre malls in 2016 and the first part of the year, the impact faded away in the second half.

At Nave de Vero (Venice), which opened in 2014, sales continued to grow (+5.1%). At Porta di Roma (Rome), retailer sales were also dynamic (+2.4%), benefiting from the recent leasing campaign and the implementation of our Clubstore® concept.

Net rental income growth on a like-for-like basis remained strong at 2.9%, 260 bps above indexation. The high level of reversion in 2016 (+16.7%) and 2017 (+15.8%) remained the main growth driver. In addition, the decrease in vacancy (-50 bps), higher specialty leasing income, a lower bad debt allowance, and higher turnover rents more than offset the property tax increase.

A total of 337 **leases was signed** in 2017 (vs. 303 leases in 2016), of which 315 re-leasing or renewal leases contributed to an average 15.8% reversion rate.

Klépierre's Italian portfolio remained appealing to international retailers. In 2017, Pandora signed 7 deals, 2 of which included an enlargement of the store in line with the brand's new concept. In addition, 6 contracts were signed with Kiko, 5 with Pimkie, 2 with Nespresso, 12 with Calzedonia, Intimissimi and Intimissimi Uomo, and 2 with Foot Locker. Re-leasing campaigns carried out at Romagna Shopping Valley (Emilia-Romagna region), Il Leone (Lonato), Porta di Roma (Rome), and Campania (Naples) helped secure 80 contracts at very positive reversion rates.

At Le Vele (Cagliari), Stradivarius opened a 600-sq.m. store in December on a previously vacant unit; the third Inditex store opened at the center, together with Bershka and Pull & Bear. Shi's, the urban Japanese concept restaurant, opened a 360-sq.m. unit in October, further diversifying the mall's mix. At Il Leone (Lonato), 2017's renewal and re-leasing campaign helped sustain good reversion rates. Retailers such as Pimkie, Kiko, Intimissimi, and Calzedonia renewed their leases. Additionally, the retail offer will be further enriched with the arrival of popular brands that include Victoria's Secret, JD Sports, Alice Pizza, Bialetti, Bata, and O Bag. At Milanofiori (Milan), the ongoing implementation of the Clubstore® and Destination Food® concepts triggered an acceleration of renewals and openings: new restaurants, including Spontini and Eatica, opened to the public in December 2017.

6.3 Scandinavia (15.6% of net rental income)

Exhibit 12. NRI & EPRA Vacancy rate in Scandinavia

	Current-Porfolio NRI			Like-for-Like Portfolio NRI			EPRA Vacancy rate	
In €m	12/31/2017	12/31/2016	Change	12/31/2017	12/31/2016	Change	12/31/2017	12/31/2016
Norway	65.4	66.4	-1.5%	66.3	63.6	4.3%	2.2%	2.6%
Sweden	56.0	61.6	-9.0%	56.0	53.4	4.7%	3.7%	2.7%
Denmark	51.1	52.3	-2.2%	51.0	48.7	4.7%	4.0%	5.7%
Scandinavia	**172.6**	**180.3**	**-4.3%**	**173.2**	**165.7**	**4.6%**	**3.1%**	**3.5%**

Overall, the Scandinavian **economy** remained strong and was supportive to Klépierre's business, with high GDP growth, a low level of unemployment, and rising inflation:

> In Norway, GDP grew by 2.1% in 2017 thanks to stronger private consumption and improved private investment. Higher crude prices in the fourth quarter helped drive the oil and gas sector recovery. Consumer confidence rose to a three-year high by the end of 2017 and unemployment improved from 4.7% in 2016 to 4.3% in 2017;

> Economic growth in Sweden remained strong: GDP grew by 3.1% in 2017, the same pace as 2016. This was mainly attributable to construction investment and exports. Unemployment was at around 6.6% and private consumption increased by 2.5% compared to 2016; and

> GDP growth in Denmark reached 2.2% in 2017 (vs. +2.0% in 2016), against the backdrop of robust domestic demand. Inflation picked up and reached 1.2% by the end of the year. Both consumer and business confidence remained upbeat. Unemployment decreased from 6.2% in 2016 to 5.8% in 2017, further boosting private consumption.

Retailer sales in Sweden were up 1.5%, while Norway and Denmark were down 1.6% and 1.4% on a like-for-like basis, respectively. Adverse weather conditions in the first half of the year in Norway and Denmark penalized the fashion and sports segments.

At Metro Senter (Lørenskog, Norway), retailer sales rose by 1.4%, helped by the now fully-leased retail park. In Sweden, Emporia (Malmö) posted sales up 4.9% year-on-year, Galleria Boulevard (Kristianstad) +2.4%, and Marieberg (Örebro) +0.9%. On a segment basis, health & beauty outperformed all the others, recording solid performances in the region (+3.5% in Norway, +4.6% in Sweden and +5.8% in Denmark).

Like-for-like growth in **net rental income** was very robust at 4.6%, driven by rising indexation (2.4% vs 1.4% last year) and a high level of reversion (+12.4%). Growth was sustained in all countries: Norway (+4.3%), Sweden (+4.7%), and Denmark (+4.7%). In Sweden, the Group also benefited from an increase in variable rents. In Denmark and Norway, rental income was boosted by lower vacancy (-170 bps and -40 bps respectively). On a current portfolio basis, net rental income declined by 4.3% following the disposal of two shopping malls (Torp Köpcentrum and Lillestrøm Torv) and the office building adjacent to the Emporia shopping center in Malmö.

Leasing activity remained robust, with 279 leases[14] signed in 2017 with a high level of reversion (+12.4% on renewals and relets), while EPRA vacancy continued to decrease (from 3.5% at the end of 2016 to 3.1% in 2017):

> In Norway, at Metro Senter (Lørenskog), the merchandising mix was complemented by the arrival of new retailers, including the jewelry brand Gullfunn and the first new cosmetic brand Loco (Vita Group); international retailers such as Triumph and Burger King also renewed their leases in the shopping center. At Arkaden Torgterrassen (Stavanger), H&M unveiled its refurbished store over 3,400 sq.m. and COS opened its first store in a shopping center in November, covering 1,400 sq.m. At Oslo City, Pandora will open its new store in January 2018;

> In Sweden, 36 deals were secured with global retailers at Emporia (Malmö), including new leases signed with Swarovski, Calzedonia, and Calvin Klein. The Danish brand Normal's will open its first Swedish store (460 sq.m.) in January, while Vapiano, Levi's, Espresso House, and Sealife renewed their leases; in October, H&M opened a full-size store (3,310 sq.m.), including its home concept products. At Marieberg and Kupolen, H&M also extended their stores to a total of 3,260 and 2,860 sq.m. respectively;

> Occupancy and tenant mix were greatly improved in our Danish portfolio. At Field's (Copenhaguen), Destination Food® was implemented in all its aspects. The leisure offer was enriched by the new leases signed with Bounce Trampoline Park (4,100 sq.m.) and a virtual reality (VR) experience shop—the first VR experience venue in a Danish shopping center. Additionally, the food offer was completely revamped and now spans an extensive array of different cuisines. At Bryggen (Viejle), new contracts were signed with Sport 24, the Danish sportswear brand (including a 700-sq.m. shop and a 765-sq.m. outlet), and with Toys "R" Us for a new store on a double level.

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(14) Number restated to take into account a new way to account storage unit in Scandinavia

6.4 Iberia (9.9% of net rental income)

Exhibit 13. NRI & EPRA Vacancy rate in Iberia

	Current-Porfolio NRI			Like-for-Like Portfolio NRI			EPRA Vacancy rate	
In €m	12/31/2017	12/31/2016	Change	12/31/2017	12/31/2016	Change	12/31/2017	12/31/2016
Spain	89.6	79.4	12.9%	80.8	75.8	6.6%	3.1%	3.8%
Portugal	20.4	19.0	7.3%	20.4	19.0	7.3%	7.6%	8.1%
Iberia	**110.0**	**98.4**	**11.8%**	**101.2**	**94.8**	**6.8%**	**4.2%**	**4.9%**

The **Spanish economy** was strong in 2017, with GDP growing by 3.1% and unemployment declining sharply to 17.2%, from nearly 20% in 2016. This growth is projected to continue in 2018 thanks to further job creations, boosting private consumption and business confidence. Inflation reached 2.0% in 2017, whereas is expected to decelerate to 1.3% in 2018. Portugal saw strong growth momentum in 2017, with GDP growth of 2.6% (compared to 1.5% in 2016), on the back of a rebound in private consumption and consumer confidence, as well as a recovering labor market.

Retailer sales in both countries registered healthy growth, with Spain increasing by 4.5% and Portugal by 4.7% on a like-for-like basis, benefiting from ongoing macro-economic recovery and the leading position of the Klépierre malls. In Spain, health & beauty was the best performing segment, with sales growing by 14.5%, followed by entertainment (10.4%), services (9.1%), and culture & leisure (8.8%). All Spanish malls contributed to the overall sales growth (Nueva Condomina: +8.4%; Meridiano: +7.5%; Plenilunio: +4.7%; Principe Pio: +3.5%; and La Gavia: +2.7%). At Espaço Guimarães, in Portugal, retailer sales increased by 8.7% thanks to the recent re-leasing campaign.

Net rental income saw a like-for-like increase of 6.8% over 2017, largely outperforming Spanish indexation (1.2%). This strong growth is mostly attributable to the high level of reversion combined with a further decline in the vacancy rate (-70 bps to 4.2%), both in Spain and in Portugal. The contribution from specialty leasing further boosted the NRI growth. On a current basis, net rental income increased by 11.8% thanks to the contribution of Nueva Condomina, which more than offset the impact of recent disposals (Sexta Avenida (Madrid), Ruta de la Plata (Cáceres), Espacio Torrelodones (Madrid), Augusta (Zaragoza) and Puerta de Alicante (Alicante).

Leasing performance remained buoyant in Iberia, as a total of 321 leases (vs 265 in 2016) was signed over the course of the year at very high reversion rates (+20.2% on renewals and relets). Similarly, EPRA vacancy continued to decline (-70 bps in Spain and -50 bps in Portugal).

Leading Spanish malls contributed substantially to this result. At Plenilunio (Madrid), the successful re-leasing campaign led to the introduction of new retailers, including Flying Tiger—a popular Danish retailer—, Stradivarius, Lush, and Etam. At La Gavia (Madrid), Yves Rocher, Tous and Beneton renewed their leases; new contracts were signed with Vans, Undiz, Parfois, and the popular burger restaurant Five Guys. At Nueva Condomina (Murcia), new leases were signed with retailers including Zara Home (530 sq.m.), the clothing chain store OVS (1,735 sq.m.), Kiko, Pimkie, Reebok, and Orchestra. In addition, Zara will open its largest store in the region in the next few months of 2018 in a 3,400-sq.m. unit, featuring its new concept. Since its acquisition, Nueva Condomina saw its vacancy fall by 730 bps. The re-leasing campaign at Principe Pio (Madrid) translated into 13 deals with Yves Rocher, Stradivarius, Levi's, Kiko, Benetton and Footlocker. Lastly, the iconic shopping center in Barcelona, Maremagnum, attracted new retailers including Lush, Pandora, Adidas, and Yves Rocher, further diversifying its retail offer.

At Parque Nascente (Porto, in Portugal), Klépierre secured four new leases with the Inditex group: Stradivarius (570 sq.m.), Lefties (1,350 sq.m.), Bershka (780 sq.m.) and Zara extended its shop to 2,260 sq.m. on a "rightsized" unit.

6.5 Central Eastern Europe (CEE) and Turkey (10.3% of net rental income)

Exhibit 14. NRI & EPRA Vacancy rate in CEE & Turkey

	Current-Porfolio NRI			Like-for-Like Portfolio NRI			EPRA Vacancy rate	
In €m	12/31/2017	12/31/2016	Change	12/31/2017	12/31/2016	Change	12/31/2017	12/31/2016
Poland	31.5	32.1	-1.8%	31.5	32.1	-1.9%	1.1%	1.3%
Hungary	21.2	19.2	10.4%	21.2	18.4	14.7%	2.4%	4.6%
Czech Republic	30.3	26.7	13.5%	30.3	26.8	12.9%	1.2%	0.7%
Turkey	28.6	30.1	-4.9%	29.1	31.3	-6.9%	7.3%	9.7%
Others	2.3	2.1	7.2%	2.4	2.3	1.5%	7.0%	6.4%
CEE and Turkey	**113.8**	**110.1**	**3.4%**	**114.4**	**111.0**	**3.1%**	**3.9%**	**5.7%**

The **Central and Eastern European economies** grew rapidly, buttressed by both strong domestic and external activity. Regional GDP soared more than 5% in 2017, reaching the highest growth rate since 2008. This growth was supported by improving labor markets, favorable fiscal policies, better financial conditions, and solid Eurozone export demand:

> Poland, the region's largest economy, registered strong GDP growth (+4.3% in 2017 vs. 2.9% in 2016), mainly attributable to sustained consumer confidence and improved employment;

> Economic activity in Czech Republic also surged, with GDP expanding at 4.3% year-on-year, driven by robust private and global demand. Unemployment reached a historically low 3% and is forecasted to further drop to 2.8% in 2018;

> GDP rose by 3.9% in Hungary, underpinned by higher consumer confidence and rapid growth in disposable income on the back of fast wage rises and continued employment growth. This rhythm is expected to be sustained into 2018;

> In Turkey, GDP growth exceeded 6% in 2017, thanks to the recovering exports and positive fiscal stimulus.

Retailer sales in CEE & Turkey continued to grow at a rapid pace (+7.2%) thanks to improving consumptions conditions. All countries contributed to this solid performance (Hungary: +10.9%; Turkey: +9.8%; Czech Republic: +5.2%; Poland: +4.3%). By segment, food & beverage posted strong double-digit growth in all of the four countries, thanks to positive feedback following Destination Food® implementations. Health & beauty also recorded solid results across the countries, with sales in Turkey growing by 19%, Hungary by 12%, Poland by 7.5%, and Czech Republic by 6%. Lastly, improving consumer economics helped fashion sales reach an average 7% growth rate in the region.

Against this backdrop, **net rental income in CEE & Turkey** increased by 3.1%, outperforming indexation by 200 bps. This rise encompassed a very strong performance of Hungary (+14.7%) and Czech Republic (+12.9%), benefiting from strong reversion and vacancy reduction in Hungary (-220bps). In Poland, the net rental income decline (-1.9%) was mostly attributable to negative reversion following the renewal campaign at Lublin Plaza (Lublin), Rybnik Plaza (Rybnik), and Sosnowiec Plaza (Sosnowiec), which more than offset the strong increase in specialty leasing income. Lastly, in Turkey (-6.9%), the depreciation of the local currency remains the main headwind, resulting in higher temporary discounts granted to tenants to soften the OCR.

Leasing activity remained solid in **Poland**, where 122 contracts were signed over the year; among them 113 were renewals and re-leasings. LPP, the popular Polish retail group, signed 10 leases for a total of 3,400 sq.m. across the portfolio: House (3 stores), Cropp (2 stores), Sinsay (2 stores), and Reserved (3 stores). At Lublin Plaza (Lublin), Reserved is expected to open a "rightsized" store (1,600 sq.m.) in the first half of 2018. At Sosnowiec Plaza (Sosnowiec), the biggest electronic chain in Poland, Media Expert, signed its first store in the Klépierre Polish portfolio for a 530-sq.m. unit, a deal which contributed to reducing vacancy by 5%.

A total of 91 **leases** were signed in the **Czech Republic** over the year. At Nový Smíchov (Prague), the acquisition of the first floor of the Tesco hypermarket was successfully completed in December, helping generate a large retail space of 7,000 sq.m. In June 2018, Zara (3,300 sq.m.) and Bershka (1,020 sq.m.) will open enlarged stores at that location, showcasing their latest concepts. In January 2018, Sephora will also unveil its new concept store covering 1,000 sq.m. in the center. In addition, new brands such as Nespresso and Amazing Jewelry were introduced to the center. At Plzeň Plaza (Plzeň), an ongoing renewal and re-leasing campaign ran with success: Calvin Klein, Calzedonia, Guess, and Intimissimi renewed their leases, and Burger King signed for 140 sq.m.

In **Hungary**, 129 **deals were signed**, with 100 renewals and re-leasings at a high reversion rate. As a result, EPRA vacancy decreased significantly, from 4.6% by the end of 2016 to 2.4% in December 2017. At Corvin Plaza (Budapest), Klépierre introduced a Flying Tiger store from the popular Danish brand. At Duna plaza (Budapest), two main anchors, Media Markt (3,020 sq.m.) and the post office (430 sq.m.), renewed their contracts; additionally, Costa Coffee was added to the center's food & beverage offer and the largest regional shoe retailer CCC took up a 1,090-sq.m. unit.

A total of **110 leases** were signed in the **Turkish** portfolio over the 12 months of 2017, with 88 deals renewed or re-leased at a reversion rate of 3.1%. The portfolio's vacancy rate was reduced from 9.7% to 7.3% thanks to active leasing. At Anatolium (Bursa), Adidas, Mediamarkt, Watsons and Flormar signed new leases, while Nike renewed its presence at the center. The health & beauty offer remained strong within the Turkish portfolio, with Watsons renewing 6 shops at different locations, and Sephora and Yves Rocher signing new leasing contracts.

6.6 The Netherlands (4.5% of net rental income)

Exhibit 15. NRI & EPRA Vacancy rate in the Netherlands

	Current-Porfolio NRI			Like-for-Like Portfolio NRI			EPRA Vacancy rate	
In €m	12/31/2017	12/31/2016	Change	12/31/2017	12/31/2016	Change	12/31/2017	12/31/2016
The Netherlands	49.3	45.5	8.4%	26.1	25.5	2.1%	6.0%	5.6%

The **Dutch economy** proved solid with GDP growing by 3.3% year-on-year in 2017. Overall consumer confidence climbed and spending was up around 2% on a year-on-year basis. Unemployment declined to 4.9% from 6.0% in 2016, the biggest drop since September 2009. Wages and inflation picked up, with core inflation reaching 1.3% in 2017, compared to 0.1% in 2016.

Net rental income recorded a 2.1% like-for-like increase over 2017 (indexation of 1.0%), showing a clear improvement compared to 2016 (-5.3%). On top of a healthy reversion of 13.5%, net rental income was boosted by the sharp decline in bad debt (from 3.1% to 1.2% in 2017), highlighting the gradually improved macro-economic environment and the successful re-leasing of local retailers. On a current basis, net rental income increased by 8.4%, through the successful opening of Hoog Catharijne.

On the **leasing front**, the Dutch portfolio recorded a strong performance in 2017, with 106 contracts signed at a 13.5% reversion rate for renewals and re-leasing. At Hoog Catharijne (Utrecht), Klépierre's leading mall in Utrecht, 66 leases were signed in 2017. The food offer was complemented with Wagamama (330 sq.m.), popular chain restaurant Vapiano (1,280 sq.m.), Seafood Bar (350 sq.m.), TGI Fridays (867 sq.m.), Five Guys (315 sq.m.), and Exki (235 sq.m.); these restaurants will open to public in March 2018. Dunkin Donuts, Douglas, JD Sports, Hunkemoller Sport will also open to customers in the first quarter of 2018. Popular cosmetic brands, including MAC and Lush, were added to the center's beauty offer and helped drive footfall. In September 2017, Nike opened its flagship store over a 1,200 sq.m. unit. At Alexandrium (Rotterdam), new retail units were leased to Parfois (100 sq.m.), Pandora (60 sq.m.), and Five Guys (330 sq.m.). In addition, Zara renewed its lease at the center (1,540 sq.m.).

6.7 Germany (3.9% of net rental income)

Exhibit 16. NRI & EPRA Vacancy rate in Germany

	Current-Porfolio NRI			Like-for-Like Portfolio NRI			EPRA Vacancy rate	
In €m	12/31/2017	12/31/2016	Change	12/31/2017	12/31/2016	Change	12/31/2017	12/31/2016
Germany	42.8	42.0	2.1%	42.1	42.0	0.1%	5.9%	6.4%

The **German economy** remained robust in 2017, boosted by strong domestic demand, economic recovery in the rest of the Eurozone and dynamic international trade. GDP increased by 2.5% over the year. Unemployment continued to shrink (3.7% in 2017 compared to 4.2% in 2016). Economic sentiments remained very positive, pointing to a sustained expansion in the coming quarters.

Retailer sales recorded 1.9% growth, led mainly by improved spending in the household equipment (+3.8%) and fashion (+1.0%) segments. Centrum Galerie (Dresden) and Forum Duisburg (Duisburg) registered solid performances, especially in the last quarter, largely benefiting from Zara store openings in September and November, respectively. Food & beverage sales rose by 5.1%, house equipment by 3.8%, and culture & leisure and fashion advanced 1.3% and 1.0%, respectively.

Like-for-like **net rental income** was flat in 2017 (+0.1%), with no contribution from indexation. Reversion on new lettings and renewals remained negative (-4.6%) as the Group continued to focus on upgrading the tenant mix by introducing international retailers and aligning rents with market conditions. Thanks to this, EPRA vacancy was further reduced from 6.4% in 2016 to 5.9% by the end of 2017.

In 2017, 43 **contracts** were signed, among which 30 were renewals and re-leasings. International retailers were introduced to the German portfolio: the popular Danish retail chain, Søstrene Grene, and L'Occitane signed new leasing contracts at Boulevard Berlin and Zara opened a 3,300-sq.m. store at Centrum Galerie (Dresden). At Forum Duisburg, the renewals campaign went smoothly following the successful opening of Zara and Only in November, new deals were also reached with JD Sports and Cosmo. At Arneken Galerie (Hildesheim), TK MAXX will open a 2,000-sq.m. store during the third quarter of 2018, re-anchoring the mall.

6.8 Other retail properties (2.4% of net rental income)

Exhibit 17. NRI & EPRA Vacancy rate of other retail properties

	Current-Porfolio NRI			Like-for-Like Portfolio NRI			EPRA Vacancy rate	
In €m	12/31/2017	12/31/2016	Change	12/31/2017	12/31/2016	Change	12/31/2017	12/31/2016
Other retail properties	27.1	29.3	-7.5%	26.0	25.9	0.2%	5.2%	2.6%

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

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

7

CONSOLIDATED EARNINGS AND CASH FLOW

7.1 Consolidated earnings

Exhibit 18. Consolidated earnings

In €m	12/31/2017	12/31/2016	Change
Gross rental income	**1,236.0**	**1,214.0**	**22.0**
Rental & building expenses	-130.4	-130.6	0.3
Net rental income	**1,105.6**	**1,083.4**	**22.2**
Management and other income	85.6	86.5	-0.9
Other operating income	10.5	18.4	-7.8
Payroll expense	-124.9	-131.4	6.5
Survey & research costs	-1.0	-2.8	1.8
Other general expenses	-63.6	-63.4	-0.2
EBITDA	**1,012.2**	**990.6**	**21.7**
Depreciation and allowance	-15.2	-14.8	-0.4
Provisions	-0.6	-5.2	4.7
Income from disposals	6.8	23.5	-16.7
Goodwill impairment	-1.7	0.0	-1.7
Change in value of investment properties	825.9	828.8	-2.9
Results of operations	**1,827.5**	**1,822.8**	**4.7**
Net cost of debt	-169.8	-197.7	27.9
Change in the fair value of financial instruments	-15.1	-12.1	-3.0
Share in earnings for equity method investees	74.4	89.5	-15.2
Pre-tax current income	**1,717.0**	**1,702.6**	**14.4**
Corporate income tax	-219.2	-225.6	6.4
Net income	**1,497.8**	**1,476.9**	**20.8**
Non-controlling interests	-269.2	-285.7	16.5
NET INCOME (GROUP SHARE)	**1,228.6**	**1,191.2**	**37.4**

Gross rental income for the year came to €1,236.0 million, an increase of €22.0 million thanks to a solid like-for-like rental growth and despite an €17 million loss due to disposals. For further explanations, please refer to the "Business overview" and "Business activity by region" sections of this document.

Management and other income, mainly composed of property and facility management fees, including third-party management fees and development fees totaled €85.6 million in line with 2016.

Payroll and other general expenses continued to decrease, to €124.9 million (down €6.5 million). This cost reduction reflects further synergies after the Corio acquisition and the Group's constant focus on streamlining the organization in all the countries it operates.

EBITDA for 2017 was €1,012.2 million, up 2.2%.

Net proceeds from the sale of assets reached €6.8 million. Over 2017, the Group disposed of assets for a total consideration of €263.4 million. For more information on disposals completed throughout the year, please refer to the "Disposals completed since January 1, 2017" section of this document.

Fair value of investment properties showed a positive change of €825.9 million, highlighting a further like-for-like increase in the portfolio valuation (please refer to the “Property portfolio valuation” section of this document).

The net cost of debt amounted to €169.8 million. Restated for non-cash or non-recurring elements (Corio’s debt mark-to-market amortization and financial instruments unwinding costs), net financial charges declined by €25.9 million, mostly due to further reductions in the cost of debt (1.8% vs. 2.1% a year ago). For more information on the debt situation, please refer to the “Financial policy” section of this document.

The share of earnings for equity investees reached €74.4 million, compared to €89.5 million in 2016 due to disposals in Scandinavia and negative rent evolution in Akmerkez (Istanbul, Turkey).

Corporate income tax for the period was €219.2 million:

> Tax payable was €18.3 million:

> Deferred tax increased by €201 million, due to the uplift in the fair market value of the Group’s real estate assets.

On a Total-Share basis, consolidated net income was €1,497.8 million. The minority share of net income (non-controlling interests) for the period was €269.2 million, compared to €285.7 million last year, as a result of lower net income from Steen & Strøm (lower increase of investment properties’ value compared to last year). As such, net income (group share) reached €1,228.6 million, up 3.1%.

7.2 Change in net current cash flow

Exhibit 19. Net current cash flow & EPRA Earnings

In €m	12/31/2017	12/31/2016	Change
Total share			
Rental income	1,236.0	1,214.0	1.8%
Rental & building expenses	-130.4	-130.6	-0.2%
Net rental income	**1,105.6**	**1,083.4**	**2.1%**
Management and other income	96.1	104.8	-8.3%
G&A expenses	-189.5	-197.6	-4.1%
EBITDA	**1,012.2**	**990.6**	**2.2%**
Adjustments to calculate operating cash flow exclude:			
Employee benefits, stock-options expenses and non-current operating expenses	14.4	8.3	
IFRIC 21 H2 impact	0.0	0.0	
Operating cash flow	**1,026.7**	**998.8**	**2.8%**
Net cost of debt	-169.8	-197.7	-14.1%
Adjustments to calculate net current cash flow before taxes exclude :			
Corio's debt mark to market amortization	-34.4	-38.5	
Financial instruments close-out costs	48.5	54.6	
Net current cash flow before taxes	**871.0**	**817.3**	**6.6%**
Share in equity method investees	51.5	61.0	
Current tax expenses	-29.2	-26.6	
Net current cash flow (total share)	**893.4**	**851.6**	**4.9%**
Group share			
Net current cash flow (group share)	**760.6**	**721.1**	**5.5%**
Adjustments to calculate EPRA Earnings add back:			
Employee benefits, stock-options expenses and non-current operating expenses	-13.8	-7.9	
Amortization allowances and provisions for contingencies and losses	-14.4	-18.8	
EPRA EARNINGS	**732.4**	**694.4**	**5.5%**
Per share			
Number of shares[(a)]	306,084,849	311,736,861	
NET CURRENT CASH FLOW (in €)	**2.48**	**2.31**	**7.4%**
EPRA EARNINGS (in €)	**2.39**	**2.23**	**7.4%**

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

On a Group-Share basis, net current cash flow for the year 2017 amounted to €760.6 million, a 5.5% increase (or €39.5 million) compared to 2016.

On a per-share basis, net current cash flow rose by 7.4% to €2.48 from €2.31 one year earlier. This excellent performance reflects the solid NRI growth (+€22 million; +€0.07 per share), the streamlining of general and administrative expenses (savings of €6.5 million; +€0.02 per share), the further reduction in the cost of debt (savings of €25.9 million; +€0.08 per share), the accretive impact of the share buyback program (+€0.05 per share), and other factors (-€15.1 million; -€0.05 per share; including higher tax and a lower contribution from associates).

8

INVESTMENTS, DEVELOPMENT, AND DISPOSALS

8.1 Investment market

In 2017, European commercial real estate investments reached €259 billion, a 17% increase compared to 2016. Over the same period, retail transactions remained stable (up 2% to €50.5 billion), the European shopping center industry continued to lose attractiveness among investors. Shopping malls only accounted for 36% of the investment volume over 2017, compared to 54% in 2014.

This year, investors favored the continental investments, which now account for c. 80% of the total transactions compared to c. 70% over the last decade. Germany became the first European market in terms of retail investment with a €10.3 billion volume this year. Overall, investments were particularly dynamic in countries where Klépierre operates such as in the Scandinavia countries (€5.2 billion of transactions), the Netherlands (€3.9bn) or Spain (€3.6bn). The volume of transactions remained flat in France (€3.9bn) thanks to several deals closed in Q4 this year. Even though the share of shopping center deals in the overall retail investment volume decreased, investors' appetite for prime products remained strong, driving the yield down, even below their pre-crisis level for most of countries where Klépierre operates (France, Spain or Germany). Upcoming months should bring more clarity on the interest rate environment, which is expected to support the recovery of investment volumes across the continent.

8.2 Capital expenditure

Total capital expenditure incurred in 2017 amounted to €586.6 million, split as follows:

- €285.6 million were dedicated to **acquisitions**:
  - **Nueva Condomina**, In May 2017, Klépierre acquired Nueva Condomina, the leading retail hub in the region of Murcia, Spain. Covering approximately 110,000 sq.m. (encompassing a 73,000-sq.m. shopping center and a 37,000-sq.m. retail park), Nueva Condomina boasts an exceptional mix of 178 shops. In 2016, it attracted nearly 11 million visitors and generated €257 million in retailer sales.[15] Based on annualized net rental income (NRI) of €12.5 million at the time of the acquisition, the EPRA Net Initial Yield stood at 5.4%.

    Since the acquisition, Klépierre has been implementing asset management and leasing initiatives to reduce vacancy, which stood at 15% in May 2017. The vacancy rate having already been lowered to 7.7% at the end of December 2017, Klépierre is confident in its ability to generate an 18% uplift in annualized NRI by 2019, as announced last May;[16]
  - **Nový Smíchov (Prague, Czech Republic):** Klépierre acquired from Tesco circa 7,000 sq.m. (for a total amount of €28.6 million), with the latter downsizing its hypermarket. This acquisition will allow Klépierre to rightsize Zara (over 3,000 sq.m.) or Sephora (1,000 sq.m.);
  - **Blagnac (Toulouse, France):** an additional €35.5 million was dedicated to the acquisition of retail units surrounding Blagnac shopping center in order to secure neighboring real estate ownership for potential future asset management and development operations on this powerful retail hub.

- €187.6 million were devoted to the **development** of the shopping center portfolio. This concerns three main projects aimed at strengthening the Group's positions in the most dynamic regions of Continental Europe:

(15) Including sales estimates for Apple, Primark, Cinesa and Leroy Merlin.
(16) 2019 targeted NRI vs. current annualized NRI as of April 30, 2017.

Hoog Catharijne (Utrecht, The Netherlands), Prado (Marseille; France), and Val d'Europe in France (see the following "Development pipeline" section for more information on projects).

> €95.6 million were invested in the **standing assets** (see the following "Capital expenditure on like-for-like portfolio" section for more information on projects) and €17.8 million in other types of capital expenditure (capitalized financial interests, letting fees and other capitalized expenses).

8.3 Development pipeline

8.3.1 Development pipeline overview

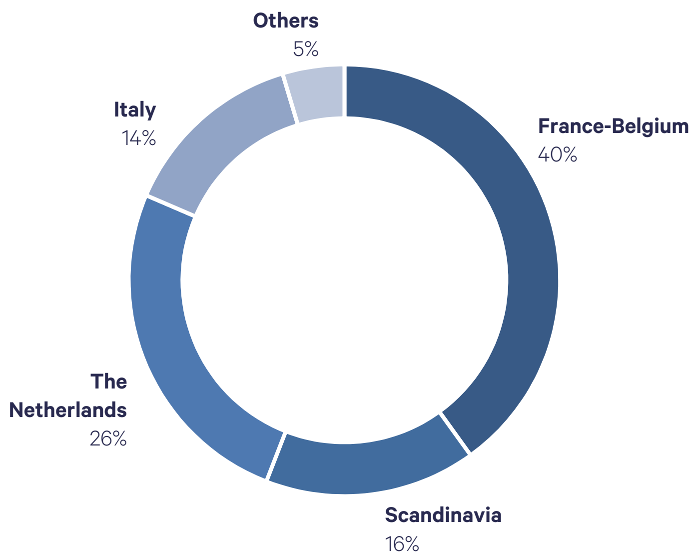
The Group's development pipeline represented €3.1 billion worth of potential investments, including €0.8 billion worth of committed projects[17] with an average expected yield of 6.3%, €1.0 billion worth of controlled projects,[18] and €1.4 billion of identified projects.[19] On a Group-Share basis, the total pipeline represented €2.6 billion: €0.7 billion committed, €0.7 billion controlled, and €1.2 billion identified.

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

> 76% 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;

> 24% 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.

Chart 2. Geographic breakdown of the estimated cost of committed and controlled development projects
(on a Total-Share basis)



(17) Projects that are in the process of completion, for which Klépierre controls the land and has obtained the necessary administrative approvals and permits.
(18) 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).
(19) Projects that are in the process of being defined and negotiated.

Exhibit 20. Development pipeline as of December 31, 2017 (on a Total-Share basis)

Development projects	Country	Location	Type	Floor area (sq.m.)	Expected opening date	Klépierre equity interest	Estimated cost [a] (€m)	Cost to date (€m)	Targeted yield on cost [b]
Hoog Catharijne Phases 2 & 3	The Netherlands	Utrecht	ext.-refurb.	76,271	2017-2019	100.0%	438	276	6.4%
Créteil Soleil - Phase 1	France	Paris region	ext.-refurb.	11,147	2019-2020	80.0%	134	3	5.7%
Other projects (incl. Prado)				29,444			188	160	6.5%
Total committed projects				**116,862**			**761**	**438**	**6.3%**
Gran Reno	Italy	Bologna	extension	16,360	H2 2020	100.0%	129	15	
Bègles Rives d'Arcins (TFE included)	France	Bordeaux	extension	25,080	H2 '18-H2 '20	52.0%	31	6	
Grand Littoral	France	Marseille	redevelopment	12,000	H2 2020	100.0%	30	0	
Lonato [c]	Italy	Lombardy	extension	15,000	H2 2020	50.0%	30	0	
Barcelone Mare Magnum 1	Spain	Barcelone	extension	8,000	H2 2021	100.0%	45	0	
L'esplanade	Belgium	Brussels region	extension	19,475	H1 2021	100.0%	131	18	
Grenoble Grand Place	France	Grenoble	extension	16,040	H2 2021	100.0%	55	0	
Val d'Europe	France	Paris region	extension	10,620	H2 2021	55.0%	48	0	
Grand Portet	France	Toulouse region	ext.-refurb.	8,000	H2 2021	83.0%	64	8	
Turin Le Gru	Italy	Turin	extension	12,000	H2 2021	100.0%	80	0	
Montpellier Odysseum	France	Montpellier	ext.-refurb.	11,750	H1 2022	100.0%	36	1	
Økernsenteret [c]	Norway	Oslo	redevelopment	53,220	H2 2022	28.1%	86	6	
Viva	Denmark	Odense	new development	48,500	H2 2022	56.1%	186	24	
Total controlled projects				**256,970**			**955**	**77**	
Total identified projects				**236,500**			**1,372**	**14**	
TOTAL				**610,332**			**3,088**	**529**	

(a) *Estimated cost as of December 31, 2017 including fitting-out (when applicable) and excluding step-up rents (when applicable), internal development fees, and financial costs.*

(b) *Targeted yield on cost as of December 31, 2017, based on targeted NRI with full occupancy and excluding all lease incentives (when applicable), divided by the estimated cost price as defined above.*

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

8.3.2 Hoog Catharijne's redevelopment

Work is advancing according to plan at Hoog Catharijne (Utrecht, The Netherlands). The new entrance linking the center to Utrecht's central station, hosting 88 million passengers per annum, will be completed in March 2018. At this date, a new 3,500 sq.m. food pavilion located on the new city square linking the center and the station will open, hosting brands such as Vapiano, Wagamama, Exki, Five Guys, and Illy Café, together with 10,500 sq.m. of retail space, adding new iconic retailers to the mall's offer, such as JD Sports, Douglas, and Lush.

The redevelopment of the North Mile is now 98% let (signed or in advanced negotiations).

Since the opening of the North Mile in April 2017, the center's footfall has increased by 10.5% to reach 26.5 million.

8.3.3 Prado's new scheme

Work is progressing well at the Prado project (Marseille, France). While the center and the surrounding public space are being finalized, future tenants have initiated their fit-out. 89% of the leasable space is now signed or in advanced negotiations. In addition to Galeries Lafayette and Zara, a unique gourmet food concept of 2,300 sq.m. developed by the Auchan group will anchor the center. Repetto, Lush, Kusmi Tea, Izac, Sweet Pants, Comptoir des Cotonniers, Jacadi, Figaret and Lacoste will complement the mall's offer.

Prado is scheduled to open in April 2018.

8.3.4 Créteil Soleil's extension and refurbishment

Works for the extension of Créteil Soleil (Paris) have started in January 2018. Target completion date is in Q4 2019.

The 11,500-sq.m. extension is located at the main entrance of the shopping center, which welcomes 35% of the 20.3 million footfall. Spread over three floors, it will create an outstanding connection between the subway station and the heart of the center. The program consists of creating 18 new retail premises, 15 restaurants, and

6 additional screens to the existing 12-screen cinema, growing the capacity to 3,650 seats. The shopping experience will be greatly improved, together with a perfect synergy between the food court and the cinema.

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

8.4 Disposals

Exhibit 22. Disposals completed since January 1, 2017

Assets (City, Country)	GLA *(sq.m.)*	Sale price *(€m, excl. transfer taxes, total share)*	Date
Lillestrøm Torv (Lillestrøm, Norway)	21,600		23/01/17
Charras (Courbevoie, France)	6,300		31/01/17
Puerta de Alicante (Alicante, Spain)	20,810		20/02/17
La Vigie (40.9%, Strasbourg, France)	18,225		02/03/17
Augusta (Zaragossa, Spain)	24,474		31/05/17
Saint-Clair (Hérouville, France)	13,525		13/10/17
Shopping centers	**91,409**	**133.2**	
Newton (Clamart, France)	14,095		24/01/17
Emporia - Offices (Malmö, Sweden)	10,432		31/03/17
Portfolio of 15 Buffalo Grill restaurants (France)	8,238		30/05/17
Hoog Catharijne - Hotel (Utrecht, The Netherlands)	11,600		12/07/17
Vacant unit (Delle, France)	965		25/07/17
Land (Sofia, Bulgary)	n.a.		28/12/17
Roncalli (Cologne, Germany)	17,300		03/01/18
Other properties	**62,630**	**219.2**	
TOTAL DISPOSALS	**154,039**	**352.4**	

Since January 1, 2017, the Group has completed a total of €352.4 million worth of disposals (total share, excluding transfer taxes). By geographic area, the Group sold:

- In Scandinavia, for €137.2 million, with the disposal of Lillestrøm Torv (Norway) and offices in Emporia (Malmö, Sweden);
- In France, for €90.7 million, non-core assets;
- For €124.5 million, non-core assets in the rest of Europe.

On average, these transactions were completed at 15% above last appraisal value.

Taking into consideration disposals for which a binding agreement has been reached for an amount of €215.7 million (please refer to the "Events subsequent to the accounting cut-off date" section of this document), total disposals since January 1, 2017, reached €568.1 million.

8.5 Financial investments

Pursuant to the share buyback program of €500 million announced on March 13, 2017, the Group has repurchased 9,761,424 of its own shares at an average price of €35.86 per share for a total amount of €350 million. This program was launched in consideration of three main elements: the stock price of Klépierre relative to its NAV, the Group's disposal plan, and the average yield of investment opportunities currently available in the Continental Europe property investment market.

From January 1st, 2018 to February 2nd, 2018, Klépierre has purchased 902,414 of its own shares, representing a total investment of €32 million (average price of €35.74).

9

PARENT COMPANY EARNINGS AND DISTRIBUTION

9.1 Summary earnings statement for the parent company Klépierre SA

Exhibit 23. Earnings statement for Klépierre SA

in €m	2017	2016
Operating revenues	44.9	36.9
Operating expenses	-46.3	-40.9
Operating income	**-1.3**	**-4.0**
Share income from subsidiaries	112.6	77.7
Net financial income	150.8	501.6
Net income from ordinary operations before tax	**262.0**	**575.3**
Non-recurring income	-10.4	1.0
Corporate income tax	18.1	-0.7
NET INCOME	**269.7**	**575.6**

The net income for Klépierre SA was €269.7 million for fiscal year 2017, compared to €575.6 million for 2016.

In 2017, the operating income was slightly negative, broadly in line with 2016. The significant decrease in the net income was caused by the decline in the net financial income due to two main non-recurring items posted in 2016:

- a €349.3-million reversal of provisions for the impairment of shares following the merger of two subsidiaries;
- a €157.8-million merger surplus following the merger into Klépierre SA of a Dutch subsidiary.

Conversely, the 2017 net financial income benefitted from a €179-million provision reversal for the impairment of shares.

Consequently, the appropriation of revenue in respect of fiscal year 2017, as proposed in the section below, will stem from the net income of the year, retained earnings, other reserves, and merger surplus.

9.2 Distribution

The Executive Board will recommend that the shareholders present or represented at the Annual General Meeting on April 24, 2018, approve the payment of a cash dividend in respect of fiscal year 2017 of €1.96 per share, versus €1.82 in respect of fiscal year 2016 (+7.7%). This should represent a maximum amount of €616.1 million.[20] This amount is consistent with Klépierre's pay-out policy to distribute 80% of its net current cash flow on a Group-Share basis. As part of the proposed €1.96 dividend amount per share, €0.68 stems from the SIIC-related activity of the group; as such, it will not be eligible for the 40% tax rebate provided for in article 158-3-2 of the French General Tax Code. The proposed payment date is April 30, 2018 (ex-date: April 26, 2018).

With a view to providing Klépierre's shareholders with a more frequent stream of revenue, the Supervisory Board approved, at its February 6, 2018 meeting, the proposal by the Executive Board to pay the dividend in two equal installments, in March and July. The implementation of this revised dividend payment policy will start in 2019 for the dividend pertaining to fiscal year 2018.

(20) Including treasury shares.

10

PORTFOLIO VALUATION

10.1 Property portfolio valuation methodology

10.1.1 Scope of the portfolio appraised by external appraisers

As of December 31, 2017, 98% of the value of Klépierre's property portfolio, or €23,746 million (including transfer taxes, on a Total-Share basis),(21) was estimated by external appraisers according to the methodology described below. The remaining 2% of the property portfolio, or €674 million (including transfer taxes, on a Total-Share basis), whose value is not estimated by outside appraisers, was composed of the following:

- Assets acquired less than six months prior to the end of the reporting period, which are valued at their acquisition cost;
- Some projects under development which are carried at cost;(22)
- Other non-appraised assets consisting mainly of assets held for sale, which are valued at the agreed transaction price, land which is valued at cost, and some development projects internally valued at fair value.(23)

Exhibit 24. Breakdown of the property portfolio value by type of valuation
(on a Total-Share basis)

Type of asset	Value (€m)
Externally-appraised assets (incl. transfer taxes)	**23,746**
Acquisitions	36
Investment property at cost	123
Other non-appraissed assets (land, assets held for sale, etc.)	515
Total portfolio (incl. transfer taxes)	**24,419**
Transfer taxes	-649
TOTAL PORTFOLIO (EXCL. TRANSFER TAXES)	**23,770**

10.1.2 Methodology used by external appraisers

On December 31 and June 30 of each year, Klépierre updates the fair market value of its properties. Since June 2015, five independent international appraisers are in charge of issuing independent fair market values: Cushman & Wakefield (formerly DTZ), Jones Lang LaSalle, CBRE, BNP Paribas Real Estate, and Colliers. Assignments were made for a three-year period after a tender process in which many other appraisal firms participated. As last assignments were ended as of December 2017, a new tender process was launched to select independent appraisers. As a result of this process:

- 24% of the portfolio (in value) will be valued by a different appraiser;
- Over the past 6 years, appraisers will have been rotated for 82% of the portfolio (in value).

The valuation process is centralized to ensure consistency in methodology, timeframe, and reports. This process is based on an international approach to the valuation of shopping centers in line with the size of the investment market for this sector.

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(21) 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.

(22) From a valuation perspective, a part of Hoog Catharijne is treated as a standing asset (Investment Property), while the other part is treated as a project under development (Investment Property Under Construction, i.e. IPUC). Other projects (Gran Reno, Viva, Økern and Louvain) are carried at their cost price.

(23) Only Prado (Marseille, France) as of December 31, 2017.

Exhibit 25. Breakdown by appraiser of the appraised property portfolio as of December 31, 2017

Appraiser	Countries covered	Share in the total portfolio *(in value)*
Cushman & Wakefield	France Denmark, Sweden and Norway Poland, Hungary, the Czech Republic and Slovakia The Netherlands and Turkey	32%
Jones Lang LaSalle	France Italy, Greece, Turkey and Belgium	38%
CBRE	France Spain and Portugal Italy and the Netherlands	26%
BNP Paribas Real Estate	Germany France (other retail properties)	4%
Colliers	Italy (K2 Fund)	1%
TOTAL		**100%**

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 payable to appraisers are agreed upon when the 3-year assignment is signed, on a lump sum basis depending on the number and size of the assets to be appraised. The appraisal documents are reviewed by the Group's auditors and the Audit Committee. As of December 31, 2017, 98% of Klépierre's portfolio was appraised. The fair market value of standing assets is appraised using the 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. Appraisers are provided with all relevant information (detailed rent rolls, footfall, retailer sales, occupancy cost ratios, etc.) and make their own assessment of the future cash flows to be generated by the property. They factor in their own leasing assumptions (ERV, vacancy, incentives, etc.) as well as future capital expenditures and non-recoverable operating expenses. The discount rate varies from one property to another as it is a combination of the risk-free rate and the risk premium attached to each property due to its location, quality, size, and technical specificities. The terminal value is calculated based on the net rental income for the tenth year, capitalized by an exit yield.

Exhibit 26. Assumptions used by appraisers for determining the shopping center portfolio's valuation[(a)]

Countries	Annual rent[(b)] (in €/sq.m)	Discount rate[(c)]	Exit rate[(d)]	NRI CAGR[(e)]
France/Belgium	389	6.0%	4.6%	3.0%
Italy	399	7.0%	5.6%	1.8%
Scandinavia	288	7.0%	4.8%	2.7%
The Netherlands	226	6.4%	6.2%	2.5%
Iberia	273	7.7%	5.8%	3.7%
Germany	228	5.2%	4.5%	0.9%
CEE & Turkey	228	8.9%	7.1%	3.1%
TOTAL	**321**	**6.7%**	**5.2%**	**2.7%**

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

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

10.2 Valuation

10.2.1 Property portfolio valuation

Excluding transfer taxes,[24] the value of the property portfolio as of December 31, 2017 was €23,770 million on a Total-Share basis and €20,259 million on a Group-Share basis.[25] Including transfer taxes, this value was €24,419 million on a Total-Share basis (€20,822 million on a Group-Share basis). On a Total-Share basis (excluding transfer taxes), shopping centers accounted for 98.5% of the portfolio and other retail properties for 1.5%.[26]

Exhibit 27. Valuation of the property portfolio
(on a Total-Share basis, excluding transfer taxes)

In €m	12/31/2017	In % of total portfolio	Change over 6 months			Change over 12 months		
			06/30/2017	Current	LfL*	12/31/2016	Current	LfL*
France	8,757	36.8%	8,566	2.2%	1.3%	8,420	4.0%	2.6%
Belgium	432	1.8%	403	7.2%	7.4%	385	12.1%	11.2%
France-Belgium	**9,188**	**38.7%**	**8,969**	**2.4%**	**1.6%**	**8,805**	**4.4%**	**3.0%**
Italy	**3,940**	**16.6%**	**3,847**	**2.4%**	**2.6%**	**3,707**	**6.3%**	**6.8%**
Norway	1,459	6.1%	1,461	-0.1%	2.2%	1,595	-8.5%	4.5%
Sweden	1,295	5.4%	1,292	0.2%	3.4%	1,316	-1.6%	4.8%
Denmark	1,138	4.8%	1,111	2.4%	2.4%	1,097	3.7%	3.6%
Scandinavia	**3,892**	**16.4%**	**3,864**	**0.7%**	**2.7%**	**4,008**	**-2.9%**	**4.3%**
Spain	1,870	7.9%	1,779	5.1%	3.9%	1,485	25.9%	7.8%
Portugal	389	1.6%	366	6.2%	5.4%	346	12.3%	11.4%
Iberia	**2,259**	**9.5%**	**2,145**	**5.3%**	**4.2%**	**1,831**	**23.4%**	**8.5%**
Poland	403	1.7%	416	-2.9%	-3.1%	423	-4.8%	-5.2%
Hungary	248	1.0%	243	2.2%	5.6%	227	9.4%	12.9%
Czech Republic	622	2.6%	559	11.4%	6.2%	509	22.3%	16.6%
Turkey	440	1.8%	512	-14.1%	-2.1%	563	-21.9%	-5.2%
Others	27	0.1%	36	-24.0%	-13.7%	36	-23.3%	-15.0%
CEE and Turkey	**1,741**	**7.3%**	**1,765**	**-1.4%**	**1.2%**	**1,757**	**-1.0%**	**3.7%**
Netherlands	**1,330**	**5.6%**	**1,280**	**3.9%**	**2.9%**	**1,234**	**7.8%**	**3.2%**
Germany	**1,066**	**4.5%**	**1,062**	**0.3%**	**-1.5%**	**1,074**	**-0.8%**	**-5.1%**
TOTAL SHOPPING CENTERS	**23,415**	**98.5%**	**22,933**	**2.1%**	**2.1%**	**22,418**	**4.4%**	**4.0%**
TOTAL OTHER RETAIL PROPERTIES	**355**	**1.5%**	**362**	**-1.8%**	**-1.5%**	**399**	**-10.9%**	**-2.5%**
TOTAL PORTFOLIO	**23,770**	**100.0%**	**23,295**	**2.0%**	**2.0%**	**22,817**	**4.2%**	**3.9%**

* *Like-for-like change. For Scandinavia and Turkey, change is indicated on a constant forex basis. Central European assets are valued in euros.*

(24) *Please refer to the "EPRA Net Asset Value and Triple Net Asset Value" section of this document for transfer tax calculation methodology.*
(25) *As of December 31, 2017, assets consolidated under the equity method were valued at €1,389 million (€1,310 million on a Group-Share basis), compared to €1,425 million as of December 31, 2016. These assets include: 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).*
(26) *This segment refers to standalone retail units located in France and mostly in the vicinity of retail destinations.*

Exhibit 28. Valuation of the property portfolio
(on a Group-Share basis, excluding transfer taxes)

In €m	12/31/2017	In % of total portfolio	Change over 6 months			Change over 12 months		
			06/30/2017	Current	LfL*	12/31/2016	Current	LfL*
France	7,073	34.9%	6,954	1.7%	1.0%	6,880	2.8%	1.9%
Belgium	432	2.1%	403	7.2%	7.4%	385	12.1%	11.2%
France-Belgium	**7,504**	**37.0%**	**7,356**	**2.0%**	**1.3%**	**7,265**	**3.3%**	**2.4%**
Italy	**3,900**	**19.3%**	**3,806**	**2.5%**	**2.7%**	**3,665**	**6.4%**	**6.9%**
Norway	819	4.0%	819	-0.1%	2.2%	895	-8.5%	4.5%
Sweden	726	3.6%	725	0.2%	3.4%	738	-1.6%	4.8%
Denmark	638	3.2%	623	2.4%	2.4%	616	3.7%	3.6%
Scandinavia	**2,183**	**10.8%**	**2,168**	**0.7%**	**2.7%**	**2,249**	**-2.9%**	**4.3%**
Spain	1,870	9.2%	1,736	7.7%	4.0%	1,444	29.4%	7.8%
Portugal	389	1.9%	366	6.2%	5.4%	346	12.3%	11.4%
Iberia	**2,258**	**11.1%**	**2,102**	**7.4%**	**4.3%**	**1,791**	**26.1%**	**8.5%**
Poland	403	2.0%	416	-2.9%	-3.1%	423	-4.8%	-5.2%
Hungary	248	1.2%	243	2.2%	5.6%	227	9.4%	12.9%
Czech Republic	622	3.1%	559	11.4%	6.2%	509	22.3%	16.6%
Turkey	417	2.1%	490	-14.9%	-2.3%	540	-22.8%	-5.5%
Others	25	0.1%	33	-24.4%	-13.0%	33	-23.3%	-14.2%
CEE and Turkey	**1,715**	**8.5%**	**1,740**	**-1.4%**	**1.2%**	**1,732**	**-0.9%**	**3.8%**
Netherlands	**1,330**	**6.6%**	**1,280**	**3.9%**	**2.9%**	**1,234**	**7.8%**	**3.2%**
Germany	**1,012**	**5.0%**	**1,009**	**0.3%**	**-1.5%**	**1,021**	**-0.8%**	**-5.1%**
TOTAL SHOPPING CENTERS	**19,904**	**98.2%**	**19,461**	**2.3%**	**2.0%**	**18,956**	**5.0%**	**3.9%**
TOTAL OTHER RETAIL PROPERTIES	**355**	**1.8%**	**362**	**-1.8%**	**-1.5%**	**399**	**-10.9%**	**-2.5%**
TOTAL PORTFOLIO	**20,259**	**100.0%**	**19,823**	**2.2%**	**2.0%**	**19,354**	**4.7%**	**3.8%**

* *Like-for-like change. For Scandinavia and Turkey, change is indicated on a constant forex basis. Central European assets are valued in euros.*

Exhibit 29. Valuation reconciliation with the balance sheet figure
(on a Total-Share basis)

In €m	
Investment property at fair value	**21,494**
+ Investment property at cost[a]	123
+ Fair value of property held for sale	296
+ Leasehold & lease incentives	36
+ Transfer taxes optimization	433
+ Partners' share in assets consolidated under the equity method (incl. receivables)	1,389
TOTAL PORTFOLIO	**23,770**

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

10.2.1.1 Shopping center portfolio valuation

Excluding transfer taxes, the value of the shopping center portfolio was €23,415 million on a Total-Share basis (€19,904 million, on a Group-Share basis) on December 31, 2017, an increase of €997 million compared to December 31, 2016 (+€948 million on a Group-Share basis).

This change is mostly attributable to the like-for-like[27] increase in the portfolio valuation for 4.0% (+3.9% in group share), with the largest contributors to growth on a regional basis being Iberia (+8.5%), Italy (+6.8%), and Scandinavia (+4.3%).

A 10-bp change in the average EPRA net initial yield would result in a €386-million change in the Group-Share portfolio valuation.

(27) Excluding foreign exchange impacts, assets disposed of during the period (mainly consisting of five retail galleries in Spain and stakes in four Scandinavian shopping centers), investment properties under construction (including Prado), acquisitions (Nueva Condomina, Blagnac additional spaces), and works expensed during the period 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.

Exhibit 30. 12-month shopping center portfolio valuation bridge
(on a Group-Share basis, excluding transfer taxes)

In €m	
Shopping center portfolio at 12/31/2016	**18,956**
Disposals	-113
Acquisitions / developments	312
Like for like growth	376
Forex	-70
Shopping center portfolio at 06/30/2017	**19,461**
Disposals	-47
Acquisitions / developements	155
Like-for-like growth	391
Forex	-56
SHOPPING CENTER PORTFOLIO AT 12/31/2017	**19,904**

As of December 31, 2017, the average EPRA NIY rate[(28)] of the portfolio[(29)] stood at 4.8% (including transfer taxes), down by 10 basis points over 12 months.

Exhibit 31. Change in the EPRA Net Initial Yield of the shopping center portfolio[(30)]
(on a Group-Share basis, including transfer taxes)

Countries	12/31/2017	06/30/2017	12/31/2016
France	4.2%	4.2%	4.4%
Belgium	4.1%	4.3%	4.4%
France- Belgium	**4.2%**	**4.2%**	**4.4%**
Italy	**5.4%**	**5.4%**	**5.5%**
Norway	4.7%	4.7%	4.7%
Sweden	4.4%	4.5%	4.6%
Denmark	4.2%	4.1%	4.2%
Scandinavia	**4.4%**	**4.5%**	**4.5%**
Spain	4.8%	4.9%	4.7%
Portugal	5.8%	6.0%	6.1%
Iberia	**5.0%**	**5.1%**	**5.0%**
Poland	6.8%	6.8%	7.1%
Hungary	8.0%	7.8%	8.2%
Czech Republic	4.9%	4.9%	5.2%
Turkey	7.2%	7.2%	7.6%
Others	10.3%	10.0%	10.0%
CEE and Turkey	**6.5%**	**6.5%**	**6.8%**
Netherlands	**5.1%**	**5.2%**	**5.2%**
Germany	**4.6%**	**4.4%**	**4.5%**
EPRA NET INITIAL YIELD	**4.8%**	**4.8%**	**4.9%**

10.2.1.2 Other retail properties

Excluding transfer taxes, the value of the other retail property portfolio stood at €355 million, down 10.9% over 12 months, mostly due to disposals. On a like-for-like portfolio basis, the value of the other retail properties was down 2.5% over 12 months. The EPRA NIY rate of the portfolio stood at 6.9%, down by 10 bps compared with December 31, 2016.

(28) The EPRA Net Initial Yield is calculated as the annualized rental income based on the passing cash rents, less non-recoverable property operating expenses, divided by the market value of the property (including transfer taxes).
(29) Group share for the shopping center portfolio appraised (i.e., excluding retail parks and cinemas).
(30) Excluding offices, retail parks, and boxes attached to shopping centers.

10.2.2 Management service activity

On December 31, 2017, the fair market value of the Klépierre Group management businesses stood at €353.7 million (group share) compared to €326.6 million as of December 31, 2016.[31]

(31) Management service activity are valued by an external consultant, Accuracy, using a DCF methodology.

11

FINANCIAL POLICY

In a persistent, very low interest rate environment, Klépierre's financial policy aimed at extending the average maturity of its debt while reducing its average cost. To meet this dual goal, several actions were taken in 2017: two new long-term bond issues at very attractive coupons, some shorter-term bonds were bought back, new additional banking facilities were obtained and the hedging portfolio was optimized.

11.1 Financial resources

11.1.1 Change in net debt

As of December 31, 2017, consolidated net debt was €8,978 million, compared to €8,613 million on December 31, 2016. This €365-million increase was mainly attributable to:

> Cash outflows for capital-related operations for €912 million (the dividend payment in April 2017, for €562 million, and the repurchase of Klépierre shares for an aggregate amount of €350 million);

> Cash outflows in relation to investments and acquisitions for €582 million (including €296 million of maintenance capex and development expenses, mainly on Hoog Catharijne (Utrecht, The Netherlands), Val d'Europe (Paris), and Prado (Marseille, France), and acquisitions for a total amount of €285.6 million);

> Cash inflows from the proceeds of disposals for €263 million corresponding to assets sold in France, Spain and Scandinavia;

> Cash inflows from operations partially offset by the cost of early termination of debt instruments, for a combined amount of €802 million; and

> The appreciation of the euro against the Norwegian and the Swedish currencies which lowered the debt by €64 million.

11.1.2 Loan-to-Value ratio

Despite the increase in net debt, the Loan-to-Value (LTV) ratio remained stable at 36.8% as of December 31, 2017, compared to year-end 2016, thanks to the strong rise in property values. This level is consistent with Klépierre's long-term objective to keep its LTV in the 35%–40% range.

Exhibit 39. Loan-to-Value calculation as of December 31, 2017
(as per covenant definitions)

in million euros, total share	
Current financial liabilities (total share)	2,217.2
+ Bank facilities	130.0
+ Non current financial liabilities	7,368.2
- Reevaluation due to fair value hedge	-28.8
- Fair value adjustment of debt [(a)]	-60.4
Gross financial liabilities excluding fair value hedge	**9,626.2**
Cash and near cash (incl. Cash managed for principals)	-647.8
Net debt	**8,978.5**
Property portfolio value (incl. transfer taxes)	24,419.4
LOAN-TO-VALUE RATIO	**36.8%**

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

The Net-Debt-to-EBITDA ratio stood at 8.6x as of December 31, 2017, continuously decreasing over time and well anchored in the 8.5x–9.0x range.

11.1.3 Available resources

Over the course of 2017, Klépierre raised €1.4 billion worth of new financing in both the bond and the banking markets. These transactions were completed with a view to repay debt maturing during the year:

> In February, Klépierre issued €500 million worth of new long-term notes (10 years) bearing a 1.375% coupon. Shortly after, €100 million were added. These new notes covered the repayment of €615 million worth of 4% notes that partially matured in April 2017;

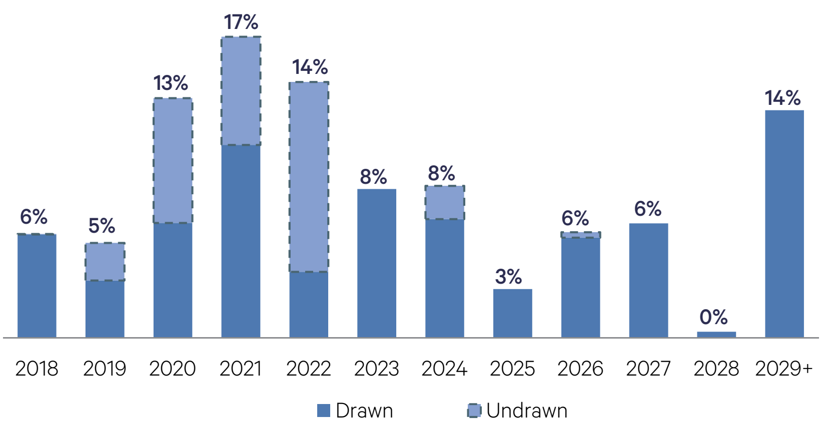
> In December, Klépierre issued €500 million worth of new 15-year notes with a record low spread over mid-swaps of 50 bps translating into a 1.625% coupon. The proceeds of the issuance covered the refinancing of the bond maturing in January 2018 for €291 million. Simultaneously, Klepierre repurchased 3 existing notes which matured respectively in September 2019, February 2021 and March 2021 for a total amount of €97 million;

> In Scandinavia, Steen & Strøm capitalized on its new A- credit rating assigned by Standard and Poor's in August 2017 to raise NOK750 million of 5-year notes in September 2017 and SEK500 million of 5-year notes in December 2017.

To further improve Klépierre's liquidity position, new bilateral five-year revolving credit facilities were signed in April 2017 for an aggregate amount of €200 million; simultaneously, the same amount of more expensive and shorter lines was cancelled. Additionally, agreements were found with two banks in order to extend €175 million worth of undrawn facilities to 2022. At the end of June 2017, Klépierre received the approval of its banking syndicate to extend the €850 million syndicated revolving credit facility signed in 2016 by an additional year. The maturity of this line is now July 2022.

At the end of 2017, the average duration of the debt stood at 6.3 years, an increase of approximately a quarter compared to year-end 2016. The level of available liquidity remained high at €2.2 billion, including €1.5 billion worth of unused committed credit lines with an average remaining maturity of 4.8 years. This amount more than covers the upcoming financing needs for 2018 and 2019.

Chart 3. Debt maturity schedule as of December 31, 2017
(% of authorized debt)



11.1.4 Debt structure

The share resources from capital markets in the total debt remained above 80%, allowing Klépierre to benefit from excellent financing conditions. The access to capital market resources, more frequently used by Steen and Strøm thanks to its recent corporate credit rating, also enabled the entire Group to further reduce the share of secured debt in the total liabilities.

The breakdown of Klépierre's debt by currency remained consistent with the geographic exposure of its portfolio of assets. Assets located in Turkey, which generate rents denominated in US dollars, are hedged through the rolling-over of foreign exchange swaps.

Chart 4. Financing breakdown by type of resource as of December 31, 2017 (Utilizations)

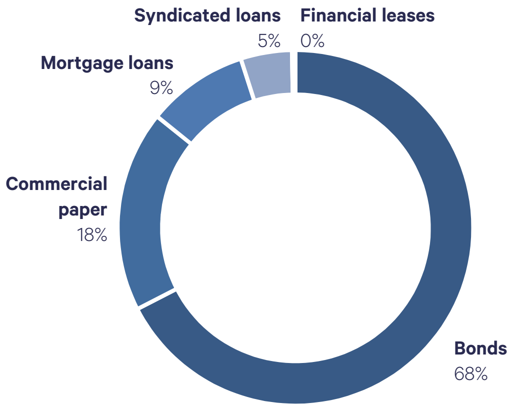
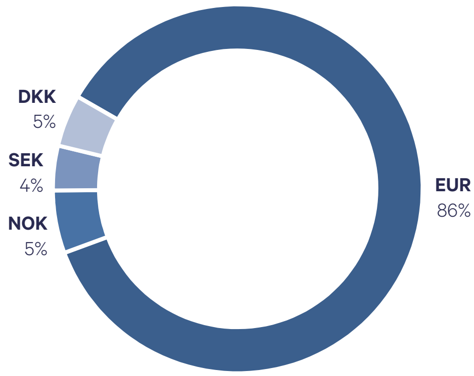


Chart 5. Financing breakdown by currency as of December 31, 2017 (Utilizations)



11.2 Interest rate hedging

In January 2017, Klépierre decided to further increase its fixed-rate exposure for the next three years in order to soften the impact of any potential interest rate increase in the next coming quarters. Accordingly, the following actions were taken:

> The bonds issued over the year in euros, Swedish kronas, and Norwegian kronas were kept in fixed rate;

> The hedging portfolio has been adjusted through the early termination of €200 million of payer swaps and the acquisition of €1.3 billion of payer swaps & caps with a three-year average maturity;

> Steen & Strøm also increased its hedging position by implementing a €320 million equivalent program of payer swaps & caps in the three Scandinavian currencies (NOK, SEK & DKK).

The Group hedging ratio consequently reached 95% as of December 31, 2017, compared to 81% at year-end 2016, and the average duration of the fixed-rate position has been increased to 5.4 years compared to 5.2 years in December 2016. This should allow the Group cost of debt to remain stable and largely insensitive to interest rates fluctuations in the forthcoming years.

Based on the interest rates yield curve as of December 31, 2017, the Group's annual cash-cost at risk dropped by €4 million during 2017 to reach €2 million as of year-end 2017. In other words, the loss due to short-term interest rate movements would be less than €2 million 99% of the time.

11.3 Cost of debt

The average Group cost of debt fell below 2% during the course of 2017, to reach 1.8% as of December 31, 2017. This figure reflects the low level of short-term interest rates, the impact of the financing cost synergies following the merger of Corio into Klépierre, and the favorable funding conditions in all the markets in which the Group operates. Assuming unchanged debt structure and market conditions, and given the upcoming refinancing deals, the cost of debt is expected to remain below to 2.0% in 2018, 2019, and 2020. The low cost of debt, along with robust operating performances, led to a stronger 6.3x coverage of interest expense by EBITDA (ICR).

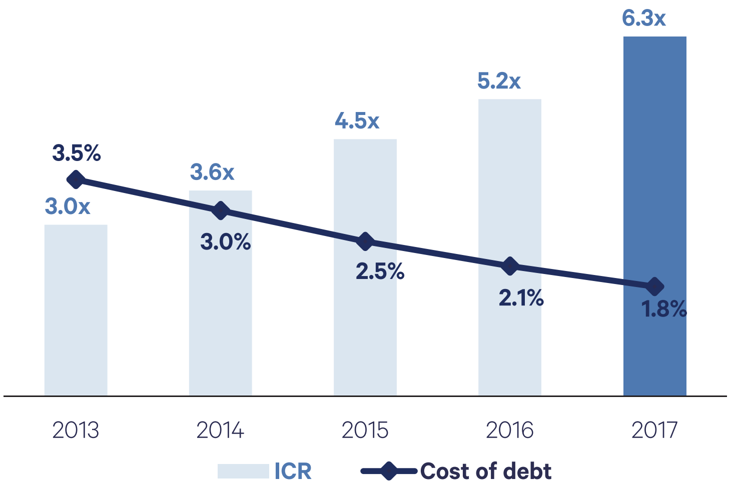
The average cost of liquidity stood at 0.23% over the period. It corresponds to the commitment fees paid to the banks related to the committed available credit lines (€2.9 billion on average in 2017).

Exhibit 40. Cost of debt calculation

in €m	2017
Net cost of debt (P&L)	**169.8**
Non-recurring items	-12.0
Non-cash impact	-6.8
Interest on associate advances	17.2
Liquidity cost	-6.8
Net cost of debt (used for cost of debt calculations)	**161.4**
Average gross debt	**9,161**
COST OF DEBT (%)	1.8%

Chart 6.

Interest coverage ratio (ICR) and cost of debt



11.4 Financial ratios and rating

As of December 31, 2017, the Group's financing covenants remain in line with the commitments in its financing agreements.

In December 2017, Standard's & Poor's confirmed the A- rating and its stable outlook. In August 2017, Standard & Poor's assigned a A- rating for the first time to Steen & Strøm. Moody's continues to assign a rating of A3 (stable outlook) to the notes initially issued by Corio NV.

Exhibit 41. Covenants

Financing	Ratios / covenants	Limit[(a)]	12/31/2017	12/31/2016
Syndicated loans and bilateral loans	Net debt / Portfolio value ("Loan to Value")	≤ 60%	36.8%	36.8%
	EBITDA / Net interest expenses[(b)]	≥ 2.0	6.3	5.2
	Secured debt / Portfolio value [(c)]	≤ 20%	0.7%	0.7%
	Portfolio value, group share	≥ €10 bn	€20.8 bn	€19.9 bn
Bond issues	Secured debt / Revalued Net Asset Value [(c)]	≤ 50%	0.9%	1.1%

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

A portion of Steen & Strøm's debt is subject to a financial covenant that requires shareholders' equity to be equal to at least 20% of NAV at all times. On December 31, 2017, this ratio was 53.7%.

12

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).

12.1 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.

Exhibit 32. EPRA Earnings

In €m (group share)	12/31/2017	12/31/2016
Earnings per IFRS income statement	**1,228.6**	**1,191.2**
Adjustments to calculate EPRA Earnings, exclude:		
(i) Changes in value of investment properties, development properties held for investment and other interests	825.9	828.8
(ii) Profit or losses on disposal of investment properties, development properties held for investment and other interests	6.9	23.5
(iii) Profit or losses on sales of trading properties including impairment charges in respect of trading properties	-	-
(iv) Tax on profits or losses on disposals	-	-
(v) Negative goodwill / goodwill impairment	-1.7	-
(vi) Changes in fair value of financial instruments and associated close-out costs	-29.2	-28.3
(vii) Acquisition costs on share deals and non-controlling joint venture interests	-0.6	-
(viii) Deferred tax in respect of EPRA adjustements	-190.9	-199.0
(ix) Adjustments (i) to (viii) above in respect of joint ventures (unless already included under proportional consolidation)	22.9	28.5
(x) Non-controlling interests in respect of the above	-137.1	-156.8
EPRA Earnings	**732.4**	**694.4**
Number of shares[(a)]	306,084,849	311,736,861
EPRA Earnings per share (in euros)	**2.39**	**2.23**
Company-specific adjustments		
Employee benefits, stock-options expenses and non-current operating expenses	13.8	7.9
Amortization allowances and provisions for contingencies and losses	14.4	18.8
Net current cash flow	**760.6**	**721.1**
Number of shares[(a)]	306,084,849	311,736,861
Net current cash flow per share (in euros)	**2.48**	**2.31**

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

12.2 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.

12.2.1 Methodology

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

12.2.2 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.

12.2.3 Unrealized capital gains on management companies

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

12.2.4 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.

12.2.5 Deferred taxes on asset values

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

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

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

12.2.6 Transfer taxes optimization

Transfer taxes on the sale of assets are calculated on a property-by-property basis, using the same approach as that used to determine effective tax on unrealized capital gains as per applicable local tax regulations; optimization corresponds to the choice of the most likely transaction scheme between a share deal and an asset deal.

12.2.7 EPRA NAV and NNNAV calculation

Exhibit 33. EPRA NAV & NNNAV

In €m	12/31/2017	06/30/2017	12/31/2016	6-month change		12-month change	
Consolidated shareholders' equity (group share)	**10,397**	**9,859**	**10,107**	**538**	**5.5%**	**290**	**2.9%**
Unrealized capital gains on management service activity	335	300	300	35	11.7%	35	11.7%
Goodwill restatement	-656	-657	-647	2	-0.3%	-9	1.4%
Fair value of hedging instruments	9	10	48	-1	-11.7%	-39	-81.4%
Deferred taxes on asset values as per balance sheet	1,470	1,389	1,270	81	5.8%	200	15.8%
Transfer taxes optimization	396	369	368	28	7.5%	29	7.9%
EPRA NAV	**11,952**	**11,270**	**11,446**	**682**	**6.1%**	**506**	**4.4%**
Optimized deferred taxes on unrealized capital gains	-392	-321	-245	-71	22.2%	-147	59.8%
Fair value of hedging instruments	-9	-10	-48	1	-11.7%	39	-81.4%
Fair value of fixed-rate debt	-189	-172	-185	-17	10.1%	-4	2.3%
EPRA NNNAV	**11,362**	**10,767**	**10,967**	**595**	**5.5%**	**394**	**3.6%**
Number of shares, end of period	302,099,375	304,910,597	311,827,611				
Per share (in €)							
EPRA NAV per share	**39.6**	**37.0**	**36.7**	**2.6**	**7.0%**	**2.9**	**7.8%**
EPRA NNNAV per share	**37.6**	**35.3**	**35.2**	**2.3**	**6.5%**	**2.4**	**6.9%**

Exhibit 34. EPRA NAV 12-month bridge per share

In € per share	
EPRA NAV at 12/31/2016	**36.7**
Cash flow	2.5
Like-for-like asset revaluation	2.4
Dividend	-1.8
Forex and others	-0.2
EPRA NAV AT 12/31/2017	**39.6**

EPRA NAV per share amounted to €39.60 at the end of December 2017, versus €36.70 one year earlier. This improvement reflects net current cash flow generation (+€2.5 per share) and the increase in the value of the like-for-like portfolio (+€2.4), partly offset by the dividend payment (-€1.8). Foreign exchange and other effects had a limited impact (-€0.2).

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

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

Exhibit 35. EPRA Net Initial Yields

In €, group share	Shopping centers	Other retail properties	TOTAL
Investment property - Wholly owned	18,594	355	18,949
Investment property - Share of JVs/Funds	1,310	0	1,310
Total portfolio	**19,904**	**355**	**20,259**
Less : Developments, land and other	-1,399	0	-1,399
Completed property portfolio	**18,504**	**355**	**18,860**
Allowance for estimated purchasers' cost	539	24	563
Gross up completed property portfolio valuation	**19,044**	**379**	**19,423**
Annualised cash passing rental income	1005	26	1031
Property outgoings	-85	0	-86
Annualised net rents (A)	**919**	**26**	**946**
Notional rent expiration of rent free periods or other	21	0	22
Topped-up net annualised rent (C)	**941**	**27**	**967**
EPRA NET INITIAL YIELD (A/B)	**4.8%**	**6.9%**	**4.9%**
EPRA "TOPPED-UP" NIY (C/B)	**4.9%**	**7.0%**	**5.0%**

12.4 EPRA Vacancy rate

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

Exhibit 36. EPRA vacancy rate[a]

In €k	France-Belgium	Italy	Scandinavia	Iberia	CEE and Turkey	The Netherlands	Germany	TOTAL
Estimated rental value (ERV)	449,899	284,486	188,433	150,466	133,360	35,523	50,446	**1,292,614**
ERV of vacant space	15,070	3,438	5,871	6,250	5,261	2,134	2,997	**41,021**
EPRA VACANCY RATE	**3.3%**	**1.2%**	**3.1%**	**4.2%**	**3.9%**	**6.0%**	**5.9%**	**3.2%**

(a) Scope: total shopping centers. Estimated rental values of leased and vacant spaces as of December 31, 2017.

12.5 EPRA Cost ratio

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

Exhibit 37. EPRA Cost ratio

In €m	12/31/2017	06/30/2017	12/31/2016
Administrative & operating expenses	-246.7	-119.4	-254.3
Net service charge costs	-72.4	-36.2	-73.9
Net management fees	85.6	42.8	86.5
Other net operating income intended to cover overhead expenses	10.5	3.9	18.4
Share of joint ventures expenses	-14.9	-8.0	-18.5
EPRA Costs (including vacancy costs) (A)	**-237.9**	**-116.9**	**-241.9**
Direct vacancy costs	-20.7	-11.6	-24.7
EPRA Costs (excluding vacancy costs) (B)	**-217.2**	**-105.3**	**-217.2**
Gross Rental Income less ground rents - per IFRS	**1,220.0**	**603.6**	**1,199.1**
Share of joint ventures (gross rental Income less ground rents)	79.8	44.0	95.9
Gross rental income (C)	**1,299.8**	**647.6**	**1,295.0**
EPRA Cost Ratio (including direct vacancy costs) (A/C)	**18.3%**	**18.0%**	**18.7%**
EPRA Cost Ratio (excluding direct vacancy costs) (B/C)	**16.7%**	**16.3%**	**16.8%**

12.6 EPRA Capital expenditure

Investments made over the course of 2017 are presented in detail in the "Investments, development and disposals" section of this document. The current section presents Klépierre's capital expenditure according to EPRA financial reporting guidelines.

Exhibit 38. EPRA Capital expenditure[a]

In €m	12/31/2017	12/31/2016
Acquisitions	285.6	382.7
Development	187.6	212.6
Like-for-like portfolio	95.6	64.8
Other	17.8	28.2
TOTAL	**586.6**	**688.4**

(a) Inclusive of expenses charged to tenants.

12.6.1 Acquisitions

In 2017, acquisitions amounted to €285.6 million, mainly including Nueva Condomina (Murcia, Spain), additional leaseholds in Blagnac (Toulouse, France), and a new retail unit in the Nový Smíchov shopping center (Czech Republic).

12.6.2 Development

Development capital expenditure are investments related to new constructions and extensions of existing assets. For 2017, such investments amounted to €187.6 million, mainly including the redevelopment of Hoog Catharijne (Utrecht, The Netherlands), the greenfield project of Le Prado (Marseille, France), as well as Val d'Europe's (Paris, France) and Gran Reno's (Bologna, Italy) extensions.

12.6.3 Like-for-like portfolio

Capital expenditure on the "like-for-like portfolio" include investments made to maintain or enhance standing assets without creating additional leasing space. In 2017, those investments amounted to €95.6 million, split as follows:

> **Refurbishment,** consisting in renovation works, mainly in the common areas. In 2017, they were related to Clubstore® implemented at Val d'Europe (Paris), Plenilunio (Madrid), Assago (Milan), Marseille Bourse (Marseille, France), and Jaude (Clermont-Ferrand, France). Most of these expenditures were invoiced to tenants;

> **Leasing capital expenditure,** mainly in relation with stores and other leasable units, including restructuring costs for re-leasing and first leasing, fit-out contributions and eviction costs; and

> **Technical maintenance** capital expenditure aimed at replacing obsolete or dysfunctional equipment of the asset. A large portion of these investments was invoiced to tenants.

12.6.4 Other capital expenditure

The other capital expenditure consists mainly in capitalized financial interests, which amounted to €9.1 million in 2017, and leasing fees, for €5.6 million in 2017.

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EVENTS SUBSEQUENT TO THE ACCOUNTING CUT-OFF DATE

13.1 Interest rate hedging operations

In January 2018, €700m of caps were bought, with an average maturity of 3 years, to roll over part of the portfolio of caps maturing in 2018 and maintain a high interest rate hedging ratio.

13.2 Share buyback program

From January 1st, 2018 to February 2nd, 2018, Klépierre has purchased 902,414 of its own shares, representing a total investment of €32 million (average price of €35.74).

13.3 Disposals

In January 2018, the Group completed the disposal of Roncalli (Cologne, Germany), a 17,300-sq.m. office building.

Additionally, on February 2, 2018, Klépierre signed an agreement for the disposal to Carmila of two retail malls for a total consideration of €212.2 million (including transfer taxes).

The two retail malls, which are anchored by a Carrefour hypermarket, are the following:

> Grand Vitrolles (Klépierre equity interest 83%; CNP 17%), located near Marseille (France), is a 24,400-sq.m. gallery with 80 retail units adjacent to a Carrefour hypermarket of 21,900 sq.m.;

> Gran Via de Hortaleza, fully owned by Klépierre and located in Madrid in Spain, is a 6,300-sq.m. gallery with 70 retail units (Carrefour hypermarket of 14,000 sq.m.).

This divestment is consistent with Klépierre's asset rotation strategy which consists in focusing its capital allocation on leading shopping destinations in continental European cities.

The closing of this transaction is expected to occur in the first quarter of 2018.

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OUTLOOK

Klépierre's 2018 budget is based on an improving macroeconomic environment in Continental Europe especially on the front of unemployment in France but also in Spain and Italy. Combined with some more inflation, this should help drive retailers sales further up and, consequently, like-for-like rental growth.

Against this backdrop, Klépierre's asset management initiatives will focus on:

- Accelerating the transformation of the retail offer through tenant rotation and rightsizing;
- Enhancing the shopper experience through the deployment of Clubstore®, Destination Food®, digital marketing and stunning events through the Let's Play® program;
- Opening successfully the two main ongoing projects: Prado (Marseille) and the next phase of Hoog Catharijne (Utrecht) redevelopment;
- Keeping investing in our assets to transform them through extensions and refurbishments like the recently started Créteil Soleil (Paris) ;
- Disposing non-core assets.

Overall, Klépierre expects to maintain a high level of net rental income growth, supported by higher indexation in 2018 (expected above 1%).

As in previous years, payroll and other overhead costs will be under scrutiny with a view to keeping them at least stable.

Recent debt management operations will help further reduce financial expenses.

Provided that asset disposals are sustained, the €500-million share buyback program should be completed (which represents an additional €150-million repurchase in 2018).

As a result, the net current cash-flow per share is expected to reach €2.57-2.62 assuming a stable, if not lower, debt. This represents a 3.6% to 5.6% increase which should allow for increasing the dividend per share for the ninth year in a row.