# MANAGEMENT REPORT OF THE EXECUTIVE BOARD

# 2017 FIRST HALF

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# 1 CONSOLIDATED FINANCIAL STATEMENTS

## 1.1 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| *In €m* | 06/30/2017 Fair value | 06/30/2016 Fair value |
|---|---|---|
| Gross rental income | 611.7 | 603.9 |
| Land expenses (real estate) | -8.1 | -7.5 |
| Non-recovered rental expenses | -43.3 | -43.1 |
| Building expenses (owner) | -18.8 | -17.3 |
| **Net rental income** | **541.5** | **536.1** |
| Management, administrative and related income | 42.8 | 43.8 |
| Other operating revenues | 3.9 | 6.1 |
| Survey and research costs | -0.3 | -0.2 |
| Payroll expenses | -61.4 | -64.1 |
| Other general expenses | -31.6 | -31.8 |
| Depreciation and impairment allowance on intangible assets and properties, plant and equipment | -7.4 | -7.3 |
| Provisions | 0.7 | 1.6 |
| Change in value of investment properties | 400.5 | 398.4 |
| Proceeds from disposal of investment properties and equity investments | 198.3 | 94.9 |
| Net book value of investment properties and equity investments sold | -182.5 | -87.4 |
| **Income from the disposal of investment properties and equity investments** | **15.8** | **7.6** |
| **Goodwill impairment** | | |
| **Operating income** | **904.7** | **890.1** |
| Net dividends and provisions on non-consolidated investments | 0.0 | 0.0 |
| Financial income | 53.4 | 61.6 |
| Financial expenses | -137.7 | -146.1 |
| **Net cost of debt** | **-84.3** | **-84.5** |
| Change in the fair value of financial instruments | -6.5 | -7.0 |
| Share in earnings of equity method investments | 39.6 | 51.2 |
| **Profit before tax** | **853.5** | **849.9** |
| Corporate income tax | -142.4 | -147.6 |
| **Net income of consolidated entity** | **711.0** | **702.4** |
| **Of which** | | |
| *- Group share* | *570.4* | *549.5* |
| *- Non-controlling interests* | *140.6* | *152.9* |
| **Undiluted average number of shares** | **309,505,908** | **311,719,983** |
| **Undiluted net income per share (euro) - Group share** | **1.8** | **1.8** |
| **Diluted average number of shares** | **309,505,908** | **311,719,983** |
| **Diluted net income per share (euro) - Group share** | **1.8** | **1.8** |

| *In millions of euros* | 06/30/2017 Fair value | 06/30/2016 Fair value |
|---|---|---|
| **Net income of consolidated entity** | **711.0** | **702.4** |
| **Other comprehensive income items recognized directly as equity** | **-13.6** | **-19.5** |
| - Effective portion of profits and losses on cash flow hedging instruments | 45.8 | 2.7 |
| - Translation profits and losses | -53.1 | -21.5 |
| - Tax on other comprehensive income items | -9.6 | 0.8 |
| **Items that will be reclassified subsequently to profit or loss** | **-16.9** | **-18.1** |
| - Result from sales of treasury shares | 3.3 | -1.5 |
| - Actuarial gains | -0.1 | 0.0 |
| **Items that will not be reclassified subsequently to profit or loss** | **3.3** | **-1.4** |
| Share of other comprehensive income items of equity method investees | | |
| **Total comprehensive income** | **697.4** | **682.9** |
| **Of which** | | |
| *- Group share* | *568.4* | *531.4* |
| *- Non-controlling interests* | *128.9* | *151.5* |
| **Undiluted comprehensive income per share (euro) - Group Share** | **1.8** | **1.7** |
| **Diluted comprehensive income per share (euro) - Group share** | **1.8** | **1.7** |

## 1.2 CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| *In €m* | 06/30/2017 Fair value | 12/31/2016 Fair value |
|---|---|---|
| Goodwill | 657.3 | 648.4 |
| Intangible assets | 40.5 | 45.2 |
| Property, plant and equipment | 15.7 | 16.0 |
| Investment properties at fair value | 20,971.4 | 20,390.2 |
| Investment properties at cost | 249.2 | 282.6 |
| Equity method investments | 1,069.5 | 1,067.5 |
| Other non-current assets | 348.8 | 350.8 |
| Non-current derivatives | 41.0 | 74.0 |
| Deferred tax assets | 32.6 | 40.7 |
| **Non-current assets** | **23,425.9** | **22,915.4** |
| Fair value of properties held for sale | 242.5 | 284.4 |
| Trade accounts and notes receivable | 135.2 | 152.6 |
| Other receivables | 428.8 | 401.1 |
| - Tax receivables | 119.6 | 180.4 |
| - Other debtors | 309.1 | 220.7 |
| Current derivatives | 0.9 | 4.8 |
| Cash and cash equivalents | 461.4 | 578.8 |
| **Current assets** | **1,268.8** | **1,421.7** |
| **TOTAL ASSETS** | **24,694.7** | **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 | 2,986.2 | 2,613.1 |
| - Treasury shares | -320.0 | -67.0 |
| - Hedging reserves | -66.2 | -99.2 |
| - Other consolidated reserves | 3,372.5 | 2,779.4 |
| Consolidated earnings | 570.4 | 1,191.3 |
| Shareholders’ equity, group share | 9,858.8 | 10,106.6 |
| Non-controlling interests | 2,493.2 | 2,429.7 |
| **Shareholders’ equity** | **12,352.0** | **12,536.2** |
| Non-current financial liabilities | 7,343.7 | 6,745.6 |
| Non-current provisions | 24.4 | 23.5 |
| Pension commitments | 13.8 | 13.2 |
| Non-current derivatives | 26.7 | 65.3 |
| Security deposits and guarantees | 144.9 | 141.0 |
| Deferred tax liabilities | 1,486.8 | 1,375.7 |
| **Non-current liabilities** | **9,040.4** | **8,364.4** |
| Current financial liabilities | 2,241.8 | 2,562.1 |
| Bank overdrafts | 217.9 | 110.9 |
| Trade payables | 247.7 | 220.8 |
| Payables to fixed asset suppliers | 12.6 | 7.9 |
| Other liabilities | 386.9 | 317.5 |
| Current derivatives | 20.3 | 27.4 |
| Social and tax liabilities | 175.2 | 189.9 |
| **Current liabilities** | **3,302.4** | **3,436.5** |
| **TOTAL LIABILITIES AND SHAREHOLDERS’ EQUITY** | **24,694.7** | **24,337.1** |

## 1.3 SEGMENT EARNINGS

| In €m | France-Belgium [1] 06/30/17 | France-Belgium [1] 06/30/16 | Scandinavia 06/30/17 | Scandinavia 06/30/16 | Italy 06/30/17 | Italy 06/30/16 | Iberia 06/30/17 | Iberia 06/30/16 | The Netherlands 06/30/17 | The Netherlands 06/30/16 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Gross rents** | **222.4** | **221.1** | **96.2** | **97.2** | **102.3** | **101.0** | **57.4** | **56.6** | **31.5** | **30.8** |
| Other rental income | 10.0 | 6.1 | 0.6 | 0.4 | 2.1 | 1.7 | 0.7 | 0.8 | | |
| **Gross rental income** | **232.4** | **227.2** | **96.8** | **97.5** | **104.4** | **102.7** | **58.1** | **57.5** | **31.5** | **30.8** |
| Rental & building expenses | -22.5 | -20.9 | -9.9 | -6.2 | -10.9 | -11.1 | -6.6 | -7.2 | -8.8 | -8.8 |
| **NET RENTAL INCOME** | **209.9** | **206.3** | **86.9** | **91.3** | **93.5** | **91.5** | **51.4** | **50.3** | **22.7** | **22.0** |
| Management and other income | 23.6 | 25.5 | 4.5 | 5.7 | 6.8 | 6.9 | 3.9 | 4.1 | 3.4 | 3.1 |
| Payroll and other general expenses | -33.4 | -32.2 | -9.8 | -11.1 | -11.8 | -11.8 | -6.7 | -7.2 | -6.5 | -7.3 |
| **EBITDA** | **200.1** | **199.5** | **81.6** | **86.0** | **88.5** | **86.7** | **48.6** | **47.2** | **19.6** | **17.8** |
| Depreciation and allowance | -4.1 | -2.5 | -1.2 | -2.0 | -0.2 | -0.3 | -0.4 | -0.3 | -0.3 | -0.0 |
| Change in value of investment properties | 109.9 | 123.0 | 72.2 | 178.1 | 117.3 | 18.6 | 79.3 | 40.8 | 3.0 | 3.7 |
| Income from the disposal of investment properties and equity investments | 3.7 | 7.7 | 16.0 | 0.0 | | -0.1 | -3.9 | | | -0.2 |
| Share in earnings of equity method investments | 8.5 | 2.5 | 14.4 | 17.6 | 32.7 | 23.1 | -0.4 | 0.5 | -0.0 | |
| **SEGMENT INCOME** | **318.1** | **330.3** | **183.0** | **279.6** | **238.4** | **128.0** | **123.3** | **88.2** | **22.4** | **21.3** |
| Goodwill impairment | | | | | | | | | | |
| Net cost of debt | | | | | | | | | | |
| Change in the fair value of financial instruments | | | | | | | | | | |
| **PROFIT BEFORE TAX** | | | | | | | | | | |
| Corporate income tax | | | | | | | | | | |
| **NET INCOME** | | | | | | | | | | |

*(1) Shopping centers and Other activities*

| In €m | Germany 06/30/17 | Germany 06/30/16 | CEE &Turkey 06/30/17 | CEE &Turkey 06/30/16 | Unaffected 06/30/17 | Unaffected 06/30/16 | Klepierre Group 06/30/17 | Klepierre Group 06/30/16 |
|---|---|---|---|---|---|---|---|---|
| **Gross rents** | **27.3** | **28.7** | **60.8** | **59.0** | | | **597.8** | **594.3** |
| Other rental income | 0.1 | | 0.4 | 0.6 | | | 13.9 | 9.6 |
| **Gross rental income** | **27.3** | **28.7** | **61.2** | **59.6** | | | **611.7** | **603.9** |
| Rental & building expenses | -6.3 | -8.7 | -5.2 | -4.9 | | | -70.2 | -67.8 |
| **NET RENTAL INCOME** | **21.0** | **20.0** | **56.0** | **54.7** | | | **541.5** | **536.1** |
| Management and other income | 2.4 | 2.5 | 2.2 | 2.0 | | | 46.8 | 49.9 |
| Payroll and other general expenses | -4.7 | -5.0 | -6.4 | -6.6 | -13.9 | -14.9 | -93.3 | -96.1 |
| **EBITDA** | **18.7** | **17.5** | **51.7** | **50.1** | **-13.9** | **-14.9** | **495.0** | **489.9** |
| Depreciation and allowance | -0.2 | -0.2 | -0.3 | -0.3 | | | -6.6 | -5.7 |
| Change in value of investment properties | -14.1 | -20.5 | 32.8 | 54.6 | | | 400.5 | 398.4 |
| Income from the disposal of investment properties and equity investments | | | | 0.1 | | | 15.8 | 7.6 |
| Share in earnings of equity method investments | | | -15.5 | 7.6 | | | 39.6 | 51.2 |
| **SEGMENT INCOME** | **4.4** | **-3.2** | **68.7** | **112.1** | **-13.9** | **-14.9** | **944.4** | **941.4** |
| Goodwill impairment | | | | | | | | |
| Net cost of debt | | | | | | | -84.3 | -84.5 |
| Change in the fair value of financial instruments | | | | | | | -6.5 | -7.0 |
| **PROFIT BEFORE TAX** | | | | | | | **853.5** | **849.9** |
| Corporate income tax | | | | | | | -142.4 | -147.6 |
| **NET INCOME** | | | | | | | **711.0** | **702.4** |

## 1.4 CONSOLIDATED CASH FLOW STATEMENTS

| *In €m* | 06/30/2017<br>Fair value | 06/30/2016<br>Fair value |
|---|---|---|
| **Cash flows from operating activities** | | |
| Net income from consolidated companies | 711.0 | 702.4 |
| Elimination of expenditure and income with no cash effect or not related to operating activities | | |
| *Depreciation, amortization and provisions* | *6.8* | *5.3* |
| *– Change in value of investment properties* | *-400.5* | *-398.4* |
| *– Goodwill impairment* | | |
| *– Capital gains and losses on asset disposals* | *-15.8* | *-7.6* |
| *– Income taxes* | *142.4* | *147.6* |
| *– Share in earnings of equity method investees* | *-39.6* | *-51.2* |
| *– Reclassification of financial interests and other items* | *109.9* | *116.8* |
| **Gross cash flow from consolidated companies** | **514.2** | **514.8** |
| Paid taxes | 10.4 | -10.2 |
| Change in operating working capital | 6.0 | 3.7 |
| **Cash flows from operating activities** | **530.6** | **508.3** |
| **Cash flows from investing activities** | | |
| Proceeds from sales of investment properties | 82.8 | 82.7 |
| Proceeds from sales of other fixed assets | | |
| Proceeds from disposals of subsidiaries (net of cash disposed) | 114.7 | 0.1 |
| Acquisitions of investment properties | -12.4 | |
| Acquisition costs of investment properties | -0.3 | |
| Payments in respect of construction work in progress | -136.9 | -144.5 |
| Acquisitions of other fixed assets | -3.0 | -6.0 |
| Acquisitions of subsidiaries and deduction of acquired cash | -81.9 | 0.1 |
| Movement of loans and advance payments granted and other investments | -80.6 | 13.1 |
| **Net cash flows from investing activities** | **-117.5** | **-54.5** |
| **Cash flows from financing activities** | | |
| Dividends paid to the parent company’s shareholders | -562.0 | -530.0 |
| Dividends paid to non-controlling interests | -47.4 | -46.9 |
| Acquisitions/disposal of treasury shares | -253.0 | 8.5 |
| New loans, borrowings and hedging instruments | 1,334.5 | 1,287.6 |
| Repayment of loans, borrowings and hedging instruments | -983.2 | -965.3 |
| Interest paid | -119.2 | -130.1 |
| Other cash flows related to financing activities | | |
| **Net cash flows from financing activities** | **-630.2** | **-376.2** |
| **Effect of foreign exchange rate changes on cash and cash equivalents** | **-7.3** | **-0.1** |
| **CHANGE IN CASH AND CASH EQUIVALENTS** | **-224.4** | **77.6** |
| **Cash at year-start** | **467.9** | **148.6** |
| **Cash at year-end** | **243.5** | **226.2** |

## 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 July 17, 2017, the Executive Board approved the consolidated financial statements of Klépierre SA for the period from January 1 to June 30, 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 June 30, 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).

The accounting principles applied to the consolidated financial statements as of June 30, 2017 are identical to those used in the consolidated financial statements as of December 31, 2016.

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

In the second half of 2016, Klépierre decided to choose the fair value method of IAS 40 for the accounting of its investment properties. Therefore, the Group presents a comparative comprehensive income statement for the first half of 2016 showing the items affected by the change of the accounting method.

| Impact change of method:<br>Consolidated Statements of Comprehensive Income<br>*In €m* | Notes | 06/30/2016<br>Cost model | Fair value<br>restatements | 06/30/2016<br>Fair value<br>model |
|---|---|---|---|---|
| Gross rental income | | 603.9 | | 603.9 |
| Land expenses (real estate) | | -7.7 | 0.3 | -7.5 |
| Non-recovered rental expenses | | -43.1 | | -43.1 |
| Building expenses (owner) | | -17.8 | 0.5 | -17.3 |
| **Net rental income** | | **535.3** | **0.8** | **536.1** |
| Management, administrative and related income | | 43.8 | | 43.8 |
| Other operating revenue | | 6.1 | | 6.1 |
| Survey and research costs | | -0.2 | | -0.2 |
| Payroll expenses | | -64.1 | | -64.1 |
| Other general expenses | | -31.8 | | -31.8 |
| Depreciation and impairment allowance on investment properties | 1. | -259.6 | 259.6 | |
| Depreciation and impairment allowance on intangible assets and properties, plant and equipment | | -7.3 | | -7.3 |
| Provisions | | 1.6 | | 1.6 |
| Change in value of investment properties | 2. | | 398.4 | 398.4 |
| Proceeds on the disposal of investment properties and equity investments | | 94.9 | | 94.9 |
| Net book value of investment properties and equity investments sold | | -87.6 | 0.3 | -87.4 |
| **Income from the disposal of investment property and equity investments** | | **7.3** | **0.3** | **7.6** |
| **Goodwill impairment** | | | | |
| **Operating income** | | **231.2** | **659.0** | **890.1** |
| Net dividends and provisions on non-consolidated investments | | 0.0 | | 0.0 |
| Financial income | | 61.6 | | 61.6 |
| Financial expenses | | -146.1 | | -146.1 |
| **Net cost of debt** | | **-84.5** | | **-84.5** |
| Change in the fair value of financial instruments | | -7.0 | | -7.0 |
| Share in earnings of equity method investments | 3. | 8.8 | 42.5 | 51.2 |
| **Profit before tax** | | **148.5** | **701.4** | **849.9** |
| Corporate income tax | 4. | -26.9 | -120.7 | -147.6 |
| **Net income of consolidated entity** | | **121.6** | **580.8** | **702.4** |
| **of which** | | | | |
| *- Group share* | | *97.9* | *451.6* | *549.5* |
| *- Non-controlling interests* | | *23.7* | *129.2* | *152.9* |
| **Undiluted average number of shares** | | **311,719,983** | | **311,719,983** |
| **Undiluted net income per share (euro)** | | **0.3** | | **1.8** |
| **Diluted average number of shares** | | **311,719,983** | | **311,719,983** |
| **Diluted net income per share (euro)** | | **0.3** | | **1.8** |

| *In €m* | Notes | 06/30/2016<br>Cost model | Fair value<br>restatements | 06/30/2016<br>Fair value<br>model |
|---|---|---|---|---|
| **Net income of consolidated entity** | | **121.6** | **580.8** | **702.4** |
| **Other comprehensive income items recognized directly as equity** | | **-10.6** | **-8.9** | **-19.5** |
| - Effective portion of profits and losses on cash flow hedging instruments | | 2.7 | | 2.7 |
| - Translation profits and losses | 5. | -12.6 | -8.9 | -21.5 |
| - Tax on other comprehensive income items | | 0.8 | | 0.8 |
| **Items that will be reclassified subsequently to profit or loss** | | **-9.2** | **-8.9** | **-18.1** |
| - Result from sales of treasury shares | | -1.5 | | -1.5 |
| - Actuarial gains | | 0.0 | | 0.0 |
| **Items that will not be reclassified subsequently to profit or loss** | | **-1.4** | | **-1.4** |
| Share of other comprehensive income items of equity method investees | | | | |
| **Total comprehensive income** | | **111.0** | **571.9** | **682.9** |
| **Of which** | | | | |
| *- Group share* | | *88.8* | *442.5* | *531.4* |
| *- Non-controlling interests* | | *22.2* | *129.3* | *151.5* |
| **Undiluted comprehensive income per share (euro)** | | **0.3** | | **1.7** |
| **Diluted comprehensive income per share (euro)** | | **0.3** | | **1.7** |

(1) As investment properties are measured at fair value, the depreciation and impairment allowance for the period is fully neutralized.

(2) The fair value restatement consists in the recognition of the period changes of fair market value of the investment properties, net the costs capitalized during the period.

(3) The Group's share in the earnings of Equity Method Investments has been adjusted by applying the fair value model to investment properties.

(4) The corporate income tax has been adjusted with the deferred taxes related to the fair value adjustments of the assets owned by entities that do not benefit from the SIIC and SOCIMI tax dispositions.

(5) The restatement of the translation profits and losses is due to the currency translation impact on the investment properties held under non-euro currencies.

## 3 SCOPE OF CONSOLIDATION

As of June 30, 2017, the Group's scope of consolidation included 285 companies compared to 282 as of December 31, 2016, including 249 fully consolidated companies and 36 companies consolidated under the equity method.

The main changes in the scope of consolidation since December 31, 2016 were:

- On May 22, 2017, Klépierre acquired 100% of the shares of SC Nueva Condo Murcia for an amount of €122.8 million. This company owns Nueva Condomina, the leading shopping mall in the region of Murcia, Spain. The acquisition was treated as a business combination in accordance with IFRS 3. The net amount of the identifiable assets and liabilities at their fair value at the acquisition date stands at €111.4 million. The €11.4 million goodwill is allocated to the possibility of optimizing income taxes when disposing of the assets. In accordance with IFRS 3, this 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 €1.7 million to rental income and €1.5 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 €7.9 million to rental income and €6.7 million to the net rental income;

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

- On March 13, 2017, Corio SAS has been merged into Klépierre SA.

## 4 SHOPPING CENTER OPERATIONS OVERVIEW

### 4.1 ECONOMIC ENVIRONMENT[1]

The Eurozone economy has improved since the beginning of 2017, with GDP growing by 1.9% during the first quarter (vs Q1 2016) and expected to reach 1.8% by the end of the year (vs 1.7% in 2016), according to the OECD. Against the backdrop of reassuring electoral outcomes in France and The Netherlands, consumer confidence has improved, reaching its highest level in a decade. Unemployment has declined further, and stood at 9.5% in March 2017 (the lowest rate since April 2009). Private consumption and export growth also supported GDP expansion. Spain (+2.8% in 2017E), Poland (+3.6% in 2017E), and Sweden (+2.7% in 2017E) are expected to be among the best performers in Europe, supported by a strong consumption.

The Eurozone inflation rate is forecasted to increase to around 1.7% in 2017, in line with ECB's target of below 2.0% and showing clear acceleration vs 2016 (+0.2%).

Exhibit 1.

**2017 and 2018 macroeconomic forecasts by country**

| | | Real GDP growth rate | | | Unemployment rate | | | Inflation rate | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Country | | FY 2016 | Q1 2017 | FY 2017E | FY 2016 | Q1 2017 | FY 2017E | FY 2016 | Q1 2017 | FY 2017E |
| EUROZONE | | 1.7% | 1.9% | 1.8% | 10.0% | 9.5% | 9.3% | 0.2% | 1.8% | 1.7% |
| France | | 1.1% | 1.1% | 1.3% | 10.1% | 9.6% | 9.7% | 0.2% | 1.2% | 1.3% |
| Belgium | | 1.2% | 1.6% | 1.6% | 7.9% | 7.6% | 7.2% | 2.0% | 2.6% | 2.5% |
| Italy | | 1.0% | 1.2% | 1.0% | 11.7% | 11.6% | 11.5% | -0.1% | 1.3% | 1.5% |
| Scandinavia | Norway | 1.1% | 0.9% | 1.3% | 4.7% | 4.3% | 4.4% | 3.5% | 2.6% | 1.9% |
| | Sweden | 3.1% | 2.2% | 2.7% | 7.0% | 6.7% | 6.5% | 1.0% | 1.5% | 1.6% |
| | Denmark | 1.3% | 2.6% | 1.6% | 6.2% | 6.0% | 6.5% | 0.3% | 1.0% | 1.2% |
| Iberia | Spain | 3.2% | 3.0% | 2.8% | 19.6% | 18.2% | 17.5% | -0.2% | 2.7% | 2.3% |
| | Portugal | 1.4% | 2.8% | 2.1% | 11.1% | 9.9% | 9.7% | 0.6% | 1.4% | 1.6% |
| CEE & Turkey | Poland | 2.7% | 4.2% | 3.6% | 6.2% | 5.0% | 5.2% | -0.7% | 2.0% | 2.3% |
| | Czech Republic | 2.3% | 3.0% | 2.9% | 4.0% | 3.3% | 3.3% | 0.7% | 2.4% | 2.3% |
| | Hungary | 1.9% | 3.8% | 3.8% | 5.1% | 4.3% | 4.2% | 0.4% | 2.6% | 1.5% |
| | Turkey | 3.1% | 4.5% | 3.4% | 10.8% | 11.6% | 10.8% | 7.8% | 10.2% | 10.4% |
| The Netherlands | | 2.1% | 2.5% | 2.4% | 6.0% | 5.2% | 5.2% | 0.3% | 1.5% | 1.6% |
| Germany | | 1.8% | 1.7% | 2.0% | 4.1% | 3.9% | 3.8% | 0.5% | 1.9% | 1.9% |

### 4.2 CHANGE IN RETAILER SALES

On a like-for-like portfolio basis,[2] retailer sales at Klépierre's shopping malls rose by 0.8% in the first half of 2017 (+0.5% excluding extensions). While the first quarter of 2017 was negatively impacted by adverse calendar effects (-0.6%), sales picked up in the second quarter (+1.8%), benefiting from improved macro-economic conditions and favorable weather conditions (except in Scandinavia).

On a geographical basis, CEE & Turkey posted very strong results (+6.9%), with Hungary posting the best performance (+11.6%). On the back of accelerated GDP growth, Iberia also reported strong figures: retailer sales in Spain and Portugal grew by +4.8% and +4.4% respectively. Retailer sales were stable in Scandinavia (-0.3%) and Germany (+0.6%), and down slightly in Italy (-1.2% due to competition in Northern Italy) and France (-0.3% due to an adverse calendar effect in the first quarter not fully offset by growing sales in the second quarter).

[1] All macroeconomic data in sections 4 and 5 of this report are from: *OECD Economic Outlook*, June 2017.

[2] Like-for-like change is on a same-center basis and excludes the impact of asset sales and acquisitions.

Exhibit 2.

**Year-on-year retailer sales change for the six months ended June 30, 2017 by country**

| | H1 2017 Year-on-Year Change | Share of Total Reported Retailer Sales |
|---|---|---|
| France | -0.3% | 31% |
| Belgium | -1.6% | 2% |
| **France-Belgium** | **-0.4%** | **33%** |
| **Italy** | **-1.2%** | **24%** |
| Norway | -1.4% | 8% |
| Sweden | 1.7% | 7% |
| Denmark | -1.7% | 4% |
| **Scandinavia** | **-0.3%** | **19%** |
| Spain | 4.8% | 7% |
| Portugal | 4.4% | 3% |
| **Iberia** | **4.7%** | **10%** |
| Poland | 3.2% | 3% |
| Hungary | 11.6% | 2% |
| Czech Republic | 6.5% | 2% |
| Turkey | 9.1% | 2% |
| **CEE and Turkey** | **6.9%** | **10%** |
| **The Netherlands** | **n.s.*** | **1%*** |
| **Germany** | **0.6%** | **3%** |
| **TOTAL** | **0.8%** | **100%** |

* Only a few Dutch retailers report their sales to Klépierre.

On a sectorial basis, health & beauty (13% of total sales) remained the top-performing segment (+2.3%), confirming the solid trend of 2016. After a soft Q1, the fashion segment (+1.4%; 40% of total sales) recovered sharply in Q2, supported by warm weather conditions. food & restaurant (12% of total sales) increased by 1.5% thanks to supportive long weekends in the second quarter. Household equipment retailer sales were down (–3.3%; 11% of retailer sales), because of a challenging comparison base as the past two years benefited from strong TV sales due to the transition to digital terrestrial, high definition TV.

Exhibit 3.

**Year-on-year retailer sales change for the six months ended June 30, 2017 by segment**

| | H1 2017 Year-on-Year Change | Share of Total Reported Retailer Sales |
|---|---|---|
| Fashion | 1.3% | 40% |
| Culture, Gifts & Leisure | -0.2% | 17% |
| Health & Beauty | 2.3% | 13% |
| Household equipment | -3.3% | 11% |
| Food & Restaurants | 1.5% | 12% |
| Others | 3.5% | 7% |
| **Total** | **0.8%** | **100.0%** |

## 4.3 GROSS RENTAL INCOME

Exhibit 4.
**Gross rental income**

| *In €m* | 06/30/2017 | 06/30/2016 | Current Change |
|---|---|---|---|
| France-Belgium | 217.6 | 211.4 | 2.9% |
| Italy | 104.4 | 102.7 | 1.7% |
| Scandinavia | 96.8 | 97.5 | -0.8% |
| Iberia | 58.1 | 57.5 | 1.0% |
| CEE and Turkey | 61.2 | 59.6 | 2.6% |
| The Netherlands | 31.5 | 30.8 | 2.3% |
| Germany | 27.3 | 28.7 | -4.6% |
| **TOTAL SHOPPING CENTERS** | **596.8** | **588.1** | **1.5%** |
| Other activities | 14.8 | 15.8 | -6.2% |
| **TOTAL** | **611.7** | **603.9** | **1.3%** |

Shopping center gross rental income (total share) amounted to €596.8 million for the first half of 2017, versus €588.1 million for the first half of 2016. This increase reflects like-for-like growth, the impact of the acquisition of Nueva Condomina (Spain), and the openings of extensions (Val d'Europe and Hoog Catharijne), which more than offset the impact of the disposals of the last 18 months.[3]

Adding in gross rental income generated by other activities (down 6.2% due to asset disposals), total gross rental income reached €611.7 million, versus €603.9 million for H1 2016.

## 4.4 NET RENTAL INCOME

Exhibit 5.
**Net rental income**

| *In €m* | 06/30/2017 | 06/30/2016 | Current change | Like-for-like change | Index-linked rental adjustments |
|---|---|---|---|---|---|
| France-Belgium | 195.5 | 190.9 | 2.4% | 2.3% | 0.1% |
| Italy | 93.5 | 91.6 | 2.2% | 2.2% | 0.3% |
| Scandinavia | 86.9 | 91.3 | -4.8% | 4.2% | 2.4% |
| Iberia | 51.4 | 50.3 | 2.3% | 4.8% | 1.1% |
| CEE and Turkey | 56.0 | 54.7 | 2.4% | 2.2% | 1.0% |
| The Netherlands | 22.7 | 22.0 | 3.3% | 2.1% | 1.0% |
| Germany | 21.0 | 20.0 | 5.3% | -0.1% | 0.0% |
| **TOTAL SHOPPING CENTERS** | **527.1** | **520.7** | **1.2%** | **2.7%** | **0.7%** |
| Other activities | 14.4 | 15.3 | -6.2% | | |
| **TOTAL** | **541.5** | **536.1** | **1.0%** | | |

Net rental income (NRI) generated by shopping centers reached €527.1 million in the first half of 2017, up €6.4 million on a current-portfolio and Total-Share basis compared to the same period of 2016. This increase is a combination of:

– €13.5-million increase in NRI on a like-for-like basis (+2.7%);

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

– €2.9 million in additional NRI from the acquisition of Nueva Condomina (Murcia, Spain) and the extension openings at Hoog Catharijne in the Netherlands and Val d'Europe in France;

– €10.2-million decrease in NRI from asset disposals, notably in Scandinavia and in Spain; and

– A limited foreign exchange impact.

On a like-for-like portfolio basis,[4] shopping center NRI was up by 2.7%, outperforming by 200 bps index-linked rental adjustments of +0.7%.

Chart 1.
**Shopping center NRI breakdown by region for the six-month period ended June 30, 2017**
(total share)

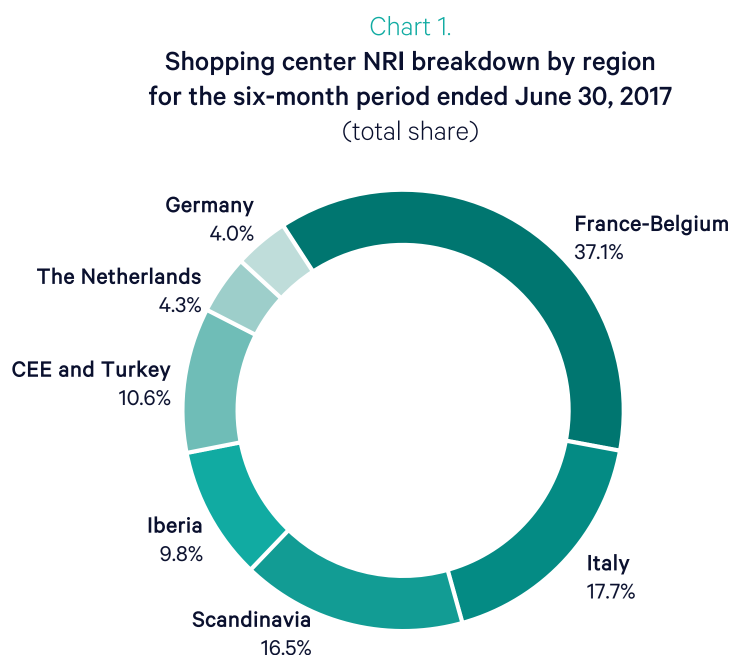



Exhibit 6.
**Foreign exchange impact on like-for-like NRI over the six-month period ended June 30, 2017**

| | NRI like-for-like change | | Forex impact on NRI like-for-like change |
|---|---|---|---|
| | At constant forex | At current forex | |
| Norway | 4.6% | 7.3% | -275 bps |
| Sweden | 4.3% | 1.1% | 320 bps |
| Denmark | 3.6% | 3.8% | -20 bps |
| **Scandinavia** | **4.2%** | **4.2%** | **-5 bps** |
| Poland | -1.3% | -0.7% | -65 bps |
| Hungary | 12.6% | 12.6% | 0 bps |
| Czech Republic | 13.0% | 13.9% | -95 bps |
| Turkey* | -6.7% | -6.7% | -5 bps |
| **CEE and Turkey** | **2.2%** | **2.7%** | **-50 bps** |
| **TOTAL** | **2.7%** | **2.9%** | **-15 bps** |

*Turkish figures do not reflect the evolution of the Turkish Lira as the rents generated by Klépierre malls in Turkey are denominated in EUR and USD.

[4] Like-for-like excludes the contribution of new spaces (acquisitions, new centers, and extensions), spaces being restructured, disposals completed since January 2016, and foreign exchange impacts.

## 4.5 CONTRIBUTION OF ASSETS CONSOLIDATED UNDER THE EQUITY METHOD

The net income contribution of assets consolidated under the equity method to Klépierre's consolidated financial statement amounted to €35.9 million in the first half of 2017. These assets are:

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

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

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

Exhibit 7.

**Contribution of assets consolidated under the equity method**

**Gross rental income - total share**

| *In €m* | 06/30/2017 | 06/30/2016 (Fair Value) | 06/30/2016 (published) |
|---|---|---|---|
| France | 11.5 | 12.3 | 12.3 |
| Italy | 20.0 | 19.4 | 19.4 |
| Norway (*) | 4.1 | 7.5 | 7.5 |
| Iberia | 1.5 | 1.5 | 1.5 |
| Turkey | 7.0 | 8.3 | 8.3 |
| **TOTAL** | **44.1** | **48.9** | **48.9** |

**Net rental income - total share**

| *In €m* | 06/30/2017 | 06/30/2016 (Fair Value) | 06/30/2016 (published) |
|---|---|---|---|
| France | 8.7 | 9.4 | 9.4 |
| Italy | 17.1 | 16.6 | 16.6 |
| Norway (*) | 3.4 | 6.2 | 6.2 |
| Iberia | 1.3 | 1.3 | 1.3 |
| Turkey | 5.4 | 6.1 | 6.1 |
| **TOTAL** | **35.9** | **39.6** | **39.6** |

**Net current cash flow - total share**

| *In €m* | 06/30/2017 | 06/30/2016 (Fair Value) | 06/30/2016 (published) |
|---|---|---|---|
| France | 8.0 | 8.5 | 8.5 |
| Italy | 12.7 | 11.3 | 11.3 |
| Norway (*) | 3.4 | 6.1 | 6.1 |
| Iberia | -0.7 | -0.6 | -0.6 |
| Turkey | 5.2 | 5.9 | 5.9 |
| **TOTAL** | **28.6** | **31.3** | **31.3** |

**Net income - total share**

| *In €m* | 06/30/2017 | 06/30/2016 (Fair Value) | 06/30/2016 (published) |
|---|---|---|---|
| France | 8.5 | 2.5 | -6.8 |
| Italy | 32.7 | 23.1 | 4.3 |
| Norway (*) | 14.4 | 17.6 | 6.4 |
| Iberia | -0.4 | 0.5 | 0.1 |
| Turkey | -15.5 | 7.6 | 4.8 |
| **TOTAL** | **39.6** | **51.2** | **8.8** |

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

## 4.6 SHOPPING CENTER BUSINESS SUMMARY

### 4.6.1 Leasing highlights

Exhibit 8.

**Key leasing performance indicators as of June 30, 2017**

| | Volume of leases renewed and relet *(€m)* | Reversion *(%)* | Reversion *(€m)* | OCR[(a)] | EPRA Vacancy rate | Late payment rate[(b)] |
|---|---|---|---|---|---|---|
| France-Belgium | 17.8 | 8.4% | 1.5 | 12.6% | 3.1% | 1.9% |
| Italy | 11.0 | 15.2% | 1.7 | 11.5% | 1.3% | 2.1% |
| Scandinavia | 10.5 | 12.9% | 1.4 | 11.2% | 3.4% | 0.3% |
| Iberia | 10.8 | 18.7% | 2.0 | 12.9% | 4.9% | 0.1% |
| CEE and Turkey | 11.4 | 9.8% | 1.1 | 12.8% | 5.2% | 2.6% |
| The Netherlands | 0.7 | 10.0% | 0.1 | - | 6.5% | 2.2% |
| Germany | 0.9 | -5.0% | 0.0 | 11.2% | 5.9% | 2.1% |
| **TOTAL** | **63.1** | **12.2%** | **7.7** | **12.1%** | **3.4%** | **1.6%** |

Scope includes assets consolidated under the equity method.

(a) Occupancy cost ratio. Data not provided for the Netherlands as too few retailers report sales to Klépierre.

(b) 12-month rolling rate.

Klépierre posted another record in terms of leasing activity in the first half of 2017, with 972 leases signed, of which 815 leases renewed or relet at an average 12.2% reversion rate.

This performance corresponds to a 9% increase in the number of leases signed and €18.9 million in additional annual minimum guaranteed rents (MGR), excluding Val d'Europe and Hoog Catharijne extensions. The €6.4-million increase compared to the first half of 2016 was driven mainly by France which confirmed its attractiveness to retailers with 190 leases signed (+16%, or €5.6 million in additional MGR), Spain (+40%, or €2.7 million in additional MGR), and Italy (+19%, or €2.2 million in additional MGR).

Deal flow with top international retailers remained extremely strong, as 13 leases were signed with the Inditex Group (notably including six Zara stores), six leases with Sephora, including the implementation of a new 600-sq.m. concept store at Val d'Europe (opened in April 2017) and another at St. Lazare (over 1,000 sq.m. to open in April 2018); and 6 leases with Pandora, including one store enlargement.

Klépierre also accelerated the implementation of its Destination Food® strategy, with the introduction of innovative concepts such as Five Guys (Hoog Catharijne, Alexandrium), Grom (Val d'Europe, Prado), Johnny Rockets (Lonato), Leon (Hoog Catharijne) and Wagamama (Prado). New dedicated food areas in Hoog Catharijne (City Square and Pavillon), Val d'Europe (Place des Étoiles) and the Prado rooftop will further enhance the attractiveness of the food and beverage offering in Klépierre's malls.

This dynamic leasing activity translated into further improvement in the Group's key operational performance indicators in the first half. After significant improvements posted in 2016, the shopping center vacancy rate (EPRA format) was reduced to 3.4%, a 10-bp improvement from December 2016, and a 40-bp improvement from June 2016. At the same time, the bad debt allowance was maintained at a low 1.6%.

### 4.6.2 Sustainable development performance

Alongside with Retail first®, Let's Play® and Clubstore®, our Good Choices® sustainability approach is one of the four pillars of Klépierre's strategy. Since 2013, this approach is deployed across Europe and focused on key impacts and opportunities for our business. 30 objectives, covering our entire scope and main issues, to be achieved by 2020 have been defined and complemented by action plans.

During the past months, significant efforts on environmental performance have been made to push further our ambition. First, new statistic and software tools were developed to better assess the performance (multi-correlation analysis) so that a specific action plan has been customized to each asset for the first time. As Klépierre strongly believes in sharing experience to achieve collective results, a best practices manual on environmental performance has been created as well, for the teams locally to benefit from innovations and good practices which have shown great results elsewhere. Thanks to these tools and manual, promising results have been achieved without necessary investments (-11% in France between 2015 and 2016 for example).

## 5 BUSINESS ACTIVITY BY REGION

### 5.1 FRANCE-BELGIUM (36.1% OF NET RENTAL INCOME)

Exhibit 9.

**NRI & EPRA Vacancy Rate in France-Belgium**

| | Current-Porfolio NRI | | | Like-for-Like Portfolio NRI | | | EPRA Vacancy rate | |
|---|---|---|---|---|---|---|---|---|
| *In €m* | 06/30/2017 | 06/30/2016 | Change | 06/30/2017 | 06/30/2016 | Change | 06/30/2017 | 06/30/2016 |
| France | 187.6 | 183.2 | 2.4% | 183.5 | 179.9 | 2.0% | 3.1% | 3.4% |
| Belgium | 7.9 | 7.7 | 2.5% | 7.9 | 7.3 | 9.0% | 1.1% | 0.9% |
| **France-Belgium** | **195.5** | **190.9** | **2.4%** | **191.4** | **187.1** | **2.3%** | **3.1%** | **3.3%** |

**GDP** in France increased by 1.1% in the first quarter of 2017 (vs Q1 2016), and is expected to accelerate to 1.3% for full- year 2017 (compared to 1.1% in 2016) on the back of a recovery in exports and a solid domestic demand. The positive outcome of the Spring elections lifted consumer confidence to a record high not seen since June 2007. The unemployment rate is expected to decrease to 9.7% in 2017, from 10.1% in 2016. This improvement is expected to sustain consumer spending growth.

**Retailer sales** were down 0.3% (−0.8% excluding extensions) throughout the first-half of 2017. After a slight decline in the first quarter (−1.3% due to one less Saturday and one less calendar day), sales recovered sharply in April and May (+2.5%) but were impacted in June by the dates of the sales period (one week later than last year). Against this backdrop and thanks to favorable weather conditions (especially during the second quarter), the fashion segment was one of the best performers.

Across the portfolio, Val d'Europe registered strong sales (+6.3%) thanks to the delivery of the extension project in April and Sunday openings since H2 2016. The opening of Primark next September should drive further footfall and retailer sales increases. Blagnac (Toulouse) also registered fast-growing retailer sales (+1.0%) thanks to the opening of new shops, including MAC, Palais des Thés (an upscale tea brand) , and Uniqlo.

**Net rental income** on a like-for-like basis was up 2.3% over the first six months of 2017, outperforming indexation by 220 bps. This performance was driven by the positive effects of re-tenanting actions; implemented in 2016 and H1 2017. Additionally, the recent renegotiation of the Clear Channel contract and the reduction in operating costs through centralized procurement further boosted net rental income growth. On a current basis, net rental income increased by 2.4%, mainly attributable to the extension project at Val d'Europe, more than offsetting recent disposals.

**Leasing activity** remained dynamic in H1 2017, with 190 contracts signed (vs 164 in H1 2016) over the period at an average 8.4% reversion rate for relets and renewals (in France and Belgium). The recent re-leasing campaign at Saint Lazare translated into the signing of 14 deals with prominent brands including NYX Professional Makeup, Rituals, Levi's, Calzedonia, and Bialetti; leases with Undiz, Petit Bateau and Pylones were renewed. The fantastic success of the shopping center which opened six years ago drove strong demand from retailers and high reversion.

Four years after the extension, Bègles (Bordeaux region) continued to reinforce its leading position with the introduction of Decathlon (6,000 sq.m. store) and Mosto Buffet, a new food concept developed over 1,100 sq.m.; Swatch opened its new concept store; and the winter-garment brand Jott will be added to the mix as well.

In the first quarter of 2018, Sephora will unveil one of its largest stores in the world (and the 2$^{nd}$ largest in France) featuring a new and innovative concept over more than 1,000 sq.m at Saint Lazare. The leading player in the health & beauty segment has signed 4 additional leases at Annecy Courier and Villiers-en-Bière (renewals), Marseille Bourse (extension), and Val d'Europe (new concept). Three releasing deals were secured with Pandora,

including a 190 sq.m. store in Créteil Soleil. The Inditex group signed 6 deals across the portfolio in H1 2017, including a 3,290 sq.m. Zara flagship store set to open at Prado (a perfect fit with the Galeries Lafayette). A 1,700 sq.m. Zara store opened at Écully (Lyon region) in June 2017, further enhancing the center's attractiveness.

## 5.2 ITALY (17.3% OF NET RENTAL INCOME)

Exhibit 10.

**NRI & EPRA Vacancy Rate in Italy**

| | Current-Porfolio NRI | | | Like-for-Like Portfolio NRI | | | EPRA Vacancy rate | |
|---|---|---|---|---|---|---|---|---|
| *In €m* | 06/30/2017 | 06/30/2016 | Change | 06/30/2017 | 06/30/2016 | Change | 06/30/2017 | 06/30/2016 |
| **Italy** | 93.5 | 91.6 | 2.2% | 93.5 | 91.6 | 2.2% | 1.3% | 1.6% |

Italy's **GDP grew** by 1.2% in the first quarter of 2017 (vs Q1 2016) and is expected to reach only 1.0% growth for the full year against the backdrop of sluggish private consumption, rising inflation, and political uncertainty.

**Retailer sales** in our Italian portfolio were down 1.2% for the first half of the year. This negative performance is mainly due to the impact of new competition, especially in malls located in Milan and Brescia (Le Rondinelle). Il Leone di Lonato and Le Corti Venete were challenged as well by recent openings of nearby malls. While the impact of stronger competition was significant in the first quarter, it tended to normalize in the second quarter (especially in Milan).

Our leading malls nonetheless continued to outperform their peers: Romagna Shopping Valley achieved +14.6% year-to-date sales growth; Nave de Vero reached +4.6%; Alle Valli's sales grew by 2.9%; Porta di Roma recorded steady growth of +3.2%, helped by the recent releasing campaign and implementation of the Clubstore concept.

**Net rental income** posted a 2.2% increase over the six-month period, outperforming indexation by 190 bps. The main driver of NRI growth was once again dynamic leasing activity in 2016 and H1 2017. Additional revenues were generated by specialty leasing and variable rents. Lastly, the decrease in the bad debt allowance also boosted like-for-like rental growth.

A total of 157 **leases** were signed in H1 2017 with a solid reversion rate of 15.2% for 144 renewed contracts. Large international retailers continued to expand in Italy across Klépierre's portfolio. Five Pandora stores were "rightsized" (including Campania, Destriero, Porta di Roma), as the brand is looking for larger units to capitalize on its contiuing success. 13 deals were made with the fashion group Miroglio, including 11 renewals and 2 new lettings.

Flunch, the popular fast food chain, will refurbish its stores at Porta di Roma (976 sq.m.) and will open a new restaurant in November 2017 at La Certosa (1,205 sq.m.), helping to strengthen the food offer while improving occupancy.

At Globo (Milan region), a large reletting campaign translated into a total of ca. 5,400 sq.m. released or renewed to national and international retailers such as Adidas, Accessorize, Media World (rightsized store: 800 sq.m.), and Geox (rightsized store +84 sq.m.). In addition, Limoni (367 sq.m.) and New Energy (1,440 sq.m.) renewed their contracts.

## 5.3 SCANDINAVIA (16.0% OF NET RENTAL INCOME)

Exhibit 11.

**NRI & EPRA Vacancy Rate in Scandinavia**

| | Current-Porfolio NRI | | | Like-for-Like Portfolio NRI | | | EPRA Vacancy rate | |
|---|---|---|---|---|---|---|---|---|
| *In €m* | 06/30/2017 | 06/30/2016 | Change | 06/30/2017 | 06/30/2016 | Change | 06/30/2017 | 06/30/2016 |
| Norway | 33.4 | 32.2 | 3.6% | 33.8 | 32.3 | 4.6% | 2.5% | 3.8% |
| Sweden | 28.2 | 31.5 | -10.6% | 27.3 | 26.1 | 4.3% | 3.1% | 4.1% |
| Denmark | 25.3 | 27.5 | -8.1% | 25.0 | 24.1 | 3.6% | 5.8% | 6.2% |
| **Scandinavia** | **86.9** | **91.3** | **-4.8%** | **86.0** | **82.6** | **4.2%** | **3.4%** | **4.5%** |

### 5.3.1 Norway

The Norwegian **economy** gathered momentum since the beginning of 2017, with GDP growing at the fastest pace seen in the last three years (+0.9% for Q1 2017 vs. Q1 2016) and expected to post +1.3% for full-year 2017. The major driving force of this recovery is the rise in private consumption (+2.0% for 2017). Low unemployment (4.4% in 2017E) and moderate inflation (1.9% in 2017E, compared to 3.5% in 2016) is expected to further support the economic improvement.

**Retailer sales** were down 1.4% in the first half of 2017, penalized by adverse weather conditions during the second quarter. Business across the malls remained sound: Metro retailer sales grew by 2.9%, reflecting the major re-tenanting of the mall over the past 2-3 years; retailer sales at Vinterbro Senter reached +3.0% due to a high conversion rate. Among the segments, health & beauty recorded sound growth (+4.8%), while fashion (-2.1%) was penalized by unfavorable weather conditions.

**Net rental income** recorded a strong like-for-like performance of +4.6% in the first half of 2017. With a 3.7% impact, indexation was the main growth contributor. The solid reversion achieved (especially at Gulskogen and Farmandstredet) explained the rest of the increase, while vacancy contraction (-130 bps to 2.5%) occurred at the end of the first half and should therefore mostly contribute to net rental income increase in the second half of the year.

For the first half of the year, 78 **leases** were signed at Klépierre's Norwegian shopping malls (67 in H1 2016) at an average 15.5% reversion rate for 60 renewed contracts. At Arkaden, H&M unveiled its refurbished store covering more than 3,000 sq.m. and COS will open its very first store in a shopping center in Norway over 1,400 sq.m. At Gulskogen, Clas Ohlson plans to implement its latest concept, while Toys'R'Us will open a new store.

Klépierre continued to successfully deploy its Destination Food® approach at its Norwegian malls. At Oslo City, leases were signed with new concept food retailers: Backstube (bakery), Soho Urban Barista (opened in March), and The Juicery (scheduled to open in October 2017). At Arkaden, Subway and Starbucks both opened stores in H1 (112 sq.m. and 136 sq.m., respectively). At Gulskogen, Gulating (urban brewery), Espresso House, and Tika (Indian restaurant) implemented their latest concepts.

At Vinterbro, Home & Cottage will open a 908 sq.m. store. This powerful household equipment anchor's introduction in the mall will reduce vacancy and improve the tenant mix.

### 5.3.2 Sweden

Sweden's **economy** appeared robust since the start of the year. GDP increased by 2.2% in the first quarter of 2017 (vs Q1 2016) and is projected to grow by 2.7% in 2017, a strong growth compared to other mature economies. The increase was driven by solid demand, labor market expansion, rising productivity, and a brightening international outlook. Consumer prices are expected to rise even though inflationary pressures are moderate (1.6% in 2017E).

**Retailer sales** were up 1.7% for the first half of 2017. Emporia once again outperformed its peers, with an increase of 5.1% year-to-date thanks to rising footfall (+1.9%) and an improved merchandising mix. Galleria Boulevard registered a 2.8% increase. Over the first half of 2017, food & restaurants and health &beauty sales posted strong increases of 3.8% and 3.4% respectively; fashion increased by 1.4%.

**Net rental income** was up 4.3% like-for-like over the first six-month period, a 310-bp outperformance vs indexation (+1.2%). Two-thirds of the outperformance is explained by reversion (including the H&M rightsizing in Emporia and Marieberg) and the remainder by variable rents. On a current basis, net rental income declined by 10.6%, following the disposal of Torp and, to a lesser extent, of the Emporia offices.

**Leasing activity** remained sound at our Swedish malls, with 67 deals signed in H1 2017 at an average reversion rate of 12.6% for 58 renewals. Emporia continued to attract the retailers that are expanding in the country: Calvin Klein, DM, and Kids Brand Store in the fashion segment; and Make Up Store and Brush & Blow in health & beauty. Other significant deals include the Hemmakväll (candies) release and the renewals of G-Star (fashion) and Glensia (jewelry). At Marieberg, Finlayson (162 sq.m.), Cassels (502 sq.m.), Only (184 sq.m.), and Partyland (121 sq.m.) opened new shops. In addition, H&M has opened three stores at Emporia (3,392 sq.m.), Marieberg (3,261 sq.m.), Kupolen (2,864 sq.m.).

### 5.3.3 Denmark

The Danish **macroeconomic environment** remained robust in H1 2017. GDP growth reached 2.6% during the first quarter (vs Q1 2016) and is expected to reach 1.6% for full-year 2017 (vs 1.3% in 2016). Consumer confidence stood at high levels in May and business confidence entered back into positive territory in April after three years of negative performance.

**Retailer sales** declined by 1.7% over the first half of 2017, mainly dragged down by the fashion sector (−2.2%), which suffered from adverse weather conditions. This decline more than offset the strong performance of health & beauty (+9.1%) and food & restaurants (+12.4%), mainly driven by the new food destination at Field's.

**Net rental income** was up 3.6% on a like-for-like basis, outperforming indexation by 150 bps, mostly attributable to specialty leasing revenues and variable rents.

A total of 10 **leases** were signed in H1 2017. At Field's, Zara plans to open a new 2,800 sq.m. flagship store in April 2018, which will become an additional fashion anchor; Calvin Klein opened its first store in the Klépierre Danish portfolio in April 2017. The mall will also welcome a pop-up store with a high-street brand in an effort to significantly reduce short-term vacancy. At Bryggen, Toys'R'Us will open a store in October 2017.

## 5.4 IBERIA (9.5% OF NET RENTAL INCOME)

Exhibit 12.

**NRI & EPRA Vacancy Rate in Iberia**

| | Current-Porfolio NRI | | | Like-for-Like Portfolio NRI | | | EPRA Vacancy rate | |
|---|---|---|---|---|---|---|---|---|
| *In €m* | 06/30/2017 | 06/30/2016 | Change | 06/30/2017 | 06/30/2016 | Change | 06/30/2017 | 06/30/2016 |
| Spain | 41.4 | 40.6 | 1.9% | 39.2 | 37.3 | 5.0% | 3.9% | 4.9% |
| Portugal | 10.0 | 9.7 | 3.9% | 10.0 | 9.7 | 3.9% | 8.3% | 10.0% |
| **Iberia** | **51.4** | **50.3** | **2.3%** | **49.2** | **47.0** | **4.8%** | **4.9%** | **6.2%** |

### 5.4.1 Spain

The Spanish **economy** continued to expand significantly faster than the rest of Europe, with GDP growing by 3.0% over the first quarter (vs Q1 2016) and expected to reach 2.8% in 2017. Services and manufacturing purchasing managers' indices (PMIs) accelerated markedly, and exports expanded at the fastest pace on record

in Q1 2017. The employment market continued to prosper, with the latest unemployment rate expected down to 17.5% for full-year 2017 (compared to 19.6% in 2016), ultimately boosting consumption.

**Retailer sales** across the Spanish portfolio remained buoyant (+4.8%) for the first half of 2017, with a very strong performance in the second quarter (+8.5%). All Klépierre malls in Madrid performed particularly well (Principe Pio: +7.4%; Plenilunio: +4.5%; and La Gavia: +1.7%). The sharp sales increase was triggered by health & beauty (+11.2%), culture, gift & leisure (+8.3%), and food & restaurants (+5.7%), as well as with positive fashion performance (+1.3%).

**Net rental income** saw a like-for-like increase of 5.0% over the first six months of 2017, outperforming Spanish indexation (1.2%) by 380 bps. The buoyant reversion achieved recently remained the top growth driver, especially in prime shopping centers, while strong retailer sales triggered some variable rents. Lastly, the vacancy rate (-100 bps to 3.9%) and the bad debt allowance (-40bps to 0.2%) rate were sharply reduced, providing further support to like-for-like growth.

The Spanish portfolio registered a strong **leasing** performance in the first half of this year. A total of 137 deals were signed with international retailers, translating into an average reversion rate of 21% for 112 renewed and releasing contracts. In the fashion segment, the tenant mix was further diversified with the addition of renowned brands: Adidas (350 sq.m. in Maremagnum), Celio (301 sq.m. in La Gavia), Etam (232 sq.m. in La Gavia, and Etam Lingerie of 258 sq.m. in Plenilunio), Mango (844 sq.m. in Gran Via de Hortaleza and 868 sq.m. in El Ferial) and Undiz (171 sq.m. in La Gavia). Leasing teams have intensified their work at Nueva Condomina: Zara will open its largest store in the region in Spring 2018 (3,400 sq.m) thanks to the relocation of both Cortefiel, which will open a new concept store on the ground floor, and Zara Home, which will open a 500 sq.m. store in the Autumn; Reebok will also join the center. At Plenilunio, Stradivarius unveiled a brand new 553 sq.m. store with a new façade in line with the ongoing implementation of the Clubstore® concept. In the beauty segment, Lush opened two stores in Maremagnum; Mac signed a lease in Gran Via de Hortaleza; and Yves Rocher renewed its two contracts in Meridiano and La Gavia.

### 5.4.2 Portugal

The Portuguese **economy** has been gaining momentum since the outset of the year. GDP growth reached 2.8% in Q1 2017 (vs Q1 2016) and is expected to reach 2.1% in 2017 (compared to 1.4% in 2016). Import demand from key European markets significantly contributed to this positive performance. In 2017, unemployment is expected to drop to 9.7%, from 11.1% in 2016; business and consumer confidence has significantly risen since last year.

As in Spain, **retailer sales** achieved strong growth of 4.4% for the first half of 2017, with a strong acceleration in Q2 (+9.6%; partly related to Easter dates). All retail segments contributed to these positive results: health & beauty (+10.6%), fashion (+4.7%), and culture & gifts (+10.7%).

**Net rental income** registered an increase of 3.9% on a like-for-like basis and outperformed indexation by 310 bps. The increase was mainly attributable to good release operations at Parque Nascente and Guimaraes, which brought in new and attractive retailers.

Retailer demand for quality space remained strong. Across the Portuguese portfolio, 60 **contracts** were signed in the first half of the year, with a 12.0% reversion rate for 44 renewals and relets. Thanks to a successful renewal campaign at Aqua Portimão, 35 operations were carried out over a total of 5,800 sq.m. with popular retailers such as Tiffosi, Seaside, Quiksilver, Pizza Hut, and Claire's. The mall's food & Beverage offer was further enhanced by the recent opening of Mundo do Café. At Parque Nascente, Klépierre implemented a large re-anchoring operation that translated into the rightsizing of Zara (2,232 sq.m.), Bershka, Stradivarius, Lefties, C&A, and MediaMarkt, transforming the shopping center into the leading fashion destination in its catchment area.

## 5.5 CENTRAL EASTERN EUROPE (CEE) AND TURKEY (10.3% OF NET RENTAL INCOME)

Exhibit 13.
**NRI & EPRA Vacancy Rate in CEE & Turkey**

| | Current-Porfolio NRI | | | Like-for-Like Portfolio NRI | | | EPRA Vacancy rate | |
|---|---|---|---|---|---|---|---|---|
| *In €m* | 06/30/2017 | 06/30/2016 | Change | 06/30/2017 | 06/30/2016 | Change | 06/30/2017 | 06/30/2016 |
| Poland | 15.7 | 15.9 | -1.0% | 15.7 | 15.9 | -1.3% | 1.5% | 1.7% |
| Hungary | 10.1 | 9.4 | 7.7% | 10.0 | 8.8 | 12.6% | 4.9% | 6.6% |
| Czech Republic | 14.9 | 12.9 | 15.3% | 14.7 | 13.0 | 13.0% | 1.5% | 0.9% |
| Turkey | 14.2 | 15.1 | -6.0% | 14.6 | 15.7 | -6.7% | 8.2% | 7.5% |
| Others | 1.2 | 1.5 | N/A | 1.3 | 1.7 | N/A | 7.7% | N/A |
| **CEE and Turkey** | **56.0** | **54.7** | **2.4%** | **56.3** | **55.1** | **2.2%** | **5.2%** | **5.1%** |

### 5.5.1 Poland

The Polish **economy** registered strong GDP growth (+4.2%) over the first three months of 2017 year-on-year and is estimated to post full-year growth of 3.6% (a 90-bp increase compared to 2016). Higher private consumption and rising exports supported this expansion. Economic prosperity helped drive unemployment lower, to 5.2% compared with last year's 6.2%.

Poland's **retailer sales** accelerated over the first six months of 2017 (+3.2%) compared to the same period in 2016 (+2.8%). Both a favorable calendar effect in May (4 public and church holidays) and dissipated competition pressures contributed to the increase. Shopping centers across the portfolio recorded solid performances, including Sadyba Best Mall (4.1%), Lublin Plaza (+4.1%), Rybnik Plaza (+7.2%), and Ruda Śląska Plaza (+7.3%). Among the segments, food & restaurants and health & beauty were up 10.3% and 5.6%, respectively, while fashion was up 1.2%.

**Net rental income** was down by 1.3% on a constant scope basis over the first half of 2017. While the impact of indexation was muted (+0.6%), the slightly negative reversion and the increase in bad debt allowance accounted for the decline. By shopping center, the positive results for Sadyba were offset by the negative renewals at Rybnik, Sosnowiec, and Poznan.

**Leasing activity** remained stable in the first half-year of 2017, with 61 deals signed with international and local retailers, of which 57 were renewed contracts. The appeal of Lublin Plaza was confirmed through renewals with anchor retailers such as Cinema City and Stokrotka, as well as with a number of international brands: Hugo Boss, Intimissimi, Calzedonia, Esprit, and Levis. As for the mall's food offer, Subway renewed its contract and Buon Appetito opened its restaurant in June. At Rybnik Plaza, popular retailers renewed their premises: Grycan (a popular family-run handmade ice cream brand, 108 sq.m.), Orsay (155 sq.m.), Promod (175 sq.m.), and Vision Express (139 sq.m.).

### 5.5.2 Czech Republic

The Czech **GDP** grew by 3.0% over the first quarter of 2017 year-on-year and is expected to maintain this accelerated pace for the full year compared to 2016 (2.9% for full-year 2017 vs 2.3% for 2016). The main drivers of this growth were a buoyant labor market, rising wages, positive conditions in the manufacturing sector, and strong consumer confidence. Inflation is forecast to reach 2.3% in 2017, compared to 0.7% in 2016.

**Retailer sales** grew by 6.5% for the first six months of 2017, a performance comparable to that of H1 2016. Despite unfavorable calendar effects (two bank holidays in May and Easter in April led to mall closures), all three shopping centers posted strong results. Plzeň Plaza was the best performing center (+9.4%), followed by Novodvorská Plaza (+8.4%). Nový Smíchov, the shopping mall which has the largest Sephora store in Central

Europe, posted sturdy growth (+5.3%). fashion sales recorded solid growth (+4.5%); and food & restaurants and health & beauty were up 12.4% and 8.3%, respectively.

**Net rental income** registered outstanding growth (+13.0% on a like-for-like basis) over the first half of the year, far above indexation. The bulk of this growth is explained by the sharp rental increase at Nový Smíchov following the restructuring of the main entrance last autumn (introducing new units such as Tiger, Starbucks, and Douglas) and the re-tenanting with a high level of reversion.

**Leasing activity** proved very dynamic in Czech Republic. 45 deals were made in H1 2017 with a high reversion rate of 25.3% for 42 renewed and releasing contracts. Nový Smíchov's appeal for renowned brands continued, with two leases signed with the Inditex group: Zara will open its rightsized 3,300 sq.m. flagship store at the mall to implement its latest concept and Bershka signed for a 1,020 sq.m space. In addition to these successful deals, recent signatures with Hugo Boss, Tous, and Lush at Nový Smíchov further confirmed the mall's leading position in the country. In addition, international brands Armani Jeans, Calzedonia, Geox, and Marks & Spencer (1,080 sq.m.) renewed their contracts at the shopping center. At Plzeň Plaza, Burger King signed a 138 sq.m. contract, further improving the mall's food offering.

### 5.5.3 Hungary

The Hungarian **economy** grew by 3.8% in the first quarter of 2017 (vs Q1 2016) and is forecast to maintain this pace of growth for the full-year. This pace, twice that of 2016, was driven by strong performances in the service and industrial sectors. The employment picture improved (the unemployment rate dropped to 4.2% from 5.1% in 2016) and business sentiment reached its highest level in the last three years.

Hungarian **retailer sales** maintained their growth momentum, with an 11.6% increase in the first half year. The overall retail performance benefited from continued improvements in the labor market and an uptick in minimum wages, both of which notably boosted domestic consumption. At Corvin (Budapest), retailer sales grew by 21.6%, mostly driven by the supermarket CBA Prima. Nyír Plaza and Duna Plaza increased by 16% and 12.0%, respectively, followed by Győr Plaza (+6.8%). The food & restaurants and fashion segments greatly contributed to the increase, up 14.5% and 12.8%, respectively, over the period.

On a like-for-like basis, **net rental income** grew by +12.6% over the period, substantially outperforming indexation. This strong performance was driven by reduced vacancy (−170 bps at 4.9%) and dynamic leasing operations across the portfolio. Among the malls, Corvin remained the best performer (+20%), boosted by growth in both footfall and anchor sales.

The Hungarian portfolio remained attractive to international retailers, with 64 **contracts** signed in H1 2017 at a strong reversion rate of 26.0% for 52 renewed contracts and relets. Across the portfolio, Klépierre accelerated the implementation of its Destination Food® strategy by bringing more popular food retailers such as Costa Coffee, Francia Bistro, and KFC to Duna Plaza. In addition, the popular healthy and fast food chain WOK'N'GO chose Győr Plaza, a mall whose entertainment offer will also be strengthened by the arrival of Lego in August 2017.

### 5.5.4 Turkey

Turkey's **GDP** increased by 4.5% over the first quarter (vs Q1 2016) and is projected to grow by 3.4% by the end of 2017, showing an acceleration compared to 2016 (+3.1%). Consumer confidence gradually recovered from the recent low level (63.4) observed at the end of 2016 and reached 72.8 in May 2017. Unemployment is predicted to stay at 10.8% in 2017. The country is still facing strong inflation pressures (10.4% for 2017).

**Retailer sales** were up 9.1% over the first half of 2017, strongly boosted by the Q2 performance (+11.7%). Despite a still uncertain political environment and the high unemployment rate, most of Klépierre's malls still managed to post solid sales in H1 2017: Teraspark (+17.7%), Tarsu (+13.8%), Anatolium (+12.4%), and Tekira (+9.5%). All

segments registered strong growth: fashion was up 12.1%, while food and health & beauty contributed +12.1% and +11.2%, respectively.

In a challenging environment, where the local currency has continued to depreciate against the US dollar and the Euro, **net rental income** in Turkey declined by 6.7% on a like-for-like basis due to higher temporary discounts granted to tenants to soften the effects of the Turkish Lira's depreciation.

A total of 49 **leases** were signed in the Turkish portfolio in H1 2017, with a reversion rate of 1.7% for 38 renewals and relets. The largest Turkish music and book retailer, D&R, signed a 514 sq.m. space at Akmerkez, which helped diversify the merchandising mix and decrease vacancy at the mall. Zara at the mall upsized its store to 2,100 sq.m.. At Teraspark, the shoe retailer FLO upsized its store to 1,235 sq.m from 500 sq.m. Lastly, Nike renewed its store at Anatolium and Yves Rocher opened a store at Tarsu.

## 5.6 THE NETHERLANDS (4.2% OF NET RENTAL INCOME)

Exhibit 14.

**NRI & EPRA Vacancy Rate in the Netherlands**

| | Current-Porfolio NRI | | | Like-for-Like Portfolio NRI | | | EPRA Vacancy rate | |
|---|---|---|---|---|---|---|---|---|
| *In €m* | 06/30/2017 | 06/30/2016 | Change | 06/30/2017 | 06/30/2016 | Change | 06/30/2017 | 06/30/2016 |
| The Netherlands | 22.7 | 22.0 | 3.3% | 13.0 | 12.7 | 2.1% | 6.5% | 6.7% |

Dutch **GDP** rose by 2.5% (vs Q1 2016) and is estimated to reach 2.4% for full-year 2017 (vs 2.1% in 2016). Private consumption should remain stable compared to 2016 and public consumption is expected to increase by 70 bps. In Q1 2017, unemployment fell from 6.0% in 2016 to 5.2%. Both consumer and manufacturing confidence have picked up since last year's low level, in line with positive macroeconomic dynamics.

**Net rental income** recorded a 2.1% like-for-like increase over the first half of 2017 (indexation of 1.0%), showing a clear improvement compared to the H1 2016 performance. The bad debt allowance decreased from 4.3% in H1 2016 to 2.2% in H1 2017, reflecting an improving economic environment. Last year was impacted by several retailer bankruptcies.

**On the leasing front**, the Dutch portfolio registered a strong performance in H1 2017, and posted 10% reversion rate for renewals and relets. Hoog Catharijne stood out as the dominant mall in the Dutch market, introducing 27 new brands to the center. The center's food destination is under full implementation, with contracts signed with the world's largest food operator for travelers - the HMS group (Leon 217 sq.m. and Burger Federation 303 sq.m.) – as well as other favored and stylish restaurants like Comptoir Libanais (381 sq.m.) and two Exki stores (236 sq.m. and 138 sq.m.). The popular Italian chain restaurant Vapiano will open its megastore with a roof terrace in the first quarter of 2018, serving customers in a 1,300 sq.m space. Five Guys will also open its first restaurant in the country in Q1 2018. The fashion mix has been enhanced through contracts with Only (545 sq.m.), Vero Moda (340 sq.m.), Jack&Jones (280 sq.m.), and Timberland (110 sq.m.). On top of these signatures, Nike will open a flagship store in September covering nearly 1,200 sq.m. At Alexandrium, Five Guys signed a lease for 327 sq.m., with an opening planned in February 2018.

## 5.7 GERMANY (3.9% OF NET RENTAL INCOME)

Exhibit 15.

**NRI & EPRA Vacancy Rate in Germany**

| | Current-Porfolio NRI | | | Like-for-Like Portfolio NRI | | | EPRA Vacancy rate | |
|---|---|---|---|---|---|---|---|---|
| *In €m* | 06/30/2017 | 06/30/2016 | Change | 06/30/2017 | 06/30/2016 | Change | 06/30/2017 | 06/30/2016 |
| Germany | 21.0 | 20.0 | 5.3% | 20.4 | 20.4 | -0.1% | 5.9% | 6.4% |

The German **economy** remained robust in the first half of 2017. GDP grew by 1.7% in the first quarter of 2017 (vs Q1 2016) and is projected to reach 2.0% at year-end (vs 1.8% 2016). The main contributors to this growth are government and private spending; improved private investment provided an additional boost to the economy. The unemployment rate fell further, to 3.8% in 2017 versus 4.1% in 2016. Consumer confidence has seen a considerable uptick since the beginning of the year, reaching its highest level in four years.

**Retailer sales** across the German portfolio sustained moderate growth over the first six months of 2017 (+0.6%), with Königsgalerie and Arneken Galerie registering +4.1 and +0.4% respectively. Across the segments, a favorable calendar effect and warm weather benefited retail business, with food & restaurants (+3.4%) and health & beauty (+1.7%).

**Net rental income** was flat in the first half, with no contribution from indexation. Negative reversion is still impacting the net rental income trend but was offset by cost reductions thanks to declines in vacancy (-50bp to 5.9%) and bad debt allowance (-120 bps at 2.1%).

The German **leasing** team signed 27 contracts in H1 2017; the merchandising mix across the portfolio is further enhanced by introducing more international retailers. At Boulevard Berlin, popular Danish homewares chain Soestrene Grene opened its first store in the city of Berlin (352 sq.m.); leading Turkish fashion retailer Yargici unveiled its first store in the country; and L'Occitane opened its store at the mall. On top of these signatures, Triumph (223 sq.m.), G-Star (186 sq.m.), and Ecco (6,131 sq.m.) renewed their leases. At Arneken Galerie, T.K Maxx signed for a 2,088 sq.m. leasing space and will become the key anchor of the mall. At Forum Duisburg, JD Sports opened a 311 sq.m. store in March; Zara will open a 3,000 sq.m. store in November 2017; Saturn renewed and refit its 6,400 sq.m. store, further confirming the mall's quality. In addition, at Centrum Galerie in Dresden, a 2,335 sq.m. lease was signed with the popular fitness studio Superfit; Zara plans to open a 3,300 store in September 2017.

## 5.8 OTHER ACTIVITIES (2.7% OF NET RENTAL INCOME)

Exhibit 16.

**NRI & EPRA Vacancy Rate of Other Activities**

| | Current-Porfolio NRI | | | Like-for-Like Portfolio NRI | | | EPRA Vacancy rate | |
|---|---|---|---|---|---|---|---|---|
| *In €m* | 06/30/2017 | 06/30/2016 | Change | 06/30/2017 | 06/30/2016 | Change | 06/30/2017 | 06/30/2016 |
| **Other activities** | 14.4 | 15.3 | -6.2% | 13.5 | 13.5 | 0.1% | 2.6% | 2.2% |

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

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).

# 6 CONSOLIDATED EARNINGS AND CASH-FLOW

## 6.1 CONSOLIDATED EARNINGS

Exhibit 17.

**Consolidated Earnings**

| *In €m* | 06/30/2017 Fair value | 06/30/2016 Fair value | 06/30/2016 Published | Change Fair value |
|---|---|---|---|---|
| **Gross rental income** | **611.7** | **603.9** | **603.9** | **7.8** |
| Rental & building expenses | -70.2 | -67.8 | -68.6 | -2.4 |
| **Net rental income** | **541.5** | **536.1** | **535.3** | **5.4** |
| Management and other income | 42.8 | 43.8 | 43.8 | -1.0 |
| Other operating income | 3.9 | 6.1 | 6.1 | -2.2 |
| Payroll expense | -63.0 | -66.2 | -66.2 | 3.2 |
| Survey & research costs | -0.3 | -0.2 | -0.2 | 0.0 |
| Other general expenses | -30.0 | -29.7 | -29.7 | -0.3 |
| **EBITDA** | **495.0** | **489.9** | **489.1** | **5.1** |
| Depreciation and allowance | -7.4 | -7.3 | -266.9 | 0.0 |
| Provisions | 0.7 | 1.6 | 1.6 | -0.9 |
| Income from disposals | 15.8 | 7.6 | 7.3 | 8.2 |
| Goodwill impairment | 0.0 | 0.0 | 0.0 | 0.0 |
| Change in value of investment properties | 400.5 | 398.4 | 0.0 | 2.1 |
| **Results of operations** | **904.7** | **890.1** | **231.2** | **14.5** |
| Net cost of debt | -84.3 | -84.5 | -84.5 | 0.1 |
| Change in the fair value of financial instruments | -6.5 | -7.0 | -7.0 | 0.5 |
| Share in earnings for equity method investees | 39.6 | 51.2 | 8.8 | -11.6 |
| **Pre-tax current income** | **853.5** | **849.9** | **148.5** | **3.6** |
| Corporate income tax | -142.4 | -147.6 | -26.9 | 5.1 |
| **Net income** | **711.0** | **702.3** | **121.6** | **8.7** |
| Non-controlling interests | -140.6 | -152.9 | -23.7 | 12.3 |
| **NET INCOME (GROUP SHARE)** | **570.5** | **549.5** | **97.9** | **21.0** |

Gross rental income for the year came to €611.7 million, an increase of € 7.8 million despite an €11 million loss in rental income due to disposals. For further explanations, please refer to the “Shopping center operations overview” and “Business activity by region” sections of this document.

Management and administrative income (fees) from service businesses totaled €42.8 million (mainly deriving from the development pipeline and leasing & property management fees), while other operating income reached €3.9 million, down €2.2 million, mostly due to accounting restatement.

Payroll and other general expenses continued to decline, to €63 million (down €3.2 million). This cost base reduction reflects the further impact of the Corio integration and related synergies.

EBITDA for H1 2017 was €495.0 million, up 1.0%.

Net proceeds from the sale of assets reached €15.8 million. Over H1 2017, the Group disposed of assets for a total consideration of €198.3 million. These transactions were completed slightly above the latest appraised values, while the implied yield of shopping centers stood at 5.9% (based on 2016 rents). 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 €400.5 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 €84.3 million. Restated for non-cash or non-recurring elements (Corio’s debt mark to market amortization and Financial instrument close-out costs), net financial charges declined by

€14.5 million, mostly due to further reductions in the cost of debt (1.9% vs 2.2% 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 €39.6 million, down 22.6% due to disposals in Scandinavia and adverse evolution in Turkey.

Corporate income tax for the period was €142.4 million:

- Tax payable was €14.5 million (vs €25.5 million a year ago). This amount includes the 3% tax levied on cash dividend paid by French companies on shareholders' behalf. The 3% tax is not included in the net current cash flow calculation; and
- Deferred tax was €128 million (vs €122.1 million a year ago), due mainly to the increase in deferred tax liabilities as a result of the revaluation of the Group's real estate assets.

On a total-share basis, consolidated net income was €711.0 million. The minority share of net income (non-controlling interests) for the period was €140.6 million, compared to €152.9 million last year, as a result of lower net income from Steen & Strom (less favorable fair value increase compared to last year). As such, net income (group share) reached €570.4 million, up 3.8%.

## 6.2 CHANGE IN NET CURRENT CASH FLOW

Exhibit 18.

**Net current cash flow & EPRA Earnings**

| *In €m* | 06/30/2017 Fair value | 06/30/2016 Fair value | 06/30/2016 published | Change Fair value |
|---|---|---|---|---|
| **Total share** | | | | |
| Rental income | 611.7 | 603.9 | 603.9 | 1.3% |
| Rental & building expenses | -70.2 | -67.8 | -68.6 | 3.5% |
| **Net rental income** | **541.5** | **536.1** | **535.3** | **1.0%** |
| Management and other income | 46.8 | 49.9 | 49.9 | -6.3% |
| G&A expenses | -93.3 | -96.1 | -96.1 | -2.9% |
| **EBITDA** | **495.0** | **489.9** | **489.1** | **1.0%** |
| *Adjustments to calculate operating cash flow exclude :* | | | | |
| Employee benefits, stock-options expenses and non-current operating expenses | 6.5 | 5.7 | 5.7 | |
| IFRIC 21 H2 impact | 7.1 | 7.0 | 7.0 | |
| **Operating cash flow** | **508.6** | **502.6** | **501.8** | **1.2%** |
| Net cost of debt | -84.3 | -84.5 | -84.5 | -0.2% |
| *Adjustments to calculate net current cash flow before taxes exclude :* | | | | |
| Corio's debt mark to market amortization | -16.3 | -19.7 | -19.7 | |
| Financial instruments close-out costs | 23.1 | 12.0 | 12.0 | |
| **Net current cash flow before taxes** | **431.1** | **410.4** | **409.7** | **5.0%** |
| Share in equity method investees | 28.6 | 31.3 | 31.3 | |
| Current tax expenses | -16.9 | -13.8 | -13.8 | |
| **Net current cash flow (total share)** | **442.8** | **427.9** | **427.1** | **3.5%** |
| **Group share** | | | | |
| **Net current cash flow (group share)** | **377.4** | **362.4** | **361.6** | **4.1%** |
| *Adjustments to calculate EPRA Earnings add-back :* | | | | |
| Employee benefits, stock-options expenses and non-current operating expenses | -4.4 | -5.5 | -5.5 | |
| Amortization allowances and provisions for contingencies and losses | -5.9 | -5.0 | -5.0 | |
| **EPRA Earnings** | **367.1** | **351.9** | **351.2** | **4.3%** |
| Number of shares[(a)] | 309,505,908 | 311,719,983 | 311,719,983 | |
| **Per share** | | | | |
| **Net current cash flow per share** *(in euros)* | **1.22** | **1.16** | **1.16** | **4.9%** |
| **EPRA Earnings per share** *(in euros)* | **1.19** | **1.13** | **1.13** | **5.1%** |

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

Net current cash flow for the period came to €442.8 million. Group share, it amounted to €377.4 million. On a per-share basis, net current cash flow was up 4.9% to €1.22.

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

# 7 INVESTMENTS, DEVELOPMENTS AND DISPOSALS

## 7.1 PROPERTY INVESTMENTS MADE IN H1 2017

Development investments amounted to €331.5 million for the first half of 2017, split as follows:

- €233 million were dedicated to the acquisition of Nueva Condomina, the leading retail hub in the region of Murcia (Spain). Covering approximately 110,000 sq.m. (a 73,000 sq.m. shopping center and 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.[5] Based on current annualized net rental income (NRI) of €12.5 million (80% shopping center; 20% retail park), the EPRA net initial yield amounts to 5.4%. Klépierre has been managing the entire retail site since 2012, and has already identified asset management and leasing initiatives which should result in an 18% uplift in annualized NRI by 2019; [6] and
- €98.5 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: Hoog Catharijne (The Netherlands), Prado (Marseille) and Val d'Europe in France (see the following "Development pipeline" section for more information on projects).

Investments made on the like-for-like portfolio to renovate and maintain our shopping malls reached €19.8 million over the six months ended June 30, 2017.

## 7.2 DEVELOPMENT PIPELINE

### 7.2.1 Development pipeline overview

The Group's development pipeline represented €3.3 billion worth of investments, including €0.6 billion worth of committed projects[7] with an average expected yield of 6.5%, €1.1 billion worth of controlled projects,[8] and €1.5 billion of identified projects.[9] On a group-share basis, the total pipeline represented €2.8 billion: €0.6 billion committed, €0.9 billion controlled, and €1.3 billion identified.

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

- 80% 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;
- 20% 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.

[5] Including sales estimates for Apple, Primark, Cinesa and Leroy Merlin.
[6] 2019 targeted NRI vs current annualized NRI as of April 30, 2017.
[7] Projects that are in the process of completion, for which Klépierre controls the land and has obtained the necessary administrative approvals and permits.
[8] 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).
[9] Projects that are in the process of being put together and negotiated.

Chart 2.

## Shopping center committed and controlled development pipeline breakdown by region

(total share)

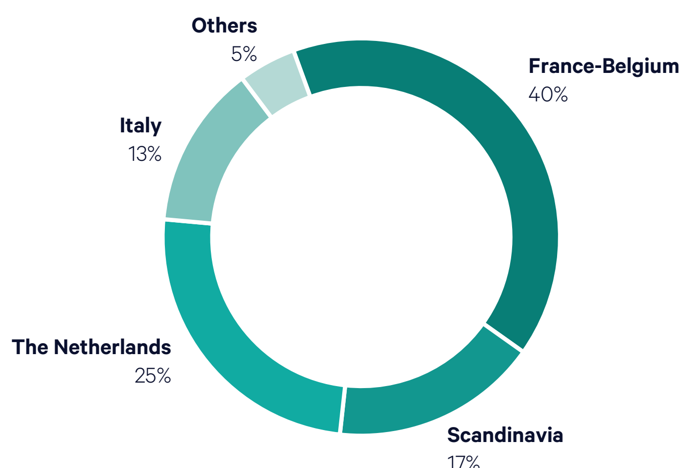



Exhibit 19.

## Development pipeline as of June 30, 2017

(total share)

| Development project | Country | City | 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 | extension-refurbishment | 61,982 | 2017-2019 | 100.0% | 430 | 256 | 6.3% |
| Other projects (incl. Prado) | | | | 38,421 | | | 209 | 104 | 7.1% |
| **Total committed projects** | | | | **100,403** | | | **640** | **361** | **6.5%** |
| Créteil Soleil - Phase 1 | France | Paris region | extension | 11,000 | H2 2019 | 80.0% | 86 | 3 | |
| Gran Reno | Italy | Bologna | extension | 15,900 | H2 2020 | 100.0% | 122 | 13 | |
| Grenoble Grand Place | France | Grenoble | extension | 16,038 | H2 2021 | 100.0% | 55 | 0 | |
| Montpellier Odysseum | France | Montpellier | extension-redevelopment | 11,747 | H1 2022 | 100.0% | 33 | 0 | |
| L'esplanade | Belgium | Brussels region | extension | 19,475 | H1 2021 | 100.0% | 131 | 17 | |
| Bègles Rives d'Arcins | France | Bordeaux | extension | 25,081 | H2 2017-H2 2020 | 52.0% | 32 | 6 | |
| Grand Littoral | France | Marseille | redevelopment | 12,000 | H2 2020 | 100.0% | 30 | 0 | |
| Val d'Europe | France | Paris region | extension | 10,620 | H2 2021 | 55.0% | 51 | 0 | |
| Lonato[(c)] | Italy | Lombardy | extension | 15,000 | H2 2020 | 50.0% | 30 | 0 | |
| Vitrolles | France | Marseille region | extension | 14,288 | H2 2020 | 83.0% | 67 | 0 | |
| Turin Le Gru | Italy | Turin | extension | 12,000 | H2 2021 | 100.0% | 80 | 0 | |
| Økernsenteret[(c)] | Norway | Oslo | redevelopment | 53,220 | H2 2022 | 28.1% | 89 | 6 | |
| Barcelone Mare Magnum 1 | Spain | Barcelone | extension | 8,000 | H2 2020 | 100.0% | 45 | 0 | |
| Grand Portet | France | Toulouse region | extension-refurbishment | 8,000 | H2 2021 | 83.0% | 65 | 8 | |
| Viva | Denmark | Odense | new development | 48,500 | H2 2020 | 56.1% | 186 | 24 | |
| **Total controlled projects** | | | | **280,869** | | | **1,101** | **76** | |
| **Total identified projects** | | | | **272,200** | | | **1,525** | **5** | |
| **TOTAL** | | | | **653,472** | | | **3,266** | **442** | |

(a) Estimated cost as of June 30, 2017, including fit out (when applicable) and excluding: lease incentives (when applicable), internal development fees and financial costs.

(b) Targeted yield on cost as of June 30, 2017, based on targeted rental income with full occupancy and excluding all lease incentives (when applicable), divided by the estimated cost of the project as defined above.

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

### 7.2.2 Val d'Europe's extension and refurbishment

After three years of construction, on April 12, 2017, Klépierre unveiled a 17,000-sq.m. extension at Val d'Europe (near Paris), bringing the French mall's gross leasing area to more than 105,000 sq.m. The extension features 30 new brands including Uniqlo (1,600 sq.m.), Bershka (1,340 sq.m.), JD Sports (1,146 sq.m.) and an extended H&M (3,280 sq.m.). Lastly, a Primark store (7,500 sq.m.) is set to open next August. Together with the extension, the Group has implemented the Clubstore® concept in the historic part of the shopping center. Since the extension opened, Val d'Europe has saw an 8% footfall increase (17 million in 2016), compared to the same period last year, while sales for the shopping center rose by 12%.

### 7.2.3 Hoog Catharijne's redevelopment

On April 6, 2017, the Group officially opened 16,000 sq.m. of new retail space, at Hoog Catharijne (Utrecht), the leading mall in the Netherlands. New stores were added to the shopping center's offering: in the fashion segment (Zara, Zara Home, Bershka, Stradivarius, NAME IT, WE, Men At Work, Claudia Sträter, Bijou Brigitte, Manfield, Parfois, Nike, Jack & Jones, Vero Moda, Sissy-Boy, Timberland), food & restaurants (Leon, Comptoir Libanais, Burger Federation, Five Guys, Vapiano, Exki and McDonald's new concept) and health & beauty (Yves Rocher, MAC, Rituals). Since the opening, Hoog Catharijne's footfall has increased by 6%.

The next phase set to fully open in March 2018 is 65% let.

### 7.2.4 Prado's new scheme

Construction works are advancing according to plan. Galeries Lafayette has taken possession of its store and has initiated its fit-out. The iconic glass canopy covering the whole scheme is now completed

Leasing was advancing well with 78% of the leasable space being signed or under advanced negotiation. On top of Galeries Lafayette, Zara will anchor the shopping center. With a 3,300 sq.m. shop, Prado will host Spanish retailer's largest shop in the catchment area. The mix will be further strengthened by distinctive brands such as Repetto and Pellegrin & Fils. In the food area, the rooftop will host innovative concepts such as Wagagama (first opening in a French shopping center), Big Fernand, and Les Petits Producteurs by famous French chef Thierry Marx.

Opening is scheduled for the first quarter of 2018.

### 7.2.5 Créteil Soleil's extension and refurbishment

The 11,000 sq.m. extension is located on the main entrance of the shopping center welcoming 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 in 18 new retail premises, 15 restaurants and 6 new screens as extension of the existing 12 screen cinema growing the capacity to 3,650 seats. Customer path will be greatly improved together with a perfect synergy between food court and cinema.

This extension will be complemented by a full refurbishment. On a group share basis, it will represent €100 million investment, with a 6% targeted yield on cost.

### 7.2.6 Gran Reno's extension and refurbishment

Gran Reno shopping center is located in Casalecchio di Reno, the main retail and leisure destination in the region with a total retail offer of 160,000 sq.m. with Gran Reno, Carrefour, Ikea and Leroy Merlin plus the Unipol arena complex, the largest and most modern complex for sport and cultural events in Italy. The 16,000 sq.m. extension will create 55,000 sq.m. regional shopping center with no comparable competitive offer in a very wealthy

catchment area ranked number one in Italy. The existing gallery will be fully refurbished in line with the extension that will be designed according to the best standards.

The total investment amounts to €122 million.

## 7.3 DISPOSALS COMPLETED SINCE JANUARY 1, 2017

Exhibit 20.

**Disposals completed since January 1, 2017**

| Assets | GLA (sq.m.) | Sale price (€m) | Date |
|---|---|---|---|
| Lillestrøm | 21,600 | | 1/23/2017 |
| Charras | 6,300 | | 1/31/2017 |
| Puerta de Alicante | 20,810 | | 2/20/2017 |
| Strasbourg - La Vigie (40.9%) | 18,225 | | 3/2/2017 |
| Augusta - Zaragossa | 24,474 | | 5/31/2017 |
| **Total shopping centers** | **91,409** | **117.0** | |
| Portfolio of 15 Bufallo | 8,238 | | 5/30/2017 |
| Emporia - Offices (Sweden) | 10,200 | | 3/31/2017 |
| Newton (Clamart, France) | 24,616 | | 1/24/2017 |
| Hoog Catharijne (Hotel) | 11,603 | | 7/12/2017 |
| **Total other activities** | **54,657** | **125.0** | |
| **TOTAL DISPOSALS (€m, excl. duties)** | **146,066** | **242.0** | |

Since January 1, 2017, the Group has completed a total of €242 million worth of disposals (total share, excluding duties). By geographic area, the Group sold:

- In Scandinavia for €137.2 million, with the disposal of Lillestrøm (Norway) and Emporia Offices (Sweden);
- In France for €73.2 million (mostly retail assets); and
- €31.6 million in the rest of Europe.

These transactions were completed slightly above latest appraised values at an average implied yield of 5.9% (based on 2016 rents; for shopping centers).

Adding in sales and purchase promissory agreements signed for an amount of €6.5 million, total disposals signed or completed since January 1, 2017, reached €248.5 million.

## 7.4 FINANCIAL INVESTMENTS

As of July 21, 2017, a total of €344 million (9,577,528 shares at an average price of €35.87 per share) was allocated to the share buyback program of up to €500 million, announced on March 13, 2017. 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 property investment market.

# 8 PORTFOLIO VALUATION

## 8.1 PROPERTY PORTFOLIO VALUATION METHODOLOGY

### 8.1.1 Scope of the portfolio appraised by external appraisers

As of June 30, 2017, 97% of the value of Klépierre's property portfolio, or €23,094 million (including duties, on a total-share basis),[10] was estimated by external appraisers according to the methodology described below (see section 8.1.2 below). The remaining 3% of the property portfolio, or €819 million (including duties, on a total-share basis), whose value is not estimated by external 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;
- Projects under development whose fair value cannot be established and are carried at cost;[11] and
- Other non-appraised assets consisting mainly of assets held for sale, which are valued at the bid price, and lands which are valued at cost.

Exhibit 21.

**Breakdown of the property portfolio value by type of valuation**

(on a total-share basis)

| Type of asset | Value (€m) |
|---|---|
| **Appraised assets** | **23,094** |
| Acquisitions | 275 |
| Projects under development valued at cost | 292 |
| Other non-appraissed assets (land, assets held for sale, etc.) | 252 |
| **Total portfolio (incl. duties)** | **23,913** |
| Duties | 618 |
| **TOTAL PORTFOLIO (EXCL. DUTIES)** | **23,295** |

### 8.1.2 Methodology used by external appraisers

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

The valuation process is centralized to ensure consistency in methodology, timeframe and reports. This process relies on an international approach to the valuation of shopping centers in line with the size of the investment market for this sector. For Klépierre's main regions (France, Italy), Klépierre has selected two appraisers per

[10] 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.

[11] Part of Hoog Catharijne is a standing asset (Investment Property), while the rest is under development (Investment Property Under Construction, i.e IPUC). Other projects (including Prado, Gran Reno, Viva, Okern and Louvain) are carried at their cost price for a total amount of €292 million.

country to provide additional benchmark and reliability of valuation work. For some joint ventures with equity investors, other appraisers have been appointed.

Exhibit 22.

**Breakdown by appraiser of the appraised property portfolio as of June 30, 2017**

| Appraiser | Countries covered | Share in the total portfolio *(in value)* |
|---|---|---|
| Cushman & Wakefield | - France<br>- Denmark, Sweden and Norway<br>- Poland, Hungary, Czech Republic and Slovakia<br>- The Netherlands and Turkey | 38% |
| Jones Lang LaSalle | - France<br>- Italy, Greece, Turkey and Belgium | 32% |
| CBRE | - France<br>- Spain and Portugal<br>- Italy and The Netherlands | 24% |
| BNP Paribas Real Estate | - Germany, France (retail properties) | 6% |
| 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 paid to appraisers, agreed on at the signature of the 3-year mandates, prior to their appraisal of the properties concerned, are fixed on a lump sum basis to reflect the number and size of the assets appraised. The fees are entirely unrelated to the appraised value of the assets concerned. The appraisal documents are reviewed by the Group's legal auditors and the Audit Committee. Dated and signed reports for each property are issued once a year, with an update at mid-year.

As of June 30, 2017, appraisers valued 97% of Klépierre's shopping centers portfolio. Those assets are valued exclusively with a discounted cash flow (DCF) method, which measures the value of an asset by the present value of its future cash flows. DCFs are run on a 10-year period of revenue. Appraisers are given all relevant information (detailed rent rolls, footfall, retailer sales, occupancy cost ratios) and make their own assessment of the future cash flows generated by the asset. They factor in leasing risks, either in the cash flow itself (rental values, periods of vacancy, incentives, fit out works) or in the discount rate applied. The discount rate is a combination of the 10-year risk free rate and the risk premium attached to each asset. The terminal value is the cash flow of the tenth year, capitalized by an exit yield.

Exhibit 23.

**Hypotheses 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 | 374 | 6.1% | 4.5% | 2.9% |
| Italy | 361 | 6.8% | 5.6% | 1.5% |
| Scandinavia | 312 | 7.1% | 4.9% | 2.7% |
| The Netherlands | 247 | 6.3% | 6.1% | 2.3% |
| Iberia | 275 | 7.6% | 5.1% | 2.9% |
| Germany | 222 | 5.4% | 4.5% | 1.0% |
| CEE & Turkey | 225 | 9.0% | 7.2% | 3.0% |
| **TOTAL** | **323** | **6.7%** | **5.1%** | **2.5%** |

(a) Discount rate and exit rate weighted by shopping center appraised value (including duties, 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 yielded by the asset.
(d) Rate used to capitalize the exit rent to determine the exit value of the asset.
(e) Compounded annual growth rate (CAGR) of the net rental income (NRI) determined by the appraiser on a 10-year period.

The value obtained by a DCF method is then back tested with (i) an income capitalization method,[12] and (ii) a market approach (with metrics such as EPRA net initial yield for comparable property, value per sq.m., recent market transactions).

## 8.2 VALUATION

### 8.2.1 Property portfolio valuation

Excluding transfer duties,[13] the value of the property portfolio as of June 30, 2017 was €23,295 million on a total-share basis, and €19,823 million on a group-share basis.[14] Including duties, this value was €€23,913 million total share (€20,359 million group share). On a total-share basis, shopping centers accounted for 98.4% of the portfolio and other activities[15] for 1.6%.

[12] The income capitalized approach is conducted by applying a market capitalization rate to the net rental Income generated by the asset, i.e. its gross rental income reduced by all recurring charges supported by the landlord. This amount is then reduced by the Net Present Value of the non-recurring expenses such as the incentives and the capital expenditure charges.
[13] Please refer to section 6.2 for transfer duties calculation methodology.
[14] As of June 30, 2017, assets consolidated under the equity method were valued at €1,399 million (€1,323 million on a group-share basis), compared to €1,425 million as of June 30, 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).
[15] This segment refers to standalone retail units located in France and mostly in the vicinity of shopping center areas (former Klémurs assets).

Exhibit 24.

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

| *In €m* | 06/30/2017 | In % of total portfolio | 12/31/2016 | Change over 6 months Current | Change over 6 months LfL* | 06/30/2016 | Change over 12 months Current | Change over 12 months LfL* |
|---|---|---|---|---|---|---|---|---|
| France | 8,566 | 36.8% | 8,420 | 1.7% | 1.7% | 8,181 | 4.7% | 4.6% |
| Belgium | 403 | 1.7% | 385 | 4.6% | 3.5% | 377 | 6.8% | 5.7% |
| **France- Belgium** | **8,969** | **38.5%** | **8,805** | **1.9%** | **1.8%** | **8,558** | **4.8%** | **4.6%** |
| **Italy** | **3,847** | **16.5%** | **3,707** | **3.8%** | **4.0%** | **3,603** | **6.8%** | **5.6%** |
| Norway | 1,461 | 6.3% | 1,595 | -8.4% | 2.2% | 1,650 | -11.4% | 4.6% |
| Sweden | 1,292 | 5.5% | 1,316 | -1.8% | 2.7% | 1,430 | -9.6% | 6.4% |
| Denmark | 1,111 | 4.8% | 1,097 | 1.3% | 1.2% | 1,103 | 0.7% | 1.4% |
| **Scandinavia** | **3,864** | **16.6%** | **4,008** | **-3.6%** | **2.1%** | **4,183** | **-7.6%** | **4.3%** |
| Spain | 1,779 | 7.6% | 1,485 | 19.8% | 4.1% | 1,470 | 21.0% | 11.3% |
| Portugal | 366 | 1.6% | 346 | 5.7% | 5.7% | 336 | 8.8% | 8.5% |
| **Iberia** | **2,145** | **9.2%** | **1,831** | **17.1%** | **4.4%** | **1,806** | **18.8%** | **10.7%** |
| Poland | 416 | 1.8% | 423 | -1.9% | -2.1% | 437 | -5.0% | -5.3% |
| Hungary | 243 | 1.0% | 227 | 7.1% | 7.0% | 222 | 9.1% | 11.5% |
| Czech Republic | 559 | 2.4% | 509 | 9.8% | 9.8% | 463 | 20.6% | 20.6% |
| Turkey | 512 | 2.2% | 563 | -9.1% | -3.5% | 603 | -15.1% | -12.5% |
| Others | 36 | 0.2% | 36 | 1.0% | -1.5% | 36 | 0.2% | -2.4% |
| **CEE and Turkey** | **1,765** | **7.6%** | **1,757** | **0.4%** | **2.3%** | **1,762** | **0.2%** | **1.6%** |
| **Netherlands** | **1,280** | **5.5%** | **1,234** | **3.7%** | **0.3%** | **1,181** | **8.4%** | **1.6%** |
| **Germany** | **1,062** | **4.6%** | **1,074** | **-1.1%** | **-3.7%** | **1,092** | **-2.7%** | **-5.4%** |
| **TOTAL SHOPPING CENTERS** | **22,933** | **98.4%** | **22,418** | **2.3%** | **2.2%** | **22,184** | **3.4%** | **4.4%** |
| **TOTAL OTHER ACTIVITIES** | **362** | **1.6%** | **399** | **-9.3%** | **-1.0%** | **431** | **-16.1%** | **-4.6%** |
| **TOTAL PORTFOLIO** | **23,295** | **100.0%** | **22,817** | **2.1%** | **2.1%** | **22,615** | **3.0%** | **4.3%** |

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

Exhibit 25.

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

| *In €m* | 06/30/2017 | In % of total portfolio | 12/31/2016 | Change over 6 months Current | Change over 6 months LfL* | 06/30/2016 | Change over 12 months Current | Change over 12 months LfL* |
|---|---|---|---|---|---|---|---|---|
| France | 6,954 | 35.1% | 6,880 | 1.1% | 1.3% | 6,725 | 3.4% | 4.1% |
| Belgium | 403 | 2.0% | 385 | 4.6% | 3.5% | 377 | 6.8% | 5.7% |
| **France- Belgium** | **7,356** | **37.1%** | **7,265** | **1.3%** | **1.4%** | **7,102** | **3.6%** | **4.2%** |
| **Italy** | **3,806** | **19.2%** | **3,665** | **3.8%** | **4.1%** | **3,561** | **6.9%** | **5.7%** |
| Norway | 819 | 4.1% | 895 | -8.4% | 2.2% | 925 | -11.4% | 4.6% |
| Sweden | 725 | 3.7% | 738 | -1.8% | 2.7% | 802 | -9.6% | 6.4% |
| Denmark | 623 | 3.1% | 616 | 1.3% | 1.2% | 619 | 0.7% | 1.4% |
| **Scandinavia** | **2,168** | **10.9%** | **2,249** | **-3.6%** | **2.1%** | **2,346** | **-7.6%** | **4.3%** |
| Spain | 1,736 | 8.8% | 1,444 | 20.2% | 4.0% | 1,431 | 21.3% | 11.2% |
| Portugal | 366 | 1.8% | 346 | 5.7% | 5.7% | 336 | 8.8% | 8.5% |
| **Iberia** | **2,102** | **10.6%** | **1,791** | **17.4%** | **4.4%** | **1,767** | **19.0%** | **10.7%** |
| Poland | 416 | 2.1% | 423 | -1.9% | -2.1% | 437 | -5.0% | -5.3% |
| Hungary | 243 | 1.2% | 227 | 7.1% | 7.0% | 222 | 9.1% | 11.5% |
| Czech Republic | 559 | 2.8% | 509 | 9.8% | 9.8% | 463 | 20.6% | 20.6% |
| Turkey | 490 | 2.5% | 540 | -9.3% | -3.6% | 579 | -15.4% | -12.7% |
| Others | 33 | 0.2% | 33 | 1.4% | -1.4% | 33 | 0.6% | -2.2% |
| **CEE and Turkey** | **1,740** | **8.8%** | **1,732** | **0.5%** | **2.3%** | **1,735** | **0.3%** | **1.8%** |
| **Netherlands** | **1,280** | **6.5%** | **1,234** | **3.7%** | **0.3%** | **1,181** | **8.4%** | **1.6%** |
| **Germany** | **1,009** | **5.1%** | **1,021** | **-1.1%** | **-3.7%** | **1,037** | **-2.7%** | **-5.4%** |
| **TOTAL SHOPPING CENTERS** | **19,461** | **98.2%** | **18,956** | **2.7%** | **2.1%** | **18,730** | **3.9%** | **4.3%** |
| **TOTAL OTHER ACTIVITIES** | **362** | **1.8%** | **399** | **-9.3%** | **-1.0%** | **431** | **-16.1%** | **-4.6%** |
| **TOTAL PORTFOLIO** | **19,823** | **100.0%** | **19,354** | **2.4%** | **2.0%** | **19,161** | **3.5%** | **4.1%** |

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

Exhibit 26. **Valuation reconciliation with the balance sheet figure**
(on a total-share basis)

| *In €m* | |
|---|---|
| **Investment property at fair value** | **20,971** |
| + Investment property at cost model [(a)] | 249 |
| + Fair value of property held for sale | 243 |
| + Leasehold & lease incentives | 34 |
| + Duties & fees on the sale of asset optimization | 398 |
| + Equity account investees (including receivables) | 1,399 |
| **TOTAL PORTFOLIO VALUATION** | **23,295** |

(a) Including IPUC (Investment property under construction)

### 8.2.1.1 Shopping center portfolio valuation

The value of the shopping center portfolio, transfer duties excluded, was €22,933 million (€19,461 million, group share) on June 30, 2017, an increase of €749 million compared to June 30, 2016 (+€731 million in group share).

This change is attributable to the like-for-like[16] increase in the portfolio valuation for 4.4% or €891 million (+4.3% or +€731 million in group share), from the investments devoted to the Group's committed pipeline projects (Hoog Catharijne, Val d'Europe, and Prado) and the acquisition of Nueva Condomina. This was neutralized by divestments (€525 million), mainly in Scandinavia (Åsane, Torp, Lillestsrøm, Emporia offices), in France (Charras, Maisonément) and of some retail galleries in Spain (Ruta de la Plata, Sexta Avenida, Espacio Torrelodones, Puerta de Alicante, Augusta). The change on a current-portfolio basis also includes the exchange rate impact related to the depreciation of the Norwegian krone and the depreciation of the Swedish krone versus the euro since June 30, 2016 (impact of −€88 million on a total-share basis, −€52 million on a group-share basis).

A 10-bp change in yields would result in a €370-million change in the group-share portfolio valuation.

Exhibit 27.
**12-month shopping center portfolio valuation bridge**
**(total share)**

| *In €m* | |
|---|---|
| **Shopping center portfolio total share at 06/30/2016** | **22,184** |
| Disposals | -525 |
| Acquisitions / developments | 470 |
| Like for like growth | 891 |
| Forex | -88 |
| **SHOPPING CENTER PORTFOLIO VALUATION at 06/30/2017** | **22,933** |

As of June 30, 2017, the average EPRA NIY rate[17] of the portfolio[18] stood at 4.8% (including duties), down by 20 basis points over 12 months. This change is mainly attributable to a yield compression reflecting a buoyant investment market and the low level of long-term interest rates.

[16] Excluding foreign exchange impacts, assets disposed during the period (mainly consisting of 5 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.

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

Exhibit 28.

**Change in the EPRA Net Initial Yield of the shopping center portfolio[19]**

(group share, including duties)

| Countries | 06/30/2017 | 12/31/2016 | 06/30/2016 |
|---|---|---|---|
| France | 4.2% | 4.4% | 4.5% |
| Belgium | 4.3% | 4.4% | 4.4% |
| **France- Belgium** | **4.2%** | **4.4%** | **4.5%** |
| **Italy** | **5.4%** | **5.5%** | **5.6%** |
| Norway | 4.7% | 4.7% | 4.8% |
| Sweden | 4.5% | 4.6% | 4.4% |
| Denmark | 4.1% | 4.2% | 4.1% |
| **Scandinavia** | **4.5%** | **4.5%** | **4.5%** |
| Spain | 4.9% | 4.7% | 5.0% |
| Portugal | 6.0% | 6.1% | 6.3% |
| **Iberia** | **5.1%** | **5.0%** | **5.2%** |
| Poland | 6.8% | 7.1% | 6.6% |
| Hungary | 7.8% | 8.2% | 8.0% |
| Czech Republic | 4.9% | 5.2% | 5.2% |
| Turkey | 7.2% | 7.6% | 7.1% |
| Others | 10.0% | 10.0% | 8.5% |
| **CEE and Turkey** | **6.5%** | **6.8%** | **6.6%** |
| **Netherlands** | **5.2%** | **5.2%** | **5.3%** |
| **Germany** | **4.4%** | **4.5%** | **4.4%** |
| **EPRA NET INITIAL YIELD** | **4.8%** | **4.9%** | **5.0%** |

#### 8.2.1.2 Other activities

The value of the retail asset portfolio excluding transfer duties stands at €362 million, down by 16.1% over 12 months. The change on a current portfolio basis is due to the disposal of 9 units in October 2016 and 15 units in May 2017.

On a constant portfolio basis, the value of the retail assets is down by 4.6% over 12 months.

The EPRA NIY rate of the portfolio stood at 7.1%, down by 30 bps compared with June 30, 2016.

### 8.2.2 Management service activity

The assessment of the fair market value of the Klépierre Group management business is only conducted once a year (provided that the main assumptions remain globally unchanged). The last estimated market value dated December 31, 2016 stood at €326.6 million after taking into account the related net debt.

[18] Group share for the shopping center portfolio appraised (i.e., excluding retail parks and cinemas).

[19] Excluding offices, retail parks and boxes attached to shopping centers.

## 9 EPRA PERFORMANCE INDICATORS

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

### 9.1 EPRA EARNINGS

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

Exhibit 29.

**EPRA Earnings**

| *In €m (group share)* | 06/30/2017 | 06/30/2016 |
|---|---|---|
| **Earnings per IFRS income statement** | **570.4** | **548.8** |
| *Adjustments to calculate EPRA Earnings, exclude:* | | |
| (i) Changes in value of investment properties, development properties held for investment and other interests | 400.5 | 398.4 |
| (ii) Profit or losses on disposal of investment properties, development properties held for investment and other interests | 15.8 | 7.6 |
| (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 | - | 0.0 |
| (vi) Changes in fair value of financial instruments and associated close-out costs | -13.4 | -1.9 |
| (vii) Acquisition costs on share deals and non-controlling joint venture interests | -0.7 | 0.0 |
| (viii) Deferred tax in respect of EPRA adjustements | -134.0 | -114.8 |
| (ix) Adjustments (i) to (viii) above in respect of joint ventures (unless already included under proportional consolidation) | 11.0 | 20.0 |
| (x) Non-controlling interests in respect of the above | -75.9 | -112.3 |
| **EPRA Earnings** | **367.1** | **351.9** |
| *Number of shares* [(a)] | *309,505,908* | *311,719,983* |
| **EPRA Earnings per share (in euros)** | **1.19** | **1.13** |
| *Company-specific adjustments* | | |
| Employee benefits, stock-options expenses and non-current operating expenses | 4.4 | 5.5 |
| Amortization allowances and provisions for contingencies and losses | 5.9 | 5.0 |
| **Net current cash flow** | **377.4** | **362.4** |
| *Number of shares* [(a)] | *309,505,908* | *311,719,983* |
| **Net current cash flow per share (in euros)** | **1.22** | **1.16** |

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

### 9.2 EPRA NET ASSET VALUE AND TRIPLE NET ASSET VALUE

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

#### 9.2.1 Methodology

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

#### 9.2.2 Goodwill

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

### 9.2.3 Unrealized capital gains on management companies

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

### 9.2.4 Fair value of financial instruments

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

### 9.2.5 Deferred tax on asset values

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

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

### 9.2.6 Duties and fees on the sale of assets

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

### 9.2.7 EPRA NAV and NNNAV calculation

Exhibit 30.

**EPRA NAV & NNNAV**

| *In €m* | 06/30/2017 | 12/31/2016 | 06/30/2016 | Change over 6 months | | Change over 12 months | |
|---|---|---|---|---|---|---|---|
| **Consolidated shareholders' equity (group share)** | **9,859** | **10,107** | **9,534** | **-248** | **-2.5%** | **325** | **3.4%** |
| Unrealized capital gains on other assets | 300 | 300 | 293 | 0 | 0.0% | 8 | 2.6% |
| Goodwill restatement | -657 | -647 | -625 | -10 | 1.6% | -32 | 5.1% |
| Fair value of financial instruments | 10 | 48 | 46 | -38 | -79.4% | -36 | -78.5% |
| Deferred taxes on asset values on the balance sheet | 1,389 | 1,270 | 1,223 | 119 | 9.4% | 166 | 13.6% |
| Optimized duties and fees on the sale of assets | 369 | 368 | 388 | 1 | 0.4% | -19 | -4.9% |
| **EPRA NAV** | **11,270** | **11,446** | **10,859** | **-176** | **-1.5%** | **411** | **3.8%** |
| Optimized deferred taxes on unrealized capital gains | -321 | -245 | -227 | -76 | 30.8% | -94 | 41.6% |
| Fair value of financial instruments | -10 | -48 | -46 | 38 | -79.4% | 36 | -78.5% |
| Fair value of fixed-rate debt | -172 | -185 | -321 | 13 | -7.1% | 149 | -46.5% |
| **EPRA NNNAV** | **10,767** | **10,967** | **10,265** | **-200** | **-1.8%** | **502** | **4.9%** |
| Number of shares, end of period | 304,910,597 | 311,827,611 | 311,773,309 | | | | |
| Per share (*in €*) | | | | | | | |
| **EPRA NAV per share** | **37.0** | **36.7** | **34.8** | **0.3** | **0.7%** | **2.1** | **6.1%** |
| **EPRA NNNAV per share** | **35.3** | **35.2** | **32.9** | **0.1** | **0.4%** | **2.4** | **7.3%** |

Exhibit 31.

**EPRA NAV 12-month bridge per share**

| *In € per share* | |
|---|---|
| **EPRA NAV at 06/30/2016** | **34.80** |
| Cash flow | 2.40 |
| Like-for-like asset revaluation | 2.30 |
| Dividend | -1.80 |
| Forex and others | -0.70 |
| **EPRA NAV at 06/30/2017** | **37.00** |

EPRA NAV per share amounted to €37.00 at the end of June 2017, versus €34.80 one year earlier. This improvement reflects net current cash flow generation (+€2.4 per share), the increase in the value of the like-for-like portfolio (+€2.3), partly offset by the dividend payment (−€1.8), as well as foreign exchange and other effects (−€0.7).

## 9.3 EPRA NET INITIAL YIELD AND EPRA "TOPPED-UP" NET INITIAL YIELD

The EPRA NIY (Net Initial Yield) is calculated as the annualized rental income based on passing cash rents, less non-recoverable property operating expenses, divided by the gross market value of the property. The EPRA "Topped-up" NIY is calculated by making an adjustment to EPRA NIY in respect of the expiration of rent free periods (or other unexpired lease incentives such as discounted rent free periods and step rents). Please refer to section 8.2.1.1 for EPRA Net Initial Yield geographic breakdown.

Exhibit 32.

**EPRA Net Initial Yields**

| | Shopping centers | Other activities | Group |
|---|---|---|---|
| Investment property - Wholly owned | 18,138 | 362 | 18,499 |
| Investment property - Share of JVs/Funds | 1,323 | 0 | 1,323 |
| **Total portfolio** | **19,461** | **362** | **19,823** |
| Less : Developments, land and other | -1,487 | 0 | -1,487 |
| **Completed property portfolio** | **17,974** | **362** | **18,336** |
| Allowance for estimated purchasers' cost | 494 | 25 | 519 |
| **Gross up completed property portfolio valuation (B)** | **18,469** | **386** | **18,855** |
| Annualised cash passing rental income | 979 | 28 | 1007 |
| Property outgoings | -84 | 0 | -84 |
| **Annualised net rents (A)** | **895** | **27** | **923** |
| Notional rent expiration of rent free periods or other lease incentives | 25 | 0 | 25 |
| **Topped-up net annualised rent (C)** | **920** | **27** | **948** |
| **EPRA NET INITIAL YIELD (A/B)** | **4.8%** | **7.1%** | **4.9%** |
| **EPRA "TOPPED-UP" NIY (C/B)** | **5.0%** | **7.1%** | **5.0%** |

## 9.4 EPRA VACANCY RATE

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

Exhibit 33.

**EPRA Vacancy rate**

| In €k | France-Belgium | Italy | Scandinavia | Iberia | CEE and Turkey | The Netherlands | Germany | TOTAL |
|---|---|---|---|---|---|---|---|---|
| Estimated rental value (ERV) | 450,865 | 274,685 | 187,430 | 150,448 | 144,082 | 35,840 | 50,234 | 1,293,583 |
| ERV of vacant space | 13,780 | 3,583 | 6,449 | 7,390 | 7,440 | 2,329 | 2,939 | 43,909 |
| EPRA VACANCY RATE | 3.1% | 1.3% | 3.4% | 4.9% | 5.2% | 6.5% | 5.9% | 3.4% |

(a) Total shopping centers, including Greece and Slovakia. Estimated rental values of leased and vacant spaces as of June 30, 2017.

## 9.5 EPRA COST RATIO

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

Exhibit 34.

**EPRA Cost ratio**

| In €m | 06/30/2017 | 12/31/2016 | 06/30/2016 (Fair Value) | 06/30/2016 (Published) |
|---|---|---|---|---|
| Administrative / operating expense line per IFRS income statement | -119.4 | -254.3 | -120.7 | -121.2 |
| Net service charge costs/fees | -36.2 | -73.9 | -36.1 | -36.1 |
| Management fees less actual/estimated profit element | 42.8 | 86.5 | 43.8 | 43.8 |
| Other operating income/recharges intended to cover overhead expenses less any related profit | 3.9 | 18.4 | 6.1 | 6.1 |
| Share of Joint Ventures Expenses | -8.0 | -18.5 | -9.2 | -9.2 |
| **Exclude (if part of the above):** | | | | |
| Investment Property depreciation | NA | NA | NA | NA |
| Ground rents costs | NA | NA | NA | NA |
| Service charge costs recovered through rents but not separately invoiced | NA | NA | NA | NA |
| EPRA Costs (including vacancy costs) (A) | -116.9 | -241.9 | -116.1 | -116.6 |
| Direct vacancy costs | -11.6 | -24.7 | -14.2 | -14.2 |
| EPRA Costs (excluding vacancy costs) (B) | -105.3 | -217.2 | -102.0 | -102.4 |
| Gross Rental Income less ground rents - per IFRS | 603.6 | 1199.1 | 596.5 | 596.2 |
| Less: service fee / cost component of Gross Rental Income | NA | NA | NA | NA |
| Add: share of Joint ventures (Gross Rental Income less ground rents) | 44.0 | 95.9 | 48.9 | 48.9 |
| Gross Rental Income (C) | 647.6 | 1295.0 | 645.3 | 645.0 |
| EPRA Cost Ratio (including direct vacancy costs) (A/C) | 18.0% | 18.7% | 18.0% | 18.1% |
| EPRA Cost Ratio (excluding direct vacancy costs) (B/C) | 16.3% | 16.8% | 15.8% | 15.9% |

## 9.6 EPRA CAPITAL EXPENDITURE

Exhibit 35.

**EPRA Capital Expenditure**

| In €m | 06/30/2017 | 12/31/2016 |
|---|---|---|
| Acquisitions[(a)] | 245.7 | 382.7 |
| Development[(b)] | 98.5 | 212.6 |
| Like-for-like portfolio[(c)] | 19.8 | 68.8 |
| Other[(d)] | 19.0 | 24.3 |
| TOTAL | 382.9 | 688.4 |

(a) As of June 30, 2017 "Acquisitions" include the integration of Nueva Condomina shopping center (Spain) and the acquisition of additional leaseholds in Blagnac.

(b) The "Development" line includes the investments related to new constructions, extensions, and refurbishments. As of June 30, 2017 it mainly included the investments on Hoog Catharijne (Netherlands), Le Prado (France), Val d'Europe Extension (France), and Gran Reno Extension (Italy).

(c) "Like-for-like portfolio" includes the capital expenditures on existing investment property. As of June 30, 2017, it mainly included the investments on Créteil Soleil (France), Écully (France), Dresden (Germany), Kupolen (Sweden), Marieberg (Sweden), Duisburg (Germany) and Stavanger (Norway)

(d) The line “Other” includes eviction costs, tenant incentives, capitalized financial interests, and development fees.

# 10 FINANCIAL POLICY

## 10.1 FINANCIAL RESOURCES

### 10.1.1 Change in net debt

As of June 30, 2017, consolidated net debt is €9,134 million, compared to €8,613 million on December 31, 2016. This €521-million increase is mainly attributable to:

- The dividend payment in April 2017, for €562 million and the purchase of €6,932,462 of its own shares for an aggregate amount of €250 million.
- Total investments amounted to €331 million including €98 million of development expenses and capex mainly on Hoog Catharijne, Val d’Europe, and Marseille Prado and the acquisition of Nueva Condomina for €233 million. In the meantime, Klépierre collected €216 million related to asset disposals in France, Scandinavia, & Spain.
- The free cash flow, minority contribution, and early close out costs on debt and financial instruments represent the remainder and helped to reduce net debt by €368 million.
- The appreciation of the euro against the Scandinavian currencies generated €38 million in further reduction of the debt.

### 10.1.2 Loan-to-Value ratio

As a consequence of the increase in net debt and the strong rise in property values, the Loan-to-Value ratio reached 38.2% at the end of June, remaining within the targeted 35-40% range. Compared to year-end 2016 this ratio increased by 140 bps.

Exhibit 36.

**Loan-to-Value Calculation**

| *In €m (total share)* | |
|---|---|
| Current financial liabilities (total share) | 2,241.8 |
| + Bank facilities | 217.9 |
| + Non current financial liabilities | 7,343.7 |
| - Fair Value revaluation of debt | -34.8 |
| - Purchase price adjustments impact | -78.4 |
| **Gross financial liabilities excluding fair value hedge** | **9,690.2** |
| Cash and near cash (incl. Cash managed for principals) | -555.9 |
| **Net debt** | **9,134.3** |
| Value of property portfolio including duties | 23,913.1 |
| **LOAN-TO-VALUE RATIO** | **38.2%** |

The Net-Debt-to-EBITDA ratio remained in the 9x-8.5 x range, standing at 8.9x at the end of the first half of 2017. The small increase compared to year-end 2016 (8.7x / 0.2x) is mainly due to the payment of the dividend for the full-year 2016 in April 2017, whereas it is partly compensated by the half-year cash-flow. As a consequence, the Net-Debt-to-EBITDA ratio should continue to progressively decrease during the second half of the year.

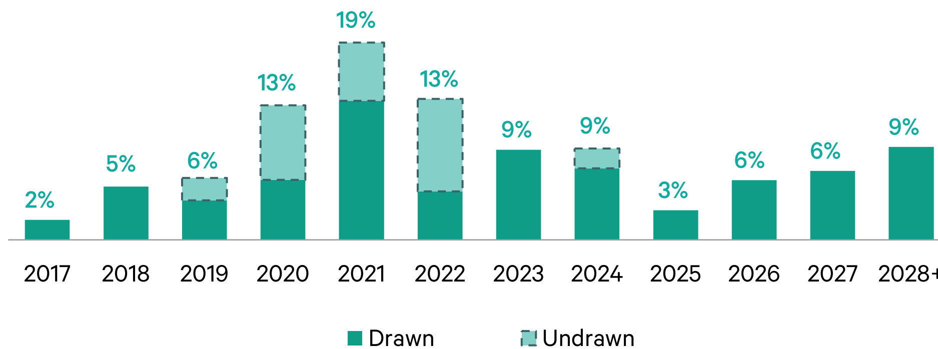
### 10.1.3 Available resources

During the first half of 2017, Klépierre raised €0.8 billion worth of new financing in both the bond and the banking markets. These transactions were completed mainly to replace former debts falling due during the period. In February, Klépierre issued €500 million worth of new long-term notes (10 years) bearing a 1.375% coupon. Shortly after, this issuance was complemented by a €100 million tap. These new notes covered the repayment at maturity of €615 million worth of 4% notes maturing in April 2017.

On the liquidity front, 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. In the meantime, 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 banking syndicate approval to extend the €850 million syndicated revolving credit facility signed last year by an additional year. The maturity of this line is now July 2022.

At the end of the first half of 2017, the average duration of the debt stood at 6.3 years, an increase of approximately a quarter compared to year-end 2016, thanks to the refinancing operations carried out during the period. The Group's level of liquidity remained high at €1.8 billion, including €1.3 billion worth of unused committed credit lines with an average remaining maturity of 5.5 years. This amount largely covers the upcoming financing needs for 2017, 2018 and 2019.

Chart 3.
**Debt maturity schedule**
(% of authorized debt)




### 10.1.4 Debt structure

The share of capital market sources in the total debt remained above 80% allowing the Group to benefit from excellent financing conditions. This access to capital market resources has also enabled the Group to further reduce the weight of secured debts in total liabilities, which mainly concerns Scandinavian financing.

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

Chart 4.
**Financing breakdown by type of resource**
(Utilizations)

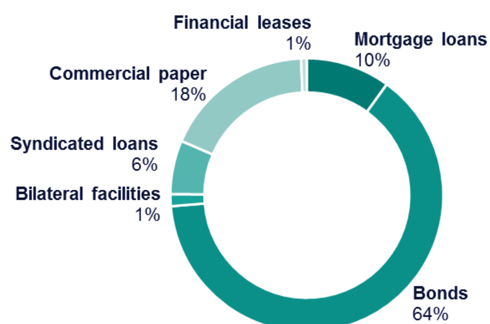



Chart 5.
**Financing breakdown by currency**
(Utilizations)

## 10.2 INTEREST RATE HEDGING

In January 2017, Klépierre adjusted its fixed-rate position early terminated €200 million of payer swaps and implemented a new portfolio worth €1.3 billion comprising of payer swaps & caps. The aim of this adjustment was, first, to replace swaps and caps that matured during the first half of 2017, and, secondly, to increase the Group's hedging ratio over 90%. As such, the Group cost of debt for the 4 coming years should remain stable and largely insensitive to interest rates fluctuations. The fixed-rate position of the Group was strengthened by the €600-million 10-year bond issued in last February, an issuance that was not swap-backed. In the meantime, Steen & Strøm also increased its hedging ratio by implementing a €212 million equivalent program of payer swaps and caps in the three currencies in which S&S operates (NOK, SEK & DKK).

Therefore, at the end of the first half of 2017, the Group hedging ratio reached 91% compared to 81% at year-end 2016 and the average duration of the fixed-rate position was increased to 5.3 years compared to 5.2 years in December 2016 and 4.5 years in December 2015.

Based on the interest rate yield curve as of June 30, 2017, the Group's annual cash-cost at risk dropped by €4 million during the first half of 2017 to €2.3 million. In other words, the loss due to short-term interest rate movements would be less than €2.3 million 99% of the time.

## 10.3 COST OF DEBT

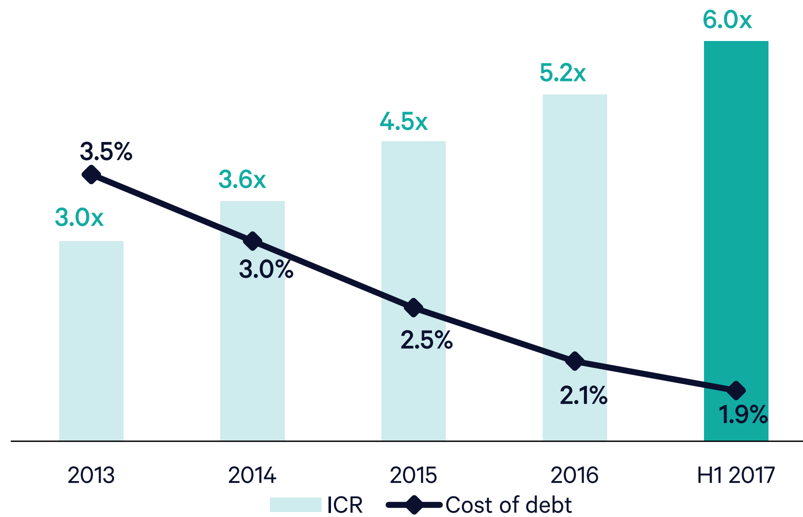
As expected, the average Group cost of debt fell below 2% over the first half of 2017, to 1.9%. This figure reflects the low level of short-term interest rates, the impacts of the financing cost synergies following the merger of Corio into Klépierre, and favorable funding conditions in all the markets in which the Group operates. Assuming current debt structure and market conditions and given the upcoming refinancing deals, the cost of debt is expected to remain below 2.0% in 2017, 2018 and 2019. The low cost of debt, along with robust operating performances, led to stronger 6.0x 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 bank related to the committed available credit lines (€3 billion on average in H1 2017).

Exhibit 37.
**Cost of debt calculation**

| | H1 2017 |
|---|---|
| **Net cost of debt (P&L)** | **84.3** |
| Non-recurring items | 0.5 |
| Non cash impact | 0.3 |
| Interest on associate advances | 5.1 |
| Liquidity cost | -3.4 |
| **Net cost of debt (used for cost of debt calculations)** | **86.8** |
| **Average gross debt** | **9,164** |
| **Cost of debt (%)** | **1.90%** |

Chart 6.
**Interest coverage ratio and cost of debt**




## 10.4 FINANCIAL RATIOS AND RATING

As of June 30, 2017, the Group's financing covenants remain in line with the commitments in its financing agreements.

In December 2016, Standard's & Poor's confirmed the A– rating and its stable outlook. Moody's continues to assign a rating of A3 (stable outlook) to the notes initially issued by Corio NV.

Exhibit 38.
**Covenants**

| Financing | Ratios / covenants | Limit[a] | 06/30/2017 | 12/31/2016 |
|---|---|---|---|---|
| **Syndicated loans and bilateral loans**<br>Klépierre SA | Net debt / Portfolio value<br>("Loan to Value") | ≤ 60% | 38.2% | 36.8% |
| | EBITDA / Net interest expenses[b] | ≥ 2.0 | 6.0 | 5.2 |
| | Secured debt / Portfolio value<br>(excluding Steen & Strøm) | ≤ 20% | 0.7% | 0.7% |
| | Portfolio value, group share | ≥ €10 bn | €20.4 bn | €19.9 bn |
| **Bond issues**<br>Klépierre SA | Secured debt / Revalued Net Asset Value<br>(excluding Steen & Strøm) | ≤ 50% | 1.1% | 1.1% |

(a) Ratios are based on the revolving credit facility 2015
(b) Exclusive of the liability management impact

A portion of Steen & Strøm's debt is subject to a financial covenant that requires shareholders' equity to be equal to at least 20% of NAV at all times. On June 30, 2017, this ratio was 54.5%.

## 11 EVENTS SUBSEQUENT TO THE ACCOUNTING CUT-OFF DATE

No post balance sheet events to be mentioned.

## 12 OUTLOOK

In 2017, provided that the European macroeconomic context does not deviate from OECD forecasts, Klépierre expects to generate net current cash flow per share of at least €2.45; this compares with the Group's initial guidance for the year of €2.35–2.40. This upward revision reflects Klépierre's sound business evolution over the first half of 2017, the recent acquisition of Nueva Condomina and the share buyback implementation, all of which are expected to have an accretive impact on cash flow per share and, ultimately, drive a further increase in the dividend.

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