FINANCIAL REPORT

FIRST-HALF 2017

KLEPIERRE

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I MANAGEMENT REPORT

1 SHOPPING CENTER OPERATIONS OVERVIEW

1.1 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%

1.2 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%**

1.3 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.

1.4 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%);
- €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.

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

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)

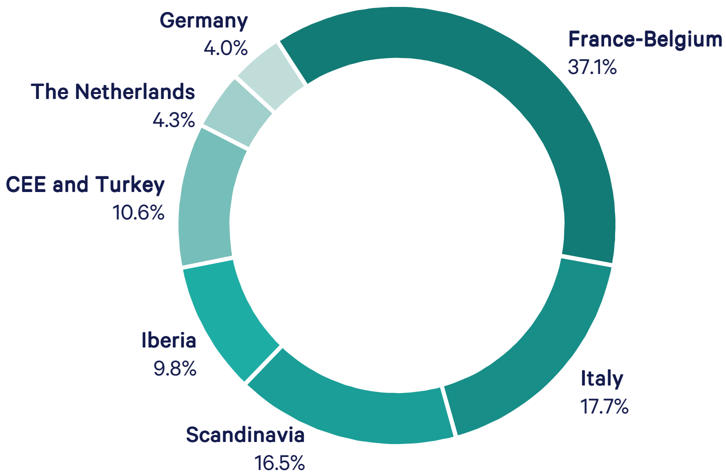


Exhibit 6

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.

1.5 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%.

1.6 SHOPPING CENTER BUSINESS SUMMARY

1.6.1 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%.

1.6.2 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).

2 BUSINESS ACTIVITY BY REGION

2.1 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 2nd 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.

2.2 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.

2.3 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%**

2.3.1 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.

2.3.2 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.).

2.3.3 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.

2.4 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%**

2.4.1 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.

2.4.2 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.

2.5 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%**

2.5.1 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.).

2.5.2 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.

2.5.3 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.

2.5.4 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.

2.6 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.

2.7 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.

2.8 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).

3 CONSOLIDATED EARNINGS AND CASH-FLOW

3.1 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%.

Income 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%.

3.2 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.

4 INVESTMENTS, DEVELOPMENTS AND DISPOSALS

4.1 PROPERTY INVESTMENTS MADE IN THE FIRST HALF OF 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.

4.2 DEVELOPMENT PIPELINE

4.2.1 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

(on a total-share basis)

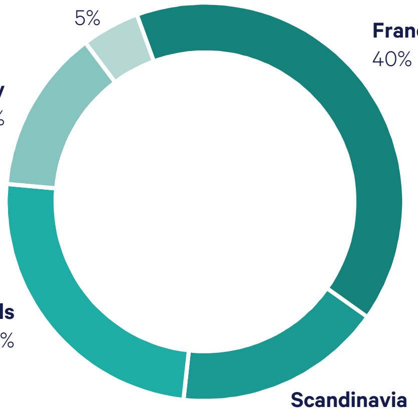


Exhibit 19

Development Pipeline as of June 30, 2017

(on a total-share basis)

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.

4.2.2 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%.

4.2.3 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.

4.2.4 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.

4.2.5 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.

4.2.6 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.

4.3 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.

4.4 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.

5 PORTFOLIO VALUATION

5.1 PROPERTY PORTFOLIO VALUATION METHODOLOGY

5.1.1 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 5.1.2 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**

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

[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.

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 - Denmark, Sweden and Norway - Poland, Hungary, Czech Republic and Slovakia - The Netherlands and Turkey	38%
Jones Lang LaSalle	- France - Italy, Greece, Turkey and Belgium	32%
CBRE	- France - Spain and Portugal - 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).

5.2 VALUATION

5.2.1 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%.

Exhibit 24

Valuation of the Property Portfolio

(on a total-share basis, excluding duties)

In €m	06/30/2017	In % of total portfolio	12/31/2016	Change over 6 months		06/30/2016	Change over 12 months	
				Current	LfL*		Current	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

[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 25

Valuation of the Property Portfolio

(on a group-share basis, excluding duties)

In €m	06/30/2017	In % of total portfolio	Change over 6 months			Change over 12 months		
			12/31/2016	Current	LfL*	06/30/2016	Current	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)

5.2.1.1 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

[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.

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

(on a total-share basis)

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.

Exhibit 28

Change in the EPRA Net Initial Yield of the Shopping Center Portfolio[19]

(on a group-share basis, 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%**

5.2.1.2 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.

[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).

[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.

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.

5.2.2 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.

6 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).

6.1 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.

6.2 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.

6.2.1 Methodology

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

6.2.2 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.

6.2.3 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.

6.2.4 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.

6.2.5 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.

6.2.6 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.

6.2.7 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).

6.3 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%**

6.4 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.

6.5 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%**

6.6 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.

7 FINANCIAL POLICY

7.1 FINANCIAL RESOURCES

7.1.1 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.

7.1.2 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.

7.1.3 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.

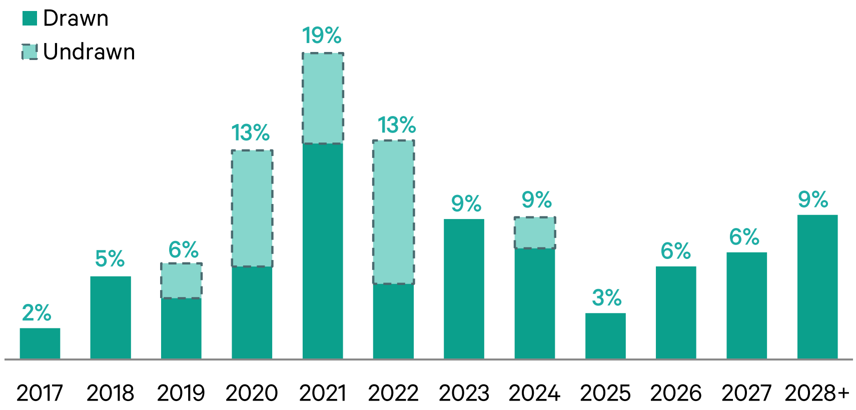
On the liquidity front, new bilateral five-year revolving credit facilities were signed in April 2017 for an aggregate amount of €200 million. Simultaneously, the same amount of more expensive and shorter lines was cancelled. In the meantime, agreements were found with two banks in order to extend €175 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)



7.1.4 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)

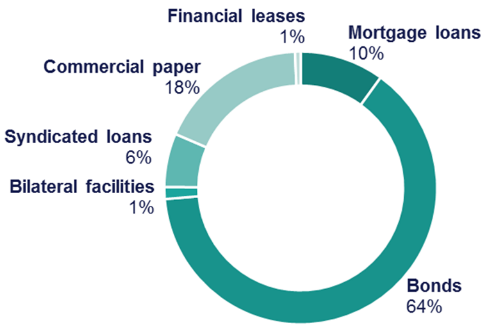


Chart 5

Financing Breakdown by Currency

(Utilizations)

7.2 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.

7.3 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).

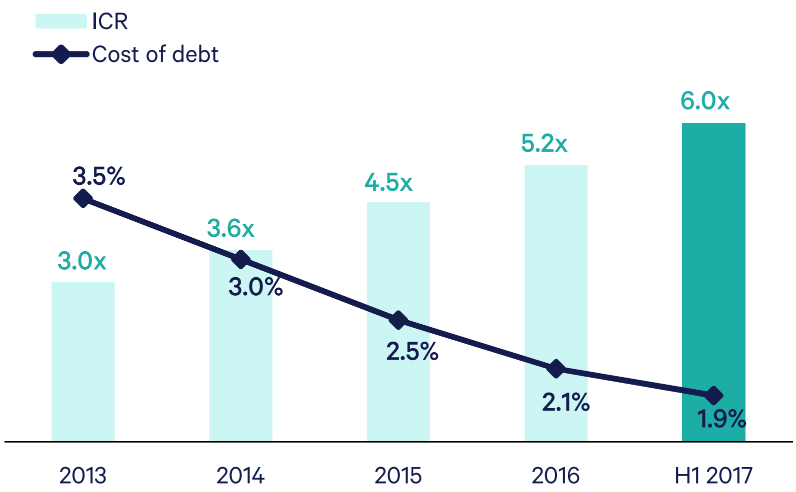
Exhibit 37

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



7.4 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 Klépierre SA	Net debt / Portfolio value ("Loan to Value")	≤ 60%	38.2%	36.8%
	EBITDA / Net interest expenses[b]	≥ 2.0	6.0	5.2
	Secured debt / Portfolio value (excluding Steen & Strøm)	≤ 20%	0.7%	0.7%
	Portfolio value, group share	≥ €10 bn	€20.4 bn	€19.9 bn
Bond issues Klépierre SA	Secured debt / Revalued Net Asset Value (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%.

8 EVENTS SUBSEQUENT TO THE ACCOUNTING CUT-OFF DATE

No post balance sheet events to be mentioned.

9 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.

II CONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2017

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

In millions of euros	Notes	06/30/2017 Fair value	06/30/2016 Fair value
Gross rental income	6.1	611,7	603,9
Land expenses (real estate)	6.2	-8,1	-7,5
Non-recovered rental expenses	6.3	-43,3	-43,1
Building expenses (owner)	6.4	-18,8	-17,3
Net rental income		**541,5**	**536,1**
Management, administrative and related income		42,8	43,8
Other operating revenues	6.5	3,9	6,1
Survey and research costs		-0,3	-0,2
Payroll expenses	10.1	-61,4	-64,1
Other general expenses		-31,6	-31,8
Depreciation and impairment allowance on intangible assets and properties, plant and equipment	6.6	-7,4	-7,3
Provisions		0,7	1,6
Change in value of investment properties	6.7	400,5	398,4
Proceeds from disposal of investment properties and equity investments	6.8	198,3	94,9
Net book value of investment properties and equity investments sold	6.8	-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	**6.9**	**-84,3**	**-84,5**
Change in the fair value of financial instruments		-6,5	-7,0
Share in earnings of equity method investments	5.5	39,6	51,2
Profit before tax		**853,5**	**849,9**
Corporate income tax	7	-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**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

In millions of euros	Notes	06/30/2017 Fair value	12/31/2016 Fair value
Goodwill	5.1	657,3	648,4
Intangible assets	5.2	40,5	45,2
Property, plant and equipment	5.3	15,7	16,0
Investment properties at fair value	5.4	20 971,4	20 390,2
Investment properties at cost	5.4	249,2	282,6
Equity method investments	5.5	1 069,5	1 067,5
Other non-current assets	5.6	348,8	350,8
Non-current derivatives	5.12	41,0	74,0
Deferred tax assets	7	32,6	40,7
Non-current assets		**23 425,9**	**22 915,4**
Fair value of properties held for sale	5.4	242,5	284,4
Trade accounts and notes receivable	5.7	135,2	152,6
Other receivables	5.8	428,8	401,1
- Tax receivables		119,6	180,4
- Other debtors		309,1	220,7
Current derivatives	5.12	0,9	4,8
Cash and cash equivalents	5.9	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	**5.10**	**12 352,0**	**12 536,2**
Non-current financial liabilities	5.11	7 343,7	6 745,6
Non-current provisions	5.13	24,4	23,5
Pension commitments	10.3	13,8	13,2
Non-current derivatives	5.12	26,7	65,3
Security deposits and guarantees		144,9	141,0
Deferred tax liabilities	7	1 486,8	1 375,7
Non-current liabilities		**9 040,4**	**8 364,4**
Current financial liabilities	5.11	2 241,8	2 562,1
Bank overdrafts	5.9	217,9	110,9
Trade payables		247,7	220,8
Payables to fixed asset suppliers		12,6	7,9
Other liabilities	5.14	386,9	317,5
Current derivatives	5.12	20,3	27,4
Social and tax liabilities	5.14	175,2	189,9
Current liabilities		**3 302,4**	**3 436,5**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**24 694,7**	**24 337,1**

CONSOLIDATED CASH FLOW STATEMENTS

In millions of euros	06/30/2017 Fair value	06/30/2016 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**

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

in millions of euros	Capital	Capital related reserves	Treasury stock	Hedging reserves	Consolidated reserves and earnings	Equity, group share	Equity, non-controlling interests	Total equity
Equity at 31/12/2015 - Fair value	**440,1**	**5 862,1**	**-78,4**	**-104,1**	**3 406,7**	**9 526,4**	**2 202,9**	**11 729,3**
Share capital transactions								
Share-based payments								
Treasury share transactions			8,5			8,5		8,5
Dividends					-530,0	-530,0	-47,0	-577,0
Net income for the period					**549,5**	**549,5**	**152,9**	**702,3**
Gains and losses recognized directly in equity								
Income from sales of treasury shares					-1,5	-1,5		-1,5
Income from cash flow hedging				5,5		5,5	-2,9	2,7
Translation profits and losses					-23,5	-23,5	1,9	-21,5
Actuarial gains					0,0	0,0		0,0
Tax on other comprehensive income items				0,4		0,4	0,3	0,8
Other comprehensive income items				**6,0**	**-24,9**	**-18,9**	**-0,6**	**-19,5**
Changes in the scope of consolidation								
Other movements					-1,7	-1,7	-1,2	-2,9
Equity at 30/06/2016 - Fair value	**440,1**	**5 862,1**	**-69,9**	**-98,0**	**3 399,5**	**9 533,7**	**2 307,0**	**11 840,7**
Share capital transactions							-13,1	-13,1
Share-based payments								
Treasury share transactions			2,9			2,9		2,9
Dividends							-1,2	-1,2
Net income for the period					**641,8**	**641,8**	**132,8**	**774,6**
Gains and losses recognized directly in equity								
Income from sales of treasury shares					1,4	1,4		1,4
Income from cash flow hedging				14,5		14,5	6,0	20,5
Translation profits and losses					-74,2	-74,2	0,7	-73,5
Actuarial gains					0,3	0,3		0,3
Tax on other comprehensive income items				-15,6		-15,6	-1,2	-16,8
Other comprehensive income items				**-1,1**	**-72,5**	**-73,7**	**5,5**	**-68,2**
Changes in the scope of consolidation					0,6	0,6	0,2	0,8
Other movements				-0,0	1,2	1,2	-1,5	-0,3
Equity at 31/12/2016 - Fair value	**440,1**	**5 862,1**	**-67,0**	**-99,2**	**3 970,6**	**10 106,6**	**2 429,7**	**12 536,2**
Share capital transactions								
Share-based payments								
Treasury share transactions			-253,0			-253,0		-253,0
Dividends					-562,0	-562,0	-47,4	-609,4
Net income for the period					**570,4**	**570,4**	**140,6**	**711,0**
Gains and losses recognized directly in equity								
Income from sales of treasury shares					3,3	3,3		3,3
Income from cash flow hedging				41,9		41,9	3,8	45,8
Translation profits and losses					-38,2	-38,2	-14,8	-53,1
Actuarial gain or loss					-0,1	-0,1		-0,1
Tax on other comprehensive income items				-8,9		-8,9	-0,7	-9,6
Other comprehensive income items				**33,0**	**-35,0**	**-2,0**	**-11,7**	**-13,6**
Changes in the scope of consolidation								
Other movements					-1,2	-1,2	-18,0	-19,2
Equity at 30/06/2017 - Fair value	**440,1**	**5 862,1**	**-320,0**	**-66,2**	**3 942,9**	**9 858,8**	**2 493,2**	**12 352,0**

1 SIGNIFICANT EVENTS OF THE FIRST HALF OF 2017

1.1 INVESTMENTS

On May 22, 2017, Klépierre acquired Nueva Condomina, a Spanish shopping mall in the region of Murcia, for a property value of 233 million euros including duties.

The other main investments realized during the period concern ongoing projects in The Netherlands (mainly Hoog Catharijne, 41.7 million euros), Val d'Europe extension (25.6 million euros), Prado (20.6 million euros), Shopville Gran Reno extension in Bologne Italy (12.5 million euros), and the acquisition of additional leaseholds in Blagnac (9.6 million euros).

1.2 MAIN DISPOSALS

Since January 1, 2017, the Group has completed the following disposals:

- On January 23, the Lillestrøm Torv shopping center in Norway;
- On January 31, the Charras shopping center in France;
- On March 2, the Vigie Strasbourg shopping center in France;
- On March 31, Klépierre disposed the office part of the Emporia shopping center in Sweden;
- During the first quarter, the group also disposed 2 shopping centers in Spain: Alicante and Augusta.

Moreover, some other assets were disposed over the period:

- On January 22, a warehouse in France;
- On February 16, a land in France;
- On May 30, a set of 15 retail units in France.

1.3 DIVIDEND

On April 18, 2017, the shareholders' meeting approved the payout of a 1.82 euro per share dividend in respect of the 2016 fiscal year, and proposed a cash payment. Cash dividend paid by Klépierre totaled 562 million euros (no dividends for treasury shares).

1.4 SHARE BUYBACK PROGRAM

On March 13, 2017, Klépierre announced a share buyback program of up to 500 million euros. As of June 30, 2017, the group invested 250.1 million euros and repurchased 6,932,462 shares.

1.5 DEBT

Klépierre raised circa 0.8 billion euros of new financing in both the bond and the banking markets. These transactions mainly aimed at both replacing former debts which fell due during the first semester and financing future development needs. They are detailed below:

- In February, Klépierre issued 500 million euros worth of new long-term notes (10 years) bearing a 1.375% coupon. Shortly after, this issuance was complemented by a 100 million euro tap. This issuance allowed to cover the repayment of 615 million euros of 4% notes maturing in April 2017.
- In April, Klépierre signed two revolving credit facilities (5 years) for an aggregate amount of 200 million euros. Simultaneously, 200 million euros of more expensive and shorter lines was cancelled. In the meantime, agreements were found with two banks in order to extend 175 million euros of undrawn facilities to 2022.
- At the end of June Klépierre received banking syndicate approval to extend the 850 million euros syndicated revolving credit facility signed last year for an additional year. The new final maturity on this line is now July 2022.

In Scandinavia, Klépierre has been active on the market by issuing long term bond of 150 million Norwegian Kronor (15 million euros) in order to refinance existing loans.

2 SIGNIFICANT ACCOUNTING POLICIES

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 1st to June 30, 2017, and authorized their publication.

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

2.2 APPLICATION OF IFRS

In accordance with Regulation (EC) No. 1126/2008 of November 3, 2008 on the application of international accounting standards, the Klépierre group's consolidated financial statements through 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).

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

The interim consolidated financial statements are prepared and presented in the form of condensed financial statements, according to IAS 34, relative to Interim Financial Reporting. As the accounts are condensed financial statements, they do not include all the information required by IFRS, do not contain all the information and notes required in the annual financial statements. In this respect, the interim financial statements have to be read alongside with the published consolidated financial statements (or the registration document) of the 2016 fiscal year.

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

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

2.2.1 Standards, amendments and applicable interpretations as of January 1st, 2017

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.

2.2.2 Standards, amendments and interpretations of not compulsory application as from January 1st, 2017

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

- Clarification of IFRS 15 : Revenue to IFRS 15 Revenue from Contracts with Customers
- IFRS 16 : Leases

- Amendment to IAS 7 : Disclosure Initiative: Statement of Cash Flows
- Amendment to IAS 12 : Recognition of Deferred Tax Assets for Unrealized Losses
- Amendment to IFRS 4 : Applying IFRS 9 Financial Instruments with IFRS 4
- Amendments to IFRS 2 : Classification and Measurement of Share-based Payment Transactions
- Annual improvements of IFRS : Cycle 2014-2016
- Amendment to IAS40 : Transfer of investment property
- IFRIC 22 : Foreign currency transactions and advance consideration
- IFRC 23 : Uncertainty over Income Tax Treatments

The following standards and amendments have been adopted by the European Union as of June 30, 2017 but with a later effective date of application:

- IFRS 15 : Revenue from Contracts with Customers including amendments to IFRS 15
- IFRS 9 : Financial instruments

The Group is currently assessing the implementation of these new standards and their impact on the consolidated accounts.

IFRS 9 "Financial Instruments" will replace the standard IAS 39. IFRS 9 provides a new classification of financial instruments and a model of impairment of financial assets based on expected losses. This standard also provides a different treatment of hedge accounting.

The standard IFRS 15 "Revenue from contracts with customers" was published on 8 May 2014. This standard replaces the standards IAS 11 and IAS 18. This standard could include impacts on revenue recognition rules (excluding rents).

At group level, during the period trainings on IFRS 9 and IFRS 15 have been organized for operational and financial teams impacted by the new standards. The review and analysis of the existing financial instruments and contracts is ongoing. No significant impacts have been identified at this stage.

IFRS 16 "Leases" will replace the standard IAS 17. It will remove the distinction between finance leases and operating leases. This standard is very close to the existing standard for the treatment of leases lessor side.

2.3 USE OF MATERIAL JUDGMENTS AND ESTIMATES

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

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

2.3.1 Measurement of goodwill

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

2.3.2 Investment property

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

2.3.3 Financial instruments

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

2.4 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: **Consolidated Statements of Comprehensive Income** *In millions of euros*	**Notes**	**06/30/2016 Cost model**	**Fair value restatements**	**06/30/2016 Fair value 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 millions of euros	**Notes**	**06/30/2016 Cost model**	**Fair value restatements**	**06/30/2016 Fair value 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.

2.5 TRANSLATION OF FOREIGN CURRENCIES

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

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

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

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

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

2.6 DISTINCTION BETWEEN LIABILITIES AND EQUITY

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

2.7 NET EARNINGS PER SHARE

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

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

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

3 SEGMENT INFORMATION

Accounting policies

Segment information

In accordance with IFRS 8 requirements, operating segments are identified on the basis of the internal reporting used by management when evaluating performance and allocating resources. They are limited neither by lines of business nor geography.

3.1 SEGMENT EARNINGS

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

These seven operating segments are structured as follows:

- France/Belgium (including retail assets);
- Scandinavia (Steen & Strøm: Norway, Sweden and Denmark);
- Italy;
- Iberia (Spain, Portugal);
- The Netherlands;
- Germany;
- CEE & Turkey (Hungary, Poland, Czech Republic, Slovakia, Greece and Turkey).

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

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

The sector “Scandinavia” includes all the legal entities of the Steen & Strøm Group in which the minority shareholder owns 43.9% of the interests. The share of the minority shareholder in the equity of the Scandinavian sector at Fair Value amounts to 917.1 million euros as of June 30, 2017, compared to 890.5 million euros as of December 31, 2016. As of June 30, 2017, the share of the Scandinavian portfolio in the non-current assets using the Fair Value model equals to 3,822.4 million euros, in current assets 171.7 million euros, in non-current liabilities 1,465.2 million euros and in current liabilities 919.8 million euros.

in millions of euros	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**
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 millions of euros	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**
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**

3.2 INVESTMENT PROPERTIES DETAILED BY OPERATING SEGMENT

In millions of euros	Value of investment properties 06/30/2017 (1)	Value of investment properties 12/31/2016 (1)
France-Belgium (2)	8 648,4	8 522,9
Scandinavia	3 600,5	3 606,5
Italy	3 203,7	3 069,7
Iberia	2 081,6	1 772,2
The Netherlands	1 254,0	1 233,6
Germany	866,0	939,6
CEE & Turkey	1 566,4	1 528,3
TOTAL	**21 220,6**	**20 672,8**

(1) Including investment properties at fair value and investment properties at cost, excluding investment properties held for sale
(2) Including other activities

3.3 NEW INVESTMENTS OVER THE PERIOD BY OPERATING SEGMENT

In millions of euros	Investment properties at fair value	Investment properties at cost	Investments 06/30/2017 (1)
Shopping centers	**349,4**	**33,5**	**382,9**
France-Belgium (2)	55,6	20,8	76,4
Scandinavia	7,5	0,2	7,7
Italy	2,5	12,5	15,0
Iberia	235,6		235,6
The Netherlands	42,2		42,2
Germany	3,8		3,8
CEE & Turkey	2,2		2,2
TOTAL	**349,4**	**33,5**	**382,9**

(1) Investments include acquisitions, capitalized expenses and changes in scope
(2) Including other activities

3.4 ANALYSIS OF CAPITAL EXPENDITURE OF THE PERIOD

In millions of euros	06/30/2017	12/31/2016
Acquisitions (1)	245,7	382,7
Development (2)	98,5	212,6
Like-for-like portfolio (3)	19,8	68,8
Others (4)	19,0	24,3
NET VALUE	**382,9**	**688,4**

(1) At June 30, 2017 "Acquisitions" line mainly includes the integration of Nueva Condomina shopping center (Spain) and the acquisition of additional leaseholds in Blagnac.

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

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

(4) The line "Others" includes eviction costs, tenant incentives, capitalized financial interests, and development fees.

4 SCOPE OF CONSOLIDATION

Accounting policies

Scope of consolidation

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

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

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

Consolidation method

The consolidation method is based on the degree of control exercised by the company.

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

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

Intercompany transactions

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

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

In accordance with IFRS 12, the Group discloses its control assessment to define the nature of its interest held in its subsidiaries and the associated risks. The main partnerships of the Klépierre Group are described in the 2016 annual report.

Main changes in scope of consolidation in the first half of 2017 are:

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

- During the first half 2017, Steen & Strøm, the 56.1% Scandinavian controlled subsidiary of Klépierre, completed the sale of two properties. On January 23, 2017, the Lillestrøm shopping center was sold in Norway, and offices of Emporia in Malmo, Sweden, were sold on March 31, 2017. As a consequence, the Norwegian company SSI Lillestrøm Torv AS and the Swedish company Phasmatidae Holding AB were disposed and excluded from the scope of consolidation.
- On March 13, 2017, Corio SAS has been merged into Klépierre SA.

5 NOTES TO THE FINANCIAL STATEMENTS: BALANCE SHEET

5.1 GOODWILL

Accounting policies

Accounting for business combination

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

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

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

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

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

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

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

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

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

Goodwill Subsequent Measurement and Impairment

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

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

Goodwill corresponding to optimized value of deferred taxes

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

Goodwill of management activities

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

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

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

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

The impairment test done at least annually by an external appraiser consists in comparing the net book asset value of the entities with the net asset value measured by the independent appraiser.

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

- the discount rate applied is 7.6%;
- the free cash flows over the duration of the business plan are based on business volume and operating margin assumptions that take into account economic and market assumptions on the date on which the plan was established;
- a growth rate for the 2017-2022 period based on the assumptions of the internal business plan approved by the management;
- Klépierre Management's end value was determined with a growth rate applied from 2022 of 1%.

In millions of euros	12/31/2016	Change in scope	Disposals, retirement of assets	Impairment	Other movements	06/30/2017
Goodwill Management Activities :	**260,7**	**-**	**-**	**-**	**- 0,5**	**260,2**
France	117,7					117,7
Italy	53,7					53,7
Spain	32,0					32,0
Portugal	7,4					7,4
Netherlands	18,3					18,3
Germany	14,8					14,8
Turkey	3,1					3,1
Scandinavia	10,4				- 0,5	9,8
Hungary	3,4					3,4
Deferred taxes Goodwill :	**387,6**	**11,4**	**-**	**-**	**- 1,9**	**397,1**
Corio	307,3					307,3
Plenilunio	1,4					1,4
IGC	35,7					35,7
Oslo City	38,4				- 1,9	36,5
Nueva Condo Murcia		11,4				11,4
Other	4,9					4,9
NET GOODWILL	**648,4**	**11,4**	**-**	**-**	**- 2,5**	**657,3**

At June 30, 2017, goodwill totaled 657.3 million euros, compared to 648.4 million euros at December 31, 2016. The change in scope is mostly related to the Nueva Condomina acquisition (see note 4). The goodwill recognized on Nueva Condo Murcia transaction represents the difference between the deferred tax liability on the investment property recorded according to IAS 12 and the one expected from a most tax efficient disposal scheme.

As of June 30, 2017, no impairment triggering event has been identified on the goodwill.

5.2 INTANGIBLE ASSETS

Accounting policies

Intangible assets

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

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

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

Impairment of intangible assets

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

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

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

In millions of euros	12/31/2016	Acquisitions and capitalised expenses	Reduction by disposals, retirement of assets	Allowances for the period	Currency fluctuations	Changes in the scope of consolidation	Reclassification	06/30/2017
Leasehold right	2,8							2,8
Goodwill	4,2							4,2
Software	86,3	2,5			- 1,0		- 0,9	86,9
Concessions, patents and similar rights	1,7							1,7
Other intangible assets	5,4						- 0,2	5,2
Total gross value	**100,4**	**2,5**			**- 1,0**		**- 1,1**	**100,8**
Leasehold right	- 0,9			- 0,1				- 1,0
Goodwill	- 2,5							- 2,5
Software	- 46,4			- 5,4	0,5			- 51,2
Concessions, patents and similar rights	- 1,2							- 1,2
Other intangible assets	- 4,2							- 4,2
Total depreciation and amortization	**- 55,2**			**- 5,5**	**0,5**			**- 60,3**
INTANGIBLE ASSETS – NET VALUE	**45,2**	**2,5**		**- 5,5**	**- 0,5**	**-**	**- 1,1**	**40,5**

5.3 PROPERTY, PLANT AND EQUIPMENT

Accounting policies

Property, plant and equipment

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

In millions of euros	12/31/2016	Acquisitions and capitalized expenses	Reduction by disposals, retirement of assets	Allowances for the period	Currency fluctuations	Changes in the scope of consolidation	Reclassification	06/30/2017
Non-depreciable assets								
Depreciable assets and work in progress	40,0	0,5			- 0,5		1,3	41,3
Total gross value	**40,0**	**0,5**	**-**	**-**	**- 0,5**	**-**	**1,3**	**41,3**
Depreciable assets	- 24,0			- 1,9	0,3			- 25,6
Total depreciation and amortization	**- 24,0**	**-**	**-**	**- 1,9**	**0,3**	**-**	**-**	**- 25,6**
Impairment								
PROPERTY, PLANT AND EQUIPMENT AND WORK IN PROGRESS – NET VALUE	**16,0**	**0,5**	**-**	**- 1,9**	**- 0,2**	**-**	**1,3**	**15,7**

5.4 INVESTMENT PROPERTIES

Accounting policies (IAS 40 & IFRS 13)

Investment properties

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

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

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

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

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

- The stage of completion;
- The level of reliability of cash inflows after completion;
- The development risk specific to the property.

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

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

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

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

Borrowing costs

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

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

Fair value of investment property

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

The fair value excludes transfer duties and fees (fees are measured on the basis of a direct sale of the asset, even though these costs can, in some cases, be reduced by selling the company that owns the asset). The fair values are determined in compliance with evaluation rules described in IFRS 13. In addition, given the complexity of real estate asset valuations and the nature of certain non-public data (such as rental growth projection, capitalization and actualization rates), the fair values of the investment properties have been classified as level 3 according to IFRS 13 criteria. Accordingly, there are no transfers of properties between the fair value hierarchies.

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

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

Shopping centers are appraised by:

- Jones Lang LaSalle (JLL) appraises a part of French portfolio, all Greek and Belgian assets, most of the Italian portfolio and 4 assets in Turkey;
- CBRE appraises 11 French assets, all Portuguese and Spanish assets, 12 Italian assets and 2 Dutch assets;
- BNP Paribas Real Estate appraises all German assets;
- Colliers appraises the Italian assets of the K2 fund;
- C&W appraises a part of French portfolio, all Danish, Swedish, and Norwegian assets, all the Eastern Europe assets (Poland, Hungary, Czech Republic and Slovakia), 4 Dutch assets, 3 Turkish assets.

Retail assets are appraised by BNP Paribas Real Estate.

All appraisals are conducted in accordance with the principles of the *Charte de l'Expertise en Evaluation Immobilière*, AMF recommendations of February 8, 2010 and RICS standards. The fees paid to appraisers, agreed prior to their appraisal of the properties concerned, are fixed on a lump sum basis to reflect the number and complexity of the assets appraised. The fee is entirely unrelated to the appraised value of the assets concerned.

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

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

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

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

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

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

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

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

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

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

5.4.1 Investment properties at fair value

In millions of euros	
INVESTMENT PROPERTIES AT FAIR VALUE – NET VALUE AS OF 12/31/2016	**20 390,2**
Entries in the scope of consolidation	233,0
Investments	113,1
Capitalized interests	3,4
Disposals and exits from the scope of consolidation	- 11,3
Other movements, reclassifications	- 81,3
Currency fluctuations	- 69,0
Fair value variations	393,3
INVESTMENT PROPERTIES AT FAIR VALUE – NET VALUE AS OF 06/30/2017	**20 971,4**

The line "Entries in the scope of consolidation" is related to the first consolidation of the Nueva Condomina shopping center in Spain (see note 1.1 and 4).

The capital expenditures for 113.1 million euros realized during the period mainly concern the investments on Hoog Catharijne for 41.7 million euros, Val d'Europe extension for 25.6 million euros, the acquisition of additional leaseholds in Blagnac for 9.6 million euros and the acquisition of new retail units in Riom, in France, for 4.4 million euros.

The "Other movements, reclassifications" item represents the reclassification of "Investment properties at fair value" to the "Investment properties held for sale" item (see note 5.4.3).

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

Shopping centers (weighted average)	06/30/2017 Annual rent in euros per sq.m.(1)	Discount rate(2)	Exit rate(3)	CAGR of NRI(4)
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 GROUP	**323**	**6,7%**	**5,1%**	**2,5%**

Discount rate and exit rate weighted by shopping center portfolio appraised (including duties, group share):

(1) Average annual rent (minimum guaranteed rent + sales based rent) per asset per sq.m.

(2) Rate used to calculate the net present value of future cash flows

(3) Rate used to capitalize the exit rent to determine the exit value of an asset

(4) Compounded Annual Growth Rate of NRI determined by the appraiser at 10 years

As of June 30, 2017, the average EPRA NIY rate of the portfolio stands at 4.8% (including duties). A 10-bp change in yields would result in a €370-million change in the portfolio valuation (group-share).

5.4.2 Investment properties at cost

In millions of euros	
INVESTMENT PROPERTIES AT COST MODEL – NET VALUE AS OF 12/31/2016	**282,6**
Investments	31,8
Capitalized interests	1,7
Disposals and exits from the scope of consolidation	
Other movements, reclassifications	- 59,4
Currency fluctuations	- 0,1
Impariments and reversals	- 7,3
INVESTMENT PROPERTIES AT COST MODEL – NET VALUE AS OF 06/30/2017	**249,2**

Main investment properties at cost as of June 30, 2017 are:

- In France: the Prado shopping center project, located in Marseille ;
- In Scandinavia: a project under construction in Kristianstad and a land in Odense ;
- In Belgium: the Louvain La Neuve development project ;
- In Italy: the extension of the shopping center Shopville Gran Reno.

The “Other movements, reclassifications” item is mainly related to the reclassification of assets from “Investment properties at cost” to “Investment properties held for sale”.

5.4.3 Investment properties held for sale

Accounting policies

Investment properties held for sale

Investment properties under promise or mandate of sale are presented according to IFRS 5.

The accounting impacts are as follows:

- reclassification as held for sale at the lower of its carrying amount and fair value less costs to sell;
- investment properties concerned are presented separately in current assets.

In millions of euros	
INVESTMENT PROPERTIES HELD FOR SALE - NET VALUE AS OF 12/31/2016	**284,4**
Disposals and exits from the scope of consolidation	- 200,0
Other movements, reclassifications	144,0
Currency fluctuations	- 0,4
Fair value variations	14,5
INVESTMENT PROPERTIES HELD FOR SALE – NET VALUE AS OF 06/30/2017	**242,5**

During the half year 2017, the main assets sold are:

- the Lillestrøm Torv shopping center in Norway;
- the Emporia offices in Sweden;
- the Charras shopping center in Courbevoie;
- 15 other retail units in France.

As of June 30, 2017, investment properties held for sale mainly include the Arneken Gallery in Hildesheim and the Grosse Budengasse in Köln (Germany), a hotel in Utrecht (the Netherlands, sold in July 2017) and the Victor Hugo shopping center in Valence (France).

5.4.4 Investment property portfolio reconciliation

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

In millions of euros	06/30/2017			
	Investment properties held by fully consolidated companies	Investment in equity method companies (*)	Optimization of tax duties	Total Portfolio valuation
Investment Properties at Fair Value	20 971,4	1 399,4	398,2	22 768,9
Investment Properties at Cost	249,2			249,2
Investment Properties Held for Sale	242,5			242,5
– Ground leases	27,6			27,6
– Operating lease incentives	6,3			6,3
TOTAL	21 497,0	1 399,4	398,2	23 294,5

(*) Investments in assets consolidated under the equity method are included based on the fair value of the shares and taking into account receivables and facilities granted by the Group.

5.5 EQUITY METHOD INVESTMENTS

In millions of euros	12/31/2016 Group Share	Share in net income 2017	Dividends received	Capital increases and reductions	Currency fluctuations	Changes in scope of consolidation and other movements	06/30/2017 Group Share
Investments in jointly-controlled companies	838,8	54,8	3,9	- 7,6	- 8,6	- 0,8	880,5
Investments in companies under significant influence	228,7	- 15,2	- 11,3		- 13,6	0,4	189,0
EQUITY METHOD INVESTMENTS	1 067,5	39,6	- 7,4	- 7,6	- 22,2	- 0,4	1 069,5

36 companies are consolidated under the equity method (see note 11.6 Detail of consolidated entities) as of June 30, 2017, of which 28 are jointly controlled and 8 are under significant influence.

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

In millions of euros	06/30/2017		12/31/2016	
	100%	Group Share	100%	Group Share
Non-current assets	2 546,6	1 256,7	2 466,4	1 216,2
Current assets	94,2	46,4	83,2	41,3
Cash and cash equivalents	123,3	60,4	114,3	56,2
Non-current external financial liabilities	- 115,2	- 55,0	- 138,4	- 66,6
Non-current financial liabilities Group and Partners	- 602,2	- 300,9	- 616,2	- 308,2
Non-current liabilities	- 210,9	- 108,4	- 165,7	- 86,1
Current external financial liabilities	- 12,5	- 6,2	- 12,3	- 6,1
Current liabilities	- 23,3	- 12,6	- 13,5	- 7,7
NET ASSETS	1 800,0	880,5	1 717,8	838,8

In millions of euros	06/30/2017		06/30/2016	
	100%	Group Share	100%	Group Share
Revenues from ordinary activities	73,6	36,3	80,2	39,6
Operating expenses	- 12,6	- 6,3	- 16,2	- 8,0
Change in value of investment properties	86,7	43,6	67,6	33,6
Financial income	- 11,7	- 5,8	- 11,7	- 5,8
Profit before tax	136,2	67,8	119,9	59,4
Tax	- 26,0	- 13,0	- 32,1	- 16,0
NET INCOME	110,1	54,8	87,8	43,3

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

Klépierre's share in the external net debt (current and non-current external financial liabilities adjusted by cash) of its jointly-controlled companies amounts to 0.8 million euros as of June 30, 2017, compared to 16.5 million euros as of December 31, 2016.

The key balance sheet and income statement data for companies consolidated using the equity method under significant influence[(2)] are shown below:

In millions of euros	06/30/2017		12/31/2016	
	100%	Group Share	100%	Group Share
Non-current assets	407,6	189,2	487,3	225,6
Current assets	6,2	2,8	7,0	3,1
Cash and cash equivalents	6,8	3,0	7,8	3,6
Non-current external financial liabilities	- 0,7	- 0,3	- 4,1	- 1,9
Non-current financial liabilities Group and Partners	- 0,6	- 0,1	- 0,7	- 0,3
Non-current liabilities	- 1,9	- 0,7	- 1,5	- 0,6
Current external financial liabilities	- 0,0	- 0,0	- 0,1	- 0,0
Current liabilities	- 10,5	- 5,0	- 1,5	- 0,7
NET ASSETS	**407,0**	**189,0**	**494,2**	**228,7**

In millions of euros	06/30/2017		06/30/2016	06/30/2016
	100%	Group Share	100%	Group Share
Revenues from ordinary activities	17,8	8,0	20,7	9,3
Operating expenses	- 4,2	- 2,0	- 6,6	- 3,0
Change in value of investment properties	- 46,1	- 21,3	2,0	1,2
Financial income	0,4	0,2	0,9	0,4
Profit before tax	- 32,1	- 15,2	17,0	7,9
Tax				
NET INCOME	**- 32,1**	**- 15,2**	**17,0**	**7,9**

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

5.6 OTHER NON-CURRENT ASSETS

Accounting policies

Financial assets

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

IAS 39 “Financial instruments: recognition and measurement” describes how financial assets and liabilities must be measured and recognized

Measurement and recognition of financial assets

Loans and receivables

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

Available-for-sale financial assets

Available-for-sale financial assets include equity interests held in non-consolidated companies. Investments in equity instruments not listed in an active market and whose fair value cannot be reliably measured must be measured at cost.

Cash and cash equivalents

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

In millions of euros	12/31/2016	Newly consolidated	Increases	Reductions	Other	06/30/2017
Other long-term investments	0,1	0,0		- 0,3	0,3	0,1
Loans and advances to non-consolidated companies and companies consolidated using the equity method	335,3		61,5	- 62,1	- 2,8	331,9
Loans	0,2		1,0	- 1,2		- 0,0
Deposits	14,0	2,3	2,2	- 2,7	- 0,0	15,7
Other long-term financial investments	1,3			- 0,1	- 0,1	1,1
TOTAL	**350,8**	**2,3**	**64,7**	**- 66,4**	**- 2,5**	**348,8**

5.7 TRADE ACCOUNTS AND NOTES RECEIVABLE

Accounting policies

Trade and other receivable

Trade receivables are recognized and measured at invoice face value minus accruals for non-recoverable amounts. Bad debts are estimated when it is likely that the entire amount receivable will not be recovered. When identified as such, non-recoverable receivables are recognized as losses.

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

In millions of euros	06/30/2017	12/31/2016
Trade receivables	183,1	200,3
Stepped rents and rent-free periods of leases	26,8	24,3
Gross value	**210,0**	**224,6**
Provisions on bad debts	- 74,8	- 72,1
NET VALUE	**135,2**	**152,6**

5.8 OTHER RECEIVABLES

	06/30/2017			12/31/2016
In millions of euros	Total	Less than one year	More than one year	Total
Tax receivables	**119,6**	**119,6**		**180,4**
Corporate income tax	45,3	45,3		76,0
VAT	58,6	58,6		95,5
Other tax receivable	15,8	15,8		8,9
Other receivables	**309,1**	**268,3**	**40,8**	**220,7**
Service charges due	3,8	3,8		1,6
Down payments to suppliers	112,9	112,6	0,2	57,8
Prepaid expenses	44,4	16,8	27,6	49,1
Funds from principals	94,5	94,5		85,2
Other	53,6	40,6	13,0	27,0
TOTAL	**428,8**	**387,9**	**40,8**	**401,1**

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

Upfront payments on building leases or emphyteutic rights are amortized over the lifetime of the lease and recognized under prepaid expenses, totaling 27.2 million euros.

Funds managed by Klépierre Management on behalf of its principals stand at 94.5 million euros as of June 30, 2017 compared to 85.2 million euros as of December 31, 2016. The management accounts of the principals are recognized under “Other liabilities” (see note 5.14) for the same amount.

5.9 CASH AND CASH EQUIVALENTS

In millions of euros	06/30/2017	12/31/2016
Cash equivalents	*4,8*	*7,1*
Treasury and certificates of deposit	0,1	1,0
Money market investments	4,7	6,1
Cash	*456,6*	*571,7*
Gross cash and cash equivalents	**461,4**	**578,8**
Bank overdrafts	**- 217,9**	**- 110,9**
NET CASH AND CASH EQUIVALENTS	**243,5**	**467,9**

Cash equivalents are composed of French UCITS-type monetary funds for 4.7 million euros and Italian treasury bills for 0.1 million euros.

5.10 SHAREHOLDERS' EQUITY

5.10.1 Share Capital and additional paid-in capital

At June 30, 2017, the capital is composed of 314,356,063 shares each of 1.40 euro par value. The capital is fully paid up. Shares are either registered or bearer.

In euros	Number of shares	Capital	Issue premiums	Merger premiums	Other premiums
As of January 1, 2017	314 356 063	440 098 488	4 906 584 901	310 095 156	601 384 000
Issuing of new shares over the 2017 year					
AS OF JUNE 30, 2017	**314 356 063**	**440 098 488**	**4 906 584 901**	**310 095 156**	**601 384 000**

5.10.2 Treasury shares

Accounting policies

Treasury shares

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

	06/30/2017					12/31/2016			
	Stock options	Free shares	Liquidity	External growth	Share repurchase program March 2017	Stock options	Free shares	Liquidity	External growth
Number of shares	502 389	901 091	220 674	885 195	6 932 462	634 801	852 625	155 831	885 195
Of which allocated	*362 471*	*901 091*				*426 498*	*852 625*		
Acquisition value *(in millions of euros)*	14,1	29,5	7,9	18,3	250,1	17,9	25,4	5,4	18,3
Income from sale *(in millions of euros)*	2,3					- 5,0		- 1,7	

On March 13, 2017, Klépierre announced a share buyback program of up to 500 million euros. As of June 30, 2017, the group invested 250.1 million euros and repurchased 6,932,462 shares.

5.10.3 Other consolidated reserves

The increase of other consolidated reserves is mainly due to the dividend distribution for 562 million euros compensated by the appropriation of the profit of the fiscal year 2016 for 1191.3 million euros.

5.10.4 Non-controlling interests

Non-controlling interests increased by 63.5 million euros during the first half of 2017. This change reflects the net income of the period of non-controlling interests (140.6 million euros) and the payment of dividends (-47.4 million euros).

5.11 CURRENT AND NON-CURRENT FINANCIAL LIABILITIES

5.11.1 Change in indebtedness

Accounting policies

Financial liabilities

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

IAS 39 "Financial instruments: recognition and measurement" describes how financial assets and liabilities must be measured and recognized.

Measurement and recognition of financial liabilities

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

Recognition of liabilities at amortized cost

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

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

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

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

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

Measurement and recognition of derivatives

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

Klépierre hedges its liabilities using derivatives and has consequently adopted hedge accounting in accordance with IAS 39:

- hedges to cover balance sheet items whose fair value fluctuates in response to interest rate, credit or exchange rate risks (fair value hedge);
- hedges to cover the exposure to future cash flow risk (cash flow hedges), which consists of fixing future cash flows of a variable-rate liability or asset.

The Klépierre portfolio meets all IAS 39 hedge definition and effectiveness criteria.

The adoption of hedge accounting has the following consequences:

- fair value hedges of existing assets and liabilities: the hedged portion of the asset/liability is accounted for at fair value in the balance sheet. The gains or losses resulting from changes in fair value are recognized immediately in profit or loss. At the same time, there is an opposite corresponding adjustment in the fair value of the hedging instrument, in line with its effectiveness;
- cash flow hedges: the portion of the gain or loss on the fair value of the hedging instrument that is determined to be an effective hedge is recognized directly in equity and recycled to the income statement when the hedged cash transaction affects profit or loss. The gain or loss from the change in value of the ineffective portion of the hedging instrument is recognized immediately in profit or loss.

Recognition date: trade or settlement

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

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

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

Klépierre applies the following rules:

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

Method used to calculate fair value of financial instruments

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

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

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

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

Tax treatment of changes in fair value of financial instruments

In Klépierre's case:

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

Current and non-current financial liabilities amount to 9,586 million euros as of June 30, 2017.

Net indebtedness totaled 9,134 million euros, compared to 8,613 million euros at December 31, 2016. Net indebtedness is the difference between financial liabilities (excluding both fair value hedge and Corio's debts revaluation) plus bank overdrafts minus available cash and marketable securities.

The 521 million euro increase is mainly explained by:

- 562 million euros related to 2016 dividend distribution made in April 2017 and 250 million euros of share buy-back
- Total investments amounted to 331 million euros including 98 million euros of development capex mainly on Hoog Catharijne, Val d'Europe and Marseille Prado and the acquisition of Nueva Condomina for 233 million euros. In the meantime, Klépierre collected 216 million euros related to asset disposals in France, Scandinavia, & Spain;
- The free cash flow, minority contribution, and early close out costs on debt & financial instruments represent the remainder and helped to reduce net debt by 368 million euros;
- The appreciation of the euro against the Scandinavian currencies generated 38 million euros of negative foreign-exchange impact on debt.

In millions of euros	06/30/2017	12/31/2016
Non-current		
Bonds net costs/premiums	5 438,8	5 196,6
– Of which revaluation due to fair value hedge	34,8	41,9
Loans and borrowings from credit institutions – more than one year	1 636,5	1 289,2
Fair value adjustment of debt (1)	78,4	94,7
Other loans and borrowings	190,0	165,1
– Advance payments to the Group and associates	134,9	106,9
– Leasehold (finance lease)(2)	55,0	58,2
TOTAL NON-CURRENT FINANCIAL LIABILITIES	**7 343,7**	**6 745,6**
Current		
Bonds net costs/premiums	460,6	894,7
– *Of which revaluation due to fair value hedge*		4,9
Loans and borrowings from credit institutions – less than one year	55,0	130,6
Accrued interest	71,4	108,3
– On bonds	66,3	100,7
– On loans from credit institutions	3,8	5,5
– On advance payments to the Group and associates	1,4	2,1
Commercial paper	1 649,0	1 420,5
Other loans and borrowings	5,8	8,0
– Advance payments to the Group and associates	5,8	8,0
TOTAL CURRENT FINANCIAL LIABILITIES	**2 241,8**	**2 562,1**
TOTAL NON-CURRENT AND CURRENT FINANCIAL LIABILITIES	**9 585,5**	**9 307,7**

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

(2) In accordance with IAS 17 the leasehold of the Turkish shopping center "365" is recognized as finance lease (see note 6.1 and 6.2 Leases)

5.11.2 Principal sources of financing

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

During the semester, Klépierre reimbursed two bonds at maturity for 615 million euros of nominal value in April and for 50 million euros in June. This financing was replaced by a new long-term bond (600 million euros).

	Group's financing						
In millions of euros	**Borrower**	**Issue currency**	**Reference rate**	**Maturity date**	**Repayment profile**	**Maximum amount**	**Amount used as at 06/30/2017**
Bonds						**4 595**	**4 595**
	Klepierre SA	EUR	2,750%	17/09/2019	In fine	310	310
	Klepierre SA	EUR	4,625%	14/04/2020	In fine	300	300
	Klepierre SA	EUR	4,750%	14/03/2021	In fine	600	600
	Klepierre SA	EUR	1,000%	17/04/2023	In fine	750	750
	Klepierre SA	EUR	1,750%	06/11/2024	In fine	630	630
	Klepierre SA	EUR	2,125%	22/10/2025	In fine	255	255
	Klepierre SA	EUR	1,875%	19/02/2026	In fine	500	500
	Klepierre SA	EUR	1,375%	16/02/2027	In fine	600	600
	Klepierre SA	EUR	4,230%	21/05/2027	In fine	50	50
	Klepierre SA	EUR	1,250%	29/09/2031	In fine	600	600
						951	**951**
	Klepierre (ex Corio)	EUR	4,625%	22/01/2018	In fine	291	291
	Klepierre (ex Corio)	EUR	5,448%	10/08/2020	In fine	250	250
	Klepierre (ex Corio)	EUR	3,250%	26/02/2021	In fine	325	325
	Klepierre (ex Corio)	EUR	3,516%	13/12/2022	In fine	85	85
						352	**352**
	Steen & Strom	NOK	NIBOR	2017	In fine	76	76
	Steen & Strom	SEK	STIBOR	2017	In fine	52	52
	Steen & Strom	NOK	NIBOR	2018	In fine	42	42
	Steen & Strom	NOK	NIBOR	2019	In fine	31	31
	Steen & Strom	NOK	2,620%	2022	In fine	47	47
	Steen & Strom	NOK	NIBOR	2023	In fine	52	52
	Steen & Strom	NOK	2,400%	2023	In fine	52	52
Bank loans						**3 417**	**731**
	Klépierre	EUR	Euribor	17/11/2019	In fine	125	
	Klépierre	EUR	Euribor	04/06/2020	In fine	750	
	Klépierre	EUR	Euribor	17/11/2021	In fine	400	
	Klépierre	EUR	Euribor	07/07/2022	In fine	850	233
	Klepierre	EUR	Euribor		In fine	925	131
	Principe Pio	EUR	3,750%	08/04/2019		17	17
	Klepierre Nederland	EUR	Euribor		In fine	350	350
Mortgage loans						**980**	**905**
	K2	EUR	E3m	15/01/2023	Amortized	25	25
	Massalia Shopping Mall [4]	EUR	Euribor	06/23/2026	In fine	134	58
	Steen & Strom [3]	NOK	NIBOR			63	63
	Steen & Strom [3]	SEK	STIBOR			324	324
	Steen & Strom [3]	DKK	CIBOR/Fixed [2]			435	435
Property finance leases						**62**	**62**
Short-term lines and bank overdrafts						**259**	
Commercial papers						**1 662**	**1 649**
	Klépierre	EUR	-	-	In fine	1 500	1 487
	Steen & Strom	NOK			In fine	162	162
TOTAL FOR THE GROUP [1]						**10 779**	**9 245**

[1] Totals are calculated excluding the backup lines of funding since the maximum amount of the "commercial paper" line includes that of the backup line.
[2] Of which fixed rate debt for 95 million euros.
[3] Steen & Strom has several loans in the three different Scandinavian currencies (NOK,SEK,DKK).
[4] Including 3 million euros of VAT financing credit with a shorter maturity.

5.11.3 Financial covenants relating to financing and rating

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

As of June 30, 2017, the Group's financing covenants remain in line with the commitments agreed to under its contracts. The financial ratios are disclosed in the management report (see 'Financial resources' Note).

5.11.4 Breakdown of borrowings by maturity date

Breakdown of current and non-current financial liabilities

In millions of euros	Total	Less than one year	One to five years	More than five years
NON-CURRENT				
Bonds net costs/premiums	**5 438,8**		**1 864,3**	**3 574,5**
– Of which revaluation due to fair value hedge	34,8		34,8	
Loans and borrowings from credit institutions – more than one year	**1 636,5**		**730,8**	**905,7**
Fair value adjustment of debt (1)	**78,4**		**78,4**	
Other loans and borrowings	**190,0**		**134,9**	**55,0**
– Advance payments to the Group and associates	134,9		134,9	
– Leasehold (finance lease)(2)	55,0			55,0
TOTAL NON-CURRENT FINANCIAL LIABILITIES	7 343,7		2 808,5	4 535,2
CURRENT				
Bonds net costs/premiums	**460,6**	**460,6**		
– *Of which revaluation due to fair value hedge*				
Loans and borrowings from credit institutions – less than one year	**55,0**	**55,0**		
Accrued interest	**71,4**	**71,4**		
– On bonds	66,3	66,3		
– On loans from credit institutions	3,8	3,8		
– On advance payments to the Group and associates	1,4	1,4		
Commercial paper	**1 649,0**	**1 649,0**		
Other loans and borrowings	**5,8**	**5,8**		
– Advance payments to the Group and associates	5,8	5,8		
TOTAL CURRENT FINANCIAL LIABILITIES	2 241,8	2 241,8		
TOTAL NON-CURRENT AND CURRENT FINANCIAL LIABILITIES	9 585,5	2 241,8	2 808,5	4 535,2

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

(2) In accordance with IAS 17 the leasehold of the Turkish shopping center "365" is recognized as finance lease (see note 6.1 and 6.2 Leases)

Maturity schedule of financing including principal and interests (non-discounted) amounts are as follows:

Repayment year In millions of euros	2017	2018	2019	2020	2021	2022	2023	2024	2025 and after	TOTAL
Principal	1 095	1 129	396	601	1 395	489	901	718	2 521	9 245
Interest	82	150	149	131	89	75	62	57	158	953
TOTAL FOR THE GROUP (PRINCIPAL + INTERESTS)	1 177	1 279	546	732	1 485	564	963	774	2 678	10 198

A part of commercial papers in euros will mature during 2017 (895 million euros). By nature commercial paper is short term but used on a rollover basis. They are fully covered by back-up lines. In Scandinavian currencies, 500 million Norwegian Kroner of commercial papers (52 million euros) and several loans or bonds in NOK and SEK (128 million euros) will mature in 2017.

At December 31, 2016, the amortization table for these contractual flows was as follows:

Repayment year	2017	2018	2019	2020	2021	2022	2023	2024	2025 and after	TOTAL
Principal	2 441	431	398	601	1 346	187	901	718	1 907	8 930
Interest	163	142	138	118	75	64	53	48	136	937
TOTAL FOR THE GROUP (PRINCIPAL + INTERESTS)	2 603	572	536	719	1 422	251	954	766	2 043	9 867

5.12 HEDGING INSTRUMENTS

5.12.1 Rate hedging portfolio

As part of its risk management policy (see note 8), Klépierre has settled interest rate swap or cap agreements allowing to switch from floating rate to fixed rate debt and vice-versa. Thanks to these instruments, the Group's hedging rate (the proportion of gross financial debt arranged or hedged at fixed rate) was 91% as of June 30, 2017.

At June 30, 2017, the breakdown of derivatives by maturity date was as follows:

Hedging relationship		DERIVATIVES OF KLEPIERRE GROUP											
In millions of euros	Currency	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	TOTAL
Cash flow hedge													1 165
	EUR					350					114		464
	NOK	31		167			52						251
	SEK	52	21		114	62	31						280
	DKK					170							170
Fair value hedge													350
	EUR				250	100							350
	NOK												
	SEK												
	DKK												
Trading													2 934
	EUR	74	700	410	1 250	300				200			2 934
	NOK												
	SEK												
	DKK												
TOTAL FOR THE GROUP		**157**	**721**	**577**	**1 614**	**983**	**83**			**200**	**114**		**4 449**

The trading category includes a portfolio of caps in euros (1.3 billion euros of notional), a portfolio of 1.26 billion euros of payer swaps and one receiver swap maturing in 2020 for 400 million euros.

At June 30, 2017, the corresponding contractual flows (interest) break down as follows (positive flows = payer flows):

In millions of euros	Hedging relationship	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	TOTAL
Swaps	Cash-Flow Hedge	1	2	1	- 0	- 0	- 0	- 1	- 1	- 1	- 1		- 1
Swaps	Fair value hedge	- 9	- 17	- 16	- 8	- 1							- 51
Swaps/cap	Trading	- 3	- 7	- 9	21	4	3	3	2	0			14
EUR-denominated derivatives		**- 10**	**- 22**	**- 25**	**13**	**3**	**3**	**2**	**1**	**- 1**	**- 1**		**- 37**
NOK-denominated derivatives		**1**	**2**	**0**	**- 0**	**- 0**	**- 0**						**3**
SEK-denominated derivatives		**3**	**5**	**4**	**3**	**1**	**0**						**16**
DKK-denominated derivatives		**1**	**2**	**2**	**1**	**1**	**0**						**7**
TOTAL FOR THE GROUP		**- 5**	**- 14**	**- 19**	**17**	**5**	**3**	**2**	**1**	**- 1**	**- 1**		**- 11**

At December 31, 2016, the breakdown of derivatives by maturity date and the amortization schedule for the corresponding interest flows were as follows:

Hedging relationship													
In millions of euros	Currency	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	TOTAL
Cash flow hedge													1 229
	EUR				200	350					114		664
	NOK	96		176									272
	SEK	52	21		63	63	31						230
	DKK					63							63
Fair value hedge													935
	EUR	585			250	100							935
	NOK												
	SEK												
	DKK												
Trading													2 124
	EUR	564	700	260	400					200			2 124
	NOK												
	SEK												
	DKK												
TOTAL FOR THE GROUP		**1 298**	**721**	**436**	**913**	**576**	**31**			**200**	**114**		**4 288**

At December 31, 2016, the corresponding contractual flows (interest) break down as follows (positive flows = payer flows):

in millions of euros	**Hedging relationship**	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	TOTAL
Swaps	Cash-Flow Hedge	10	10	10	3	0	- 0	- 0	- 1	- 1	- 1		30
Swaps	Fair value hedge	- 17	- 12	- 12	- 5	- 1							- 47
Swaps/cap	Trading	- 7	- 8	- 9	22	4	4	3	3	0			11
EUR-denominated derivatives		**- 14**	**- 10**	**- 11**	**19**	**4**	**4**	**3**	**2**	**- 1**	**- 1**		**- 5**
NOK-denominated derivatives		**3**	**1**	**0**									**5**
SEK-denominated derivatives		**7**	**5**	**4**	**3**	**1**	**0**						**20**
DKK-denominated derivatives		**1**	**1**	**1**	**1**	**1**							**6**
TOTAL FOR THE GROUP		**- 2**	**- 2**	**- 5**	**23**	**6**	**4**	**3**	**2**	**- 1**	**- 1**		**26**

Fair value of the interest rate hedging portfolio

In millions of euros	**Fair value net of accrued interest as of 06/30/2017**	**Change in fair value during first half of 2017**	**Counterparty**
Cash flow hedge	- 24,3	36,5	Shareholders' equity
Fair value hedge	34,8	- 12,1	Borrowings
Trading	- 10,0	- 1,0	Earnings
TOTAL	**0,5**	**23,4**	

5.12.2 Exchange rate hedging

Klépierre manages its exposure to foreign exchange risk linked to some Turkish malls owned with rents denominated in USD, by selling forward USD (215 million USD) against euros. These transactions are qualified as Net Investment Hedges.

Klépierre also used to hedge commercial paper issuances denominated in USD by entering into EUR/USD Foreign exchange swaps.

Fair value of the exchange rate hedging portfolio

In millions of euros	**Fair value net of accrued interest as of 06/30/2017**	**Change in fair value during first half of 2017**	**Counterparty**
Trading (Net investment hedge)	0,9	16,8	Shareholders' equity
Trading (FX)	- 9,1	- 11,1	Borrowings\Earnings
TOTAL	**- 8,2**	**5,7**	

5.13 NON-CURRENT PROVISIONS

Accounting policies

Provisions and contingent liabilities

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

IAS 37 requires that non-interest-bearing long-term liabilities are discounted.

Non-current provisions amount to 24.4 million euros as of June 30, 2017 compared to 23.5 as of December 31, 2016.

This item otherwise includes a 13.1 million euro provision to cover the risk relating to tax litigations.

The remaining balance of 11.3 million euros mainly concerns provisions for litigation and provisions for other business-related risks (tenants, warranty claims, etc.).

5.14 SOCIAL AND TAX LIABILITIES AND OTHER LIABILITIES

In millions of euros	06/30/2017	12/31/2016
Social and tax liabilities	**175,2**	**189,9**
Staff and related accounts	30,9	37,1
Social security and other bodies	12,1	14,9
Tax payables		
– Corporate income tax	34,1	32,7
– VAT	42,4	65,3
Other taxes and duties	55,8	40,0
Other liabilities	**386,9**	**317,5**
Creditor customers	22,7	20,8
Prepaid income	46,3	50,4
Other liabilities	317,8	246,3

The 22.7 million euro advance payments received from tenants related to call of charges are recognized in "Creditor customers".

The "Other liabilities" item consists primarily of funds representing the management accounts of Klépierre Management's principals, balanced by an equal amount in "Other receivables" on the asset side of the balance sheet. These funds totaled 94.5 million euros at June 30, 2017, compared to 85.2 million euros at December 31, 2016.

6 NOTES TO THE FINANCIAL STATEMENTS: COMPREHENSIVE INCOME STATEMENT

6.1 GROSS RENTAL INCOME

Accounting policies

Leases

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

- Finance lease, which is a lease that transfers substantially all the risks and rewards inherent in the ownership of an asset to the lessee. Title to the asset may or may not eventually be transferred at the end of the lease term; and
- Other leases are classified as operating leases.

Recognition of stepped rents and rent-free periods

Gross rental income from operating leases is recognized over the full lease term on a straight-line basis. Stepped rents and rent-free periods are recognized as additions to, or deductions from, gross rental income for the fiscal year. The reference period adopted is the first firm lease term.

Entry fees

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

Early termination indemnities

Tenants who terminate their leases prior to the contractual expiration date are liable to pay early termination penalties. Such penalties are allocated to the terminated contract and credited to income for the period in which they are recognized.

Gross rental income includes:

- Rents from investment property and rent-related income, such as car park rentals and early termination indemnities; and
- Other rental income: income from entry fees and other income.

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

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

6.2 LAND EXPENSES (REAL ESTATE)

Accounting policies

Building leases: IAS 40 and IAS 17

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

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

6.3 NON-RECOVERED RENTAL EXPENSES

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

6.4 OWNERS' BUILDING EXPENSES

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

6.5 OTHER OPERATING REVENUE

Other operating revenue includes:

- Building works re-invoiced to tenants; and
- Other income.

6.6 DEPRECIATION AND IMPAIRMENT ALLOWANCE ON TANGIBLE AND INTANGIBLE ASSETS

As of June 30, 2017, the depreciation and impairment allowance on tangible and intangible assets, amount to 7.4 million euros, an increase of 0.1 million euros compared to June 30, 2016.

6.7 CHANGE IN VALUE OF INVESTMENT PROPERTIES

In millions of euros	06/30/2017	06/30/2016
Change in value of investment properties at fair value	407,8	398,4
Change in value of investment properties at cost	- 7,3	
TOTAL	**400,5**	**398,4**

6.8 INCOME FROM DISPOSALS OF INVESTMENT PROPERTIES AND EQUITY INVESTMENTS

Income from disposals totaled 15.8 million euros and mainly resulted from the disposal of:

- The 2 shopping centers Puerta de Alicante and Augusta in Spain;
- The shares in the shopping center Lillestrøm Torv in Norway and the offices of Emporia in Sweden;
- 15 retail units, a warehouse in Clamart and 2 shopping centers: Courbevoie Charras and Vigie Strasbourg in France.

Income from disposals also includes transfer costs and related expenses.

6.9 NET COST OF DEBT

The net cost of debt amounts to 84.3 million euros, compared to 84.5 million euros at June 30, 2016.

The decrease in net cost of debt comes from debt restructuring (new bonds refinancing, swaps unwinding and repayment that was implemented in 2016).

In millions of euros	06/30/2017	06/30/2016
Financial income	**53,4**	**61,6**
Income from sale of securities		0,1
Interest income on swaps	23,7	28,9
Deferral of payments on swaps	0,1	0,1
Capitalized interest	5,5	6,5
Interest on associates' advances	5,8	6,4
Sundry interest received	2,7	2,3
Other revenue and financial income	3,4	4,4
Currency translation gains	12,0	12,9
Financial expenses	**- 137,7**	**- 146,1**
Expenses from sale of securities		
Interest on bonds	- 83,0	- 90,8
Interest on loans from credit institutions	- 8,4	- 13,5
Interest expense on swaps	- 16,1	- 22,7
Deferral of payments on swaps	- 18,1	- 14,7
Interest on associates' advances	- 1,8	- 1,1
Sundry interest paid	- 1,5	- 1,0
Other financial expenses (2)	- 17,8	- 11,3
Currency translation losses	- 10,1	- 13,0
Transfer of financial expenses	2,8	2,5
Amortization of the fair value of debt(1)	16,3	19,7
NET COST OF DEBT	**- 84,3**	**- 84,5**

(1) Corresponds to the amortization of the market value adjustment of Corio's debt at the acquisition date
(2) Including all cost related to earlier redemption of bond tendered

7 TAXES

Accounting policies

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

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

General features of the SIIC tax status

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

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

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

A 3% tax is applicable on dividend effectively paid to shareholders levied out of (i) non-SIIC profits and, residually, out of (ii) SIIC profits to the extent that the amount distributed exceeds the annual distribution requirement.

Discounting of exit tax liability

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

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

Corporate income tax on companies not eligible for SIIC status

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

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

Tax regime of Dutch companies

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

Tax regime of SOCIMI entities

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

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

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

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

Corporate income tax and deferred tax

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

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

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

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

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

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

Deferred tax is calculated at the local rate known at the closing date taking into account the expected recovery date. The rates applied are: France 34.43%, Spain 25%, Italy 27.90%, Belgium 33.99%, Greece 29%, Portugal 22.5%, Poland 19%, Hungary 9%, Czech Republic 19%, Slovakia 21%, Sweden 22%, Norway 24%, Luxembourg 26,01%, The Netherlands 25%, Denmark 22%, Turkey 20%, Germany 34.03%, Bulgaria 10%.

In millions of euros	06/30/2017	06/30/2016
Current tax	- 14,5	- 25,5
Deferred tax	- 128,0	- 122,1
TOTAL	**- 142,4**	**- 147,6**

The Group's tax expense that is mainly related to deferred taxes, stands at -142.4 million euros at June 30, 2017, compared to -147.6 million euros at June 30, 2016.

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

	France		Foreign	
In millions of euros	***SIIC sector***	***Common law***	**companies**	**Total**
Pre-tax earnings and earnings from equity-method companies	287,4	0,2	526,2	813,8
Theoretical tax expense at 34.43%	**- 99,0**	**- 0,1**	**- 181,2**	**- 280,2**
Exonerated earnings of the SIIC and SOCIMI tax regims	**89,5**		**16,8**	**106,4**
Taxable sectors				
Impact of permanent time lags	- 1,7	- 0,5	8,9	6,6
Untaxed consolidation restatements	2,4	0,3	- 11,5	- 8,8
Impact of non-capitalized losses	- 0,0	- 0,2	- 3,7	- 3,9
Assignment of non-capitalized losses	4,1	0,2	- 0,2	4,0
Change of tax regime				
Discounting of deferred tax following restructuring				
Discounting of tax rates and other taxes	- 0,9	- 0,0	- 14,3	- 15,2
Rate differences			48,7	48,7
ACTUAL TAX EXPENSE	**- 5,6**	**- 0,4**	**- 136,5**	**- 142,4**

Deferred taxes are composed of:

In millions of euros	12/31/2016	Change in scope	Change in net income	Cash flow hedging reserves	Asset, liability reclassifications	Other changes	06/30/2017
Investment properties	- 1 418,8	4,7	- 115,2		0,4	14,6	- 1 514,3
Derivatives	7,1			- 1,5		- 0,1	5,5
Losses carried forward	45,9		- 19,6		- 0,0	- 1,2	25,1
Other items	- 10,0	- 0,0	6,9		0,2	- 0,2	- 3,1
Total for entities in a net liability position	**- 1 375,7**	**4,7**	**- 127,9**	**- 1,5**	**0,7**	**13,0**	**- 1 486,8**
Investment properties	0,9		1,1		- 0,4	- 0,0	1,6
Derivatives	23,3			- 8,1			15,2
Losses carried forward	15,1		0,0			- 0,0	15,1
Other items	1,4		- 1,2		- 0,2	0,7	0,7
Total for entities in a net asset position	**40,7**		**- 0,1**	**- 8,1**	**- 0,7**	**0,7**	**32,6**
NET POSITIONS	**- 1 334,9**	**4,7**	**- 128,0**	**- 9,6**	**- 0,0**	**13,7**	**- 1 454,2**

The deferred tax in the income statement shows a negative change of 128.0 million euros and is mainly comprised of:

- a 114.1 million euro expense resulting from the variation of deferred taxes on temporary differences arising from the changes in the fair market value and the tax value of investment properties;
- a 19.6 million euro expense, resulting from the use of losses carried forward partially offset by the activation of losses of the period;
- a 5.7 million euro gain related to the variation of other balance sheet temporary differences (including deferred taxes on translation differences and derivatives).

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

Non-capitalized deferred taxes on tax losses carried forward amount to 256.6 million euros at June 30, 2017 compared to 255.1 million euros at December 31, 2016.

The “Change in scope” column mainly corresponds to the effect of the first consolidation of Nueva Condomina in Spain and the disposals of the Swedish office building Emporia and of the Norvegian shopping center Lillestrøm Torv.

The “Other changes” column, showing a variation of 13.7 million euros, mainly records the effect of currency fluctuations.

8 EXPOSURE TO RISKS AND HEDGING STRATEGY

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

8.1 INTERESTS RATE RISK

8.1.1 Interest rate risk – exposure to variable-rate debt

Recurrence of variable-rate financing requirement

Floating debt represents 38% of the Group's borrowings at June 30, 2017 (before hedging). It includes: bank loans (secured and unsecured), commercial papers and the use of authorized overdrafts.

Identified risk

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

Measurement of risk exposure

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

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

Fair value of cash flow hedge *In millions of euros*	Notional	Fair value net of accrued interest	Change in shareholders' equity caused by a 1% increase in interest rates
Cash-Flow Hedge Swaps at 06/30/2017			
– Euro-denominated portfolio	464,0	0,4	21,3
– Steen & Strøm portfolio	701,0	- 24,6	14,7
CASH-FLOW HEDGE SWAPS AT 06/30/2017	**1 165,0**	**- 24,3**	**36,0**

Break down of financial borrowings after interest rate hedging:

	Fixed-rate borrowings or Converted to fixed-rate			Variable-rate borrowings			Total gross borrowings		Average cost of debt,
In millions of euros	Amount	Rate	Fixed part	Amount	Rate	Variable part	Amount	Rate	base 06/30/2017
12/31/2015	6 851	2,43%	77%	1 999	1,15%	23%	8 850	2,14%	2,20%
12/31/2016	7 205	2,15%	81%	1 725	1,12%	19%	8 930	1,96%	2,00%
06/30/2017	8 458	1,77%	91%	787	0,89%	9%	9 245	1,69%	1,71%

N.B.: The average cost of debt, "base 06/30/2017" is calculated on the basis of the interest rates and funding structure in place at June 30, 2017, and does not therefore constitute a forecast of the average cost of debt for Klépierre over the coming period. It includes the spreading of issue costs and premiums.

Hedging strategy

Klépierre has set a target hedging rate of approximately 70%. This rate is defined as the proportion of fixed-rate debt (after hedging) to gross borrowings. On June 30, 2017 the hedging rate is above the objective and is established at 91%.

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

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

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

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

8.1.2 Interest rate risk – exposure to fixed-rate debt

Description of fixed-rate borrowing

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

Identified risk

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

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

Measurement of risk exposure and hedging strategy

At June 30, 2017, fixed rate debt totaled 5,757 million euros before hedging.

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

The duration of fair value hedge instruments is never longer than that of the debt hedged, since Klépierre wishes to obtain a very high level of effectiveness, as defined by IAS 32/39.

8.1.3 Marketable securities

At June 30, 2017, Klépierre held 4.8 million euros of marketable securities.

Cash equivalents refer only to amounts invested in French open-ended money market funds (4.7 million euros) and Italian treasury bills (0.1 million euros).

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

8.1.4 Fair value of financial assets and liabilities

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

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

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

Klépierre has chosen not to revalue the margin component of these unlisted loans in view of small amounts.

In millions of euros	06/30/2017			12/31/2016		
	Par value	Fair value	Change in fair value caused by a 1% increase in interest rate*	Par value	Fair value	Change in fair value caused by a 1% increase in interest rate*
Fixed-rate bonds	5 645,0	5 954,1	- 157,1	5 725,8	5 805,9	- 235,2
Fixed-rate bank loans	111,7	112,6	- 0,7	117,6	299,8	- 1,5
Other variable-rate loans	3 487,9	3 487,9		3 086,2	3 112,6	
TOTAL	**9 244,6**	**9 554,6**	**- 157,8**	**8 929,7**	**9 209,9**	**- 282,4**

** change in the fair value of the debt as a result of a parallel shift in the rate curve*

Derivatives are recognized in the balance sheet at their fair value. At June 30, 2017, a 100 basis point rise in rates would have resulted in a 60 million euro increase of in the value of the Group's euro-denominated interest rate derivatives.

8.2 LIQUIDITY RISK

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

The average duration of indebtedness at June 30, 2017 was 6.3 years, with borrowings spread between different markets (the bond market and commercial papers represent 82%, with the balance being raised in the banking market). Within the banking market, the company uses a range of different loans types (syndicated loans, mortgage loans, etc.) and counterparties.

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

At June 30, 2017, Klépierre has unused credit lines (including bank overdrafts) totaling 1,534 million euros and 239 million euros available on its bank accounts. These resources are sufficient to absorb the main refinancing scheduled for the next three years.

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

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

Some of Klépierre SA bonds (5,546 million euros) include a bearer put option, providing the possibility of requesting early repayment in the event of a change of control generating a change of Klépierre's rating to "non-investment grade". Apart from this clause, no other financial covenant refers to Standard & Poor's rating for Klépierre.

The main financial covenants are detailed in the financial report.

8.3 CURRENCY RISK

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

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

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

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

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

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

8.4 COUNTERPARTY RISK

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

8.4.1 Counterparty risk on marketable securities

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

- monetary UCITS managed by recognized institutions, and therefore carrying a range of signatures;
- Government debt (loans or borrowings) of countries in which Klépierre operates;
- Occasionally, deposit certificates issued by leading banks.

8.4.2 Counterparty risk on hedging instruments

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

8.5 EQUITY RISK

As of June 30, 2017, Klépierre holds no equities shares quoted on an exchange market other than its own shares (9,441,811 shares at June 30, 2017), which are recognized in equity at their historical cost.

9 FINANCE AND GUARANTEE COMMITMENTS

9.1 COMMITMENTS GIVEN

In millions of euros	06/30/2017	12/31/2016
Commitments related to the Group's consolidated scope	**3,0**	**3,0**
Purchase commitments	3,0	3,0
Commitments related to Group financing	**1 023,4**	**1 170,3**
Financial guarantees given	1 023,4	1 170,3
Commitments related to the Group's operating activities	**118,3**	**97,8**
Commitments under conditions precedent	36,0	7,5
Work completion commitments	48,2	59,6
Rental guarantees and deposits	7,4	4,1
Other commitments given	26,7	26,7
TOTAL	**1 144,7**	**1 271,1**

9.1.1 Commitments related to the Group's consolidated scope

Purchase commitments

At June 30, 2017, this item includes a possible earn-out payment related to the acquisition of a project in France, contractually limited to 3 million euros excluding duties. The amount of the earn-out payment, subject to the realization of predetermined conditions, will be calculated in the following 30 days after the second anniversary of the shopping center opening date.

9.1.2 Commitments related to Group financing

Financial guarantees given

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

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

In millions of euros	Loan amount as of 06/30/2017	Mortgage and pledges amount as of 06/30/2017
France (1)	88,0	218,4
Italy	25,1	90,0
Norway	138,4	385,2
Sweden	324,5	371,7
Denmark	436,4	510,3
Spain	11,0	11,0
TOTAL	**1 023,4**	**1 586,6**

(1) Including a mortgage for €156.1 million related to the credit contract of Massalia Shopping Mall.

9.1.3 Commitments related to the Group's operating activities

Commitments under conditions precedent

The commitments under conditions precedent relate to purchase promissory agreements on land or assets and earn-out payments on acquisitions. Commitments have been given for the acquisition of leasehold and leasehold rights in France, and a retail unit in Czech Republic.

Work completion commitments

The work completion commitments decreases by 11.4 million euros compared to 2016.

The work completion commitments concerned amounts to be paid on works under way not yet realized. The main relate to Val d'Europe extension (14.4 million euros), the Prado project (5.9 million euros) and Portet sur

Garonne (2.4 million euros) in France, Kristianstad (15.2 million euros) in Sweden, and Principe Pio (2,6 million euros) in Spain.

Rental guarantees and deposits

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

Other commitments given

Other commitments given mainly include payment guarantees on amounts owed to the state (23.0 million euros) and deposits on loans to employees.

Other commitments given related to lease contracts

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

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

9.2 MUTUAL COMMITMENTS

Mutual commitments amount to 194.7 million euros and are related to financial warranties given to contractors mainly on Hoog Catharijne in The Netherlands (156.0 million euros) and the Prado shopping center (38.7 million euros). Reciprocally, Klépierre received financial warranties to complete the works from contractors.

9.3 COMMITMENTS RECEIVED

In millions of euros	06/30/2017	12/31/2016
Commitments related to Group financing	**1 275,0**	**1 855,4**
Financing agreements obtained and not used	1275,0	1 855,4
Commitments related to the Group's operating activities	**363,1**	**380,9**
Sale commitments	2,2	13,5
Financial warranty received in connection with management activity (Loi Hoguet)	190,0	190,0
Financial warranties received from tenants	170,9	177,4
TOTAL	**1 638,1**	**2 236,3**

9.3.1 Commitments related to Group financing

Financing agreements obtained and not used

At June 30, 2017, Klépierre has 1,275 million euros of committed and undrawn credit lines on bilateral and syndicated loans.

An additional amount of 165 million euros is also available in the form of an uncommitted overdraft with several banks, as of June 30, 2017. Steen & Strøm has 94 million euros available credit lines as overdrafts.

9.3.2 Commitments related to the Group's operating activities

Sale commitments

The sale commitment is related to a land in Cahors, in France.

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

As part of its real-estate and property management activities, banking guarantees have been delivered to Klépierre Management for an amount capped at 190 million euros as of June 30, 2017.

Financial warranties received from tenants

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

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

9.4 SHAREHOLDERS' AGREEMENTS

The Group is subject to the shareholders' and partners' agreements previously signed and which correspond to those applied in 2016, as indicated in paragraph 9.4 of the notes to the consolidated financial statements at December 31, 2016.

9.5 COMMITMENTS UNDER OPERATING LEASES – LESSORS

The main clauses contained in the lessor's lease agreement correspond to those applied in 2016, as indicated in paragraph 9.5 of the notes to the consolidated financial statements at December 31, 2016.

At June 30, 2017, the total future minimum rents receivable under non-cancelable operating leases were as follows:

In millions of euros	06/30/2017
Less than one year	984,2
Between one and five years	1 835,6
More than five years	538,9
TOTAL	**3 358,7**

10 EMPLOYEE COMPENSATION AND BENEFITS

10.1 PAYROLL EXPENSES

At June 30, 2017 total payroll expenses amounted to 61.4 million euros.

Fixed and variable salaries and wages plus incentives and profit sharing totaled 45.4 million euros, pension-related expenses, retirement expenses and other staff benefits were 14.4 million euros, taxes and similar compensation-related payments were 1.6 million euros.

10.2 EMPLOYEES

At June 30, 2017 the Group had in average 1,203 employees: 731 work outside France, including 148 in the Scandinavian real estate company Steen & Strøm. The average headcount of the Klépierre group at June 30, 2017 breaks down as follows:

	06/30/2017	12/31/2016
France-Belgium	472	476
Scandinavia	148	165
Italy	172	173
Iberia	118	122
The Netherlands	67	64
Germany	55	60
CEE & Turkey	171	173
TOTAL	**1 203**	**1 234**

10.3 EMPLOYEE BENEFITS

Accounting policies

Employee benefits

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

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

- short-term benefits, such as salaries and wages, annual vacation, mandatory and discretionary profit-sharing schemes and company contributions;
- post-employment benefits: these relate primarily to supplementary pension payments in France, and private pension schemes elsewhere;
- other long-term benefits, which include paid vacation, long-service payments, and some deferred payment schemes paid in monetary units;
- severance pay.

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

Short-term benefits

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

Post-employment benefits

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

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

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

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

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

The amount of the commitment to be provisioned is calculated on the basis of the actuarial assumptions adopted by the company and by applying the projected unit credit method. The value of any hedging assets (plan assets and redemption rights) is deducted from the resulting figure. According to IAS19R, the actuarial gain or loss is recognized in Equity.

Long-term benefits

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

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

Severance pay

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

Share-based payments

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

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

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

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

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

10.3.1 Defined contribution pension plans

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

10.3.2 Defined benefit pension plans

The defined benefit pension plans set up by Klépierre, as well as their actuarial appraisals, correspond to those indicated in section 10.3 of the notes to the Group's consolidated financial statements for the year ended December 31, 2016.

The provisions recognized for defined benefit pension plans totaled 13.8 million euros at June 30, 2017.

In millions of euros	12/31/2016	Allowances for the period	Other movements	Changes in the scope of consolidation	06/30/2017
Provisions for employee benefit commitments					
– Defined benefit schemes	11,1	0,4	0,1		11,6
– Other long term benefits	2,1	0,1			2,2
TOTAL	**13,2**	**0,5**	**0,1**		**13,8**

The assumptions used at December 31, 2016 are given in section 10.3.2 of the notes to the Group's consolidated financial statements for the year ended December 31, 2016.

10.4 STOCK-OPTIONS

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

10.4.1 Summary data

	Plan n°3	
	Without performance conditions	With performance conditions
Date of the general meeting of Shareholders	07/04/2006	07/04/2006
Date of the Executive Board meeting	06/04/2009	06/04/2009
Start date for exercising options	06/04/2013	06/04/2013
Expiration date	05/04/2017	05/04/2017
Subscription or purchase price	22,60	between 22,6 and 27,12
Stock purchase options originally granted	377 750	103 250
Stock purchase options originally granted	NA	NA
Stock purchase options canceled or obsolete at June 30, 2017	53 500	10 312
Stock purchase options exercised at June 30, 2017	324 250	92 938
Outstanding stock purchase options at June 30, 2017	0	0

	Plan n°4		Plan n°5	
	Without performance conditions	With performance conditions	Without performance conditions	With performance conditions
Date of the general meeting of Shareholders	09/04/2009	09/04/2009	09/04/2009	09/04/2009
Date of the Executive Board meeitng	21/06/2010	21/06/2010	27/05/2011	27/05/2011
Start date for exercising options	21/06/2014	21/06/2014	27/05/2015	27/05/2015
Expiration date	20/06/2018	20/06/2018	26/05/2019	26/05/2019
Subscription or purchase price	22,31	between 22,31 and 26,77	27,94	between 27,94 and 33,53
Stock purchase options originally granted	403 000	90 000	492 000	114 000
Stock purchase options canceled or obsolete at June 30, 2017	69 000		121 500	6 000
Stock purchase options exercised at June 30, 2017	283 612	58 300	181 774	26 655
Outstanding stock purchase options at June 30, 2017	50 388	31 700	188 726	81 345

Plans No. 3, 4 and 5 are performance-related for Executive Board members and partly performance-related for the Executive Committee. No expense was recognized for the period.

The features of the plans are unchanged and can be consulted in section 10.4 of the notes to the Group's consolidated financial statements for the year ended December 31, 2016.

10.5 FREE SHARES

There are currently six free shares plans in place for Group executives and employees. Plan 1 expired in 2016 and plan 2 has expired as of February 25, 2017.

10.5.1 Summary data

	Plan No. 2	
	With performance conditions	
Plan authorized in 2013	France	Foreign countries
Date of the general meeting of Shareholders	12/04/2012	12/04/2012
Date of the Executive Board meeting	25/02/2013	25/02/2013
End of acquisition period	25/02/2016	25/02/2017
End of conservation period	25/02/2018	-
Shares originally granted	230 000	25 000
Shares canceled at June 30, 2017	8 000	2 000
Reduction of shares with performance in 2017	123 832	12 834
Shares definitively acquired in 2017	98 168	10 166
Outstanding shares at June 30, 2017	0	0

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

Plan authorized in 2015	Plan No. 4	
	With performance conditions	
	France	Foreign countries
Date of the general meeting of Shareholders	14/04/2015	14/04/2015
Date of the Executive Board meeting	04/05/2015	04/05/2015
End of acquisition period	04/05/2018	04/05/2019
End of conservation period	04/05/2021	-
Shares originally granted	235 059	54 900
Additional shares granted	0	0
Shares canceled at June 30, 2017	8 000	9 500
Outstanding shares at June 30, 2017	227 059	45 400

Plan authorized in 2016	Plan No. 5	
	With performance conditions	
	France	Foreign countries
Date of the general meeting of Shareholders	19/04/2016	19/04/2016
Date of the Executive Board meeting	02/05/2016	02/05/2016
End of acquisition period	02/05/2019	02/05/2020
End of conservation period	02/05/2021	-
Shares originally granted	240 500	84 000
Additional shares granted	0	0
Shares canceled at June 30, 2017	4 500	3 000
Outstanding shares at June 30, 2017	236 000	81 000

On Avril 18, 2017, 310,900 shares have been allocated to management and Group employees, as part of a free share plan authorized by the Executive Board. The allocation is divided into two fractions with the following characteristics:

Plan authorized in 2017	Plan No. 6	
	With performance conditions	
	France	Foreign countries
Date of the general meeting of Shareholders	18/04/2017	18/04/2017
Date of the Executive Board meeting	18/04/2017	18/04/2017
End of acquisition period	18/04/2020	18/04/2021
End of conservation period	18/04/2022	-
Shares originally granted	216 300	94 600
Additional shares granted	0	0
Shares canceled at June 30, 2017	0	1 000
Outstanding shares at June 30, 2017	216 300	93 600

The total expense recognized for the period for all free share plans amounts to 1.9 million euros and takes into account an estimate of the population of beneficiary at the end of each vesting period, as a beneficiary may lose his or her entitlements should he or she leave the Klépierre group during this period.

11 ADDITIONAL INFORMATION

11.1 TRANSACTIONS WITH RELATED PARTIES

11.1.1 Transactions with the Simon Property Group

At company's knowledge, the Simon Property Group holds a 20.33% equity stake in Klépierre SA as of June 30, 2017.

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

11.1.2 Transactions with the APG Group

At company's knowledge, the APG Group holds a 13.49% equity stake in Klépierre SA as of June 30, 2017.

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

11.1.3 Relationships between Klépierre group consolidated companies

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

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

Balance sheet positions with related parties at period-end

	06/30/2017	12/31/2016
In millions of euros	Companies consolidated under equity method	Companies consolidated under equity method
Loans and advances to companies consolidated using the equity method	301,0	308,5
NON-CURRENT ASSETS	**301,0**	**308,5**
Trade accounts and notes receivable	7,6	5,3
Other receivables	15,7	3,7
CURRENT ASSETS	**23,3**	**9,0**
TOTAL ASSETS	**324,3**	**317,5**
Loans and advances from companies consolidated using the equity method	0,8	7,7
NON-CURRENT LIABILITIES	**0,8**	**7,7**
Trade payables	0,4	0,2
Other liabilities	0,1	0,3
CURRENT LIABILITIES	**0,5**	**0,5**
TOTAL LIABILITIES	**1,3**	**8,2**

"Income" items related to transactions with related parties

	06/30/2017	06/30/2016
In millions of euros	Companies consolidated under equity method	Companies consolidated under equity method
Management, administrative and related income	3,2	4,2
Operating income	**3,2**	**4,2**
Net cost of debt	5,8	5,9
Profit before tax	**9,0**	**10,1**
NET INCOME OF THE CONSOLIDATED ENTITY	**9,0**	**10,1**

Most of these items relate to management and administration fees and income on financing arrangements for these companies' businesses.

11.2 POST-EMPLOYMENT BENEFIT PLANS

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

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

11.3 CONTINGENT LIABILITIES

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

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

11.4 POST-BALANCE SHEET DATE EVENTS

No post balance sheet events to be mentioned.

11.5 IDENTITY OF THE CONSOLIDATING COMPANIES

At June 30, 2017, Klépierre is consolidated using the equity method by Simon Property Group which holds a 20.33% stake in the equity of Klépierre (including treasury shares).

Klépierre is included in consolidated accounts of APG which holds a 13.49% stake in the the equity of Klépierre (including treasury shares).

11.6 LIST OF CONSOLIDATED ENTITIES

List of consolidated companies		% of interest			% of control		
Full Consolidated Companies	Country	06/30/2017	12/31/2016	Change	06/30/2017	12/31/2016	Change
Holding - Head of the Group							
Klépierre SA	France	100,00%	100,00%	-	100,00%	100,00%	-
Shopping centers - France							
KLE 1 SAS	France	100,00%	100,00%	-	100,00%	100,00%	-
SCOO SC	France	53,64%	53,64%	-	53,64%	53,64%	-
Klécar France SNC	France	83,00%	83,00%	-	83,00%	83,00%	-
KC3 SNC	France	83,00%	83,00%	-	100,00%	100,00%	-
KC4 SNC	France	83,00%	83,00%	-	100,00%	100,00%	-
KC5 SNC	France	83,00%	83,00%	-	100,00%	100,00%	-
KC9 SNC	France	83,00%	83,00%	-	100,00%	100,00%	-
KC10 SNC	France	83,00%	83,00%	-	100,00%	100,00%	-
KC11 SNC	France	83,00%	83,00%	-	100,00%	100,00%	-
KC12 SNC	France	83,00%	83,00%	-	100,00%	100,00%	-
KC20 SNC	France	83,00%	83,00%	-	100,00%	100,00%	-
LP7 SAS	France	100,00%	100,00%	-	100,00%	100,00%	-
Klécar Europe Sud SCS	France	83,00%	83,00%	-	83,00%	83,00%	-
Solorec SC	France	80,00%	80,00%	-	80,00%	80,00%	-
Centre Bourse SNC	France	100,00%	100,00%	-	100,00%	100,00%	-
Bègles Arcins SCS	France	52,00%	52,00%	-	52,00%	52,00%	-
Bègles Papin SNC	France	100,00%	100,00%	-	100,00%	100,00%	-
Sécovalde SCI	France	55,00%	55,00%	-	55,00%	55,00%	-
Cécoville SAS	France	100,00%	100,00%	-	100,00%	100,00%	-
Soaval SCS	France	100,00%	100,00%	-	100,00%	100,00%	-
Klémurs SCA	France	100,00%	100,00%	-	100,00%	100,00%	-
Nancy Bonsecours SCI	France	100,00%	100,00%	-	100,00%	100,00%	-
Sodevac SNC	France	100,00%	100,00%	-	100,00%	100,00%	-
Odysseum Place de France SNC	France	100,00%	100,00%	-	100,00%	100,00%	-
Klécar Participations Italie SAS	France	83,00%	83,00%	-	83,00%	83,00%	-
Pasteur SNC	France	100,00%	100,00%	-	100,00%	100,00%	-
Holding Gondomar 1 SAS	France	100,00%	100,00%	-	100,00%	100,00%	-
Holding Gondomar 3 SAS	France	100,00%	100,00%	-	100,00%	100,00%	-
Combault SNC	France	100,00%	100,00%	-	100,00%	100,00%	-
Beau Sevran Invest SCI	France	83,00%	83,00%	-	100,00%	100,00%	-
Valdebac SCI	France	55,00%	55,00%	-	55,00%	55,00%	-
Progest SAS	France	100,00%	100,00%	-	100,00%	100,00%	-
Belvedere Invest SARL	France	55,00%	55,00%	-	55,00%	55,00%	-
Haies Haute Pommeraie SCI	France	53,00%	53,00%	-	53,00%	53,00%	-
Plateau des Haies SNC	France	100,00%	100,00%	-	100,00%	100,00%	-
Forving SARL	France	93,15%	93,15%	-	93,15%	93,15%	-
Saint Maximin Construction SCI	France	55,00%	55,00%	-	55,00%	55,00%	-
Pommeraie Parc SCI	France	60,00%	60,00%	-	60,00%	60,00%	-
Champs des Haies SCI	France	60,00%	60,00%	-	60,00%	60,00%	-
La Rive SCI	France	85,00%	85,00%	-	85,00%	85,00%	-
Rebecca SCI	France	70,00%	70,00%	-	70,00%	70,00%	-
Le Mais SCI	France	80,00%	80,00%	-	80,00%	80,00%	-
Le Grand Pré SCI	France	60,00%	60,00%	-	60,00%	60,00%	-
LC SCI	France	88,00%	88,00%	-	100,00%	100,00%	-
Kle Projet 1 SAS	France	100,00%	100,00%	-	100,00%	100,00%	-
Klepierre Créteil SCI	France	100,00%	100,00%	-	100,00%	100,00%	-
Albert 31 SCI	France	83,00%	83,00%	-	100,00%	100,00%	-
Galeries Drancéennes SNC	France	100,00%	100,00%	-	100,00%	100,00%	-
Portes de Claye SCI	France	55,00%	55,00%	-	55,00%	55,00%	-
Klecab SCI	France	100,00%	100,00%	-	100,00%	100,00%	-
Kleber Odysseum SCI	France	100,00%	100,00%	-	100,00%	100,00%	-
Klé Arcades SCI	France	53,69%	53,69%	-	100,00%	100,00%	-
Le Havre Colbert SNC	France	100,00%	100,00%	-	100,00%	100,00%	-
Klépierre Massalia SAS	France	100,00%	100,00%	-	100,00%	100,00%	-
Massalia Shopping Mall SCI	France	60,00%	60,00%	-	100,00%	100,00%	-
Massalia Invest SCI	France	60,00%	60,00%	-	60,00%	60,00%	-
Kle Start SAS	France	100,00%	0,00%	100,00%	100,00%	0,00%	100,00%
Corio et Cie SNC	France	100,00%	100,00%	-	100,00%	100,00%	-
Paris Immoblier SAS	France	100,00%	100,00%	-	100,00%	100,00%	-
Sanoux SCI	France	75,00%	75,00%	-	75,00%	75,00%	-
Centre Deux SNC	France	100,00%	100,00%	-	100,00%	100,00%	-
Mob SC	France	100,00%	100,00%	-	100,00%	100,00%	-
Corio Alpes SAS	France	100,00%	100,00%	-	100,00%	100,00%	-
Galerie du Livre SAS	France	100,00%	100,00%	-	100,00%	100,00%	-
Les Portes de Chevreuse SNC	France	100,00%	100,00%	-	100,00%	100,00%	-
Caetoile SNC	France	100,00%	100,00%	-	100,00%	100,00%	-
Corio Echirolles SNC	France	100,00%	100,00%	-	100,00%	100,00%	-
Sagep SAS	France	100,00%	100,00%	-	100,00%	100,00%	-
Maya SNC	France	100,00%	100,00%	-	100,00%	100,00%	-
Ayam SNC	France	100,00%	100,00%	-	100,00%	100,00%	-
Dense SNC	France	100,00%	100,00%	-	100,00%	100,00%	-
Newton SNC	France	100,00%	100,00%	-	100,00%	100,00%	-
Financière Corio SAS	France	100,00%	100,00%	-	100,00%	100,00%	-
Klepierre Grand Littoral SASU	France	100,00%	100,00%	-	100,00%	100,00%	-

List of consolidated companies		% of interest			% of control		
Full Consolidated Companies	Country	06/30/2017	12/31/2016	Change	06/30/2017	12/31/2016	Change
Service providers - France							
Klépierre Management SNC	France	100,00%	100,00%	-	100,00%	100,00%	-
Klépierre Conseil SAS	France	100,00%	100,00%	-	100,00%	100,00%	-
Klepierre Brand Ventures SNC	France	100,00%	100,00%	-	100,00%	100,00%	-
Klepierre Gift Cards SAS	France	100,00%	100,00%	-	100,00%	100,00%	-
Klépierre Finance SAS	France	100,00%	100,00%	-	100,00%	100,00%	-
Klepierre Procurement International SNC	France	100,00%	100,00%	-	100,00%	100,00%	-
Shopping centers - International							
Klepierre Management Deutschland GmbH	Germany	100,00%	100,00%	-	100,00%	100,00%	-
Klepierre Duisburg GmbH	Germany	94,99%	94,99%	-	94,99%	94,99%	-
Klepierre Duisburg Leasing GmbH	Germany	100,00%	100,00%	-	100,00%	100,00%	-
Klepierre Duisburg Leasing II GmbH	Germany	100,00%	100,00%	-	100,00%	100,00%	-
Klepierre Dresden Leasing GmbH	Germany	100,00%	100,00%	-	100,00%	100,00%	-
Klepierre Duisburg II GmbH	Germany	94,99%	94,99%	-	94,99%	94,99%	-
Klepierre Dresden GmnH	Germany	94,99%	94,99%	-	94,99%	94,99%	-
Klepierre Koln Holding GmbH	Germany	100,00%	100,00%	-	100,00%	100,00%	-
Unter Goldschmied Köln GmbH	Germany	94,99%	94,99%	-	94,99%	94,99%	-
Klepierre Hildesheim Holding GmbH	Germany	100,00%	100,00%	-	100,00%	100,00%	-
Projekt A GmbH & CoKG	Germany	94,90%	94,90%	-	94,90%	94,90%	-
Projekt A Vermietung GmbH	Germany	100,00%	100,00%	-	100,00%	100,00%	-
Klepierre Berlin GmbH	Germany	94,99%	94,99%	-	94,99%	94,99%	-
Klepierre Berlin Leasing GmbH	Germany	100,00%	100,00%	-	100,00%	100,00%	-
Coimbra SA	Belgium	100,00%	100,00%	-	100,00%	100,00%	-
Les Cinémas de l'Esplanade SA	Belgium	100,00%	100,00%	-	100,00%	100,00%	-
Foncière de Louvain La Neuve SA	Belgium	100,00%	100,00%	-	100,00%	100,00%	-
Corio Lulin EOOD	Bulgaria	100,00%	100,00%	-	100,00%	100,00%	-
Steen & Strøm Holding AS	Denmark	56,10%	56,10%	-	100,00%	100,00%	-
Bryggen, Vejle A/S	Denmark	56,10%	56,10%	-	100,00%	100,00%	-
Bruun's Galleri ApS	Denmark	56,10%	56,10%	-	100,00%	100,00%	-
Field's Copenhagen I/S	Denmark	56,10%	56,10%	-	100,00%	100,00%	-
Viva, Odense A/S	Denmark	56,10%	56,10%	-	100,00%	100,00%	-
Field's Eier I ApS	Denmark	56,10%	56,10%	-	100,00%	100,00%	-
Field's Eier II A/S	Denmark	56,10%	56,10%	-	100,00%	100,00%	-
Steen & Strøm CenterUdvikling VI A/S	Denmark	56,10%	56,10%	-	100,00%	100,00%	-
Klecar Foncier Iberica SL	Spain	83,06%	83,06%	-	100,00%	100,00%	-
Klecar Foncier Espana SL	Spain	83,06%	83,06%	-	100,00%	100,00%	-
Klepierre Vallecas SA	Spain	100,00%	100,00%	-	100,00%	100,00%	-
Klepierre Molina SL	Spain	100,00%	100,00%	-	100,00%	100,00%	-
Klepierre Plenilunio Socimi SA	Spain	100,00%	100,00%	-	100,00%	100,00%	-
Principe Pio Gestion SA	Spain	95,00%	95,00%	-	95,00%	95,00%	-
Corio Torrelodones Office Suite SL	Spain	100,00%	100,00%	-	100,00%	100,00%	-
Corio Real Estate Espana SL	Spain	100,00%	100,00%	-	100,00%	100,00%	-
SC Nueva Condo Murcia SLU	Spain	100,00%	0,00%	100,00%	100,00%	0,00%	100,00%
Klepierre Nea Efkarpia AE	Greece	83,00%	83,00%	-	100,00%	100,00%	-
Klepierre Foncier Makedonia AE	Greece	83,01%	83,01%	-	100,00%	100,00%	-
Klepierre Athinon AE	Greece	83,00%	83,00%	-	100,00%	100,00%	-
Klepierre Peribola Patras AE	Greece	83,00%	83,00%	-	100,00%	100,00%	-
Nyiregyhaza Plaza KFT	Hungary	100,00%	100,00%	-	100,00%	100,00%	-
SA Duna Plaza ZRT	Hungary	100,00%	100,00%	-	100,00%	100,00%	-
CSPL 2002 KFT	Hungary	100,00%	100,00%	-	100,00%	100,00%	-
Sarl GYR 2002 KFT	Hungary	100,00%	100,00%	-	100,00%	100,00%	-
Uj Alba 2002 KFT	Hungary	100,00%	100,00%	-	100,00%	100,00%	-
Miskolc 2002 KFT	Hungary	100,00%	100,00%	-	100,00%	100,00%	-
Kanizsa 2002 KFT	Hungary	100,00%	100,00%	-	100,00%	100,00%	-
Klépierre Corvin KFT	Hungary	100,00%	100,00%	-	100,00%	100,00%	-
Corvin Vision KFT	Hungary	66,67%	66,67%	-	66,67%	66,67%	-
Klépierre Trading KFT	Hungary	100,00%	100,00%	-	100,00%	100,00%	-
Immobiliare Gallerie Commerciali S.p.A	Italy	100,00%	100,00%	-	100,00%	100,00%	-
Klecar Italia S.p.A	Italy	83,00%	83,00%	-	100,00%	100,00%	-
Klefin Italia S.p.A	Italy	100,00%	100,00%	-	100,00%	100,00%	-
Galleria Commerciale Di Collegno S.r.l	Italy	100,00%	100,00%	-	100,00%	100,00%	-
Galleria Commerciale Serravalle S.p.A	Italy	100,00%	100,00%	-	100,00%	100,00%	-
Galleria Commerciale Assago S.r.l	Italy	100,00%	100,00%	-	100,00%	100,00%	-
Galleria Commerciale Klepierre S.r.l	Italy	100,00%	100,00%	-	100,00%	100,00%	-
Galleria Commerciale Cavallino S.r.l	Italy	100,00%	100,00%	-	100,00%	100,00%	-
Galleria Commerciale Solbiate S.r.l	Italy	100,00%	100,00%	-	100,00%	100,00%	-
K2	Italy	95,06%	95,06%	-	95,06%	95,06%	-
Klepierre Matera S.r.l	Italy	100,00%	100,00%	-	100,00%	100,00%	-
Klepierre Caserta S.r.l	Italy	83,00%	83,00%	-	100,00%	100,00%	-
Shopville Le Gru S.r.l	Italy	100,00%	100,00%	-	100,00%	100,00%	-
Grandemilia S.r.l	Italy	100,00%	100,00%	-	100,00%	100,00%	-
Shopville Gran Reno S.r.l	Italy	100,00%	100,00%	-	100,00%	100,00%	-
Il Maestrale S.p.A.	Italy	100,00%	100,00%	-	100,00%	100,00%	-
Comes - Commercio e Sviluppo S.r.l	Italy	100,00%	100,00%	-	100,00%	100,00%	-
Globodue S.r.l	Italy	100,00%	100,00%	-	100,00%	100,00%	-
Globotre S.r.l	Italy	100,00%	100,00%	-	100,00%	100,00%	-
Generalcostruzioni S.r.l	Italy	100,00%	100,00%	-	100,00%	100,00%	-
B.L.O S.r.l	Italy	100,00%	100,00%	-	100,00%	100,00%	-
Corio Italia S.r.l	Italy	100,00%	100,00%	-	100,00%	100,00%	-
Reluxco International SA	Luxembourg	100,00%	100,00%	-	100,00%	100,00%	-
Storm Holding Norway AS	Norway	56,10%	56,10%	-	100,00%	100,00%	-
Steen & Strom AS	Norway	56,10%	56,10%	-	100,00%	100,00%	-
Slagenveien 2 AS	Norway	56,10%	56,10%	-	100,00%	100,00%	-

List of consolidated companies		% of interest			% of control		
Full Consolidated Companies	Country	06/30/2017	12/31/2016	Change	06/30/2017	12/31/2016	Change
Shopping centers - International							
Amanda Storsenter AS	Norway	56,10%	56,10%	-	100,00%	100,00%	-
Farmandstredet Eiendom AS	Norway	56,10%	56,10%	-	100,00%	100,00%	-
Nerstranda AS	Norway	56,10%	56,10%	-	100,00%	100,00%	-
Hamar Storsenter AS	Norway	56,10%	56,10%	-	100,00%	100,00%	-
Stavanger Storsenter AS	Norway	56,10%	56,10%	-	100,00%	100,00%	-
Vinterbro Senter DA	Norway	56,10%	56,10%	-	100,00%	100,00%	-
Steen & Strøm Mediapartner Norge AS	Norway	56,10%	56,10%	-	100,00%	100,00%	-
Oslo City Kjopesenter AS	Norway	56,10%	56,10%	-	100,00%	100,00%	-
Oslo City Parkering AS	Norway	56,10%	56,10%	-	100,00%	100,00%	-
Gulskogen Senter AS	Norway	56,10%	56,10%	-	100,00%	100,00%	-
Capucine B.V.	The Netherlands	100,00%	100,00%	-	100,00%	100,00%	-
Klepierre Nordica B.V.	The Netherlands	100,00%	100,00%	-	100,00%	100,00%	-
Corio Beleggingen I B.V.	The Netherlands	100,00%	100,00%	-	100,00%	100,00%	-
Corio Nederland Kantoren B.V.	The Netherlands	100,00%	100,00%	-	100,00%	100,00%	-
Klepierre Management Nederland B.V.	The Netherlands	100,00%	100,00%	-	100,00%	100,00%	-
Hoog Catharijne B.V.	The Netherlands	100,00%	100,00%	-	100,00%	100,00%	-
Klepierre Nederland B.V.	The Netherlands	100,00%	100,00%	-	100,00%	100,00%	-
Bresta I B.V.	The Netherlands	100,00%	100,00%	-	100,00%	100,00%	-
CCA German Retail I B.V.	The Netherlands	100,00%	100,00%	-	100,00%	100,00%	-
CCA German Retail II B.V.	The Netherlands	100,00%	100,00%	-	100,00%	100,00%	-
Klepierre Participaties I B.V.	The Netherlands	100,00%	100,00%	-	100,00%	100,00%	-
Klepierre Participaties II B.V.	The Netherlands	100,00%	100,00%	-	100,00%	100,00%	-
KLP Polska Sp. z o.o. Sadyba SKA w likwidacji	Poland	100,00%	100,00%	-	100,00%	100,00%	-
Klepierre Kraków Sp. z o.o. w likwidacji	Poland	100,00%	100,00%	-	100,00%	100,00%	-
KLP Polska Sp. z o.o. Poznań SKA	Poland	100,00%	100,00%	-	100,00%	100,00%	-
KLP Polska Sp. z o.o. Ruda Śląska sp.k.	Poland	100,00%	100,00%	-	100,00%	100,00%	-
Sadyba Best Mall Sp. z o.o. sp.k.	Poland	100,00%	100,00%	-	100,00%	100,00%	-
Klepierre Pologne Sp. z o.o.	Poland	100,00%	100,00%	-	100,00%	100,00%	-
KLP Polska Sp. z o.o. Rybnik SKA	Poland	100,00%	100,00%	-	100,00%	100,00%	-
Sosnowiec Property KLP Polska Sp. z o.o. sp.k.	Poland	100,00%	100,00%	-	100,00%	100,00%	-
KLP Polska Sp. z o.o. Movement SKA w likwidacji	Poland	100,00%	100,00%	-	100,00%	100,00%	-
KLP Polska Sp. z o.o. Lublin sp.k.	Poland	100,00%	100,00%	-	100,00%	100,00%	-
KLP Polska Sp. z o.o. Kraków sp.k.	Poland	100,00%	100,00%	-	100,00%	100,00%	-
Sadyba Best Mall Sp. z o.o.	Poland	100,00%	100,00%	-	100,00%	100,00%	-
KLP Poznań Sp. z o.o.	Poland	100,00%	100,00%	-	100,00%	100,00%	-
Ruda Śląska Property KLP Polska Sp. z o.o. sp.k.	Poland	100,00%	100,00%	-	100,00%	100,00%	-
KLP Investment Poland Sp. z o.o.	Poland	100,00%	100,00%	-	100,00%	100,00%	-
Rybnik Property KLP Polska Sp. z o.o. sp.k.	Poland	100,00%	100,00%	-	100,00%	100,00%	-
KLP Lublin Sp. z o.o.	Poland	100,00%	100,00%	-	100,00%	100,00%	-
KLP Polska Sp. z o.o.	Poland	100,00%	100,00%	-	100,00%	100,00%	-
IPOPEMA 96 Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych	Poland	100,00%	100,00%	-	100,00%	100,00%	-
Klelou Imobiliaria Spa SA	Portugal	100,00%	100,00%	-	100,00%	100,00%	-
Galeria Parque Nascente SA	Portugal	100,00%	100,00%	-	100,00%	100,00%	-
Gondobrico SA	Portugal	100,00%	100,00%	-	100,00%	100,00%	-
Klenord Imobiliaria SA	Portugal	100,00%	100,00%	-	100,00%	100,00%	-
Kletel Imobiliaria SA	Portugal	100,00%	100,00%	-	100,00%	100,00%	-
Kleminho Imobiliaria SA	Portugal	100,00%	100,00%	-	100,00%	100,00%	-
Corio Espaço Guimarães SA	Portugal	100,00%	100,00%	-	100,00%	100,00%	-
Klépierre Cz S.R.O.	Czech Republic	100,00%	100,00%	-	100,00%	100,00%	-
Klepierre Praha S.R.O.	Czech Republic	100,00%	100,00%	-	100,00%	100,00%	-
Klépierre Plzen AS	Czech Republic	100,00%	100,00%	-	100,00%	100,00%	-
Arcol Group S.R.O.	Slovakia	100,00%	100,00%	-	100,00%	100,00%	-
Nordica Holdco AB	Sweden	56,10%	56,10%	-	56,10%	56,10%	-
Steen & Strøm Holding AB	Sweden	56,10%	56,10%	-	100,00%	100,00%	-
FAB CentrumInvest	Sweden	56,10%	56,10%	-	100,00%	100,00%	-
FAB Emporia	Sweden	56,10%	56,10%	-	100,00%	100,00%	-
FAB Borlänge Köpcentrum	Sweden	56,10%	56,10%	-	100,00%	100,00%	-
FAB Marieberg Galleria	Sweden	56,10%	56,10%	-	100,00%	100,00%	-
FAB Allum	Sweden	56,10%	56,10%	-	100,00%	100,00%	-
FAB P Brodalen	Sweden	56,10%	56,10%	-	100,00%	100,00%	-
Partille Lexby AB	Sweden	56,10%	56,10%	-	100,00%	100,00%	-
FAB P Åkanten	Sweden	56,10%	56,10%	-	100,00%	100,00%	-
FAB P Porthälla	Sweden	56,10%	56,10%	-	100,00%	100,00%	-
Fastighets Västra Götaland AB	Sweden	56,10%	56,10%	-	100,00%	100,00%	-
Grytingen Nya AB	Sweden	36,35%	36,35%	-	64,79%	64,79%	-
FAB Lackeraren Borlänge	Sweden	56,10%	56,10%	-	100,00%	100,00%	-
FAB Centrum Västerort	Sweden	56,10%	56,10%	-	100,00%	100,00%	-
Klepierre Gayrimenkul Yönetimi ve Yatirim Ticaret AS	Turkey	100,00%	100,00%	-	100,00%	100,00%	-
Miratur Turizm Insaat ve Ticaret AS	Turkey	100,00%	100,00%	-	100,00%	100,00%	-
Tan Gayrimenkul Yatirim Insaat Turizm Pazarlama ve Ticaret AS	Turkey	51,00%	51,00%	-	51,00%	51,00%	-

List of consolidated companies	Country	% of interest			% of control		
Full Consolidated Companies		06/30/2017	12/31/2016	Change	06/30/2017	12/31/2016	Change
Service providers - International							
Klepierre Mall Management II GmbH	Germany	100,00%	100,00%	-	100,00%	100,00%	-
Klepierre Mall Management I GmbH	Germany	100,00%	100,00%	-	100,00%	100,00%	-
Projekt Arnekenstrasse Verwaltung GmbH	Germany	100,00%	100,00%	-	100,00%	100,00%	-
Klepierre Management Belgique SA	Belgium	100,00%	100,00%	-	100,00%	100,00%	-
Klepierre Finance Belgique SA	Belgium	100,00%	100,00%	-	100,00%	100,00%	-
Steen & Strøm CenterDrift A/S	Denmark	56,10%	56,10%	-	100,00%	100,00%	-
Steen & Strøm CenterService A/S	Denmark	56,10%	56,10%	-	100,00%	100,00%	-
Steen & Strøm Danemark A/S	Denmark	56,10%	56,10%	-	100,00%	100,00%	-
Klepierre Management Espana SL	Spain	100,00%	100,00%	-	100,00%	100,00%	-
Klepierre Management Hellas AE	Greece	100,00%	100,00%	-	100,00%	100,00%	-
Klepierre Management Magyarorszag KFT	Hungary	100,00%	100,00%	-	100,00%	100,00%	-
KFI Hungary KFT	Hungary	100,00%	0,00%	100,00%	100,00%	0,00%	100,00%
Klepierre Management Italia S.r.l	Italy	100,00%	100,00%	-	100,00%	100,00%	-
Klepierre Finance Italia S.r.l	Italy	100,00%	0,00%	100,00%	100,00%	0,00%	100,00%
Steen & Strøm Senterservice AS	Norway	56,10%	56,10%	-	100,00%	100,00%	-
Steen & Strom Norge AS	Norway	56,10%	56,10%	-	100,00%	100,00%	-
Klepierre Vastgoed Ontwikkeling B.V.	The Netherlands	100,00%	100,00%	-	100,00%	100,00%	-
Klepierre Management Polska Sp. z o.o.	Poland	100,00%	100,00%	-	100,00%	100,00%	-
Klepierre Management Portugal SA	Portugal	100,00%	100,00%	-	100,00%	100,00%	-
Klepierre Management Ceska Républika S.R.O.	Czech Republic	100,00%	100,00%	-	100,00%	100,00%	-
Klepierre Energy CZ S.R.O.	Czech Republic	100,00%	0,00%	100,00%	100,00%	0,00%	100,00%
Klepierre Management Slovensko S.R.O.	Slovakia	100,00%	100,00%	-	100,00%	100,00%	-
Steen & Strøm Sverige AB	Sweden	56,10%	56,10%	-	100,00%	100,00%	-

List of consolidated companies	Country	% of interest			% of control		
Equity Method Companies: jointly controlled		06/30/2017	12/31/2016	Change	06/30/2017	12/31/2016	Change
Cécobil SCS	France	50,00%	50,00%	-	50,00%	50,00%	-
Du Bassin Nord SCI	France	50,00%	50,00%	-	50,00%	50,00%	-
Le Havre Vauban SNC	France	50,00%	50,00%	-	50,00%	50,00%	-
Le Havre Lafayette SNC	France	50,00%	50,00%	-	50,00%	50,00%	-
La Plaine du Moulin à Vent SCI	France	50,00%	50,00%	-	50,00%	50,00%	-
Girardin SCI	France	33,40%	33,40%	-	33,40%	33,40%	-
Société Immobilière de la Pommeraie SC	France	50,00%	50,00%	-	50,00%	50,00%	-
Parc de Coquelles SNC	France	50,00%	50,00%	-	50,00%	50,00%	-
Kleprim's SCI	France	50,00%	50,00%	-	50,00%	50,00%	-
Celsius Le Murier SNC	France	40,00%	40,00%	-	40,00%	40,00%	-
Celsius Haven SNC	France	40,00%	40,00%	-	40,00%	40,00%	-
Pivoines SCI	France	33,33%	33,33%	-	33,33%	33,33%	-
Clivia S.p.A	Italy	50,00%	50,00%	-	50,00%	50,00%	-
Galleria Commerciale Il Destriero S.p.A	Italy	50,00%	50,00%	-	50,00%	50,00%	-
CCDF S.p.A	Italy	49,00%	49,00%	-	49,00%	49,00%	-
Galleria Commerciale Porta di Roma S.p.A	Italy	50,00%	50,00%	-	50,00%	50,00%	-
Galleria Commerciale 9 S.r.l	Italy	50,00%	50,00%	-	50,00%	50,00%	-
Italian Shopping Centre Investment S.r.l	Italy	50,00%	50,00%	-	50,00%	50,00%	-
Holding Klege S.r.l	Luxembourg	50,00%	50,00%	-	50,00%	50,00%	-
Nordbyen Senter 2 AS	Norway	28,05%	28,05%	-	50,00%	50,00%	-
Metro Senter ANS	Norway	28,05%	28,05%	-	50,00%	50,00%	-
Økern Sentrum Ans	Norway	28,05%	28,05%	-	50,00%	50,00%	-
Økern Eiendom ANS	Norway	28,05%	28,05%	-	50,00%	50,00%	-
Metro Shopping AS	Norway	28,05%	28,05%	-	50,00%	50,00%	-
Nordbyen Senter DA	Norway	28,05%	28,05%	-	50,00%	50,00%	-
Økern Sentrum AS	Norway	28,05%	28,05%	-	50,00%	50,00%	-
Nordal ANS	Norway	28,05%	28,05%	-	50,00%	50,00%	-
Klege Portugal SA	Portugal	50,00%	50,00%	-	50,00%	50,00%	-

List of consolidated companies	Country	% of interest			% of control		
Equity Method Companies: significant influence		06/30/2017	12/31/2016	Change	06/30/2017	12/31/2016	Change
La Rocade SCI	France	38,00%	38,00%	-	38,00%	38,00%	-
La Rocade Ouest SCI	France	36,73%	36,73%	-	36,73%	36,73%	-
Du Plateau SCI	France	19,65%	19,65%	-	30,00%	30,00%	-
Achères 2000 SCI	France	30,00%	30,00%	-	30,00%	30,00%	-
Le Champs de Mais SC	France	40,00%	40,00%	-	40,00%	40,00%	-
Société du bois des fenêtres SARL	France	20,00%	20,00%	-	20,00%	20,00%	-
Step In SAS	France	24,50%	0,00%	24,50%	24,50%	0,00%	24,50%
Akmerkez Gayrimenkul Yatirim Ortakligi AS	Turkey	46,92%	46,92%	-	46,92%	46,92%	-

List of deconsolidated companies at 06/30/2017		% of interest		% of control		
	Country	06/30/2017	12/31/2016	06/30/2017	12/31/2016	Comments
Corio SAS	France	0,00%	100,00%	0,00%	100,00%	Merged
SSI Lillestrøm Torv AS	Norway	0,00%	56,10%	0,00%	100,00%	Disposed
Phasmatidae Holding AB	Sweden	0,00%	56,10%	0,00%	100,00%	Disposed

III STATUTORY AUDITORS’ REVIEW REPORT

KLÉPIERRE

Société Anonyme
26, boulevard des Capucines
75009 Paris

Statutory Auditors' review report on the first half-year financial information

Period from January 1 to June 30, 2017

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

ERNST&YOUNG AUDIT
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DELOITTE & ASSOCIÉS
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92200 Neuilly-sur-Seine

KLÉPIERRE

Société Anonyme

29 boulevard des Capucines
75009 Paris

Statutory Auditors' review report on the first half-year financial information

To the Shareholders,

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

- our review of the accompanying condensed half-yearly consolidated financial statements of Klépierre covering the period from January 1 to June 30, 2017;
- the verification of the information contained in the half-year management report.

These condensed half-year consolidated financial statements are the responsibility of the Management Board. Our role is to express a conclusion on these financial statements based on our review.

1. Conclusion on the financial statements

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

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

2. Specific verification

We have also verified the information given in the half-year management report commenting the condensed half-year consolidated financial statements subject to our review.

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

Signed in Paris-La-Défense and Neuilly-sur-Seine, July 27, 2017

The statutory auditors

French original signed by

ERNST & YOUNG Audit	**Deloitte & Associés**	
Bernard Heller	Joël Assayah	José Luis Garcia

IV PERSONS RESPONSIBLE FOR AUDITS & FINANCIAL DISCLOSURES

Paris – July 31, 2017

I certify that, to the best of my knowledge, these condensed consolidated financial statements for the 1st half of the year, have been drawn up in accordance with the applicable accounting standards and accurately reflect the assets, financial position and earnings of the company and all of its consolidated subsidiaries, and that the attached interim management report presents a faithful description of the important events arisen during the first six months of the fiscal year, their incidence on the accounts, the main related-party transactions as well as a description of the principal risks and uncertainties for the remaining six months of the fiscal year.

Jean-Marc JESTIN
Chairman of the Executive Board

PERSONS RESPONSIBLE FOR AUDITS

STATUTORY AUDITORS

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185, avenue Charles de Gaulle
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572028041 R.C.S. NANTERRE
José Luis Garcia/Joël Assayah
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End of term: fiscal year 2021.

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344366315 R.C.S. NANTERRE
Bernard Heller
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End of term: fiscal year 2021.

ALTERNATE STATUTORY AUDITORS

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410 105 894 RCS Nanterre
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End of term: fiscal year 2021.

PERSON RESPONSIBLE FOR FINANCIAL DISCLOSURES

Jean-Michel GAULT
Member of the Executive Board, Deputy CEO
Tel: +33 1 40 67 55 05